ANNUAL REPORT
2019/20

Softlogic
Capital

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Vision

To provide extraordinary investment gains to our stakeholders by innovating and delivering “best value” financial solutions to the customers in our sector.

Mission

- **People:** Create a great place to work where people are inspired to be the best they can be.

- **Portfolio:** Acquire and develop a unique range of financial services that anticipate and satisfy customers desires and needs.

- **Profit:** Maximize and deliver sustainable returns to our shareholders.

- **Productivity:** Be a highly effective, lean and fast-moving team.

Our Story

Softlogic Capital PLC was incorporated as Capital Reach Holdings Limited in April 2005 as an Investment Holding Company. Subsequently, in August 2010, Softlogic Holdings PLC acquired the Company under its objective to form a fully-fledged finance arm to the greater Softlogic Group. The ordinary shares of the Company were listed on the Diri Savi Board of the Colombo Stock Exchange on September 2011.

Softlogic Capital PLC is the financial services sector holding company of the Softlogic Group. Softlogic Capital's portfolio of financial services comprises of Softlogic Finance PLC, a Licensed Finance Company under the purview of Central Bank of Sri Lanka; Softlogic Life Insurance PLC, an insurer licensed for Life Insurance by the Insurance Board of Sri Lanka; Softlogic Stockbrokers (Pvt) Ltd, a stock broking company licensed and operating on the Colombo Stock Exchange and Softlogic Invest, an Unit Trust Managing Company licensed by Securities and Exchange Commission of Sri Lanka.

Softlogic Capital PLC is licensed by Securities and Exchange Commission of Sri Lanka as a Market Intermediary under the Investment Manager category.

Softlogic Capital

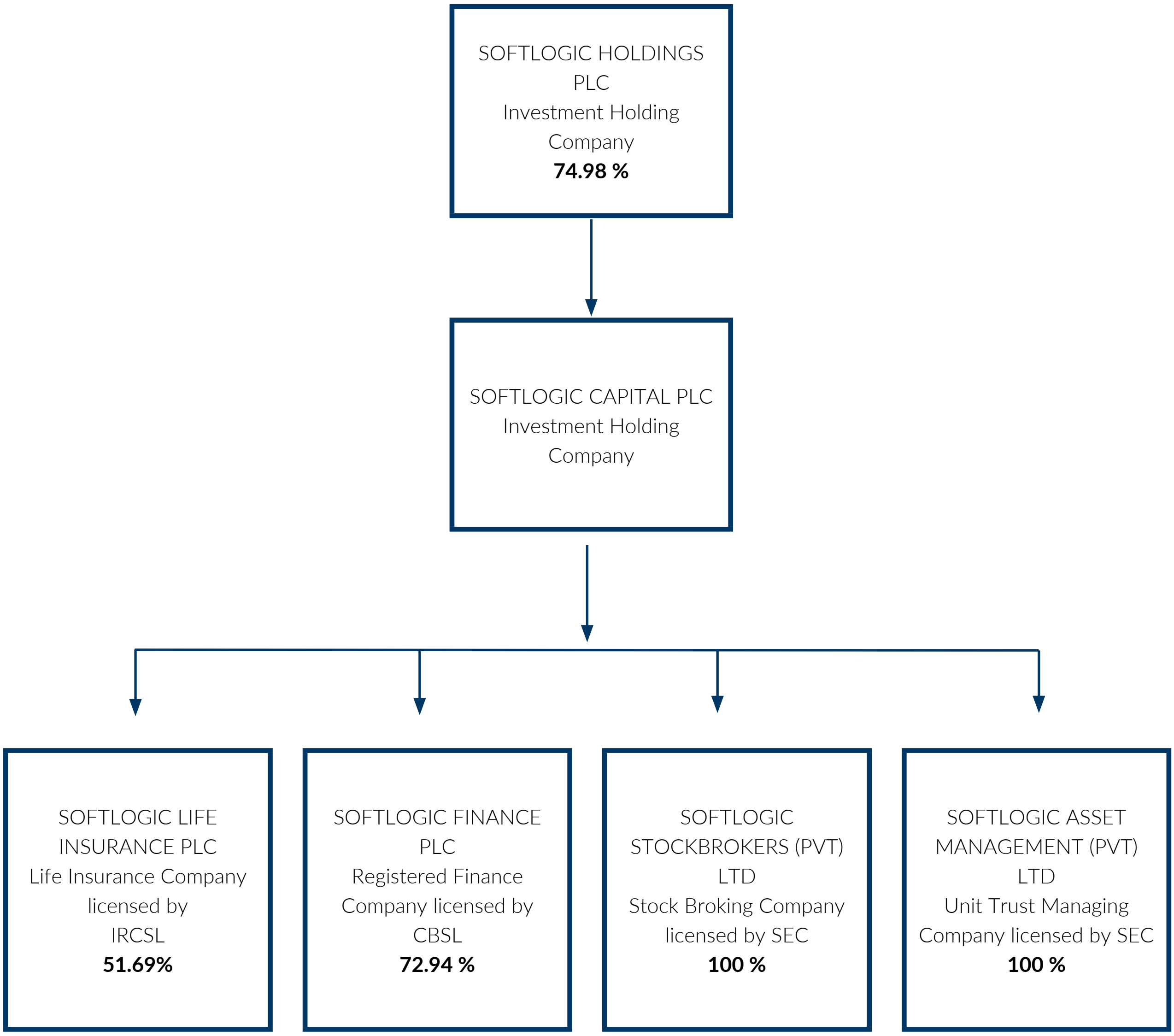
softlogic LIFE

Softlogic Finance

Softlogic Stockbrokers

softlogic INVEST

Group Structure



Financial Highlights

		2019/20	2018/19	%
FINANCIAL PERFORMANCE AND RATIOS				
Total revenue	Rs. Mn	17,777	15,021	18
Net operating income	Rs. Mn	8,298	7,302	14
Profit before interest and tax	Rs. Mn	4,245	3,723	14
Profit before tax	Rs. Mn	1,370	1,033	33
Income tax expense/(income)	Rs. Mn	202	(2,169)	(109)
Profit after tax	Rs. Mn	1,168	3,202	(64)
Profit for the year attributable to equity holders	Rs. Mn	377	1,579	(76)
Net operating income margin	%	47	49	(4)
Net profit margin	%	7	21	(69)
Earnings per share	Rs.	0.55	2.30	(76)
Return on equity (ROE) *	%	11	34	(68)
Return on capital employed (ROCE)**	%	12.74	12.30	4
FINANCIAL POSITION AND RATIOS AS AT THE YEAR END				
Total assets	Rs. Mn	50,036	42,028	19
Total equity	Rs. Mn	10,527	9,355	13
Shareholders' funds	Rs. Mn	5,438	5,178	5
Total interest bearing borrowings	Rs. Mn	5,749	3,899	47
Public deposits	Rs. Mn	17,035	17,002	0
Insurance contract liability	Rs. Mn	13,134	8,310	58
Net asset value per share	Rs.	7.90	7.52	5
Debt : Equity***	No of times	2.16	2.23	(3)
SHARE INFORMATION				
Market value per share				
Highest value recorded during the year	Rs.	5.90	6.50	(9)
Lowest value recorded during the year	Rs.	4.00	5.00	(20)
Value as at end of the year	Rs.	4.00	5.50	(27)
No. of shares in issue	Mn	688.16	688.16	-
Market capitalisation	Rs. Mn	2,752.64	3,784.88	(27)
Price to book value	No of times	0.51	0.73	(31)
Price earnings ratio	No of times	7.27	2.40	204

* ROE calculated as a percentage of PAT to total equity

** ROCE calculated as a percentage of PBIT to total capital employed (total equity plus total interest bearing borrowings and public deposits)

*** Debt to equity is computed based on total equity and total debt (interest bearing borrowings and public deposits)

Message from the Chairman

The 13th Annual General meeting of our company Softlogic Capital PLC for the financial year 2019/20 is being held in unprecedented times, with the entire world in the grip of a pandemic whilst last year the local economy was affected by the Easter attacks. Sri Lanka has done well in handling the COVID 19 crisis and we are confident that the business activity that has resumed will gradually get back to normal.

In the arena of financial services the companies in this sector have had a relatively good year with COVID 19 impacting the tail end of the financial year.

The Group recorded its highest ever consolidated revenue of Rs. 17.8 billion during 2019/2020, in comparison to the revenue of Rs. 15 billion reported the previous year.

The Group Profit After tax declined to Rs. 1,168 million for the year 2019/20 which is a 63% decline compared to PAT of Rs. 3,202 million. However after normalising for a deferred tax element in the previous year Group profit before tax increased by 33% from Rs. 1,033 million to Rs. 1,370 million.

As at the end of the financial year under review, the Group recorded a total asset base of Rs. 50,036 million. This was in comparison to the total asset base of Rs. 42,028 million held at the end of the previous financial year.

The total equity attributable to equity holders of the parent company stood at Rs. 5,438 million as at 31 March 2020. This indicated a net asset per share of Rs. 7.90 which was a 5% increase over the net assets per share of Rs. 7.52 as at end of the previous financial year.

Only the insurance company generated a profit for the year to the Group amounting to Rs. 1,918 Million whereas the other companies faced challenges during the year.

Softlogic Life has achieved a remarkable milestone in its history by becoming the 3rd largest life insurer in the year under review, climbing two key positions up the insurance league table during 2019 while gaining the distinction as the only company in Sri Lanka to be featured in Forbes Asia's 'Best Under A Billion 2019' list.

We have had to press the re-set button at Softlogic Finance as the Company has not performed well and we now have in place one of the most experienced and capable teams to take us to our business goals. During the tough times our commitment to our customers and deposit holders has remained paramount with the Company always carrying extra liquidity to service our customers at all times.

Softlogic Stockbrokers also had to bear the brunt of the soft economy last year but we are happy to note that the CSE has resumed its stride following the competition of the presidential and parliamentary elections.

We have now launched Softlogic Invest that operates two Unit Trusts and will also have a Fund Management business. We are very keen to take capital markets to the absolute retail level by introducing investments that start at just Rs. 5,000.

As we navigate the future, we remain focused on delivering on the goals and aspirations of our stakeholders – from customers and employees to the community. We will continue to explore unique product propositions, backed by our investments in talent and technology on our journey towards sustainable growth.

As I have reiterated on numerous occasions, our business is all about people. The Management and staff of the Group have some tough goals to achieve as we chart the course for a sustainable future in what will be a challenging environment. The contributions made by the Directors in all our companies is hence greatly valued.

There are many stakeholders who have supported us in many ways and we are sincerely grateful for their support and cooperation. While we will probably see some demanding conditions in the year ahead, we remain resolute to forge ahead and achieve sustainable results in all our businesses.

(Sgd.)
Ashok Pathirage
Chairman

Colombo
28 August 2020

Board of Directors

Mr. Ashok Pathirage

Mr. Ashok Pathirage, recognised as a visionary leader of Sri Lanka's corporate world, is the founding member and Chairman/Managing Director of Softlogic Group, one of Sri Lanka's leading conglomerates. He manages over 50 companies with a pragmatic vision providing employment to more than 11,000 employees. Mr. Pathirage manages and gives strategic direction to the Group which has a leading market presence in six core and non-core vertical sectors - Retail, Healthcare Services, Financial Services and IT, Leisure and Automobiles. Asiri Hospital chain is the country's leading private healthcare provider which has achieved technological milestones in medical innovation in Sri Lanka's private healthcare. He is the Chairman/Managing Director of Softlogic Holdings PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Odel PLC. He also serves as the Chairman of Softlogic Life Insurance PLC in addition to the other Companies on the Group. He is also the Chairman of NDB Capital Holdings Limited, Sri Lankan Airlines Limited and Sri Lanka Catering Limited, He was the Deputy Chairman of National Development Bank PLC.

Mr. Iftikar Ahamed

Mr. Iftikar Ahamed heads the Financial Services Sector of the Softlogic Group and is the Managing Director of Softlogic Capital PLC, which is the financial services holding company of the group that has interests in Insurance, Leasing and Finance and Stockbroking. He is also the Managing Director of Softlogic Life Insurance PLC and Director of Softlogic Stockbrokers (Pvt) Ltd and Softlogic Asset Management (Pvt) Ltd. He counts over 30 years of experience in a wide range of métiers within the financial services industry and has extensive banking experience both in Sri Lanka and overseas, having held senior management positions as Deputy Chief Executive Officer at Nations Trust Bank PLC and Senior Associate Director at Deutsche Bank AG. He holds an MBA from the University of Wales, UK.

Mr. Ranjan Perera

Mr. Ranjan Perera is a co-founder of Softlogic and is an Executive Director since inception and also holds many Board Directorships in subsidiaries of the Softlogic Group. He is the Sector Head of the Group's Mobile Phone Operations and Managing Director of Softlogic International (Pvt) Ltd. With the extensive knowledge in Senior Managerial positions and having over two decades of experience in the telecommunication field, he handles world renowned brands in the mobile industry.

He also contributes to the Retail Sector of the Softlogic Group and is heading the Softlogic Consumer Electronics Dealer Business and also the FMCG Channel, Higher Purchase Division and the Service Centre Operations. Having vast experience in the area of Supply Chain Management and Logistics, he heads the Group's logistics and warehouse operations.

Mr. Lucille Wijewardena

Mr. Lucille Wijewardena is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a Masters Degree in Business Administration (MBA) from the Post Graduate Institute of Management, University of Sri Jayawardenapura. In his career spanning 35 years, he has held many Senior Management positions in areas of Finance and General Management. He served as the Managing Director of Hayleys Plantations, Talawakelle Plantations Ltd and Pussellawa Plantations Ltd. He served as the Chairman of the Sri Lanka Tea Board. He also held the post of Chairman of Mahaweli Marine Cement Company Ltd and Group Chief Accountant of Carson Cumberbatch & Co. Ltd.

Currently, he is the Chairman of Softlogic Stockbrokers (Pvt) Ltd. and Managing Director of Anuga Holdings (Pvt) Ltd. He also serves on the Press Complaint Commission of Sri Lanka as a member of the Dispute Resolution Committee.

Mr. Ajita Mahes Pasqual

Mr. Ajita Mahes Pasqual possesses 31 years of experience in the Banking Sector with 22 years in Senior Management positions with HSBC Bank in Corporate Banking, Trade Finance and Treasury. He held the position of Director/General Manager/CEO of Seylan Bank PLC from January 2004 to December 2012. Also, he held the position of Consultant of Nations Lanka Finance PLC. Currently, he serves as the Chairman of Adam Investment PLC, Adam Capital PLC and Adam Carbons (Pvt) Ltd.

He possesses a B.Sc in Business Administration and Economics from Manchester College, N Manchester, Indiana, USA.

Mr. Harris Premaratne

Mr. Harris Premaratne has over 40 years of banking experience with commercial banks. Mr. Premaratne is an Associate of the Chartered Institute of Bankers of London. He served as Senior Deputy General Manager of Commercial Bank of Ceylon and as the Managing Director of Sampath Bank PLC from 2009 to December 2011. He also served as the Chief Executive Officer of Cargills Bank Limited from 2012 to December 2014. He also served as the Deputy Chairman of Softlogic Finance PLC and Pan Asia Banking Corporation PLC.

He held the position of Chairman of the Sri Lanka Banks' Association. He serves the Board of Softlogic Holdings PLC, Asiri Hospitals Holdings PLC, Asiri Surgical Hospital PLC, Asiri Central Hospital PLC, Softlogic Capital PLC and Central Hospital Limited.

Board of Directors

Mr. Aaron Russell-Davison

Mr. Russell-Davison has over twenty five years of international banking experience, and was most recently the Global Head of Debt Capital Markets for Standard Chartered Bank, based in Singapore. Other senior positions in Origination, Syndicate, Trading, Sales, Portfolio Management and Brokerage were held in Hong Kong, Singapore and London during his career.

Currently, he is the Chairman of Softlogic Finance PLC, Director of Softlogic Holdings PLC and Director of Amana Bank PLC.

He holds a Bachelor of Arts (Asian Politics and History) from the University of Western Australia.

Mr. Shanker Somasunderam

Mr. Somasunderam studied and qualified in the United Kingdom as a Chartered Management Accountant and became a Fellow Member of CIMA (U.K.).

In 1994, he founded Lanka Bell Ltd and was an Executive Director and became the Deputy Chairman of Lanka Bell Ltd until he divested his shares in Lanka Bell in 2005.

He acquired controlling interest of Browns Group of Companies in 2005 and was appointed to the Board of Browns Group of Companies as the Deputy Chairman and thereafter appointed as the Group Director from 1st July 2006. He divested his stake in Browns Group of Companies in December 2015.

Currently, Mr. Somasunderam is the Chairman and Managing Director of Bricks Developers (Pvt) Ltd, a Property Development Company which is engaged in the business of building apartments.

Mr. Aashiq Lafir

Mr. Aashiq Lafir joined Softlogic in 2018, and counts over 30 years of senior managerial experience in companies with diverse operations as a Finance and Operational Specialist.

Mr. Lafir is a Fellow of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), the Chartered Institute of Management Accountants (CIMA), UK and Chartered Global Management Accountant (CGMA), USA. He also holds a Masters Degree in Business Administration from the University of Sri Jayawardenapura.

Mr. Lafir is also the Chairman of Skills International (Pvt) Ltd and is the former Executive Director – Finance of United Motors Lanka PLC. He is an immediate past president of the Sri Lanka-Malaysia Business Council.

Corporate Governance

Governance Framework

Softlogic Capital has a well-defined and well-structured corporate governance framework in place to support the Board's aim of achieving long term and sustainable shareholder value. Even though the framework is robust, it is imperative that it is supported by the right culture, values and behaviours, both at the top and throughout the entire organisation.

The Company places strong emphasis on complying with the requirements of the Code of Best Practices on Corporate Governance Code jointly issued by the Securities and Exchange Commission (SEC) and the Institute of Chartered Accountants of Sri Lanka (CASL) as well as the rules on Corporate Governance issued by the Colombo Stock Exchange (CSE). Although the organization monitors its compliance with these mandatory requirements, our corporate governance process is intensified further as a system of checks and balances in order to ensure that the Company's sound corporate governance practices are in the best interests of all our stakeholders and the organisation as a whole.

The Company's approach to manage financial and non-financial resources ensures the alignment of Company objectives with the long-term interests of its stakeholders. This creates an environment where every transaction with every stakeholder can be seen as an opportunity to support the sustainable development of the economy in which the Company operates.

Our corporate governance framework is structured in a manner which reflects both the governing body and the system in which it operates. While it is closely connected to the assignment of rights and responsibilities across the organization and other partners, the framework strives to provide challenge, clarity and accountability to all stakeholders.

Code of Best Practice on Corporate Governance (Issued jointly by the SEC and CASL)						
The Company				**Shareholders**		**Sustainability Reporting**
The Board	Directors' Remuneration	Relations with Shareholders	Accountability and Audit	Institutional Investors	Other Investors	
Principle A1- A11	Principle B1-B3	Principle C1-C3	Principle D1-D6	Principle E1-E2	Principle F1-F2	Principle G

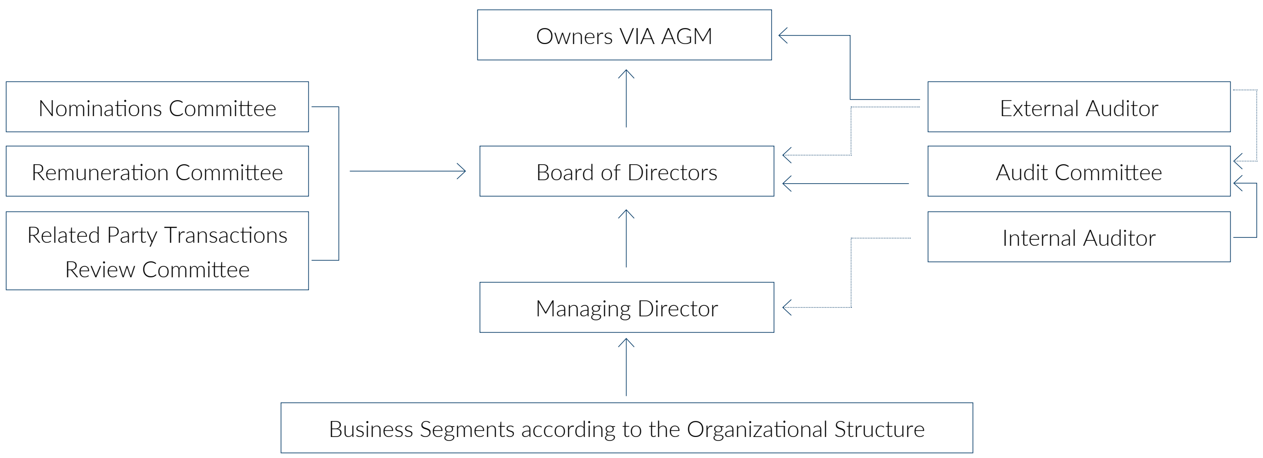
The Board

An Effective Board (Principle A.1)

The Board of Softlogic Capital PLC comprises of 9 renowned professionals whose profiles are given on pages 07 to 08. Directors are elected by shareholders at the Annual General Meeting, with the exception of the Managing Director who is appointed by the Board, and remain as Executive Director until expiry or termination of such appointments. Casual vacancies are filled by the Board, based on the recommendations of the Board Nomination Committee as provided for in the Articles of Association.

The Board provides strategic direction and sets in place a sufficiently robust governance structure and policy framework to facilitate value creation to stakeholders in accordance with applicable laws and regulations.

Governance Framework



Board Sub-Committees

There are 4 Board Sub-Committees that have been established considering the business needs of the Company and best practice in corporate governance as described below.

Board Sub-Committee	Areas of Oversight	Composition
Audit Committee - AC	• Financial Reporting • Internal Controls • Internal Audit • External Audit Refer the report of the AC on pages 22 to 25 for more information	Comprises 03 Independent Non-Executive Directors and 01 Non- Executive Director. The Managing Director, Head of Finance and Group Head of Internal Audit attend the meetings by invitation together with other relevant Key Management Personnel (KMP). The Company Secretary acts as the Secretary to the Committee.
Nomination Committee – NC	• Selection and appointment of Directors and KMP • Succession planning • Evaluating the effectiveness of the Board and its Committees Refer the report of the NC on page 26 for more information.	Comprises 02 Independent Non-Executive Directors and 01 Non- Executive Director. Executive support is provided by the Human Resources Department whenever required. The Company Secretary acts as the Secretary to the Committee.
Remuneration Committee – RC	• Remuneration of Managing Director and KMP • HR Policies including Remuneration Policy • Organisational structure Refer the report of the RC on page 27 for more information.	Comprises 02 Independent Non-Executive Directors and 01 Non- Executive Director. The Company Secretary acts as the Secretary to the Committee.
Related Party Transactions Review Committee - RPTRC	• Related Party Transactions Policy and Processes • Market disclosures on related party Transactions • Quarterly and annual disclosures of related party transactions • Refer the report of the RPTRC on pages 28 and 29 for more information.	Comprises 03 Independent Non-Executive Directors. The Company Secretary acts as the Secretary to the Committee.

Regular Meetings

(Principle A 1.1)

During 2019/20 the Board held 04 scheduled meetings. The Board Committees also met regularly as summarized below.

Details of the Main Board and Board Sub-Committees as at March 31, 2020

	Main Board		Board Audit Committee		Board Nomination Committee		Board Remuneration Committee		Board Related Party Transactions Review Committee	
	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA
Mr. A K Pathirage	C	30-Aug-10			C	03-May-11	C	03-May-11		
Mr. T M I Ahamed	M	30-Aug-10	I						I	
Mr. R J Perera	M	30-Aug-10								
Mr. W L P Wijewardena	M	04-Mar-11	C	03-May-11	M	03-May-11	M	03-May-11	C	06-Feb-14
Mr. A M Pasqual	M	17-Mar-11	M	03-May-11	M	03-May-11	M	03-May-11	M	06-Feb-14
Mr. H Premaratne	M	28-Oct-14	M	04-Nov-14						
Mr. A Russell-Davison	M	24-Jan-17								
Mr. V S Somasunderam	M	10-Sep-17	M	01-May-18					M	30-May-18
Mr. A C M Lafir	M	02-July-18								

DOA – Date of Appointment

Status – C – Chairman/M – Member/I – Participated by Invitation

Composition of the Main Board and Board Sub-Committee as at March 31, 2020

	Executive Members	Non-Executive Members	Independent Members	Non-Independent Members	Gender		Age Group	
					Male	Female	Below 60 Years	Over 60 Years
Main Board	1	8	3	5	9	Nil	5	4
Board Audit Committee	1*	4	3	1	4	Nil	Nil	4
Board Nomination Committee	Nil	3	2	1	3	Nil	1	2
Board Remuneration Committee	Nil	3	2	1	3	Nil	1	2
Board-Related Party Transactions Review Committee	1*	3	3	Nil	3	Nil	Nil	3

* Attended by invitation

Corporate Governance

Number of Meetings Held and Attendance

	Main Board		Board Audit Committee		Board Nomination Committee		Board Remuneration Committee		Board Related Party Transactions Review Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr. A K Pathirage	4	4			1	1	1	1		
Mr. T M I Ahamed	4	4								
Mr. R J Perera	4	3								
Mr. W L P Wijewardena	4	4	4	4	1	1	1	1	4	4
Mr. A M Pasqual	4	4	4	4	1	1	1	1	4	4
Mr. H Premaratne	4	4	4	4						
Mr. A Russell-Davison	4	4								
Mr. V S Somasunderam	4	2	4	3					4	3
Mr. A C M Lafir	4	4								

Board Responsibilities

(Principle A 1.2)

Role of the Board

- Represent and serve the interests of the shareholders by overseeing and appraising the Company's strategies, policies and performance
- Optimise performance and build sustainable value for shareholders in accordance with the regulatory framework and internal policies
- Establishing an appropriate governance framework encompassing compliance with the Company's values
- Ensure regulators are apprised of the Company's performance and any major developments

Key Board Responsibilities

- Formulation and implementation of a sound business strategy;
- Ensure that the Managing Director (MD) and management team possess the skills, experience and knowledge to implement the strategy;
- Adoption of an effective MD and Key Management Personnel succession strategy;
- Set up effective systems to secure integrity of information, internal controls, business continuity and risk management;
- Compliance with laws, regulations and ethical standards;
- Ensure all stakeholder interests are considered in corporate decisions;
- Add sustainable business development in Corporate Strategy, decisions and activities;
- Ensure the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations
- Selection, appointment and evaluation of the performance of the Managing Director
- Developing a suitable corporate governance framework and policies
- Appointment and oversight of External Auditors
- Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.

Powers Reserved for the Board

- Approving major capital expenditure, acquisitions and divestitures and monitoring capital management
- Appointment of Board Secretary
- Power to seek professional advice in appropriate circumstance at the expense of the Company
- Review, amend and approval of governance structures and policies

The Board provides guidance in formulating the Company's 3 year strategic plan which is prepared and presented by the Corporate Management to the Board who reviews and approves the same at a Special Board meeting convened for the purpose. Performance vis-à-vis the strategic plan is monitored at Quarterly Board meetings whilst specialised areas identified for oversight by Board Sub-Committees have been monitored and progress and concerns reported to the Board.

The Board is assisted by the following Sub-Committees in fulfilling their role:

- The Board Audit Committee assists the Board in ensuring effective systems to secure integrity of information, internal controls and adopting appropriate accounting policies and fostering compliance with financial regulation.

- The Board Nomination Committee supports the Board in ensuring that the Managing Director and other Key Management Personnel have the necessary skills, experience and knowledge to implement strategy and also reviews succession plans for the Company and for the Managing Director and Key Management Personnel.
- The Board Remuneration Committee assists the Board in formulating formal and transparent procedure for developing policy on remuneration for executive directors, senior management and other staff of the Company. They recommend annual increments, bonuses and changes in prerequisites and incentives and ensure that no director is involved in setting his own remuneration package.
- Board Related Party Transactions Review Committee assists the Board in reviewing all related party transactions carried out by the Company in terms of the CSE Listing rules that required mandatory compliance.

Act in Accordance with Laws

(Principle A.1.3)

The Board is collectively and individually committed to meet all compliance requirements applicable to the Company. Furthermore, the Board is empowered to seek independent professional advice from external parties whilst performing their duties for effective directorship functions at the Company's expense.

Access to advice and services of Company Secretary

(Principle A.1.4)

All Directors are able to obtain the advice and services of the Company Secretary and the appointment and removal of the Company Secretary are matters involving the whole Board under recommendation of the Board Nomination Committee as it is a Key Management Position. The Company Secretary's responsibilities are summarised below:

- Matters pertaining to the conduct of Board Meetings and General Meetings
- Conduct of proceedings in accordance with the Articles of Association and relevant legislation
- Co-ordinating the publication and distribution of the Company's Annual Report
- Maintaining registers of shareholders, company charges, Directors and secretary, Directors' interests in shares and debentures, interests in voting shares, debenture holders, interests register and the seal register
- Filing statutory returns/information with the Registrar General of Companies
- Adoption of best practice on corporate governance including facilitating and assisting the Directors with respect to their duties and responsibilities, in compliance with relevant legislation and best practice
- Acting as a channel of communication and information for Non-Executive Directors and shareholders
- Disclosures on related parties and related party transactions as required by laws and regulations
- Monitoring and ensuring compliance with the listing rules and managing relations with the CSE
- Obtaining legal advice in consultation with the Board on company law, SEC, CSE and other relevant legislations in ensuring that the Company complies with all applicable laws and regulations

Independent judgment

(Principle A.1.5)

The Board comprises of senior professionals who are well recognised personalities in their respective field and collectively contribute their skills, perspectives and experience to the Board enriching the discussion and debate on matters set before them. As experienced professionals, they bring their independent judgment on issues of strategy, performance, resources, key appointments and standards of business conduct into the Company. The composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors and minimises the tendency for one or few members of the Board to dominate the Board processes or decision-making

Dedicate Adequate Time and Effort to Matters of the Board and the Company

(Principle A.1.6)

All Directors have invested adequate time and effort to matters of the Board and the Company, to ensure that their duties and responsibilities owed to the Company are satisfactorily discharged and are aware of the importance of dedicating sufficient time before a meeting to review Board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting. Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting to ensure that Directors have sufficient time to review the same and call for additional information or clarifications, if required. While there is provision to circulate Board papers closer to the meeting, in exceptional circumstances, this is generally discouraged. Members of the Corporate Management and external experts make representations to the Board and Board Sub-Committees on the business environment, regulatory changes, operations and other developments on a regular basis to facilitate enhancing the knowledge of the Board on matters relevant to the Company's operations. Furthermore, the Directors on a regular basis are involved in evaluating Board memorandums and circular resolutions.

Training for Directors

(Principle A.1.7)

Every Director receives appropriate training when first appointed to the Board, and subsequently as necessary relating to both general aspects of directorship and matters specific to the Company. The Board regularly reviews and agree the training and development needs of the Directors and based on the assessment all directors have adequate knowledge, skill and experience and are continuously updated with the latest developments in the Business Environment. In addition, directors engage in continuous professional development in relation to their respective fields of expertise.

Division of Responsibilities between the Chairman and CEO

(Principle A.2)

The positions of the Chairman and the Managing Director have been separated where the Chairman is responsible for the effective conducting of the business of the board and the Managing Director is responsible for the management of the Company business to be in-line with best practice in order to maintain a balance of power and authority which ensures that no one individual has unfettered powers of decision making. The Chairman is a Non-Executive Director whilst the Managing Director is an Executive Director appointed by the Board. The roles of the Chairman and the Managing Director are clearly defined in the Board Charter.

The Chairman's Role

(Principle A.3)

The Chairman provides leadership to the Board, preserving order and facilitating the effective discharge of the duties of the Board and is responsible for ensuring the effective participation of all Directors and maintaining open lines of communication with Key Management Personnel, acting as a sound Board on strategic and operational matters. And also, the Chairman ensures that all directors are encouraged to make an effective contribution with their respective capabilities, balance of power between Executive and Non-Executive directors are maintained and the views of directors on issue under consideration are ascertained. The agenda for each Board Meetings is determined by the Chairman in consultation with the Company Secretary and Directors wishing to include items on the agenda may request the Chairman to discuss the same.

Financial Acumen

(Principle A.4)

The Board consists of two Fellow Members of the Institute of Chartered Accountants of Sri Lanka and one Fellow Member of the Chartered Institute of Management Accountants (UK), ensuring a sufficiency of financial acumen within the Board on matters of finance. Additionally, other Directors on the Board are luminaries in their respective fields with sufficient financial acumen.

Board Balance

(Principle A.5)

The Board comprises Eight Non-Executive Directors and one Executive Director as at 31 March 2020. Out of all the Non-Executive Directors, three Non-Executive Directors are independent of Management and free of business or other relationships that could materially interfere with or be perceived to interfere with the exercise of their unfettered and independent judgment.

The independence of the Non-Executive Directors was reviewed on the basis of the detailed criteria mentioned below;

A Director would not be independent if he:

1. has been employed by the Company, subsidiary or parent of the Company during the period of two years immediately preceding appointment;
2. currently has or has had within last two years immediately preceding appointment as Director, a Material Business Relationship with the Company, whether directly or indirectly;
3. has a close family member who is a Director or chief executive officer or Key Management Personnel (and/or an equivalent position);
4. is a significant shareholder of the Company or an officer of, or otherwise associated directly with, a significant shareholder of the Company;
5. has served on the Board of the Company continuously for a period exceeding nine years from the date of the first appointment;
6. is employed in another company or business:

- in which a majority of the other directors of the Company are employed or are Directors; or
- in which a majority of the other Directors of the Company have a Significant Shareholding or Material Business Relationship; or
- that has a Significant Shareholding in the Company or with which the Company has a Business Connection;

7. is a Director of another company:

- in which a majority of the other Directors of the Company are employed or are Directors; or
- that has a Business Connection with the Company or Significant Shareholding in the Company;

8. has a Material Business Relationship or a Significant Shareholding in another company or business:

- in which a majority of the other Directors of the Company are employed or are Directors; and/or
- which has a Business Connection with the Company or Significant Shareholding in the same.

Non-Executive Directors	Employment by the Company 1	Material Business Relationship 2	Close family member is a KMP 3	Significant shareholding 4	Service of nine or more years 5	Business Relationship 6	Director in another entity 7	Shareholder in another company 8
Mr. A K Pathirage	✓	✓	✓	✓	x	✓	x	x
Mr. R J Perera	✓	✓	✓	✓	x	✓	x	x
Mr. W L P Wijewardena	✓	✓	✓	✓	x	✓	✓	✓
Mr. A M Pasqual	✓	✓	✓	✓	x	✓	✓	✓
Mr. H Premaratne	✓	✓	✓	✓	✓	✓	x	✓
Mr. A Russell-Davison	✓	✓	✓	✓	✓	✓	x	✓
Mr. V S Somasunderam	✓	✓	✓	✓	✓	✓	✓	✓
Mr. A C M Lafir	✓	✓	✓	✓	✓	✓	x	✓

✓ Compliant x Do not meet the independent criteria

The board noted that Mr. W. L. P. Wijewardena and Mr. A.M. Pasqual, who served as independent directors do not satisfy the criteria for 'Independence' in that they have continuously been a director of the Company exceeding nine years from the date of their first appointment. However, the Board taking into account all of the circumstances in that being professionals and have considerable experience in the commercial sphere, the Board is satisfied that their judgements will be exercised in the same manner as a qualified independent directors.

All Non-Executive Directors submit annual declarations against the specified criteria in the Schedule H to the Code and those are evaluated by the Board to determine the independence or non-independence of each Non-Executive Director to ensure compliance with the Code based on the specified criteria and other information available to the Board.

The Chairman holds a meeting at least once a year with only the Non-Executive Directors without the presence of the Executive Director. Directors' concerns regarding matters which are not resolved unanimously are recorded in the Board minutes.

Supply of Relevant Information

(Principle A.6)

Board members receive information regarding matters set before the Board, 7 days prior to the meetings and the Chairman ensures that all Directors are properly briefed on same by requiring the presence of KMP, when deemed necessary. Management also makes presentations on regular agenda items to the Board and its Sub-Committees. Additionally, the Directors have access to KMP, to seek clarifications or additional information on matters presented to the Board. Directors who are unable to attend a meeting is updated on proceedings through formally documented minutes which are also discussed at the next meeting to ensure follow up and proper recording.

Appointments to the Board

(Principles A.7)

The Board Nomination Committee is responsible for setting in place a formal and transparent procedure for the appointment of new Directors and further information regarding the operations of this committee are given on page 26. They receive resumes of the potential candidates recommended by the Board in the event of a vacancy of a Non-Executive Director and review same in order to make recommendations to the Board which may include an interview with the candidate. The process for appointment of Executive Directors is similar with the exception being that candidates may be selected from amongst the Key Management Personnel, of the Company. The Board Nomination Committee also assesses annually the combined knowledge and experience of the Board in relation to the Company's strategic plans to identify additional requirements which are addressed when incumbent Directors come up for re-election. Appointments of new Directors are promptly communicated to the CSE and shareholders. These communications typically include a brief resume of the Director, relevant expertise, key appointments, shareholding, and directorships in other entities and whether he is independent or not.

Re-Election

(Principle A.8)

Newly appointed directors resign at the first Annual General Meeting (AGM) following their appointment, but are available for re-election by the shareholders at the same meeting. One third of the Non-Executive Directors are required to resign by rotation, but may stand for re-election at the AGM.

Appraisal of Board Performance

(Principle A.9)

The role played by the Board and its Sub-Committees collectively in providing a strong strategic direction as well as prudent risk management is critical for the realization of the long-term vision of the Company while generating sustainable value for all its stakeholders. This means that it is important that the Board should periodically appraise its own performance in order to ensure that it adequately meets its responsibilities as set out in the Board Charter as well as facilitates continuous improvement individually and collectively in the performance of the Board.

The assessment of the Board is carried out as a Self-Assessment by the Board of Directors. The Board and its committees periodically appraise their own effectiveness in executing their duties and meeting its responsibilities as set out in the Board Charter. The Nominations Committee has been given the responsibility of evaluation of the self-appraisals of the Directors and provide their recommendation to the Board.

Disclosure of Information in Respect of Directors

(Principle A.10)

Information specified in the Code with regard to Directors are disclosed in this Annual Report as follows:

- Name, qualifications, expertise, material business interests, key appointments and brief profiles of the directors on pages 07 to 08.
- Other business interests on pages 32 to 34.
- Memberships of Board committees, status of Directorship, attendance at Board Meetings and Board Sub-Committee meetings are on pages 09 to 21.
- Remuneration paid under Note 46 to the Financial Statements on pages 140 to 142.

Appraisal of Managing Director

(Principle A.11)

The Board agrees the criteria which are in line with the short, medium and long term objectives of the Company for assessing performance in consultation with the Managing Director at the beginning of the year and assesses performance based on same at the close of the financial year. The evaluation is formally approved within 3 months of the close of the financial year. This takes into account performance vis-à-vis the targets, the operating environment and considers whether the explanations provided are reasonable for areas where performance has been below agreed targets. The Board is supported by the Board Remuneration Committee in this process.

Directors' Remuneration

Directors' and Executive Remuneration

(Principle B.1)

The Board Remuneration Committee is responsible for making recommendations to the Board regarding the remuneration of Executive Directors. This vibrant committee comprises entirely of Non-Executive Directors and majority of them also meet the criteria for independence as set out in the Code. They consult the Chairman and the Managing Director regarding the same and also seek professional advice whenever deemed necessary in discharging their responsibilities. Remuneration for Non-Executive Directors is set by the Board as a whole. Remuneration for Executive Directors is set with reference to the Remuneration and Benefit Policy. The above processes ensure that no individual Director is involved in determining his or her own remuneration.

The Level and Make Up of Remuneration

(Principle B2)

It is the responsibility of the Board Remuneration Committee to ensure that the remuneration of both Executive and Non-Executive Directors is sufficient to attract well-known professionals to the Board and retain them as contributing members in driving the performance of the Company. And also, the Committee ensures that Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration and benefits of the Executive Directors and Key Management Personnel are determined in accordance with the remuneration policies of the Company which are designed to be attractive, motivating and capable of retaining high performing, qualified and experienced employees in the Company.

Disclosure of Remuneration

(Principle B.3)

The remuneration policy is disclosed on the Report of the Board Remuneration Committee appearing on page 27. The names of the Board Remuneration Committee members are set out on page 27 and the aggregate remuneration paid to Executive and Non-Executive Directors is given in Note 46 to the Financial Statements on pages 140 to 142.

Relations with Shareholders

Constructive use of the AGM

(Principle C.1)

The AGM provides a forum for all shareholders to participate in decision-making matters reserved for the shareholders which typically include proposals to adopt the Annual Report and Accounts, Appointment of Directors and Auditors and other matters requiring special resolutions as defined in the Articles of Association or the Companies Act No. 07 of 2007. The Chairman ensures the presence of the Chairman of the Board Audit Committee, Board Remuneration Committee, Board Nomination Committee and Board Related Party Transaction Review Committee to respond to any questions that may be directed to them by the Chairman. Notice of the AGM is circulated 15 working days in advance together with the Annual Report and Accounts which includes information relating to any other resolutions that may be set before the shareholders at the AGM.

Communication with Shareholders

(Principle C.2.)

The Company will engage with shareholders and the investment community at large codifying its current practices which are in compliance with the Companies Act, SEC, CSE requirements and the Code of Best Practice on Corporate Governance.

The Company has multiple channels of communication with its shareholders which including a dedicated investor relations section in the Company website at http://www.softlogiccapital.lk , press releases and notices in English, Sinhala and Tamil newspapers and required disclosures to the CSE which are published on the CSE website. The Interim Financial Statements are published on the CSE website within 45 days except in the fourth quarter in which it is done within two months. It is also the intention of the Board to ensure that the Annual Report provides a balanced review of the Company's performance which is comprehensive but concise.

Major and Material Transactions

(Principle C.3)

Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated group net asset base. Prior to a Company engaging in or committing to a 'Major related party transaction' with a related party, involving the acquisition, sale or disposition of greater than one third of the value of the Company's assets or that of a subsidiary which has a material bearing on the Company and/or consolidated net assets of the Company, or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one third of the value of the Company's assets, Directors should disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an extraordinary general meeting.

There were no actual or proposed transactions which requires prior approval from shareholders which would materially alter the Company's or Group's net asset base nor any major related party transactions as disclosed in the Directors' Report on pages 30 to 32. All other related party transactions are disclosed in Note 46 to the Financial Statements on pages 140 to 142.

Accountability and Audit

Financial Reporting

(Principles D.1)

The Annual Report presents a balanced review of the Company's financial position, performance and prospects which have been presented combining both narrative and visual elements to ensure that the content is understandable. Care has been exercised to ensure that all statutory requirements are complied with in the Annual Report and in the issue of interim communications on financial performance which are reviewed by the Audit Committee and approved prior to publication. The following disclosures as required by the Code are included in this Report:

- Annual Report of the Board of Directors presented on pages 30 to 32 includes the disclosures required as per Principle D.1.3 of the Code
- Statement of Directors' Responsibility on pages 33 and 34 contains a statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements
- Independent Auditors' Report on pages 36 to 39 includes a statement of their responsibilities
- Statement of going concern of the Company is set out on page 33 in the Statement of Directors' Responsibility and page 31 of the Annual Report of the Board of Directors.
- In the unlikely event of the net assets of the Company falling below 50% of Stated Capital, the Board will summon an Extraordinary General Meeting to notify the shareholders of the position and to explain the remedial action being taken. The Financial Statements clearly explain the movement of net assets during the year. Refer pages 44 and 45 for details.
- Related Party transactions are disclosed on page 31 of the Directors' Report and in Note 46 in the Financial Statements on pages 140 to 142 and the process in place is described in the Report of the Board Related Party Transactions Review Committee on pages 28 and 29.

Internal Control and Audit Committee

(Principle D.2 and D.3)

The Board is responsible for formulating and implementing appropriate processes for risk management and internal control systems to safeguard shareholder interests and assets of the Company. Board Audit Committee assists the Board in discharge of its duties in relation to internal controls. Their responsibilities are summarised in the respective Committee reports appearing on pages 22 to 25 and have been formulated with reference to the requirements of the Code.

The Board Audit Committee comprises 4 Non-Executive Directors and majority of them are independent. A summary of their responsibilities and activities are given in the Report of the Board Audit Committee on pages 22 to 25. It is supported by the Internal Audit function of the Company who report directly to the Audit Committee. The Chairman of the Board Audit Committee is Mr. W. L. P. Wijewardena, a Fellow member of The Institute of Chartered Accountants of Sri Lanka.

Code of Business Conduct and Ethics and Corporate Governance Report

(Principles D.4 and D.5)

The Company has an internally developed Code of Conduct and Business Ethics which is applicable to all employees. The Code of Business Conduct and Ethics is in compliance with the requirements of the Schedule I of the Code of Best Practice on Corporate Governance. The Board Remuneration Committee reviews the Code of Business conduct and Ethics to ensure that it is sufficient and relevant with reference to the current operations of the Company.

This Section on corporate governance from page 09 to 21 complies with the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance as required in Principle D5.

Shareholders

Institutional Shareholders

(Principles E)

The Company has 1,561 voting ordinary shareholders of which 7.3% are institutional shareholders. We have a regular structured dialogue with the large institutional shareholders and the Chairman is responsible in communicating of any concerns of these institutional shareholders expressed at the meetings to the Board as a whole.

Institutional Investors are encouraged to give due weight to all relevant factors drawn to their attention when evaluating Companies' governance arrangements, particularly those relating to Board structure and composition.

Other Investors

(Principal F)

The information disseminated by the Company is adequate for individual shareholders to undertake an analysis of the Company and/or seek independent investment advice regarding the prospects of the Company. Please refer to the Annual Financial Statements on pages 30 to 145.

All shareholders are given adequate notice of General Meetings and provided with all the necessary information to make informed decisions at Meetings. Please refer to Notice of the Meeting on page 157.

Additionally, the information on Investor Relations on pages 146 to 151 has key information required by shareholders and analysts.

Sustainability Reporting

(Principle G)

Sustainability principles form part of the operations of the Company and our subsidiaries. They are considered in formulating our business strategy.

Statement of Compliance under section 7.10 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance (Mandatory Provisions) as at 31 March 2020

Rule	Requirement	Status of Compliance	Comments
7.10.1	Non-Executive Directors (NED) At least two or 1/3 of the Board, whichever is higher should be NEDs	Yes	8 out of 9 Board members are NEDs
7.10.2(a)	Number of Independent Directors Two or 1/3 of NEDs appointed to the Board of Directors, whichever is higher shall be 'independent'.	Yes	3 out of 8 NEDs are Independent Directors
7.10.2(b)	Declaration of independence Each NED is required to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria in Listing Rules	Yes	Each Non-Executive Director has submitted the annual declaration in the specimen format declaring of his independence or non-independence against the specified criteria.
7.10.3	Disclosures relating to directors		
	(a) The names of Non-Executive Directors determined to be 'independent'	Yes	The Board has made a determination for the financial year as to the independence or non-independence of each non-executive director based on such declaration and other information made available to the Board. The names of Non-Executive Directors determined to be 'independent' are on page 15.
	(b) In the event a Director does not qualify as 'independent' against any criteria set out in the Rules, however the Board is of the opinion that the Director is nevertheless 'independent', the Board shall specify the criteria not met and the basis for its determination	Yes	Please refer Annual Report of the Board of Directors on the Affairs of the Company on pages 30 to 32.
	(c) A brief resume of each Director including information on the nature of his/her expertise in relevant functional areas	Yes	Please refer Board of Directors section of the Annual Report on pages 07 and 08.
7.10.4	Criteria for Defining Independence		
	Requirements for meeting the criteria for an Independent Director:	Yes	Refer Corporate Governance Section on page 14 of the Annual Report
7.10.5	Remuneration Committee		
7.10.5(a)	Composition The remuneration committee shall comprise; of a minimum of two independent NEDs; or of NEDs a majority of whom shall be independent, whichever shall be higher.	Yes	The Remuneration Committee comprises of three Non-Executive Directors, of which two are independent and Mr. A. K. Pathirage, who is a Non-Executive Director acts as the Chairman
7.10.5(b)	Functions The Committee shall recommend to the Board the remuneration payable to the Executive Directors and Chief Executive Officer.	Yes	Please refer the Remuneration Committee Report on page 27.

Corporate Governance

Rule	Requirement	Status of Compliance	Comments
7.10.5(c)	Disclosures in the Annual Report		
i ii iii	Names of Directors comprising the Remuneration Committee Statement of the remuneration policy The aggregate remuneration paid to Executive and Non-Executive Directors	Yes	Please refer the Remuneration Committee Report on page 27. Please refer Annual Report of the Board of Directors on the Affairs of the Company on pages 30 to 32.
7.10.6	Audit Committee		
7.10.6(a)	**Composition** The Committed shall comprise; of a minimum of two independent NEDs; or of NEDs a majority of whom shall be independent, whichever shall be higher; One NED shall be appointed as Chairman of the committee by the Board of Directors Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer shall attend audit committee meetings; The Chairman or one member of the Committee should be a Member of a recognized professional accounting body;	Yes	The Audit Committee comprises of three Independent Non-Executive Directors and one Non-Executive Director. Mr. W L P Wijewardena (INED) acts as the Chairman of the Committee. The Managing Director, Head of Finance and Head of Internal Audit attend meetings of the Committee by invitation The Chairman is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka
7.10.6(b) i ii iii iv v	**Functions** Oversee the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards; Oversee compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements; Oversee processes to ensure internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards; Assessment of the independence and performance of the external auditors; To make recommendations to the Board on appointment, re-appointment and removal of external auditors and approve remuneration and terms of engagement	Yes	Please refer the Audit Committee Report on pages 22 to 25.
7.10.6(c)	Disclosures in the Annual Report		
	The names of the Directors comprising the Audit committee The Committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination A report by the Committee setting out the manner of compliance in relation to the above	Yes	Please refer the Audit Committee Report on pages 22 to 25.

Statement of Compliance under section 9.2 to 9.3 of the Rules of the Colombo Stock Exchange (CSE) on Related Party Transactions as at 31 March 2020

Rule	Requirement	Status of Compliance	Comments
9.2.1	Except for transactions set out in Rule 9.5, all other Related Party Transactions should be reviewed by the "Related Party Transactions Review Committee"	Yes	Please refer the Related Party Transactions Review Committee Report on pages 28 to 29.
9.2.2	The Committee should comprise a combination of Non- Executive Directors and Independent Non-Executive Directors. The composition of the Committee may also include Executive Directors at the option of the Listed Entity. One Independent Non-Executive Director shall be appointed as Chairman of the Committee:	Yes	The Related Party Transactions Review Committee is comprised with 3 Independent Non Executive Directors.
9.2.3	If the Parent Company and the Subsidiary Company both are listed entities, the Related Party Transactions Review Committee of the Parent Company may be permitted to function as such Committee of the Subsidiary	Yes	The Company has a separate Related Party Transactions Review Committee from the Parent Company.
9.2.4	Relate Party Transaction Review Committee shall meet once a calendar quarter	Yes	The Committee conducted meetings at each quarter in the financial year.
9.3.2 (a) and (b)	Information on non-recurrent related party transactions, if aggregate value of the non-recurrent related party transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements information on recurrent related party transactions, if the aggregate value of the recurrent related party transactions exceeds 10% of the gross revenue/income as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent related party transactions entered into during the financial year in the Annual Report. The name of the related party and the corresponding aggregate value of the related party transactions entered into with the same related party must be presented in the specified format	Yes	Please refer Note 46.5 in the Notes to the Financial Statements section for the disclosure for non-recurrent related party transactions.
9.3.2 (c)	Annual Report shall contain a report by the Related Party Transactions Review Committee	Yes	Please refer pages 28 and 29 for the Related Party Transaction Review Committee Report
9.3.2 (d)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Yes	Please refer Director's Responsibility Statement in Pages 33 and 34 for the statement.

Audit Committee Report

Committee Composition and Attendance

Name	Position	Attendance
Mr. W L P Wijewardena (Chairman)	Independent Non - Executive Director	4/4
Mr. A M Pasqual	Independent Non - Executive Director	4/4
Mr. H Premaratne	Non - Executive Director	4/4
Mr. S Somasunderam	Independent Non - Executive Director	3/4

The Board Audit committee ("the Committee") appointed by and responsible to the Board of Directors comprises of three (3) Independent Non-Executive Directors and one Non-Executive Director.

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

The committee conducted proceedings in accordance with the terms of reference approved by the Board. The Board has determined that the committee possesses an adequate blend of financial and industry expertise in order to efficiently carry out its duties.

Expertise of the Committee

The Chairman of the Audit committee is a fellow member of the Institute of Chartered Accountants of Sri Lanka (FCA) and holds a Masters Degree in Business Administration (MBA) from the Post Graduate Institute of Management, University of Sri Jayewardenapura.

Each of the members of the Committee has a depth of financial expertise and collectively, the Committee has considerable financial experience on which to draw. The Committee members also bring a multitude of varied expertise and knowledge to the Audit Committee, which enables the effective conduct of operations. More information on the Committee members including the experience, qualifications and expertise may be sourced through the brief profiles on pages 07 to 08 of the Annual Report.

Committee Meetings

The Audit Committee conducted four (4) meetings during the year. Attendance by the Committee members at each of these meetings is given in the above table. The minutes of the Audit Committee meetings were tabled at each Board Meeting on a regular basis.

Any individual member of the Committee has the opportunity to raise specific issues at the meetings. The undersigned was in regular contact with the Management including the Head of Finance and Group Head of Internal Audit during the year on the matters coming under the purview of the Committee.

Secretary to the Committee

The Company's Board Secretary Messrs Softlogic Corporate Services (Pvt) Ltd functions as the secretary to the Audit Committee.

Regular Attendees by Invitation

- Managing Director
- Head of Finance
- Head of Internal Audit

The Corporate Management team and the External Auditors attend to the meetings as and when required.

Committee Charter

The Board Audit Committee ("the Committee") of Softlogic Capital PLC (the Company) is a standing committee of the Board of Directors ("Board").

The role of the Audit Committee is to assist the Board in satisfying its oversight responsibilities for the integrity of the financial statements of the Company, the internal control and risk management system of the Company and its compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, and the adequacy and performance of the Internal Audit function.

The scope of functions and responsibilities are set out in the terms of reference of the Committee which has been affirmed by the Board and is reviewed annually.

The composition, role and the functions of the Board Committee is further regulated by the Rules on Corporate Governance under Listing Rules of the "Colombo Stock Exchange" and "Code of Best Practice on Corporate Governance", issued by The Institute of Chartered Accountants of Sri Lanka.

The effectiveness of the Committee is assessed annually by each member of the Committee and the results are conveyed to the Board.

Objectives

The Committee is empowered by the Board of Directors to:

1. Ensure that the financial reporting system is well managed and able to provide accurate and timely financial information to the Board of Directors, regulators and shareholders.

2. Review the appropriateness of accounting policies and to ensure that the financial statements are prepared in accordance with Sri Lanka Accounting standards (SLFRSs and LKASs), Companies Act No 7 of 2007 and other relevant laws and regulations.

3. Evaluate the adequacy, efficiency and the effectiveness of the Company's internal control system

including controls relating to financial statement reporting and risk management measures to ensure that the risk management framework of the Company is implemented effectively to avoid, mitigate or transfer current and evolving risks.

4. Ensure that the conduct of the business is in compliance with the applicable laws and regulations of the country and the policies and procedures of the Company.

5. Monitoring and reviewing the activities and performance of the internal, external and outsourced auditor/s, including monitoring their independence and objectivity.

6. To evaluate ability to continue as a going concern into the foreseeable future.

7. Ensure impact of new Accounting standards are discussed and disclosed to shareholders.

The Audit Committee is empowered to seek any information it so desires from the Management and staff of the Company or from external parties whilst reserving the right to meet the external/ internal auditors exclusively as and when required. Furthermore, the Committee is authorised to retain independent legal, accounting or other advisors in order to achieve the objectives stated above.

Continuous Professional Development

The Committee is conscious of the need to keep its knowledge up to date and Committee members participated at presentations and workshops conducted internally and externally on relevant topics.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

1. FINANCIAL REPORTING

The Audit Committee has reviewed and discussed the Company's quarterly and annual financial statements, prior to publication, with Management and the external auditors, including the extent of compliance with Sri Lanka Accounting Standards (SLFRSs and LKASs), the appropriateness and changes in accounting policies and material judgemental matters. The Committee also discussed with the External Auditors and Management the matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year.

The Committee, in acknowledgement of its responsibility to monitor the financial reporting process of the company, reviewed the following areas, in consultation with the External Auditors and the Management where necessary:

- Significant accounting and reporting issues
- Developments in the financial reporting framework
- Reviewed consistency and appropriateness of the accounting policies adopted by the company to ensure compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's)
- Disclosure requirements and other applicable accounting and financial reporting requirements such as the Companies Act No. 07 of 2007.
- Reviewed all four (4) Quarterly financial statements and the Annual Financial Statements for the year 2019/20 of the Company prior to its publication,
- Reviewed the impact of new Accounting standards

2. INTERNAL AUDIT, RISKS AND CONTROLS

The Committee monitors the effectiveness of the internal audit function and is responsible for effectiveness of the internal control systems to ensure that processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in preparation and presentation of Financial Statements and is responsible for approving their appointment or removal and for ensuring they have adequate access to information required to conduct their audits. During the year, the Committee reviewed the internal audit plan and recommended changes and further monitored the progress on regular basis.

The scope of internal audit includes the review of the adequacy, effectiveness and efficiency of the internal controls and the action taken to mitigate operational and business risks. In addition, they monitor and report on compliance with statutory regulations and the Company's accounting and operational policies. The internal audit representatives are present at Audit Committee Meetings during discussions relating to their respective audit reports.

The Committee ensured that the Internal Audit Function is independent of the activities it audited and that it was performed with impartiality, proficiency and due professional care.

The Committee annually evaluates the independence and resources of the Internal Audit Function and every quarter assesses the progress of Internal Audit Strategy which comprises of progress, key audit findings, results of the implementation of audit recommendation and other key initiatives by the Internal Audit Function;

High risk audit findings are discussed in detail at each Committee meeting with the associated recommendations and the response from the Management.

3. EXTERNAL AUDIT

The Committee conducted meetings with the External Auditors to discuss the audit scope and plan. Discussions were also carried out between the

Audit Committee Report

Committee, the Management and the External Auditors regarding the coordination of the audit effort to assure the External Auditors have the access to required information and co-operation from all employees and regularly overlooked the implementation of the prescribed corrective actions.

The External Auditors were given adequate access to the Audit Committee as well as to all relevant information required. The Committee met with the external auditor one time during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit and auditor's independence.

The External Auditors were provided with an opportunity of meeting Non-Executive Directors of the Committee separately without the Executive Director and the Corporate Management being present. This is to ensure the independence of the auditors to discuss their opinion on any matter.

In addition to above, following factors were discussed at the audit committee during 2019/20;

- Discussing the audit plan, scope and the methodology proposed to be adopted in conducting the audit with the Auditors prior to commencement of the annual audit.
- Discussing all relevant matters arising from the final audit, and any matters the Auditor may wish to discuss, including matters that may need to be discussed in the absence of Key Management Personnel.

The Committee members evaluated the Scope, Deliverables, Resources and Quality Assurance Initiatives for the year of the External Auditor, Messrs Ernst and Young.

Independence and Objectivity of the External Auditor

The Audit Committee undertook the annual evaluation of the independence and objectivity of the external auditor and the effectiveness of the audit process. As far as the Audit Committee is aware, Auditors do not have any relationship (other than that of Auditors) with the Company. The Committee has also received a declaration from Messrs Ernst and Young, Chartered Accountants as required by the Company's Act No 07 of 2007, confirming that they do not have any relationship with the Company, which may have a bearing on their independence within the meaning of the Code of Best Practice on Corporate Governance 2013 issued by CA Sri Lanka and the Guidelines for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.

Provision of Non Audit Service

The Committee reviewed the non-audit services provided by the auditors to ensure that the provision of these services does not impair their independence. The Committee sets out guidelines for the engagement of the External Auditor to provide non-audit services, taking into account:

- Skills and experience for providing the particular non-audit service.
- The nature of non-audit services, the related fee levels individually and in aggregate, relative to the audit fee.

The Board Audit Committee reviewed these guidelines for engagement of the external auditor to provide non-audit services. Further, the Committee was of the view that such services were not within the category of services identified as prohibited under the Guidelines for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.

Re-Appointment of External Auditors

The Board Audit Committee has the primary responsibility for making recommendations to the Board on the appointment, reappointment or removal of the External Auditor in-line with professional standards and regulatory requirements. The Audit Committee has recommended to the Board of Directors that Messrs Ernst and Young, Chartered Accountants be reappointed as Auditors for the financial year ending 31 March 2021 subject to the approval of the shareholders at the Annual General Meeting. The Committee has also made its recommendation to the Board with regards to the remuneration of the Auditors.

4. COMPLIANCE WITH RULES AND REGULATIONS

The Committee examines the systems and procedures that are in place to ensure compliance with applicable regulatory requirements via the Compliance Report prepared by the Senior Manager - Finance.

5. SRI LANKA ACCOUNTING STANDARDS

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

6. CORPORATE GOVERNANCE

The Company is fully compliant with the applicable rules on corporate governance under the listing rules of the Colombo Stock Exchange (CSE). In addition, the Company is in substantially compliant with the Code of Best Practice on Corporate Governance 2013 issued by CA Sri Lanka.

7. COMMITTEE EVALUATION

An independent evaluation of the effectiveness of the Committee was carried out by the other members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the Company, the Committee has been rated as highly effective.

8. PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advices on matters within its purview.

9. CONCLUSION

The Audit Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operated effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded and that the financial statements of the Company are reliable. The Company's External Auditors have been effective and independent throughout the year.

In addition, the Committee observes that the Company's compliance framework provides reasonable assurance that all relevant laws, rules, regulations, codes of ethics and standards of conducts have been followed. The committee is also satisfied that the application of appropriate accounting policies provides reasonable assurance that the financial statements of the group are true and fair.

(Sgd.)
W L. P Wijewardena
Chairman – Audit Committee

Colombo, Sri Lanka
28 August 2020

Nomination Committee Report

Name	Position	Attendance
Mr. A K Pathirage (Chairman)	Non - Executive Director	1/1
Mr. W L P Wijewardena	Independent Non - Executive Director	1/1
Mr. A M Pasqual	Independent Non - Executive Director	1/1

Terms of Reference of the Board Nominations Committee

The Nomination Committee was established to ensure the Board's oversight and control over the selection of Directors. The committee has the authority to discuss the issues under its purview and report back to the Board of Directors with recommendations, enabling the Board to take a decision on the matter. The Committee focuses on the following objectives in discharging its responsibilities;

- To implement a procedure to select Directors to the Board
- Provide advice and recommendations to the Board or the Chairman on any such appointment
- To ensure that the Directors are fit and proper persons to hold office
- To consider and recommend the re-election of current Directors, taking into account the performance and contribution made by them towards the overall discharge of the Board's responsibilities.
- A member of Nominations Committee opts out in decisions relating to his own appointment.

Board Nomination Committee Meetings

The Committee meets as and when required. During the year under review, the Committee met once.

Professional Advice

The Committee has the authority to seek external professional advice on matters within its purview whenever required.

Conclusion

The Committee continues to work closely with the Board of Directors in relation to the structure, size and composition of the Board ensuring the diversity and balance of skills, knowledge and experience. The Committee is satisfied that the representation of skills, knowledge and experience on the Board is appropriate for the Company's current needs at Board level.

(Sgd.)
A K Pathirage
Chairman - Nomination Committee

Colombo, Sri Lanka
28 August 2020

Remuneration Committee Report

Name	Position	Attendance
Mr. A K Pathirage (Chairman)	Non - Executive Director	1/1
Mr. W L P Wijewardena	Independent Non - Executive Director	1/1
Mr. A M Pasqual	Independent Non - Executive Director	1/1

Terms of Reference of the Board Remuneration Committee

As per the Charter of the Remuneration Committee of the Company, the Committee is responsible for setting the remuneration policy of the Company and determining remuneration packages of all Senior Managers and Directors.

The Committee also discusses and advises the Managing Director on structuring remuneration packages for the Corporate Management. This enables the Company to attract, retain and motivate high calibre individuals with the skills and abilities required to lead the organization.

Board Remuneration Committee Meetings

The Committee meets at least once in every financial year.

Professional Advice

The committee has the authority to seek external professional advice on matters within its purview whenever required.

(Sgd.)
A K Pathirage
Chairman - Remuneration Committee

Colombo, Sri Lanka
28 August 2020

Related Party Transactions Review Committee Report

Name	Position	Attendance
Mr. W L P Wijewardena (Chairman)	Independent Non - Executive Director	4/4
Mr. A M Pasqual	Independent Non - Executive Director	4/4
Mr. S Somasunderam	Independent Non - Executive Director	3/4

The Related Party Transactions Review Committee which is appointed by the Board of Directors of the Company, consists of the above Independent Non- Executive Directors who possess in depth expertise and knowledge in Finance. Additional information on the committee members may be sourced through the profile descriptions on pages 07 to 08 of this report.

The Committee met four (04) times during the financial year ended 31 March 2020, and the attendance of committee members at meetings is stated in the above table.

The Committee has reviewed the related party transactions during the financial year and has communicated the observations to the Board of Directors.

On the invitation of the Committee, the Managing Director and Head of Finance attended to these meetings.

The Company's Board Secretary Messrs Softlogic Corporate Services (Pvt) Ltd functions as the secretary to the Related Party Transactions Review Committee.

Committee Charter

The Related Party Transactions Review Committee was established by the Board of Directors to assist the Board in reviewing all related party transactions carried out by the Company in terms of the CSE Listing rules that required mandatory compliance with effect from 01 January 2016.

Accordingly, except for exempted transactions, all other Related Party Transactions are required to be reviewed by the Related Party Transactions Review Committee either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the Company, in order to ensure that related parties are treated on par with other shareholders and constituents of the Company.

Terms of Reference of the Committee

Terms of Reference (TOR) covers the responsibilities of Related Party Transactions Review Committee in terms of the CSE Listing Rules.

The TOR mentions the constitution and the composition of the Committee; that the Chairman should be a Non - Executive Independent Director; at least once in every quarter the Committee should meet, and these are in conformity with the provisions of the said Section in the Listing Rules. It sets out the guidelines on Related Party transactions and its reporting.

The Terms of Reference (TOR) of the Related Party Transactions Review Committee was approved by the Board of Directors and is reviewed annually as per regulatory and operational requirements.

The core objective of the Related Party Transactions Review Committee is to ensure that the interest of shareholders is taken into consideration when entering into related party transactions and compliant with the rules.

The Related Party Transactions Review Committee conducts its activities as per its Charter, Policy and Guidelines and is entrusted with the task of reviewing related party transactions other than those transactions explicitly exempted under the Listing Rules of the Colombo Stock Exchange.

Objectives, Responsibilities and Duties

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

- Reviewing Related Party Transactions of the Company except those explicitly exempted under the Listing Rules;
- Adopting policies and procedures to review Related Party Transactions of the Company and set out guidelines and methods for the capturing and reviewing of Related Party Transactions;
- Assessing whether the Related Party Transactions are in the best interests of the Company and its Shareholders as a whole;
- Updating the Board of Directors on the RPT of the Company on a quarterly basis and determining whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- To set out guidelines and methods for the capturing and reviewing of Related Party Transactions based on the nature of such transactions in line with the business of the Company as Recurrent Related Party Transactions and Non - Recurrent Related Party Transactions for Senior Management.
- Advising the Board in making immediate market disclosures and other appropriate disclosures on applicable RPT as required by Section 9 of the Continuing Listing Requirements of the CSE.

- Monitoring compliance with the Code of Best Practices on Related Party Transactions issued by the SEC.

Key Functions Performed During the Year Under Review

Details relating to the non - recurrent and recurrent Related Party Transactions which require additional disclosures based on the respective thresholds specified in the Section 9 to the Listing Rules of the Colombo Stock Exchange are disclosed in Note 46 to the financial statements.

Details of other Related Party Transactions entered into by the Company during the above period is also disclosed in Note 46 to the financial statements.

The annual review of the RPT policy was carried out during the year 2019/20, and committee did not recommend any changes to the policy, and same has been submitted for the Board approval.

Guiding Principles of the Committee

The Related Party Transactions Review Committee in ensuring that all transactions with related parties of the Company are treated on par with other shareholders and constituents of the Company, issues guidelines to the Senior Management setting the necessary processes to identify, approve, disclose and monitor all transactions with related parties and the threshold limits and agreed upon terms and conditions with respect to related party transactions.

Methodology of the Committee

In accordance with the Guiding Principles, self-declarations are obtained from each Director and Key Management Personnel (KMP) of the Company for the purpose of identifying parties related to the Directors and KMPs. Hence, the Company adopts a disclosure-based approach in identifying the related parties. Based on the information furnished in these declarations, the Company has set-up a process which enables the Company to generate data on related party transactions throughout the Company's network.

The Committee is supported with its task of reviewing related party transactions by way of the confirmation reports of the Management on related party transactions that took place during each quarter. These reports primarily confirm to the Committee if a related party transaction occurred based on at arms-length basis or not and the reasons for conducting such transactions with a related party.

If a member has a material personal interest in a matter being considered or a Related Party Transaction involves directly or indirectly one of the members of this Committee, the conflicted member informs the Committee immediately and exclude himself at the meeting and such member is not present while the matter is being considered at the meeting and abstains from voting on the matter.

PROFESSIONAL ADVICE

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

(Sgd.)
W L P Wijewardena
Chairman – Related Party Transactions Review Committee

Colombo, Sri Lanka
28 August 2020

Annual Report of the Board of Directors

The Directors of Softlogic Capital PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31 March 2020.

General

The Company was incorporated as a limited liability company on 21 April 2005 under the Companies Act No. 17 of 1982 as Capital Reach Holdings Limited. It was re-registered under the Companies Act No. 07 of 2007 on 27 November 2008 under Registration No. PB 779. The name of the Company was changed to Softlogic Capital Limited on 26 November 2010. The ordinary shares of the Company were listed on the Diri Savi Board of the Colombo Stock Exchange on 21 September 2011 and consequent thereto, its name was changed to Softlogic Capital PLC on 22 May 2012 and was assigned with PB 779 PQ as its new number.

Principal activities of the Company and review of performance during the year

The principal activities of the Company are making investments, fund management and providing financial and management consultancy services. A review of the business of the Company and its performance during the year with comments on financial results, future strategies and prospects are contained in the Chairman's Message on page 06. This Report together with the Financial Statements, reflect the state of affairs of the Company and its subsidiary companies.

Summarized Financial Results

	Group 31.03.2020 (Rs.)	Company 31.03.2020 (Rs.)
Revenue	17,777,404,150	190,773,802
Profit/Loss) for the year	1,168,192,160	(267,364,832)

Financial Statements

The Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries, duly signed by two Directors on behalf of the Board of Directors and the Auditors are included in this Annual Report and forms part and parcel hereof.

Independent Auditors' Report

The Report of the Auditors on the consolidated Financial Statements of the Company is given on pages 36 to 39.

Accounting Policies

The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards and the policies adopted thereof are given on pages 48 to 67. Figures pertaining to the previous periods have been re-stated where necessary to conform to the presentation for the year under review.

Directors

The names of the Directors who held office at the end of the accounting period are given in next column:

Executive Director

Mr. T M I Ahamed - Managing Director

Non-Executive Directors

Mr. A K Pathirage - Chairman

Mr. R J Perera

Mr. W L P Wijewardena *

Mr. A M Pasqual *

Mr. G L H Premaratne

Mr. A Russell-Davison

Mr. S Somasunderam *

Mr. A C M Lafir

*Independent Non-Executive Directors

Messrs. S Somasundaram and A Russell-Davision retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 88 and 89 of the Articles of Association and being eligible are recommended by the Directors for re-election. The Directors have recommended the reappointment of Mr. G L H Premaratne who is 72 years of age, as a Director of the Company; and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the reappointment of Mr. G L H Premaratne.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs.

Remuneration of Directors

The Directors' remuneration is disclosed under Key Management Personnel in Note 46.1 to the Financial Statements on pages 140 to 142.

Directors' Shareholding

The relevant interests of Directors in the shares of the Company are as follows:

	As at 31.03.2020	As at 01.04.2019
Mr. A K Pathirage - Chairman	2,005,544	2,005,544
Mr. T M I Ahamed - Managing Director	-	-
Mr. R J Perera - Director	-	-
Mr. W L P Wijewardena - Director	100,000	100,000
Mr. A M Pasqual - Director	10,000	10,000
Mr. G L H Premaratne - Director	-	-
Mr. A Russell-Davison - Director	-	-
Mr. V S Somasunderam - Director	-	-
Mr. A C M Lafir - Director	-	-

Mr. A K Pathirage is the Chairman and the major shareholder of Softlogic Holdings PLC which held 515,952,743 shares constituting 74.98% of the issued shares of the company. Messrs R J Perera, G L H Premaratne and A Russell-Davison also serve as Directors of Softlogic Holdings PLC.

Interests Register

The Company maintains an Interests Register in terms of the Companies Act No. 07 of 2007, which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the provisions of the Companies Act.

Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided non-audit services. They do not have any interest in the Company other than that of Auditor.

A total amount of Rs.1,020,000/- and Rs.629,455/- is payable by the Company to the Auditors for the year under review as audit fees and non-audit fees respectively. A sum of Rs.41,271,574/- is payable by the Group to the Auditors for the year under review comprising Rs.6,683,430/- as audit fees and Rs.34,588,144/- for non-audit services.

The Auditors have expressed their willingness to continue in office and the Audit Committee recommended that they be re-appointed as Auditors. A resolution to re-appoint Messrs Ernst & Young as the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company as at 31 March 2020 is Rs.2,880,000,000/- represented by 688,160,000 Ordinary Shares.

Major Shareholders, Distribution Schedule and other information

Information on the twenty (20) largest shareholders of the Company, the distribution of shareholding, percentage of shares held by the public, market values per share as per the listing rules of the Colombo Stock Exchange are given on pages 146 to 151 under Investor Information.

Property, Plant and Equipment

Details and movements of property, plant and equipment are given in note 30 to the Financial Statements on pages 114 to 117.

Donations

The Company did not make any donation during the year under review.

Land Holdings

The Company does not own any land or buildings. The land and buildings owned by subsidiaries are reflected in their respective Statements of Financial Position at their market values.

Events after the date of the Statement of Financial Position

No circumstances have arisen and no material events have occurred after the date of Statement of Financial Position, which would require adjustments to, or disclosure in the accounts other than those disclosed in Note 44 to the Financial Statements.

Material Foreseeable Risk Factors

The Directors are of the opinion that the major risk factor affecting the Group is the Interest Rate Risk.

Going Concern

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. The Directors have adopted the going concern basis in preparing the accounts.

Corporate Governance

The Directors confirm that, as at the applicable financial period the Company is in compliance with the Corporate Governance Rules contained in the Listing Rules of the Colombo Stock Exchange.

Annual Report of the Board of Directors

The Corporate Governance Statement on pages 09 to 21 explains the practices within the Company in this respect.

Mr. W L P Wijewardena, Mr. A M Pasqual and Mr. S Somasunderam function as Independent Non-Executive Directors of the Company. As per the rules issued by the Colombo Stock Exchange, Mr. W L P Wijewardena and Mr. A M Pasqual meet all the criteria of independence except one. Mr. W L P Wijewardena and Mr. A M Pasqual had served on the Board of the Company continuously for a period exceeding nine (9) years from the date of their first appointment.

The Board having evaluated all the factors concluded that their independence has not been impaired due to them having served on the Board of the Company continuously for a period exceeding nine (9) years from the date of the first appointment.

The Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transaction Review Committee, function as Board Sub Committees, with Directors who possess the requisite qualifications and experience. The present composition of the said Committees is as follows:

Audit Committee

Mr. W L P Wijewardena – Independent Non-Executive Director (Chairman)

Mr. A M Pasqual – Independent Non-Executive Director

Mr. G L H Premaratne - Non-Executive Director

Mr. S Somasunderam – Independent Non-Executive Director

Remuneration Committee

Mr. A K Pathirage - Non-Executive Director (Chairman)

Mr. W L P Wijewardena – Independent Non-Executive Director

Mr. A M Pasqual – Independent Non-Executive Director

Nominations Committee

Mr. A K Pathirage - Non-Executive Director (Chairman)

Mr. W L P Wijewardena – Independent Non-Executive Director

Mr. A M Pasqual – Independent Non-Executive Director

Related Party Transaction Review Committee

Mr. W L P Wijewardena – Independent Non-Executive Director (Chairman)

Mr. A M Pasqual – Independent Non-Executive Director

Mr. S Somasunderam – Independent Non-Executive Director

Annual General Meeting

The Annual General Meeting of the Company will be held at the Auditorium of Central Hospital Limited, No. 114, Norris Canal Road, Colombo 10 on Tuesday the 22nd day of September, 2020 at 10.30 a.m. The Notice of the Annual General Meeting is on page 157 of the Annual Report.

For and on behalf of the Board

(Sgd.)
Ashok Pathirage
Chairman

(Sgd.)
Iftikar Ahamed
Managing Director

(Sgd.)
Softlogic Corporate Services (Pvt) Ltd
Secretaries

Colombo
28 August 2020

Statement of Directors' Responsibility

The Statement sets out the responsibility of the Directors, in relation to the Financial Statements of Softlogic Capital PLC. The responsibilities of the External Auditors in relation to the Financial Statements are set out in the 'Auditors' Report which is given on pages 36 to 39.

In terms of Sections 150 (1) and 151 of the Companies Act No. 07 of 2007, the Board of Directors of the Company are responsible for ensuring that the Company keep proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the Company as at end of each financial year and of the financial performance of the Company for each financial year and place them before a general meeting.

The Financial Statements comprise of the Statement of Financial Position as at 31 March 2020, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the Company and Group give a true and fair view of the:

- Financial position of the Company and Group as at 31 March 2020; and
- The financial performance of the Company and Group for the financial year then ended.

COMPLIANCE REPORT

In preparing these Financial Statements, The Board of Directors also wishes to confirm that :

a. Appropriate Accounting Policies have been selected and applied in preparing the Financial Statements exhibited on pages 48 to 67 based on the latest financial reporting framework on a consistent basis, while reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected and material departures, if any, have been disclosed and explained;

b. The Financial Statements for the year 2019/20, prepared and presented in this Annual Report have been prepared based on the Sri Lanka Accounting Standards (SLFRSs and LKASs) are in agreement with the underlying books of account and are in conformity with the requirements of the following:

- Sri Lanka Accounting Standards;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange (CSE) and;
- Code of Best Practice on Corporate Governance 2013 issued by CA Sri Lanka.

c. The appropriate steps have been taken to ensure that the Company maintain proper books of account and review the financial reporting system directly at regular Board meetings and also through the Audit Committee. The Report of the said Committee is given on pages 22 to 25. The Board of Directors also approves the Interim Financial Statements prior to their release, following a review and recommendation by the Audit Committee.

d. Proper accounting records which explain the Company's transactions that have been maintained as required by the Section 148 (1) of the Companies Act to determine at any point of time the Company's financial position, with reasonable accuracy, enabling preparation of the Financial Statements, in accordance with the Companies Act.

e. They accept responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

f. They have taken reasonable 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 business in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records.

g. As required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who has expressed a desire to receive a hard copy within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the CSE.

h. That all shareholders in each category have been treated equitably.

i. That the Company has met all the requirements under the Section 7 on Continuing Listing Requirements of the Listing Rules of the CSE, where applicable. The directors affirm that the Company complied with rules pertaining to Related Party Transactions under the Section 09 of the Listing Rules of the CSE.

j. After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Corporate Governance issued jointly by the CASL and the SEC, the Directors have a reasonable expectation that

Statement of Directors' Responsibility

the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the Financial Statements of the Company and Group.

k. The Financial Statements of the Company and Group has been certified by the Company's Chief Financial Officer (i.e Head of Finance), the officer responsible for their preparation, as required by the Sections 150 (1) (b) of the Companies Act No. 07 of 2007 and also have been signed by two Directors of the company on page 43 as required by the Sections 150 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirements;

l. The Company's External Auditors, Messrs. Ernst and Young who were appointed in terms of the Section 158 of the Companies Act No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections that they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion which appears as reported by them on pages 36 to 39.

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

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

By Order of the Board;

(Sgd.)
Ashok Pathirage
Chairman

(Sgd.)
Iftikar Ahamed
Managing Director

Colombo
28 August 2020

Managing Director's/CEO and Chief Financial Officer's Responsibility Statement

The Financial Statements of the Softlogic Capital PLC (the Company) as at 31 March 2020 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Companies Act No. 07 of 2007 ;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange (CSE) and;
- Code of Best Practice on Corporate Governance 2013 issued by CA Sri Lanka.

The significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied unless otherwise stated in the notes accompanying the Financial Statements. Application of Significant Accounting Policies and Estimates that involve a high degree of judgement and complexity were discussed with the Audit Committee and Company's External Auditors. Comparative information has been restated to comply with the current presentation, where applicable.
We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the Cash Flows of the Company during the year under review. We also confirm that the Company has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

We are responsible for establishing, implementing and maintaining Internal Controls and Procedures within the Company. We ensure that effective Internal Controls and Procedures are in place, ensuring material information relating to the entity are made known to us for safeguarding assets, preventing and detecting fraud and/or error as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We have evaluated the Internal Controls and Procedures of the entity for the financial period under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Procedures, to the best of our knowledge.

We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and fraud that involves Management or other employees. The Group's Internal Audit Department also conducts periodic reviews to ensure that the Internal Controls and Procedures are consistently followed.

The Financial Statements of the Company were audited by Messrs. Ernst and Young, Chartered Accountants and their Report is given on pages 36 to 39. The Audit Committee pre-approves the audit and non-audit services provided by Messrs. Ernst and Young, in order to ensure that the provision of such services does not impair Ernst and Young's independence and objectivity.

The Audit Committee (AC), inter alia, reviewed all the Internal and External Audit and Inspection Programmes, the efficiency of Internal Control Systems and procedures and also reviewed the quality of Significant Accounting Policies and their adherence to Statutory and Regulatory Requirements, the details of which are given in the 'Audit Committee Report' appearing on pages 22 to 25.

The continuous inspection and audit functions, engagement of firms of Chartered Accountants and effective functioning of the AC, ensure that the Internal Controls and Procedures are followed consistently. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the AC to discuss any matter of substance. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

It is also declared and confirmed that the entity has complied with and ensured compliance with the guidelines for the audit of listed companies where mandatory compliance is required.

We confirm that to the best of our knowledge:

a) The Company has complied with all applicable laws and regulations and guidelines and there is no material litigation against the company.

b) All taxes, duties, levies and all statutory payments by the company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the company as at 31 March 2020 have been paid, or where relevant provided for.

c) The equity capital meets the set minimum capital requirement in accordance with the applicable regulations.

(Sgd.)
Iftikar Ahamed
Managing Director/Chief Executive Officer

(Sgd.)
Dilan Christostom
Head of Finance

Colombo
28 August 2020

Independent Auditor's Report

Ernst & Young
Chartered Accountants
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Colombo 10
Sri Lanka

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eysl@lk.ey.com
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TO THE SHAREHOLDERS OF SOFTLOGIC CAPITAL PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the Financial Statements of Softlogic Capital 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 31 March 2020, income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

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 31 March 2020, 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 Auditor's 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) 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 Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

Key audit matter and how our audit address the key audit matter

Key Audit Matter	How our audit addressed the key audit matter
Impairment allowance for lease, loan and factoring receivables in a subsidiary from Finance Activities As at 31 March 2020, lease, loan and factoring receivables in a subsidiary amounted to Rs. 16.7 Bn. This contributed 33.4% to the Group's total assets. Significant assumptions and judgements were used by the management to determine the impairment allowance and complex calculations were involved in its estimation. Probable impacts of COVID -19 outbreak on the economically impacted customers and related government relief measures on the key assumptions, the higher level of estimation uncertainty involved, and materiality of the amounts reported in the Group's financial statements, underpinned our basis for considering it as a Key Audit Matter.	To assess the reasonableness of the allowance for impairment, we performed the following key procedure, among others: • We evaluated the design, implementation and operating effectiveness of key internal controls over estimation of impairment for Lease receivables, Factoring receivables and Loan receivables, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee and management. • We test-checked the underlying calculations and data used in such calculations • In addition to the above, following focused procedures were performed: For those individually assessed for impairment: - we assessed the main criteria used by the management for determining whether an impairment event had occurred. - where impairment indicators existed, we assessed the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rates and the valuation of collateral held. We also compared the actual recoveries against previously estimated amounts of future recoveries. For those collectively assessed for impairment: - We tested the completeness of the underlying information used in the impairment calculations by agreeing details to the source documents and information in IT systems. - We also considered reasonableness of macro-economic and other factors used by management in their judgemental overlays, by comparing them with relevant publicly available data and information sources. • We assessed the adequacy of the related financial statement disclosures as set out in Note 2.3.5.1.3, 26.3.1, 26.3.2, 26.3.3 and 27.
Insurance contract liabilities in a subsidiary The Group has significant insurance contract liabilities amounting to of Rs. 13.1 Bn which represents 33.2% of the Group's total liabilities. The valuation of the insurance contract liabilities in relation to the life business required the application of significant assumptions such as mortality, morbidity, lapses and surrenders, loss ratios, bonus and expenses and assessing the completeness and accuracy of the information used in the underlying valuations. Changes in such significant assumptions used in the valuation of the insurance contract liabilities directly impacts the income statement. Therefore, we considered this as Key Audit Matter.	Our audit procedures focused on the valuations performed by the external actuary engaged by the subsidiary company of the Group and included the following; • We involved the component auditor of the subsidiary company to perform the audit procedures to assess the reasonability of the assumptions and test the key controls on a sample basis over the process of estimating the insurance contract liabilities. • We engaged our internal expert to assess the reasonableness of the assumptions used in the valuations of the insurance contract liabilities. We have also evaluated the adequacy of the disclosures and the movement in the insurance contract liabilities in Note 40

Key Audit Matter	How our audit addressed the key audit matter
Recoverability of deferred tax asset The Group has recognised deferred tax assets amounting to Rs. 2.5 Bn as at 31 March 2020 related to accumulated tax losses. The deferred tax assets in respect of the accumulated tax losses which management considered would probably be utilized or recovered in the future through the generation of future taxable profits by the Group. The recognition of deferred tax assets is based on the significant judgments made by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profits being generated. We identified the recognition of deferred tax assets as a key audit matter because of its significance to the Group's Financial Statements and significant management judgment involved and estimation required in forecasting future taxable profits which could be subject to error or potential management bias.	Our audit procedures among others, we involved component auditor of the subsidiary company to; • Review the correspondence with the subsidiary's tax consultant with regard to the ability to utilize the carried forward tax losses reported in the tax returns, against the future taxable profits. • Assess the subsidiary's approach for evaluating the likelihood of the recoverability of deferred tax assets. This included assessing the key assumptions in future taxable profit forecast for the subsidiary with accumulated unutilised tax losses by comparing the most significant inputs used in the forecasts, including future gross written premium, claims and operating expenses with the historical performance of the subsidiary, management's forecasts used for other purposes and our knowledge of the business gained from other audit procedures. • Assess adequacy of the disclosures in the Financial Statements.

Other information included in the 2019/20 Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information 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 the management and those charged with governance

The 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 internal controls of the Company and the Group.
- 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 auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

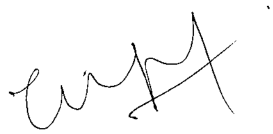
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No.7 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor`s report is 1697.



28 August 2020
Colombo

Income Statement

	Note	Group		Company	
For the year ended 31 March Rs. In LKR		2020	2019	2020	2019
Interest income	11	4,779,671,661	4,651,237,930	24,676,134	11,258,892
Fee and trading income	12	12,207,716,893	10,243,184,844	153,983,871	120,269,653
Other income and gains	13	114,522,104	131,737,820	10,295,208	804,000
Net realized gains/(losses)	14	83,133,984	(17,342,944)	-	-
Net fair value gains/(losses)	15	480,253,993	(100,321,534)	-	-
Dividend income	16	112,105,515	112,921,877	1,818,589	282,003,751
Total operating income		**17,777,404,150**	**15,021,417,993**	**190,773,802**	**414,336,296**
Direct expenses					
Interest expenses	17	(2,874,439,021)	(2,690,108,292)	(269,369,077)	(210,403,468)
Other direct expenses	18	(6,214,714,334)	(4,839,691,955)	(38,038,205)	(26,427,204)
Credit loss expense on financial assets and other losses	19	(390,137,065)	(189,681,869)	-	-
Net operating income		**8,298,113,729**	**7,301,935,877**	**(116,633,480)**	**177,505,624**
Administrative expenses		(3,790,169,636)	(3,902,485,732)	(129,460,559)	(109,592,146)
Distribution costs		(853,645,419)	(883,504,546)	(117,958)	-
Change in insurance contract liabilities		(2,089,317,200)	(1,152,036,877)	-	-
Other operating expenses		(194,660,476)	(331,356,548)	(21,152,835)	(18,898,135)
Profit before tax for the year	20	**1,370,320,998**	**1,032,552,174**	**(267,364,832)**	**49,015,343**
Tax expense	21	(202,128,838)	2,169,047,916	-	-
Profit after tax for the year		**1,168,192,160**	**3,201,600,090**	**(267,364,832)**	**49,015,343**
Profit after tax for the year attributable to;					
Equity holders of the parent		377,385,892	1,579,478,202		
Non-controlling interests		790,806,268	1,622,121,888		
		1,168,192,160	**3,201,600,090**		
Basic Earnings/(loss) per Share	22	0.55	2.30	(0.39)	0.07

Figures in brackets indicates deductions.

The accounting policies and notes from pages 48 to 145 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 March In LKR	Group 2020	Group 2019	Company 2020	Company 2019
Profit for the year	1,168,192,160	3,201,600,090	(267,364,832)	49,015,343
Other comprehensive income				
Other comprehensive income to be reclassified to income statement in subsequent periods				
Net gain/(loss) on financial instruments at fair value through other comprehensive income	202,103,224	(110,385,618)	-	-
Net other comprehensive income/(loss) to be reclassified to income statement in subsequent periods	**202,103,224**	**(110,385,618)**	**-**	**-**
Other comprehensive income not to be reclassified to income statement in subsequent periods				
Net gain/(loss) on equity instruments at fair value through other comprehensive income	(119,437,162)	(479,112,192)	(16,573,549)	(3,458,211)
Revaluation of land and buildings	59,772,712	17,000,000	-	-
Re-measurement gain/(loss) on defined benefit plans	(26,523,405)	(2,455,589)	79,682	(302,777)
Net other comprehensive income not to be reclassified to income statement in subsequent periods	**(86,187,855)**	**(464,567,781)**	**(16,493,867)**	**(3,760,988)**
Tax on other comprehensive income	(1,674,771)	(5,018,114)	-	-
Total Other comprehensive income/(loss) for the year, net of tax	**114,240,598**	**(579,971,513)**	**(16,493,867)**	**(3,760,988)**
Total comprehensive income for the year	**1,282,432,758**	**2,621,628,577**	**(283,858,699)**	**45,254,355**
Total comprehensive income for the year attributable to :				
Equity holders of the parent	441,237,338	1,304,210,153		
Non-controlling interests	841,195,420	1,317,418,424		
	1,282,432,758	**2,621,628,577**		

Figures in brackets indicates deductions.

The accounting policies and notes from pages 48 to 145 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March In LKR	Note	Group 2020	Group 2019	Company 2020	Company 2019
ASSETS					
Cash and cash equivalents	23	686,481,769	1,536,697,666	109,466,200	316,780,811
Inventories	24	195,483,009	174,242,864	-	-
Amounts due from related companies	46.3	1,560,000	3,221,687	42,104,200	4,851,081
Other assets	25	1,503,319,503	1,550,921,551	12,021,010	5,918,023
Income tax receivable	36	259,806,702	244,628,628	-	-
Financial assets recognised through profit or loss	26.1	5,380,368,811	1,456,941,455	-	-
Financial assets measured at fair value through other comprehensive income	26.2	3,959,034,637	4,784,058,944	109,656,045	25,577,722
Financial assets at amortised cost	26.3	29,247,765,192	24,573,771,657	619,813,445	-
Lease and hire purchase receivables	27	2,160,284,390	1,965,993,671	-	-
Investment in subsidiaries	28	-	-	4,769,770,556	4,232,786,320
Deferred tax asset	42.1	2,389,799,880	2,594,745,545	-	-
Right of use assets	29	1,044,972,493	-	439,614,446	-
Property, plant and equipment	30	1,223,508,366	1,158,622,209	6,075,504	691,775
Intangible assets	31	1,984,044,119	1,983,983,383	-	-
TOTAL ASSETS		**50,036,428,871**	**42,027,829,260**	**6,108,521,406**	**4,586,605,732**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	32	2,880,000,000	2,880,000,000	2,880,000,000	2,880,000,000
Reserve fund	33.1	260,448,732	260,448,732	-	-
Fair value reserve	33.3	(937,358,385)	(996,507,130)	(18,922,229)	(2,348,680)
Revaluation reserve		137,539,815	106,179,900	-	-
Restricted regulatory reserve	33.4	798,004,000	798,004,000	-	-
Retained earnings		2,299,402,012	2,129,952,227	(286,175,935)	149,453,746
Shareholders' funds		5,438,036,174	5,178,077,729	2,574,901,836	3,027,105,066
Non-controlling interest		5,088,586,598	4,176,614,544	-	-
Total equity		**10,526,622,772**	**9,354,692,273**	**2,574,901,836**	**3,027,105,066**

	Note	Group		Company	
As at 31 March In LKR		2020	2019	2020	2019
Liabilities					
Bank overdraft	23	856,363,831	1,287,753,240	130,125,750	137,515,959
Trade and other payables	34	2,276,441,481	1,718,261,223	46,305,004	24,212,237
Amounts due to related companies	46.3	14,292,415	14,459,706	5,355,208	6,269,580
Other non financial liabilities	35	55,377,265	277,005,461	567,156	5,735,250
Put option liability	37	168,344,531	9,356,708	168,344,531	9,356,708
Interest bearing borrowings	38	5,749,489,434	3,899,015,987	3,180,691,031	1,375,000,000
Public deposits	39	17,035,396,151	17,002,497,953	-	-
Insurance provision - life	40	13,133,911,336	8,309,627,446	-	-
Employee benefit liabilities	41	220,189,655	154,017,207	2,230,890	1,410,932
Deferred tax liabilities	42 .2	-	1,142,056	-	-
Total Liabilities		**39,509,806,099**	**32,673,136,987**	**3,533,619,570**	**1,559,500,666**
TOTAL EQUITY AND LIABILITIES		**50,036,428,871**	**42,027,829,260**	**6,108,521,406**	**4,586,605,732**

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

(Sgd.)
Dilan Christostom
Head of Finance

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

(Sgd.)
Ashok Pathirage
Chairman

(Sgd.)
Iftikar Ahamed
Managing Director

Figures in brackets indicates deductions.
The accounting policies and notes from pages 48 to 145 form an integral part of these financial statements.

28 August 2020
Colombo

Statement of Changes in Equity

In LKR	Attributable to equity holders of the parent								
	Stated capital	Reserve fund	Fair Value Reserve	Revaluation Reserve	Restricted Regulatory Reserve	Retained earnings	Total	Non Controlling Interest	Total equity
Group									
As at 31 March 2018	2,880,000,000	219,654,894	(714,008,817)	97,629,759	798,004,000	1,112,296,021	4,393,575,857	3,668,763,279	8,062,339,136
Error Correction on Impairment	-	-	-	-	-	(89,722,550)	(89,722,550)	(60,730,324)	(150,452,874)
Adjustment made as per the SLFRS 9	-	-	-	-	-	(342,310,383)	(342,310,383)	(235,927,007)	(578,237,390)
As at 01 April 2018 (Restated)	2,880,000,000	219,654,894	(714,008,817)	97,629,759	798,004,000	680,263,088	3,961,542,924	3,372,105,948	7,333,648,872
Profit for the period	-	-	-	-	-	1,579,478,202	1,579,478,202	1,622,121,888	3,201,600,090
Other comprehensive income for the period	-	-	(282,498,313)	8,550,141	-	(1,319,877)	(275,268,049)	(304,703,464)	(579,971,513)
Total Comprehensive Income	-	-	(282,498,313)	8,550,141	-	1,578,158,325	1,304,210,153	1,317,418,424	2,621,628,577
Subsidiary dividend paid to minority shareholders	-	-	-	-	-	-	-	(262,709,898)	(262,709,898)
Transferred to reserve fund	-	40,793,838	-	-	-	(40,793,838)	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	-	(87,675,348)	(87,675,348)	(250,199,930)	(337,875,277)
	-	40,793,838	-	-	-	(128,469,186)	(87,675,348)	(512,909,828)	(600,585,176)
As at 31 March 2019	2,880,000,000	260,448,732	(996,507,130)	106,179,900	798,004,000	2,129,952,227	5,178,077,729	4,176,614,544	9,354,692,273
Profit for the period	-	-	-	-	-	377,385,892	377,385,892	790,806,268	1,168,192,160
Other comprehensive income for the period	-	-	(41,929,884)	31,359,915	-	(14,140,720)	(24,710,689)	138,951,287	114,240,598
Total Comprehensive Income	-	-	(41,929,884)	31,359,915	-	363,245,172	352,675,203	929,757,555	1,282,432,758
Transfer of Realised Gain/Loss of equity instruments at FVOCI	-	-	101,078,629	-	-	(52,243,032)	48,835,597	(48,835,597)	-
Recognition of Put Option liability	-	-	-	-	-	(168,344,531)	(168,344,531)	-	(168,344,531)
Total transactions with owners, recognised directly in equity	-	-	-	-	-	26,792,176	26,792,176	31,050,096	57,842,272
	-	-	101,078,629	-	-	(193,795,387)	(92,716,758)	(17,085,501)	(110,502,259)
As at 31 March 2020	2,880,000,000	260,448,732	(937,358,385)	137,539,815	798,004,000	2,299,402,012	5,438,036,174	5,088,586,598	10,526,622,772

In LKR	Stated capital	Fair Value reserve	Retained earnings	Total
Company				
As at 01 April 2018	2,880,000,000	1,109,531	100,741,180	2,981,850,711
Profit for the year	-	-	49,015,343	49,015,343
Other comprehensive income	-	(3,458,211)	(302,777)	(3,760,988)
Total comprehensive income	**-**	**(3,458,211)**	**48,712,566**	**45,254,355**
As at 31 March 2019	**2,880,000,000**	**(2,348,680)**	**149,453,746**	**3,027,105,066**
Loss for the year	-	-	(267,364,832)	(267,364,832)
Other comprehensive income	-	(16,573,549)	79,682	(16,493,867)
Total comprehensive income	**-**	**(16,573,549)**	**(267,285,150)**	**(283,858,699)**
Recognition of Put Option liability	-	-	(168,344,531)	(168,344,531)
As at 31 March 2020	**2,880,000,000**	**(18,922,229)**	**(286,175,935)**	**2,574,901,836**

Figures in brackets indicates deductions.
The accounting policies and notes from pages 48 to 145 form an integral part of these financial statements.

Statement of Cash Flows

	Note	Group		Company	
For the year ended 31 March In LKR		2020	2019	2020	2019
Cash flow from operating activities					
Profit before tax		1,370,320,998	1,032,552,174	(267,364,832)	49,015,343
Adjustments for					
Dividend income	16	(112,105,515)	(112,921,877)	(1,818,589)	(282,003,751)
Profit on disposal of property, plant and equipment	20	(4,847,017)	(427,716)	-	-
Fair value gain/(loss)		(563,387,977)	117,664,478	-	-
Amortization of intangible assets	31	142,657,730	133,195,350	-	-
Unrealised exchange loss	38.1	1,017,717	-	-	-
Interest expenses	17	2,874,439,021	2,690,108,292	269,369,077	210,403,468
Gratuity provision and related costs	41	54,423,405	43,175,030	717,714	496,147
Maturity of Put Option liability	12	(9,356,708)	-	(9,356,708)	-
Credit loss expense on financial assets and other losses	19	390,137,065	189,681,869	-	-
Impairment/de-recognition of intangible assets	31	-	101,893,470	-	-
Depreciation of Right of Use Assets	29	208,001,553	-	35,940,044	-
Depreciation	30	200,597,543	189,755,442	591,131	57,725
Operating profit before working capital changes		**4,551,897,816**	**4,384,676,512**	**28,077,837**	**(22,058,068)**
(Increase)/decrease in inventories		(21,240,145)	(42,502,531)	-	-
(Increase)/decrease in amounts due form related companies		1,661,687	(3,221,687)	(37,071,193)	2,861,715
(Increase)/decrease in other assets		32,929,104	(474,678,142)	(15,417,701)	3,093,319
(Increase)/decrease in financial assets recognised through profit or loss		(3,443,173,363)	1,031,844,268	-	-
(Increase)/decrease in financial assets measured at fair value through other comprehensive income		990,824,353	(853,886,941)	(100,651,872)	(27,408,055)
(Increase)/decrease in financial assets at amortised cost		(4,903,577,905)	(2,951,649,089)	(619,813,445)	85,680,000
(Increase)/decrease in lease and hire purchase receivables		(189,717,598)	(404,030,197)	-	-
Increase/(decrease) in trade and other payables		558,180,260	125,021,826	22,092,767	-
Increase/(decrease) in amount due to related companies		(167,291)	14,459,706	(914,372)	6,269,584
Increase/(decrease) in other non financial liabilities		(227,723,118)	113,464,676	(5,168,095)	22,030,114
Increase/(decrease) in insurance provision - Life		4,824,283,890	1,117,036,877	-	-
Increase/(decrease) in public deposits		32,898,198	683,207,863	-	-
Cash generated from/(used in) operations		**2,207,075,888**	**2,739,743,141**	**(728,866,074)**	**70,468,609**
Tax paid		(13,503,303)	(71,711,804)	-	-
Interest paid		(2,874,439,021)	(2,690,108,292)	(221,603,109)	(210,403,468)
Gratuity paid		(14,956,288)	(17,013,480)	-	-
Net cash used in operations		**(695,822,724)**	**(39,090,435)**	**(950,469,183)**	**(139,934,859)**

	Note	Group		Company	
For the year ended 31 March In LKR		**2020**	**2019**	**2020**	**2019**
Cash flows from investing activities					
Dividend income	16	112,105,515	112,921,877	1,818,589	282,003,751
Investment in subsidiaries		-	(345,375,277)	(536,984,236)	(194,068,716)
Proceeds from non controlling interest		64,387,789	-	-	-
Proceeds on disposal of property plant and equipment		7,795,431	1,812,479	-	-
Purchase of property, plant and equipment and intangible assets		(352,814,565)	(199,661,567)	(5,974,860)	(749,500)
Net cash (used in)/generated from investing activities		**(168,525,830)**	**(430,302,488)**	**(541,140,507)**	**87,185,535**
Cash flows from financing activities					
Subsidiary dividend paid to non-controlling interest		-	(262,709,898)	-	-
Proceeds from borrowings		6,144,844,551	3,621,346,504	3,043,818,467	125,000,000
Repayment of borrowings	38.1	(5,699,322,485)	(3,440,023,036)	(1,752,133,179)	(22,000,000)
Net cash (used in)/generated from financing activities		**445,522,066**	**(81,386,430)**	**1,291,685,288**	**103,000,000**
Net increase/(decrease) in cash and cash equivalents		(418,826,488)	(550,779,353)	(199,924,402)	50,250,676
Cash and cash equivalents at the beginning of the year		248,944,426	799,723,779	179,264,852	129,014,176
Cash and cash equivalents at the end of the year - (Note A)		**(169,882,062)**	**248,944,426**	**(20,659,550)**	**179,264,852**
Note A					
Cash and cash equivalents					
Cash and bank balances	23	686,481,769	1,536,697,666	109,466,200	316,780,811
Bank overdrafts	23	(856,363,831)	(1,287,753,240)	(130,125,750)	(137,515,959)
		(169,882,062)	**248,944,426**	**(20,659,550)**	**179,264,852**

Figures in brackets indicates deductions.

The accounting policies and notes from pages 48 to 145 form an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

Softlogic Capital PLC (the "Company") is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at Level 16, One Galle Face Tower, Colombo 02. Ordinary shares of the company are listed on the Colombo stock exchange.

1.2 Consolidated Financial Statements

The Financial statements for the year ended 31 March 2020, comprise "the Company" referring to Softlogic Capital PLC, as the holding company "the Group" referring to the companies that have been consolidated therein.

1.3 Approval of the financial statements

The Financial Statements for the year ended 31 March 2020 were authorized for issue by the Board of Directors on 28 August 2020.

1.4 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.

1.5 Statement of compliance

These financial statements comprises with the statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No. 7 of 2007.

1.6 Principal activities and nature of operations

The principal activities of the Company and its subsidiaries (together referred to as the "Group") are Investment Management, Insurance, leasing, hire purchase, granting loans, pawn broking, Stock-brokering, management of unit trusts and providing management consultancy and financial advisory services.

1.7 Parent enterprise and ultimate parent enterprise

In the opinion of the Directors, the ultimate parent undertaking and controlling party of the Company is Softlogic Holdings PLC, which is a limited liability company incorporated and domiciled in Sri Lanka.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for land and buildings, derivative financial instruments, fair value through profit or loss financial assets and fair value through other comprehensive income financial assets that have been measured at fair value.

2.1.1 Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees (LKR), which is the primary economic environment in which the holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

2.1.2 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations.

2.1.3 Comparative information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.1.3.1 Error correction on impairment

At the initial point of forecasting future cash flows for financial year ended 31.03.2018, Softlogic Finance PLC had not taken in to consideration, certain available information. Therefore in order to rectify this error, the company has re-forecasted the relevant future cash flows and made the necessary adjustments as follows,

2.1.3.1 (a) Impact to Statement of Financial Position

	Group		
As at 31 March 2019	As previously reported Rs.	Adjustments Rs.	Adjusted balance Rs.
Assets			
Other assets	1,536,248,607	14,672,944	1,550,921,551
Financial Assets at amortised cost	24,734,324,354	(160,552,697)	24,573,771,657
Lease and hire purchase receivables	1,970,566,792	(4,573,121)	1,965,993,671
Total Assets	42,178,282,134	(150,452,874)	42,027,829,260
Equity and Liabilities			
Retained Earnings	2,219,674,777	(89,722,550)	2,129,952,227
Non-Controlling Interest	4,237,344,868	(60,730,324)	4,176,614,544
Total Equity	9,505,145,147	(150,452,874)	9,354,692,273

2.1.3.2 Adoption of SLFRS 16

The Group applied SLFRS 16 with effect from 01 April 2019. Due to the transition method chosen in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standard. Therefore, the comparative information for 2018/19 reported under LKAS 17 is not comparable to the information presented for 2019/20. Information on the adoption of SLFRS 16 are disclosed in Note 9.

2.1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the

Company and its subsidiaries (Softlogic Finance PLC [SF], Softlogic Life Insurance PLC [SLI], Softlogic Stockbrokers (Pvt) Ltd [SSB] and Softlogic Asset Management (Pvt) Ltd [SAM]) as at 31 March 2020 using an acquisition method of accounting.

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 (i.e., existing rights that give it the current ability to direct the relevant activities of 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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Loss of control

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

2.1.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The Board of Directors is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

For management purposes, the Group is organised into business units based on its services provided and has three reportable segments, as follows:

- Non-Banking Financial Institutions
- Insurance
- Others

Investment Management, consultancy and advisory services segment and Stockbroking segment have been aggregated to form the other reportable operating segment. More information on the Group's reportable segments are disclosed in Note 45.

2.1.6 Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains - net'.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.1.7 Sri Lanka Accounting Standards issued but not yet effective as at 31 March 2020

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

SLFRS 17 Insurance contracts

In May 2017, the Institute of Chartered Accountants of Sri Lanka has issued SLFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for reporting periods beginning on or after 01 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

Amendments to SLFRS 3: Definition of a Business

In October 2018, the Institute of Chartered Accountants of Sri Lanka issued amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to LKAS 1 and LKAS 8: Definition of Material

In October 2018, the Institute of Chartered Accountants of Sri Lanka issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements

2.2 Significant accounting judgments, estimates and assumptions

The Group's consolidated financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next reporting period. All estimates and assumptions required in conformity with SLFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality

a. Impairment losses on financial assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates driven by a number of factors, changes in which can result in different levels of allowances.

The Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered accounting judgements and estimates include;

- The Group's internal credit grading system, which assigns probability of default (PDs) to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their fair values when their ECL is assessed on a collective basis.
- Development of ECLs, models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PDs), Exposure at default (EADs) and loss given default (LGDs).
- Selection of forward –looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

b. Fair value of financial instruments

The determination of fair value of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 7 to the Financial Statements.

c. Financial assets and financial liabilities classification

The Group's accounting policies provide scope for assets and liabilities to be classified, at inception into different accounting categories. The classification of financial instrument is given in Note 6 "Analysis of Financial Instruments by Measurement Basis".

d. Income tax

The Group is subject to income tax and judgement is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements.

The Group has adopted the requirements of the New Inland Revenue Act 24 of 2017 which was effective from 01 April 2018 and deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

The Board of directors carefully analysed the availability of the future taxable profits against which the unused tax losses can be utilized. In this assessment Group estimated the profitability using the internal budgets and plans for the upcoming years in a very conservative manner.

e. Property, plant and equipment

The Group reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Judgment of the management estimate these values, rates, methods and hence they are subject to uncertainty.

f. Fair value of land and buildings

The freehold land and building of the Group is reflected at fair value at the date of revaluation less any accumulated impairment losses. The Group engages independent valuation specialists to determine fair value of free hold land and building in terms of SLFRS 13 - Fair Value Measurement. The details of revaluation of freehold land and building including methods of valuation are given in Note 30 to the Financial Statements.

g. Defined benefit plans

The cost of Defined Benefit Pension Plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate for the Group. The sensitivity of assumptions used in actuarial valuations are set out in Note 41 to the Financial Statements.

h. Valuation of Insurance Contract Liabilities – Life Insurance

The liability for Life Insurance contracts with discretionary participating features (DPF) is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a Liability Adequacy Test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and Surrender rates and discount rates as further detailed. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, which could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing Life Insurance contracts. These estimates are based on current market returns, as well as expectation about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

The valuation of the Long Term insurance business as at 31 March 2020 was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, Messrs. Towers Watson India Private Limited.

All Life Insurance contracts are subject to the Liability Adequacy Test (LAT) as required by SLFRS 4 – Insurance Contracts. The LAT was carried out by Mr. Kunj Behari Maheshwari, Messrs. Towers Watson India Private Limited.

i. 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. Unless the probability of occurrence is remote, contingent liabilities are not recognized in the statement of financial position but are disclosed in the statement of financial position. Details of commitments and contingencies are given in Note 43 to the Financial Statements.

2.3 Summary of significant accounting policies

2.3.1 Property, plant and equipment

The Group applies the requirements of the LKAS 16 - Property, Plant and Equipment in accounting for its owned assets which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of recognition

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

Basis of measurement

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost.

Subsequent to the initial measurement items of Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for the Land and Buildings.

Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing). The cost of self-constructed assets includes the followings;

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the asset to a working condition for its intended use;
- When the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost model

The Group applies the Cost Model to all Property, Plant and Equipment except for freehold land and freehold building and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation model

The Group applies the Revaluation Model for the entire class of freehold land and freehold building for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Company are revalued by independent professional valuers every two years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the Reporting date.

Subsequent costs
The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property and equipment are recognised in Income Statement as incurred.

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

Capital work-in-progress
Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred on Property, Plant and Equipment, awaiting capitalisation.

Depreciation
The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets.

The estimated useful lives for the current and comparative period are as follows:

Buildings	20 Years
Furniture and fittings	10 Years/ 5years
Computers and printers	5 Years
Office equipment	5 Years
Motor vehicles	4 Years

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

The depreciation rates are determined separately for each significant part of an item of Property, Plant and Equipment and commence to depreciate when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is de-recognised.

Carrying value
The carrying value of an asset or significant company of assets within a class is assessed annually with its fair value and where the fair value is less than the carrying value the asset is written down to its fair value. The consequent adjustment is recognized in the Income Statement.

The residual values of assets that are not insignificant are reassessed annually. Depreciation on revaluation of a class of assets is based on the remaining useful life of the assets at the time of the revaluation.

De-recognition
An item of Property, Plant and Equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Income Statement in the year the asset is de-recognised.

When replacement costs are recognised in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is de-recognised. Major inspection costs are capitalized. At each such capitalization the remaining carrying amount of the previous cost of inspections is de-recognised.

2.3.2 Leases
Policy applicable after 01 April 2019
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

i) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings – 4 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of non-financial assets.

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

recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest Bearing Borrowings note. (see Note 38).

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (12 months or less) of machinery and equipment. It also applies the lease of low-value assets recognition exemption to leases of lease arrangements that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Policy applicable before 01 April 2019

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

i) Finance lease

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

The details of Finance Lease Receivables are given in Note 27 to the Financial Statements.

When the Group is a lessee under finance leases, the leased assets are capitalised and included in 'Right of Use Asset' and the corresponding liability to the lessor is including 'Interest Bearing Borrowings'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Interest Expenses' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

ii) Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When acting as lessor, the Group includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognised to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

When the Group is the lessee, leased assets are not recognised on the Statement of Financial Position. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'other operating expenses' and 'other operating income', respectively.

2.3.3 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the subsidiary level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 5 to 20 years.

Acquired computer software licenses are capitalised 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 which does not exceed five years.

(c) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

(d) Present Value of acquired in-force long term Insurance Business (PVIB)

The present value of future profits on a portfolio of long-term life insurance contracts as at the acquisition date of Asian Alliance Insurance PLC is recognized as an intangible asset based on a valuation carried out by an independent actuary. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortization and accumulated impairment losses.

The PVIB is amortized over the average useful life of the related contracts in the portfolio. The amortization charge and any impairment losses would be recognized in the consolidated income statement as an expense.

A summary of the policies applied to the Group's intangible assets is as follows:

	In-force Long-term Insurance Business	Brand Name	Computer Software	Stock-Broker License
Useful lives	Definite	Infinite	Definite	Infinite
Method used	Based on the tenure of existing policies	-	4 years	-
Internally generated/ acquired	Acquired	Acquired	Acquired	Acquired
Impairment testing	Annually and/or when an indication of impairment exists	Annually and/or when an indication of impairment exists	When an indication of impairment exists	Annually and/or when an indication of impairment exists

2.3.4 Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.3.5 Financial instruments
2.3.5.1 Financial assets
2.3.5.1.1 Initial recognition and subsequent measurement
Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

(a) Financial assets at amortised cost :
The Group only measures loans, receivables, and other financial investments, at amortised cost if both of the following conditions are met:

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

Financial assets measured at amortised cost consist of cash and bank balances, loan receivables, gold loan receivables, factoring receivables, trade debtors, policy holder loans, reinsurance receivables, premium receivables, corporate debt securities, placements with banks, government securities and deposits with regulator.

The details of the above conditions are outlined below.

Business model assessment
The Group determines its business model at the level that best reflect 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
- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the 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.

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

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/ discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the 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 of that introduce a more than de minimise 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.

(b) Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.

Debt instruments

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is de-recognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

Equity instruments

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under SLFRS 09 Financial Instruments and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as dividend income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

(c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

2.3.5.1.2 De-recognition of financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights 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 (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.3.5.1.3 Impairment of financial assets

The Group recognises expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance 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 allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group established a policy to perform as 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 Group, clusters its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below.

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit impaired. The Group records an allowance for the LTECLs.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) de-recognition of the financial asset.

a. The Calculation of Expected Credit Loss (ECL)

The Group calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

PD : The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously de-recognised and is still in the portfolio.

EAD: The Exposure at Default is an estimate 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 draw downs on committed facilities, and accrued interest from missed payments.

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 mechanism of the ECL method are summarised below.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that represent the ECLs that result from default events on a financial instrument that are possible with in the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.

Stage2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and expert credit assessment and including forward looking information. The Group individually reviews at each reporting date, financial assets above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default.

Indicators for significant increase in credit risk and assessed accordingly in ECL computations. The Group regularly monitors the effectiveness of the criteria used to identify significant increase in credit risk to confirm that the criteria is capable of identifying significant increase in credit risk before an exposure is in default.

Movement between the stages

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

Loan commitments:

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For factoring receivables and revolving loans that include both a loan and an undrawn commitment. ECLs are calculated and presented with the loan.

Financial guarantee contracts:

The Company's liability under each guarantee is measured at the higher of the initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability –weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to Income Statement. The accumulated loss recognised in OCI is recycled to the profit or loss upon de-recognition of the assets.

b. Debt factoring and revolving loans

The Group's product offering includes debt factoring and revolving loan facilities, in which the Group has the right to cancel and/or reduce the facilities within a short notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products, is limited to 12 months.

c. Forward looking information

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rate
- Central Bank base rates
- Inflation

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 occasionally made as temporary adjustments when such differences are significantly material.

d. Reversal of impairment of financial assets

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

e. Renegotiated loans

The Group makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan renegotiated when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Renegotiated loans may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of the terms. It is the Group's policy to monitor renegotiated loans to help ensure that future payments continue to be likely to occur. De-recognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 renegotiated asset until it collected or written off.

f. Write-off of financial assets at amortised cost

Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

g. Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, letter of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers, Audited Financial Statements and other independent sources.

h. Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

2.3.5.2 Financial liabilities

2.3.5.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related companies, loans and borrowings including bank overdrafts, public deposits and derivative financial instruments.

2.3.5.2.2 Subsequent measurement

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

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

a) Financial liabilities held for trading

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

(ii) Financial liabilities at amortised cost, when they are held for trading and derivative instruments or the fair value designation is applied.

The subsequent measurement of financial liabilities depends on their classification.

Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)

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

Financial liabilities at amortised cost

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

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

2.3.5.2.3 De-recognition of financial liability

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a 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 profit or loss.

2.3.5.3 Reclassifications of financial assets and financial liabilities

From 1 April 2018, the Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

2.3.5.4 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

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

2.3.5.5 Derivative financial instruments Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives either as,

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)
- hedges of a net investment in a foreign operation (net investment hedge)

The Group documents at the inception of the transaction the relationship between hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking various hedging transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

2.3.5.6 Determination of fair value

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The disclosure of fair value of financial instruments is disclosed in Note 7 to the Financial Statements.

2.3.6 Loans to policy holders

Policyholder Loans are granted up to 90% of the surrender value of a Life Insurance Policy at a rate equivalent to market rate. Policyholder loans are initially measured at Fair value of Loan amount granted and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit.

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates.

Policyholder Loans are reviewed for impairment at each reporting date.
The Board of Directors has assessed potential impairment loss as at 31 March 2020. Based on the assessment, no impairment provision is required to be

made in the Financial Statements as at the Reporting date in respect of Loans to Life Policyholder.

2.3.7 Reinsurance receivables

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from re-insurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss, if any is recorded in the Income statement.
Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Reinsurance assets are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.3.8 Premium receivable

Premiums receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premiums receivable are the difference between the carrying amount and the recoverable amount. The impairment losses are recognized in the income statement.

The life insurance premiums for policies within 30 days grace period are considered as due premium, subject to a provision for premium default. Premium default ratio is computed by analysing the default history. Commission and reinsurance premium relating to that accrued income are also recorded in the same manner.

2.3.9 Other non-financial assets

Inventories

Inventories are valued at lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the estimated price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to it's present location and conditions accounted for as follows;

Vehicle stock - at purchase cost on a specific identification basis

Real estate stocks - at purchase values of properties acquired and at value of related asset extinguished for properties repossessed and any subsequent expenditure incurred on such development including the borrowing costs up to the completion of developments

Repossessed Vehicle - based on the valuation obtained as at the date of repossession.

Consumables - at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items

Cost is determined on a weighted average basis.

2.3.10 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprises of cash in hand, demand deposits and liquid investments readily convertible to identified amounts of cash and subject to insignificant change in value with an original maturities of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists of bank balances and cash as defined above, net of outstanding bank overdrafts.

The consolidated cash flow statement has been prepared using the indirect method as required in LKAS 7.

2.3.11 Retirement benefit costs

a. Defined benefit plans – gratuity

All the employees of the group are eligible for gratuity under the Gratuity Act No. 12 of 1983.The Group measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary using the Projected Unit Credit Method. The actuarial valuation involves making assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the year in which they arise.

Past service costs are recognised immediately in income, unless the change to the pension plans is conditional on the employees remaining in service for a specified period of time (the vesting period). In this case the past service costs are amortised on straight line basis over the vesting period.

The gratuity liability is not externally funded. This item is grouped under 'Deferred liabilities' in the consolidated statement of financial position.

b. Defined contribution plans - Employees' Provident Fund and Employees' Trust Fund

All Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions by the Group in line with respective statutes and regulations. The Group contributes 12% to the respective provident fund and 3% to the Employees Trust Fund of such employees' gross emoluments.

2.3.12 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain the expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used the increase in the provision due to the passage of time is recognized as an interest expense in the consolidated income statement.

2.3.13 Insurance contract liabilities

Life insurance contract liabilities

Measurement

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 with effect from 01 January 2016, issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000. However period up to 31 December 2015, the Company used Net Premium Valuation (NPV) methodology to calculated insurance liability in accordance with Solvency Margin (Long Term Insurance) Rules 2002.

As per RBC rules with effective from 01 January 2016 the value of the life insurance liabilities are determined as follows;

Life Insurance Liabilities = Best Estimate Long Term Liability (BEL) + Risk Margin for Adverse Deviation (RM)

Best estimate liability is measured sum of the present value of all future best estimate cash flows calculated using risk free interest rate yield curve issued by Insurance Regulatory Commission of Sri Lanka (IRCSL). Further a discounted cash flow approach, equivalent to Gross Premium Valuation (GPV) valuation methodology has been used to calculate the liabilities as at 31 March 2020.

Measurement is usually based on the prospective method, by determining the difference between the present values of future benefits and future premiums. The actuarial assumptions used for their calculation includes, in particular, assumptions relating to;

- Mortality Rates
- Lapse Ratios
- Morbidity Rates
- Dividend Rates
- Expense Assumptions
- Participating fund yield
- Expense Inflation
- Bonus Rates

Assumptions are estimated on a realistic basis at the time the insurance contracts are concluded and they include adequate provision for adverse deviation to make allowance for the risks of change and random fluctuations. Further in valuing the policy liabilities, provisions for reinsurance have been allowed in accordance with applicable reinsurance terms as per current reinsurance arrangements.

There are No implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC).

De - recognition

The liability is de-recognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate net by using an existing liability adequacy test.

Product classification

- **Insurance contracts**

SLFRS 4 requires contracts written by insurers to be classified as either insurance contracts or investment Contracts depending on the level of insurance risk transferred Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e have no discernible effect on the economics of the transaction). The classification of contracts identifies both the Insurance contracts that the company issues and reinsurance contracts that the company holds. Contracts where the company does not assume a insurance risk is classified as investment contracts.

- **Investment contracts**

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings or credit index or other variables, provided in the case of a non financial variable that the variable is not specific to a party to the contract.

Subsequent classification

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features ("DPF").

Discretionary Participating Features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Likely to be a significant portion of the total contractual benefits;
- The amount or timing of which is contractually at the discretion of the issuer;

and contractually based on:

- The performance of a specified pool of contracts or a specified type of contract
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer
- The profit or loss of the Group, fund or other entity that issues the contract

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Group may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a Group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the Group, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

2.3.14 Reinsurance payables

Reinsurance payable represents balances due to reinsurance companies. Amount payables are recognised when due and measured on initial recognition at the fair value less directly attributable transaction costs in a manner consistent with the related insurance contracts.

Reinsurance liabilities are de-recognised when the contractual liabilities are extinguished or expire,or when the contract is transferred to other party.

2.3.15 Reserve fund

The reserves recorded in the equity on the Group's Statement of Financial Position includes the 'Statutory reserve fund' which has been created in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly, 20% of the net profit for the period is transferred to the Statutory reserve fund during the financial year.

2.3.16 Revenue recognition

Revenue represents the amounts derived from the provision of goods and services and lending activities to customers outside the Group which fall within the Group's ordinary activities net of trade discounts and turnover related taxes. All intra group transactions have been eliminated.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The following specific criteria are used for the purpose of recognizing revenue.

2.2.16.1 Interest income

Under SLFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9, is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

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

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

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate under net interest income.

Interest income on overdue rentals

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

2.3.16.2 Fee and trading income

2.3.16.2.1 Gross Written Premium

Gross recurring premiums on life insurance contracts are recognised as revenue when payable by the policyholder (policies within the 30 day grace period are considered as due). Premiums received in advance are not recorded as revenue and recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as income. Benefits and expenses are provided against such revenue to recognize profits over the estimated life of the policies. For single premium business, revenue is recognised on the date on which the policy is effective.

2.3.16.2.2 Fee and commission income
Fee and commission income are integral to the effective interest rate on a financial asset and is included in the effective interest rate.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of SLFRS 9 and partially in the scope of SLFRS 15. If this is the case, then the Group first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

The Group earns a fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided in to two categories.

a) Fee income earned from services that are provided over a certain period of time
Fees earned for the provision of services over a period of time are accrued over that period.

b) Fee income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party.

2.3.16.2.3 Brokerage income
Brokerage Income is recognized on an accrual basis on the contractual date.

2.3.16.2 Other income
Gain or Loss on Disposal of an Item of Property, Plant and Equipment

Any gain or loss on disposal of an item of Property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in 'Other Income' in the Income Statement. When revalued assets are sold, any related amount included in the revaluation surplus reserves are transferred to Retained Earnings.

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

Other income
Other income is recognised on an accrual basis.

2.3.16.3 Net realized gains/(losses)
Net realised gains and losses recorded in the Income Statement include gains and losses through disposal of debt instruments measured at fair value through other comprehensive income. Gains and losses are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

2.3.16.4 Net fair value gains/(losses)
Fair value gains and losses recorded in the Income Statement on investments include fair value gains and losses on financial assets recognised through Profit or Loss.

2.3.16.5 Dividend income
Dividend income is recognized when the right to receive payment is established. Usually this occurs on the ex-dividend date for equity securities.

2.3.17 Premium ceded to reinsurers
Premium ceded to reinsurers represents the premium paid by the company to its reinsurers in order to manage its underwriting risks.

Reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurer and accounted on accrual basis.

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

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

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

2.3.19 Net insurance benefits and claims paid
Gross benefits and claims
Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Maturities and annuity payments are recorded when due. Death claims and surrenders are recorded on the basis of notifications received.

Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

Net change in insurance claims outstanding

Differences between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claims outstanding is recognised in the income statement.

2.3.20 Underwriting and net acquisition cost

All acquisition cost are recognised as an expense when incurred. Reinsurance commission income on outward reinsurance contracts is recognised when receivable.

2.3.21 Other operating and administrative expenses

Expenditure recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to Income Statement.

For the purpose of presentation of the Income Statement the directors are of the opinion that function of expenses method presents fairly the elements of the Group's performance, and hence such presentation method is adopted.

2.3.22 Income tax expenses

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit and loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

2.3.22.1 Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the Reporting Date, and any adjustment to tax payable in respect of previous years. Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto.

Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity or Statement of Profit or Loss and Other Comprehensive Income is recognised in equity or Statement of Profit or Loss and Other Comprehensive Income and not in the Income Statement.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

Tax exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

2.3.22.2 Deferred tax

Deferred Tax is recognized by providing for 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 recognized for the following temporary differences:

- 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 jointly controlled entities 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.
- In addition, deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.
- Deferred Tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

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 realized.

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

2.3.22.3 Value Added Tax (VAT) on Financial services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No.14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non-cash benefits and provisions relating to terminal benefits.

2.3.22.4 Withholding Tax (WHT) on dividends

Withholding tax on dividends distributed by the Company that arise from the distribution of dividends of the company is recognised at the time of liability to pay the related dividend is recognized.

2.3.22.5 Crop Insurance Levy (CIL)

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

2.3.23 Earnings per Share (EPS)

Basic EPS is calculated by dividing the net profit or loss attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares if any.

3. DIRECTORS RESPONSIBILITY STATEMENTS

Directors acknowledge the responsibility for the true and fair presentation of the consolidated financial statements in accordance with the books of accounts and Sri Lanka Accounting Standards and the requirements of the Companies Act No 07 of Sri Lanka.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

4.1. Introduction and overview

The Group's principal financial liabilities, comprise of public deposits, borrowings, trade and other payables, amounts due to related companies, put option liability and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group financial assets comprise loans and advances, Rental receivable on lease assets and hire purchase, trade and other receivables, amounts due from related companies and cash and short-term deposits that flows directly from its operations. The Group also holds other financial instruments such as investments in equity instruments and debt security investments.

The Group is exposed to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Risk management is carried out under 3 lines of defence in the order of senior management officials under policies approved by the Group' s operating segments and units. The Group's overall risk management program seeks to minimise potential adverse effect on the Group's financial performance.

The Board of Directors of the Group and Boards of directors of individual components manage each of these risks, which are summarised below.

Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Risk Management Committee for developing and monitoring the Group's Risk Management policies. The Committee reports regularly to the Board of Directors on its activities.

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

The Group Audit Committee oversees how management monitors compliance with the Group risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk face by the group. The Group Audit Committee is assisted in its oversight role by the internal audit undertake both regular and ad-hoc review of risk management controls and procedures, the results of which are reported to the Audit Committee.

4.2. Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity price will affect the Group's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

Management of market risk

Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolio of the group include position arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

The Group employs a range of tools to monitor and limit market risk exposures. These are discussed below, separately for trading and non-trading portfolios.

4.2.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

4.2.1.1 Exposure to interest rate risk

The interest rate profile of Group's interest bearing financial instruments as reported to the management of the Group is as follows;

	Group		Company	
As at 31 March In LKR	2020	2019	2020	2019
Fixed interest rate instruments:				
Financial assets	35,494,733,435	29,369,487,429	619,813,445	-
Financial liabilities	18,812,737,579	18,499,941,542	1,816,397,702	137,515,959
Floating interest rate instruments:				
Financial assets	-	3,831,531	-	-
Financial liabilities	3,727,455,492	3,758,468,562	1,047,468,990	1,375,000,000

4.2.1.2 Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. Provided all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase in basis points for Rupee Borrowings	Effect on profit before tax	
		Group	Company
2020	+300 b.p	(111,823,665)	(31,424,070)
	-300 b.p	111,823,665	31,424,070
2019	+200 b.p	(75,169,371)	(27,500,000)
	-200 b.p	75,169,371	27,500,000

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base floating interest rates.

4.2.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of adverse fluctuations in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements.

Management has set up a policy that requires Company and subsidiaries to manage their foreign exchange risk and strict-limits on maximum exposure that can be entered into.

Foreign currency sensitivity

The following table demonstrates the sensitivity to possible changes in the USD/RS exchange rate, provided that all other variables are held constant.

	Increase in exchange rate USD	Effect on profit before tax	Effect on equity
2020	3%	71,059,016	Nil
	3%	(71,059,016)	Nil
2019		Nil	Nil

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

4.2.3 Equity price risk

The Group expose to equity price risk which arises from equity securities measured at fair value through profit or loss and equity securities measured at other comprehensive income. Management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the board of directors.

The Group holds listed and unlisted equity securities and put option over quoted equity instruments which are susceptible to market-price risk arising from uncertainties about future values of these securities.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Periodic reports on equity investment portfolio are submitted to the senior management of individual business segment based on the relevance. The respective Board of Directors reviews and approves all equity investment decisions. To manage its price risk arising from investments in equity securities, the group diversifies its equity investment portfolio.

	Financial assets recognised through profit or loss				Financial assets measured at fair value through other comprehensive income			
	2020		2019		2020		2019	
	Rs	%	Rs	%	Rs	%	Rs	%
Group	3,684,453	100.0%	340,787,151	60.6%	1,597,240,072	71.9%	1,223,358,888	79.7%
Banks, Finance and Insurance	-	-	159,649,324	28.4%	102,389,368	4.6%	-	-
Diversified Holdings	-	-	-	-	328,494,220	14.8%	311,579,162	20.3%
Healthcare	-	-	12,336,640	2.2%	11,495,000	0.5%	-	-
Power and Energy	-	-	32,565,533	5.8%	-		-	-
Telecommunications	-	-	17,051,531	3.0%	30,680,000	1.4%	-	-
Manufacturing	-	-	-	-	41,415,525	1.9%	-	-
Beverage, Food and Tobacco	-	-	-	-	44,230,609	2.0%	-	-
Construction and Engineering	-	-	-	-	65,370,372	2.9%	-	-
Footwear and Textiles	3,684,453	100.0%	562,390,179	100.0%	2,221,315,166	100.0%	1,534,938,050	100.0%

	Financial assets measured at fair value through other comprehensive income			
	2020		2019	
	Rs	%	Rs	%
Company				
Bank, Finance and Insurance	28,330,045	100.0%	25,577,722	100.0%
	28,330,045	100.0%	25,577,722	100.0%

4.2.3.1 Sensitivity analysis

The following table demonstrate the sensitivity of cumulative change in fair value to reasonably possible changes in equity prices provided all other variables are held constant. The effect of a decrease in equity prices is expected to be equal and opposite to the effect of the increase shown.

This table consider only equity shares classified under short term and long term financial assets.

	Change in equity price	Effect on profit before tax	Effect on other comprehensive Income	Effect on Equity
Group				
2020				
Quoted equity investments listed in Colombo Stock Exchange	10%	368,445	222,131,517	222,499,962
2019				
Quoted equity investments listed in Colombo Stock Exchange	10%	56,239,018	153,493,805	209,732,823

	Change in equity price	Effect on profit before tax	Effect on other comprehensive Income	Effect on Equity
Company				
2020				
Quoted equity investments listed in Colombo Stock Exchange	10%	-	2,833,005	2,833,005
2019				
Quoted equity investments listed in Colombo Stock Exchange	10%	-	2,557,772	2,557,772

4.3. Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and customer lending) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit evaluation procedures. In addition, receivable balances are monitored on an ongoing basis with that the Group's exposure to bad debt is not significant.

Hire purchase and lease portfolio is broad and risk of non payment is mitigated by stringent standard of credit approval process. There is no concentration risk on any single region, customer or sector in particular collection of dues from customers is robust with the delinquency rate being better than the financial industry average.

With respect to credit risk arising from other financial assets of the Group, such as cash and cash equivalents, available for sale financial investments, financial assets measured at fair value through profit or loss, held to maturity financial assets, the Group's exposure to credit risk arise from default of the counter party. The Group manages its operations to avoid any excessive concentration of counter party risk.

4.3.1 Credit Risk - Default risk

Default risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur financial loss. It arises from lending, trade finance, treasury and other activities undertaken by the Group. The Group has in place standards, policies and procedures for the control and monitoring of all such risks.

4.3.2 Credit Risk - Concentration risk

The Group seeks to manage its credit concentration risk exposure through diversification of its lending, investing and financing activities to avoid undue concentrations of risks with individuals or group of customers in specific businesses. It also obtains security when appropriate. The types of collateral obtained include cash margins, mortgages over properties and pledge over equity instruments.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

The tables below show the maximum exposure to credit risk for the components of financial position. The maximum exposure is shown gross before the effect of mitigation through the use of collateral agreements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

As at 31 March	2020							
	Cash in hand and at banks	Financial assets recognised through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial Assets at amortised cost	Lease and hirepurchase receivables	Total maximum exposure	% of allocation	Total net exposure
Risk Exposure - Group								
Government securities	-	2,105,955,258	1,364,028,871	4,503,605,742	-	7,973,589,871	22%	7,973,589,871
Corporate debt securities	-	-	-	5,877,026,828	-	5,877,026,828	17%	5,877,026,828
Deposits with regulator - CSE	-	-	-	3,500,000	-	3,500,000	0%	3,500,000
Deposits with bank	-	-	-	2,240,505,397	-	2,240,505,397	6%	2,240,505,397
Loans and advances	-	-	-	14,552,098,937	-	14,552,098,937	41%	10,509,638,806
Policy holder loans	-	-	-	236,700,371		236,700,371	1%	236,700,371
Lease and hire purchase	-	-	-	-	2,160,284,390	2,160,284,390	6%	2,160,284,390
Trade debtors	-	-	-	349,465,731	-	349,465,731	1%	349,465,731
Premium receivables	-	-	-	1,150,855,641	-	1,150,855,641	3%	1,150,855,641
Reinsurance receivables	-	-	-	334,006,545	-	334,006,545	1%	334,006,545
Amounts due from related companies	-	-	-	1,560,000	-	1,560,000	0%	1,560,000
Cash in hand and at bank	686,481,769	-	-	-	-	686,481,769	2%	686,481,769
Total credit risk exposure	686,481,769	2,105,955,258	1,364,028,871	29,249,325,192	2,160,284,390	35,566,075,480	100%	31,523,615,349
Equity Securities - Quoted	-	3,684,453	2,221,315,166	-	-	2,224,999,619	38%	2,224,999,619
Equity Securities - Unquoted	-	-	373,690,600	-	-	373,690,600	6%	373,690,600
Investments in Units	-	3,270,729,100	-	-		3,270,729,100	56%	3,270,729,100
Total equity risk exposure	-	3,274,413,553	2,595,005,766	-	-	5,869,419,319	100%	5,869,419,318
Total	686,481,769	5,380,368,811	3,959,034,637	29,249,325,192	2,160,284,390	41,435,494,799		37,393,034,668

As at 31 March	2019							
	Cash in hand and at banks	Financial assets recognised through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial Assets at amortised cost	Lease and hirepurchase receivables	Total maximum exposure	% of allocation	Total net exposure
Risk Exposure - Group								
Government securities	-	293,477,297	2,780,090,294	1,977,106,734	-	5,050,674,325	16%	5,050,674,325
Corporate debt securities	-		-	3,713,627,740	-	3,713,627,740	12%	3,713,627,740
Deposits with regulator	-			3,500,000	-	3,500,000	0%	3,500,000
Deposits with bank	-	-	-	1,715,571,533	-	1,715,571,533	6%	1,715,571,533
Loans and advances	-	-	-	16,052,231,666	-	16,052,231,666	52%	10,310,125,570
Policyholder loans	-	-	-	173,311,507	-	173,311,507	1%	173,311,507
Lease and hire purchase	-	-	-	-	1,965,993,671	1,965,993,671	6%	1,965,993,671
Trade debtors	-	-	-	150,701,921	-	150,701,921	0%	150,701,921
Premium receivables	-	-	-	493,426,884	-	493,426,884	2%	493,426,884
Reinsurance receivables	-	-	-	294,293,672	-	294,293,672	1%	294,293,672
Amount due from related companies	-	-	-	3,221,687	-	3,221,687	0%	3,221,687
Cash in hand and at bank	1,536,697,666	-	-	-	-	1,536,697,666	5%	1,536,697,666
Total credit risk exposure	1,536,697,666	293,477,297	2,780,090,294	24,576,993,344	1,965,993,671	31,153,252,272	100%	25,411,146,176
Equity Securities - Quoted	-	562,390,179	1,534,938,050	-	-	2,097,328,229	66%	2,097,328,229
Equity Securities - Unquoted	-	-	469,030,600	-	-	469,030,600	15%	469,030,600
Investments in Units	-	601,073,979	-	-	-	601,073,979	19%	601,073,979
Total equity risk exposure	-	1,163,464,158	2,003,968,650	-	-	3,167,432,808	100%	3,167,432,808
Total	1,536,697,666	1,456,941,455	4,784,058,944	24,576,993,344	1,965,993,671	34,320,685,080		28,578,578,984

As at 31 March	2020					
	Cash in hand and at banks	Financial assets measured at fair value through other comprehensive income	Financial assets at amortised cost	Total maximum exposure	% of allocation	Total net exposure
Risk Exposure - Company						
Government securities	107,834,877	-	-	107,834,877	14%	107,834,877
Corporate debt securities	-	-	615,086,301	615,086,301	80%	615,086,301
Deposits with bank	-	-	4,727,144	4,727,144	1%	4,727,144
Amounts due from related companies	-	-	42,104,200	42,104,200	5%	42,104,200
Cash in hand and at bank	1,631,323	-	-	1,631,323	0%	1,631,323
Total credit risk exposure	109,466,200	-	661,917,645	771,383,845	100%	771,383,845
Equity Securities - Quoted	-	28,330,045	-	28,330,045	26%	28,330,045
Equity Securities - Unquoted	-	81,326,000	-	81,326,000	74%	81,326,000
Total equity risk exposure	-	109,656,045	-	109,656,045	100%	109,656,045
Total	109,466,200	109,656,045	661,917,645	881,039,890		881,039,890

As at 31 March	2019					
	Cash in hand and at banks	Financial assets measured at fair value through other comprehensive income	Financial assets at amortised cost	Total maximum exposure	% of allocation	Total net exposure
Risk Exposure - Company						
Government securities	300,134,213	-	-	300,134,213	93%	300,134,213
Amounts due from related companies	-	-	4,851,081	4,851,081	2%	4,851,081
Cash in hand and at bank	16,646,598	-	-	16,646,598	5%	16,646,598
Total credit risk exposure	316,780,811	-	4,851,081	321,631,892	100%	321,631,892
Equity Securities - Quoted	-	25,577,722	-	25,577,722	100%	25,577,722
Total equity risk exposure	-	25,577,722	-	25,577,722	100%	25,577,722
Total	316,780,811	25,577,722	4,851,081	347,209,614		347,209,614

4.3.3 Government securities

As at 31 March 2020 as shown in the table above, 22% (2019 - 16%) and 14% (2019 - 93%) of debt securities comprise investments in government securities which consist of treasury bonds, bills and reverse repo investments for the Group and Company respectively. Government securities are usually referred to as risk free due to the sovereign nature of the instrument.

4.3.4 Corporate debt securities

As at 31 March 2020, corporate debt securities comprise 17% (2019 - 12%) of the total investments in debt securities, out of which 77% (2019 – 88%) were rated “A” or better, or guaranteed by a banking institution with a rating of “A” or better.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

	Group			
As at 31 March	2020		2019	
	Rs.	Rating % of total	Rs.	Rating % of total
AA+	421,708,180	7%	421,577,629	11%
AA-	422,763,666	7%	851,334,914	23%
A+	1,303,285,114	22%	378,731,978	10%
A	1,505,599,942	26%	1,087,841,530	29%
A-	929,636,056	16%	568,936,365	15%
BBB+	1,173,675,259	20%	125,406,367	3%
BBB	31,737,347	1%	63,006,032	2%
BBB-	-	-	102,985,287	3%
CC	88,621,264	2%	145,342,028	4%
Total	5,877,026,828	100%	3,745,162,130	100%
Impact of adoption of SLFRS 09 as at 01 April 2018	-		(31,534,390)	
	5,877,026,828		3,713,627,740	

4.3.5 Deposits with banks

Deposits with banks mainly consist of fixed and call deposits. As at 31 March 2020, 59% (2019 - 62%) of the fixed and call deposits were rated "A" or better for the Group.

	Group				Company			
As at 31 March	2020		2019		2020		2019	
	Rs.	Rating % of total	Rs.	Rating % of total	Rs.	Rating % of total	Rs.	Rating % of total
AAA	108,639,677	5%	-	-	-	-	-	-
AA+	25,750	0%	162,910,299	9%	-	-	-	-
AA-	-	-	344,516,993	20%	-	-	-	
A+	-	-	420,728,223	25%	-	-	-	-
A	1,211,102,671	54%	144,676,244	8%	-	-	-	-
A-	554,559,575	25%	642,739,774	37%	-	-	-	-
BBB-	104,727,144	5%	-	-	4,727,144	100%	-	-
B-	261,450,581	12%	-	-	-	-	-	-
Total	2,240,505,397	100%	1,715,571,533	100%	4,727,144	100%	-	-

4.3.6 Management of credit risk

The board of directors has delegated responsibility for the oversight of credit risk to its Credit Committee and Credit Risk Committee. Group Credit Risk monitoring Unit reporting to Risk Committee through the Chief Risk Officer who is responsible for management of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee or the board of directors as appropriate.
- Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counter parties, geographies and industries (for loans and advances), and by issuer.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Heads of Credit who may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.
- Regular audits of business units and credit processes are undertaken by Internal Audit.

4.3.7 Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any consignments to major customers are generally covered by bank guarantees or other forms of credit insurance.

4.3.8 Reinsurance receivable

According to the overall risk management strategy, the Group cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these mitigate insurance risk, the recoverable from reinsurers and receivables arising from ceded reinsurance exposes the company to credit risk. Following are the few steps to manage reinsurance risk in addition to explained above;

* Placed in line with policy guidelines approved by the Board of Directors on an annual basis in line with the guidelines issued by the Insurance Board of Sri Lanka
* Counter parties' limits that are set each year and are subject to regular reviews. On a regular basis management assesses the creditworthiness of reinsurers to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets.
* Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables.
* Maintain close and professional relationship with reinsurers
* No cover is issue without confirmation from reinsurance unless non reinsurance business.

4.3.9 Cash in hand and at bank

Deposits with banks mainly consist of fixed and call deposits. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counter parties and within credit limits assigned to each counterparts. Counter party credit limits are reviewed in an annual basis, and may be updated throughout the year subject to appropriate approval. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

4.4. Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning process. The Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases and hire purchase contracts that will always have sufficient liquidity to meet its liabilities when its due, under normal and stressed conditions. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders. The approach is carefully managed without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk management

An optional combination of positive and negative cash flows along with investment returns and contractual obligation maturing is collated through an intra-day cash reporting system for all business segments. High value contractual outflows are processed through various control filters. The group is in the process of building a "Liquidity Dashboard" with the implementation of ERP program. This would help further accelerate the review and identification of debt maturities relating to net liquidity position on daily basis and thus enable proactively mobile necessary funding mobilization or reinvest of cash surplus if any. Closely monitoring and working to reschedule maturity profile is any to de-stress cash flows and re-align them with actual investment tenor. This would engender optimal liquidity positioning and this would reduce borrowing cost and enhance reinvestment income.

4.4.1 Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2020 based on contractual undiscounted payments.

	On demand	Less than 12 months	1 to 3 years	> 3 years	Total
Bank overdraft	856,363,831	-	-	-	856,363,831
Trade and other payables	-	2,276,441,481	-	-	2,276,441,481
Amounts due to related companies	-	14,292,415	-	-	14,292,415
Put option liability	-	-	-	168,344,531	168,344,531
Interest-bearing loans and borrowings	-	2,412,267,631	2,651,222,697	2,059,409,761	7,122,900,089
Public deposits	132,225,159	13,214,544,014	5,238,759,498	1,850,324,057	20,435,852,728
	988,588,990	17,917,545,541	7,889,982,195	4,078,078,349	30,874,195,075

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2019 based on contractual undiscounted payments.

	On demand	Less than 12 months	1 to 3 years	> 3 years	Total
Bank overdraft	1,287,753,240	-	-	-	1,287,753,240
Trade payables	-	1,718,261,223	-	-	1,718,261,223
Amount due to related companies	-	14,459,706	-	-	14,459,706
Put option liability	-	9,356,708	-	-	9,356,708
Interest-bearing loans and borrowings	-	2,495,602,389	1,835,786,464	10,416,682	4,341,805,535
Public deposits	-	13,252,446,388	3,832,605,858	1,231,172,056	18,316,224,302
	1,287,753,240	17,490,126,414	5,668,392,322	1,241,588,738	25,687,860,714

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2020 based on contractual undiscounted payments.

	On demand	Less than 12 months	1 to 3 years	> 3 years	Total
Bank overdrafts	130,125,750	-	-	-	130,125,750
Amounts due to related companies	-	5,355,208	-	-	5,355,208
Put option liability	-	-	-	168,344,531	168,344,531
Interest-bearing loans and borrowings	-	537,773,229	1,854,930,744	2,037,944,526	4,430,648,499
	130,125,750	543,128,437	1,854,930,744	2,206,289,057	4,734,473,988

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2019 based on contractual undiscounted payments.

	On demand	Less than 12 months	1 to 3 years	> 3 years	Total
Bank overdrafts	137,515,959	-	-	-	137,515,959
Amounts due to related companies	-	6,269,580	-	-	6,269,580
Put option liability	-	9,356,708	-	-	9,356,708
Interest-bearing loans and borrowings	-	190,665,035	1,588,447,818	-	1,779,112,853
	137,515,959	206,291,323	1,588,447,818	-	1,932,255,100

5. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2020.

The Group monitors capital using a gearing ratio for company and subsidiary level, which is net debt divided by total capital plus net debt which is monitored very closely by the senior management officials. Net debt of the Group includes, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents.

	Group		Company	
As at 31 March In LKR	2020	2019	2020	2019
Interest-bearing loans and borrowings	5,749,489,434	3,899,015,987	3,180,691,031	1,375,000,000
Trade payables	2,276,441,481	1,718,261,223	46,305,004	24,212,237
Cash and cash equivalents	169,882,062	(248,944,426)	20,659,550	(179,264,852)
Net debt	8,195,812,977	5,368,332,784	3,247,655,585	1,219,947,385
Equity	10,526,622,772	9,354,692,274	2,574,901,836	3,027,105,066
Total capital	10,526,622,772	9,354,692,274	2,574,901,836	3,027,105,066
Capital and net debt	18,722,435,749	14,723,025,058	5,822,557,421	4,247,052,451
Gearing ratio-(%)	44%	36%	56%	29%

Notes to the Financial Statements

6. FINANCIAL INSTRUMENTS

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

6.1. Financial assets by categories - Group

As at 31 March	Financial Assets at amortised cost		Financial assets measured at fair value through profit or loss		Financial assets measured at fair value through other comprehensive income		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Cash and cash equivalents	686,481,769	1,536,697,666	-	-	-	-	686,481,769	1,536,697,666
Amount due from related companies	1,560,000	3,221,687	-	-	-	-	1,560,000	3,221,687
Financial assets recognised through profit or loss	-	-	5,380,368,811	1,456,941,455	-	-	5,380,368,811	1,456,941,455
Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,959,034,637	4,784,058,944	3,959,034,637	4,784,058,944
Financial Assets at amortised cost	29,247,765,192	24,573,771,657	-	-	-	-	29,247,765,192	24,573,771,657
Lease and hire purchase receivables	2,160,284,390	1,965,993,671	-	-	-	-	2,160,284,390	1,965,993,671
Total Financial Assets	32,096,091,352	28,079,684,681	5,380,368,811	1,456,941,455	3,959,034,637	4,784,058,944	41,435,494,799	34,320,685,080

6.2. Financial liabilities by categories - Group

As at 31 March	Financial liabilities measured at amortised cost		Financial liabilities at fair value through profit or loss		Total	
	2020	2019	2020	2019	2020	2019
Bank overdraft	856,363,831	1,287,753,240	-	-	856,363,831	1,287,753,240
Trade and other payables	2,276,441,481	1,718,261,223	-	-	2,276,441,481	1,718,261,223
Amounts due to related companies	14,292,415	14,459,706	-	-	14,292,415	14,459,706
Put option liability	-	-	168,344,531	9,356,708	168,344,531	9,356,708
Interest bearing borrowings	5,749,489,434	3,899,015,987	-	-	5,749,489,434	3,899,015,987
Public deposits	17,035,396,151	17,002,497,953	-	-	17,035,396,151	17,002,497,953
Total	25,931,983,312	23,921,988,109	168,344,531	9,356,708	26,100,327,843	23,931,344,817

6.3. Financial assets by categories - Company

As at 31 March	Financial assets measured at amortised cost		Financial assets at fair value through other comprehensive income		Total	
	2020	2019	2020	2019	2020	2019
Cash in hand and at bank	109,466,200	316,780,811	-	-	109,466,200	316,780,811
Amounts due from related companies	42,104,200	4,851,081	-	-	42,104,200	4,851,081
Financial assets measured at fair value through other comprehensive income	-	-	109,656,045	25,577,722	109,656,045	25,577,722
Financial Assets at amortised cost	619,813,445	-	-	-	619,813,445	-
Total	771,383,845	321,631,892	109,656,045	25,577,722	881,039,890	347,209,614

6.4. Financial liabilities by categories - Company

As at 31 March	Financial liabilities measured at amortised cost		Financial liabilities at fair value through profit or loss		Total	
	2020	2019	2020	2019	2020	2019
Bank overdraft	130,125,750	137,515,959	-	-	130,125,750	137,515,959
Amounts due to related companies	5,355,208	6,269,580	-	-	5,355,208	6,269,580
Put option liability	-	-	168,344,531	9,356,708	168,344,531	9,356,708
Interest bearing borrowings	3,180,691,031	1,375,000,000	-	-	3,180,691,031	1,375,000,000
Total	3,316,171,989	1,518,785,539	168,344,531	9,356,708	3,484,516,520	1,534,411,827

7. FAIR VALUE MEASUREMENT

The determination of fair value for financial assets and financial liabilities for which there is no observable market or market factors, pricing assumptions and other risks affecting the specific instrument price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like government securities, interest rate and currency swaps that use mostly observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, government securities and simple over the counter derivatives like forward exchange contracts and interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. 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.

Management judgements and estimations are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counter party default and prepayments and selection of appropriate discount rates.

7. FAIR VALUE MEASUREMENT (Contd.)

Following table represents the fair value measurement of the Group according to fair value hierarchy.

Instrument category	Fair value basis	Fair Value Hierarchy
Government securities		
Treasury bonds	Valued using the market yield	Level 1
Investment in shares		
Investment in quoted shares	Market price as at 31 December 2019	Level 2*
Investment in unquoted shares	Adjusted net assets for liquidity	Level 3
Investment in units		
Investment in listed units	Published market prices (VWA)	Level 1
Investment in unlisted redeemable units	Published net assets values (NAV)	Level 2
Corporate debt		
Listed	Published market prices	Level 2**
Unlisted floating rate	Cost plus interest	Level 2
Unlisted fixed rate	Discounted Cash Flow (DCF) method	Level 2
	Using current Treasury Bond/Treasury bill rates for similar maturity plus a risk premium. The risk premium is determined based on the upgrade/downgrade of the credit rating of the instrument	
Fixed and term deposits		
Deposit > 1 year	Discounted Cash Flow (DCF) method	Level 2
Other financial assets		
Staff loans	The fair value of the staff loans has been computed based on the interest rates prevailed at reporting date	Level 2

* Investment in quoted shares have been classified under level two in fair value hierarchy since the Group used market prices reported on 31 December 2019 as fair value due to unavailability of reliable information and distressed prices recorded in the equity market.

** Listed Corporate Debt have been classified under level two in fair value Hierarchy since there is no active market for these instruments even though such instruments are listed.

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short-term in nature or re-price to current market rates frequently :

Assets	Liabilities
Cash and cash equivalents/term deposits less than one year	Reinsurance creditors
Repo	Other liabilities (excluding government levies and accruals)
Overnight repo	
Loans to life policyholders	
Reinsurance receivables	
Premium receivables	

7.1. The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level of the fair value hierarchy.

As at 31 March	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Group								
Financial assets								
Fair value through profit or loss								
Quoted shares	-	3,684,453	-	3,684,453	562,390,179	-	-	562,390,179
Treasury bonds	2,105,955,258	-	-	2,105,955,258	293,477,297	-	-	293,477,297
Unit trust	3,270,729,100	-	-	3,270,729,100	601,073,979	-	-	601,073,979
	5,376,684,358	3,684,453	-	5,380,368,811	1,456,941,455	-	-	1,456,941,455
Fair value through other comprehensive income								
Quoted shares	-	2,221,315,166	-	2,221,315,166	1,534,938,050	-	-	1,534,938,050
Unquoted shares	-	-	373,690,600	373,690,600	-	-	469,030,600	469,030,600
Treasury bonds	1,364,028,871	-	-	1,364,028,871	2,780,090,294	-	-	2,780,090,294
	1,364,028,871	2,221,315,166	373,690,600	3,959,034,637	4,315,028,344	-	469,030,600	4,784,058,944
Non financial assets								
Property, plant and equipment								
Land and building	-	-	566,146,069	566,146,069	-	-	517,853,994	517,853,994
	-	-	566,146,069	566,146,069	-	-	517,853,994	517,853,994
Financial liabilities								
Put option liability	-	-	168,344,531	168,344,531	-	-	9,356,708	9,356,708
	-	-	168,344,531	168,344,531	-	-	9,356,708	9,356,708

As at 31 March	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Company								
Financial assets								
Fair value through other comprehensive income								
Quoted shares	-	28,330,045	-	28,330,045	25,577,722	-	-	25,577,722
Unquoted shares	-	-	81,326,000	81,326,000	-	-	-	-
	-	28,330,045	81,326,000	109,656,045	25,577,722	-	-	25,577,722
Financial liabilities								
Put option liability	-	-	168,344,531	168,344,531	-	-	9,356,708	9,356,708
	-	-	168,344,531	168,344,531	-	-	9,356,708	9,356,708

There were no transfers between Level 1, Level 2 and Level 3 during 2020 and 2019 other than the transfer of Quoted shares from Level 1 to Level 2.

7. FAIR VALUE MEASUREMENT (Contd.)

7.2. Level 3 Fair Value Measurement

Property, plant and equipment

Reconciliation from the opening balance to the ending balance for the Land and Buildings in the Level 3 of the fair value hierarchy is available in Note 30.1.

Note 30.15 provides information on significant unobservable inputs used as at 31 March 2020 in measuring fair value of Land and Buildings categorised as Level 3 in the fair value hierarchy.

Note 30.15 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

Equity securities

Value of Unquoted shares of Rs.373.3 million as at end of the year 2019/20 (Rs.469.0 million as at end 2018/19) categorised under Financial investments – FVOCI. Internal model of adjusted net asset for illiquidity has been used to measure the Fair Value of Unquoted shares. Comparative year stated at cost as permitted by SLFRS 9.

When deciding illiquidity premium the Group has considered following factors,
- The recent acquisition of Finance Companies had taken place at more than The net asset value of target investee.
- The Bank is in the possession of regulatory license.

Sensitivity analysis of equity securities classified at Level 3

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in fair value of level 3 financial instruments measurement and significant unobservable input.

		2019/20	
		Impact on OCI Rs. 000	Impact on Equity Rs. 000
Change in variable	Significant unobservable input		
1% Increase in adjustment for illiquidity	Illiquidity premium	(3,740)	(3,740)
1% Decrease in adjustment for illiquidity	Illiquidity premium	4,080	4,080

Put option liability

Note 37.2 provides information on significant unobservable inputs used as at 31 March 2020 in measuring fair value of Put Option Liability categorised as Level 3 in the fair value hierarchy.

Note 37.3 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

7.3. Financial Instruments not Measured at Fair Value and Fair Value Hierarchy

Methodologies and assumptions used to determine fair value of financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows:

Fixed rate Financial Investments - Government Securities

The fair value of fixed rate government securities financial assets carried at amortised cost are estimated by using weekly market rate published by Central Bank of Sri Lanka.

Fixed rate Financial Investments - Unquoted and Quoted Debt Securities

For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

Assets for which fair value approximates carrying value

For financial assets and liabilities with short-term maturities or with short-term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

The table below shows a comparison of the carrying amounts, as reported on the statement of financial position, and fair values of the financial assets and liabilities carried at amortised cost.

Notes to the Financial Statements

As at 31 March	2020					2019				
In LKR	Level 1	Level 2	Level 3	Fair value	Carrying value	Level 1	Level 2	Level 3	Fair value	Carrying value
Group										
Financial assets										
Loans and receivables										
Loan receivables	-	12,356,930,044	-	12,356,930,044	11,011,141,328	-	14,884,687,428	-	14,884,687,428	13,733,288,691
Gold loans receivables	-	2,953,867,305	-	2,953,867,305	2,940,869,436	-	1,880,588,193	-	1,880,588,193	2,009,717,061
Factoring receivables	-	-	-	600,088,173	600,088,173	-	-	-	309,225,914	309,225,914
Trade debtors	-	-	-	349,465,731	349,465,731	-	-	-	150,701,921	150,701,921
Policyholder loans	-	-	-	236,700,371	236,700,371	-	-	-	173,311,507	173,311,507
Reinsurance receivables	-	-	-	334,006,545	334,006,545	-	-	-	294,293,672	294,293,672
Premium receivables	-	-	-	1,150,855,641	1,150,855,641	-	-	-	493,426,884	493,426,884
Debentures	-	4,293,883,323	-	4,293,883,323	4,402,467,960	-	2,951,445,148	-	2,951,445,148	2,958,607,314
Sri Lanka development bonds	-	-	-	1,905,298,102	1,905,298,102	-	-	-	-	-
Commercial papers	-	-	-	1,474,558,868	1,474,558,868	-	-	-	755,132,616	755,020,426
Placements with banks	-	-	-	2,240,505,397	2,240,505,397	-	-	-	1,715,755,095	1,715,571,533
Treasury bonds	251,617,599	-	-	251,617,599	249,955,273	239,528,931	-	-	239,528,931	242,821,752
Repos	-	-	-	2,348,352,367	2,348,352,367	-	-	-	1,734,284,982	1,734,284,982
Deposits with regulator-CSE	-	-	-	3,500,000	3,500,000	-	-	-	3,500,000	3,500,000
	251,617,599	19,604,680,672	-	30,499,629,466	29,247,765,192	239,528,931	19,716,720,769	-	25,585,882,291	24,573,771,657
Lease and hire purchase	-	2,310,610,442		2,310,610,442	2,160,284,390		1,531,375,379	-	1,531,375,379	1,965,993,671
Bank and cash balances	-	-	-	686,481,769	686,481,769	-	-	-	1,536,697,666	1,536,697,666
Total financial assets not at fair value	251,617,599	21,915,291,114	-	33,496,721,677	32,094,531,351	239,528,931	21,248,096,148	-	28,653,955,336	28,076,462,994
Liabilities										
Interest bearing borrowings	-	5,749,489,434	-	5,749,489,434	5,749,489,434	-	3,899,015,987	-	3,899,015,987	3,899,015,987
Public deposits	-	17,035,396,151	-	17,035,396,151	17,035,396,151	-	17,095,082,699	-	17,095,082,699	17,002,497,953
Bank overdraft	-	-	-	856,363,831	856,363,831	-	-	-	1,287,753,240	1,287,753,240
Total financial liabilities not at fair value	-	22,784,885,585	-	23,641,249,416	23,641,249,416	-	20,994,098,686	-	22,281,851,926	22,189,267,180

As at 31 March	2020					2019				
In LKR	Level 1	Level 2	Level 3	Fair value	Carrying value	Level 1	Level 2	Level 3	Fair value	Carrying value
Company										
Financial assets										
Loans and receivables										
Placements with banks	-	-	-	4,727,144	4,727,144	-	-	-	-	-
Commercial papers	-	-	-	615,086,301	615,086,301	-	-	-	-	-
Bank and cash balances	-	-	-	109,466,200	109,466,200	-	-	-	316,780,811	316,780,811
Total financial assets not at fair value	-	-	-	729,279,645	729,279,645	-	-	-	316,780,811	316,780,811
Liabilities										
Interest bearing borrowings	-	3,180,691,031	-	3,180,691,031	3,180,691,031	-	1,375,000,000	-	1,375,000,000	1,375,000,000
Bank overdraft	-	-	-	-	-	-	-	-	137,515,959	137,515,959
Total financial liabilities not at fair value	-	3,180,691,031	-	3,180,691,031	3,180,691,031	-	1,375,000,000	-	1,512,515,959	1,512,515,959

Financial Instruments are measured on an ongoing basis either at Fair Value or at Amortised Cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized.

8. LIFE INSURANCE BUSINESS RISK

Insurance risk is the likelihood that an insured event will occur, requiring the insurer to pay a claim. This risk is transferred to the Group through the underwriting process. The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. The profitability of insurance business is also susceptible to business risk in the form of unexpected changes in expenses, policyholders' behaviour, and fluctuations in new business volumes.

8.1. Life insurance business

Life insurance products include protection,endowment plans, Group covers and annuity covers. All risks directly connected with the life of an insured person are referred to as biometric risks and constitute as material risks for the Group. The objective of the Group is to ensure that sufficient reserves are available to cover these liabilities. The information given below on the risks faced by the Group through its Life Insurance Business and mitigation actions taken on the relevant risks.

The main risks exposed in Life Insurance Business are summarised below;
a) Product design risk
b) Underwriting risk
c) Reinsurance risk
d) Claim risk

a) Product design risk

Life insurance product design is largely depending on futuristic hypothetical assumptions. Accordingly, there is a risk of introducing unprofitable product to the market due to inappropriate use of assumptions or judgments.

The fundamental assumptions used in product development are explained below.

Risk	Description	Assumptions used/Risk response
Mortality risk	Risk of loss arising due to policyholders' death experience being different from expected resulting higher the claim ultimately, reduce profitability	Use of standard mortality table A67/70.
Morbidity risk	Risk of loss arising due to policyholders' health experience condition being different from expected.	Assumptions are based on standard industry tables, adjustments made when appropriate to reflect the Group's own risk experience
Longevity Risk	Risk that annuitants (a person who receives and annuity payment) live longer than expected. In the life annuity business, the most significant insurance risk is continued medical advances and improvement in social conditions that lead to increases in longevity.	The policy terms and conditions and the disclosure requirements contained in insurance applications are designed to mitigate the risk arising from non-standard and unpredictable risks that may result in severe financial loss. Annuitant mortality assumptions also include allowance for future mortality improvements.
Investment return risk	Risk of loss arising from actual returns being different from expected	Investment Decisions are being made to Comply with the RBC Framework and Determination Rules issued by IRCSL.
Expense risk	Risk of loss arising from the expense experience being different from expected	The best estimate expense assumptions have been set based on the expense investigation carried out as at 31 March 2020 based on the expenses incurred during 2019/20 (with the assistance from Messrs. Towers Watson India Private Limited).
Policyholder decision risk	Risk of loss arising due to policyholders' experiences (lapses and surrenders) being different from expected	Lapses and surrender rates are projected according to the Group's past experience. Assumptions on Policy termination are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.
Concentration risk	Risk of losses due to maintaining inadequate product portfolio.	The risk exposure is mitigated by diversification across a large portfolio of insurance contracts in to different classes as mentioned earlier. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

Risk	Description	Assumptions used/Risk response
Laps and surrender risk	An increase in laps rates in the early in the life of the policy tend to impact on profitability	Assumptions are based on the Group's own experience.

Key risks arising from contracts issued

Softlogic Life Insurance PLC issues participating,Non Participating and Universal Life insurance contracts. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Group.

b) Underwriting risk

Underwriting risk arise from an inaccurate assessment of the risks entailed in writing an insurance policy. As a result, the policy may cost the insurer much more than it has earned in premiums. Underwriting risk comprises insurance risk, policyholder behaviour risk and expense risk.

Insurance risk: the risk transferred from the policyholder to the Group, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.

Policyholder behaviour risk: the risk that a policyholder will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums, withdraw deposits, or annuitise a contract earlier or later than expected.

Expense risk: the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

Management of underwriting risk

The board of directors sets the Group’s strategy for accepting and managing underwriting risk. Specific underwriting objectives – e.g. aggregation limits, reinsurance protection thresholds and line of business diversification parameters – are prepared and reviewed by the Group’s Head of underwriting -Life Operations. The board continuously reviews its underwriting strategy in light of evolving market pricing and loss conditions and as opportunities present themselves.

Prices charged for the cost of insurance risk are set through a process of financial analysis, including comparisons of the Group’s experience with industry experience and benchmarking of prices against other product providers in the same markets. Individual contracts are examined and reviewed by underwriting staff with the aim of ensuring that the premiums charged and the annuitisation rates applied reflect evidence of the current health condition and family medical history of the applicants.

Mortality, morbidity and longevity risks are mitigated by the use of reinsurance. The Group allows senior management to select reinsurers from a list of reinsurers approved by the Group. The aggregation of risk ceded to individual reinsurers is monitored at Group level.

Policyholder behaviour risk is considered when designing products – e.g. by means of additional charges on the early surrender of contracts in order to recover acquisition cash flows. Persistency is monitored at group level and experience is benchmarked against local market information.

Expense risk is managed at local entity level through the annual budgeting process and regular expense analyses in addition to continuous measures taken to reduce expenses Further detail expense studies was conducted by Wills Towers Watson India Private Limited.

8. LIFE INSURANCE BUSINESS RISK (Contd.)

Risk response

- Review Continuous training for underwriting staff
- Adherence to the Social and Environmental Policy at the time of underwriting
- Establishing a clearly defined Pricing Policy
- Establishing limits for underwriting authority
- Motivation of underwriting Staff on Insurance Academic Studies by providing Scholarship to staff
- Use of systematic underwriting limits

c) Reinsurance risk

Notwithstanding the advantages reinsurance provides insurers, it can expose them, at varying degrees, to various risks inherent in its use. A new or continuing reinsurance contract could give rise to one or more of the following risks:

- Legal risk may arise when the terms of the contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced;

- Liquidity risk may arise from the possible lag time between the payment of a claim by the insurer to its insured and receipt of the reinsurance recoverable.

- Counter party risk may result from the inability or potential refusal of the reinsurer, or a stakeholder in the case of an alternative risk transfer mechanism, to honour its obligations towards the ceding insurer.

Risk response

- Reviewing the Group's reinsurance strategy and arrangements on an annual basis. The strategy is presented to and approved by the Board Risk Committee Annually.
- Conducting detail studies on the adequacy of reinsurance arrangements for catastrophic events.
- Ensuring that reinsurance transactions are conducted with parties which meet IRCSL rating requirements.
- Ensuring minimum concentration amongst reinsurance parties.
- Review of Reinsurance credit worthiness regularly. Accordingly the Group's Reinsurers for 2019/20 are given below.

Accordingly, the Group's reinsurers for 2019/20 and 2018/19 are given below:

			Reinsurance Receivable	
Name of the Reinsurer	**Credit Rating**	**Name of Rating Agency**	**31 March 2020**	**31 March 2019**
Munich Re	AA	Fitch	156,291,233	169,465,218
RGA	AA-	S&P Global	22,996,112	30,963,985
SCOR	AA-	S&P Global	85,983,926	38,617,291
Toa Re	A+	S&P Global	56,620,848	48,786,027
Assicurazioni Generali S.P.A.	A	A.M Best	12,114,426	6,461,152
			334,006,545	294,293,673

Counter party limits which are set annually are subject to regular reviews. Management assesses the creditworthiness of reinsurers to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets. Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables. As at the reporting date reinsurance receivables amount to Rs.334.0 million (2019 - Rs.294.2 million).

d) Claim risk

The Group is liable for all insured events. There are several variables that could affect the value of insurance liabilities, and the amount and timing of cash flows from these contracts. Assumptions (such as the mortality rate, morbidity and longevity) are used to estimate the value of insurance liabilities. The amount of liabilities of life insurance contracts with fixed and guaranteed terms will not change as a result of these assumptions unless the change is severe enough to trigger a liability adequacy test adjustment. The possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.

Risk response

- Obtaining adequate reinsurance cover.
- Adequate information is gathered to confirm the event occurred prior to processing the claim.
- In-house actuarial department closely monitors claim reserves.

8.2. Determination of the Life Insurance Contract Liability

Gross premium valuation methodology, has been used for calculating the liabilities for the existing business as at 31 March 2020. Gross and net of reinsurance liabilities have been calculated as required in the RBC submission template. In determining the policy liabilities, provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

Consistency, completeness and accuracy of data

Following checks are done to reconcile the summary statistics in respect of policy counts, premiums and sum assured.

i Movement analysis Reconciliation of Policy count of inforce business.

ii Reconciled total in-force in valuation data used in actuarial systems against main-frame policy administration systems in terms of policy counts, premiums and sum assured.

iii Check summary statistics of the output from the valuation run against output data summary from data conversion system statistics to ensure all inforce policy records are valued in terms of policy counts, premiums, sum assured.

iv Independent validation of numbers of deaths, maturities and surrenders from claims department against the valuation extracts.

v Independent validation of number of new business policies against the sales department data to verify the new business records in the valuation extracts.

vi Independent (high level) validation of the amount of in-force premiums in the valuation extracts are reconciled against premiums receivable as per accounting system to be within reasonable tolerance limits.

vii Independent (high level) validation of the amounts of surrenders, maturities implied by exits within the valuation extracts are reconciled against accounting system to be within reasonable tolerance limits.

viii Checks are conducted to verify the last policy administered as at the cut-off date to be included in the valuation extract.

ix Checks are carried out to confirm whether any new products were launched during the period and whether they are included in the valuation extracts.

The detailed model review by Messrs. Towers Watson India Private Limited provided assurance on the following aspects:
-The Prophet models capture all material product features;
-The calculations in the model are performed in accordance with the intended methodology; and
-All relevant calculations performed in the model are materially accurate, robust and fit-for-purpose.

8.3. Mix of the Insurance Contract Liabilities

	31 March 2020		31 March 2019	
	Insurance Contract Liabilities Rs. '000	%	Insurance Contract Liabilities Rs. '000	%
Participating Fund	6,614,191	50%	5,876,461	71%
Non-participating Fund	6,001,342	46%	2,346,410	28%
Universal Life	518,379	4%	86,757	1%
	13,133,912	100%	8,309,628	100%

8. LIFE INSURANCE BUSINESS RISK (Contd.)

8.4. Sensitivity to the assumption change of the Insurance Contract Liabilities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on liabilities, profit before tax. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

	Change in assumptions	31 March 2020 Impact on liabilities Rs. '000	31 March 2019 Impact on liabilities Rs. '000
Mortality	+10%	298,222	96,797
	-10%	(299,878)	(183,463)
Morbidity	+10%	66,478	10,554
	-10%	(66,478)	(9,520)
Discount Rate (Risk Free Rate)	+50 basis points	(220,276)	(46,952)
	-50 basis points	234,834	48,691
Expense Ratio	+1%	450,873	346,611
	-1%	(450,873)	(346,611)

9. TRANSITION DISCLOSURES

Adoption of SLFRS 16 - Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. lessee and lessor. SLFRS 16 supersedes Sri Lanka Accounting Standard - LKAS 17 (Leases) and related interpretations, SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The Group has adopted SLFRS 16 using modified retrospective method from 01 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard. At the date of adoption, right of use was recognized as amount equal to the lease liability, adjusted by the amount of prepaid lease rentals.

Under this method, the standard is applied retrospectively and the cumulative effect as at initial date of application of the standard i.e 01 April 2019 has been duly adjusted. The Group elected to use the transitional practical expedient to not reassess whether an existing contract forms a lease as at 01 April 2019, under the definitions provided in the standard. Instead, the Group applied the standard only to contracts that were previously identified as leases applying LKAS 17 at the date of initial application.

The contracts which were previously classified as "operating leases" under the principles of LKAS 17 -Leases, have been recognized as "right of-use assets" with the adoption of SLFRS 16 -Leases.

The following table summarises the impact of transition to SLFRS 16 as at 01 April 2019;

	Impact of adopting SLFRS 16 as at 01 April 2019	
	Group	Company
Right-of-use assets – recognised through lease prepayments and lease liability	563,736,346	-
Lease liabilities	524,299,783	-
Retained earnings	-	-

When measuring lease liabilities for leases that were classified previously as operating leases, the Group discounted future lease payments due as of 01 April 2019 using the incremental borrowing rate as at 01 April 2019. Based on the period of the lease agreements the applied discount rates range was 14%-16% as at 1st April 2019.

	Impact of adopting SLFRS 16 as at 01 April 2019	
	Group	Company
Operating lease commitments at 31 March 2019 as disclosed under LKAS 17 in the Group's consolidated financial statements	1,307,850,714	551,182,064
Discounted using the incremental borrowing rate as at 01 April 2019	14%-16%	N/A
Recognition exemption for leases	162,577,000	N/A
Lease liabilities recognised at 01 April 2019	524,299,783	N/A

The adoption of SLFRS 16 had no impact on Group's/Company's retained earnings. The details of right-of-use assets are given in Note 29 to the financial statements.

10. THE IMPACT OF COVID-19

With the declaration of COVID – 19 as a global pandemic by World Health Organization ("WHO") during March 2020, Sri Lankan government also resorted to varying levels of public health measures, including nationwide curfews, travel bans and border closures to tackle the pandemic. These measures while supporting the safeguard of the nation caused massive impact on people's lives, families and communities and significant consequences on national economies and global trade.

The immediate precautionary measure by the Government was to impose island wide curfew. Since no access to office was feasible the Group immediately planned to "work from home' and facilitated the key management personnel and the key required personnel to work from home. However, with the subsequent announcement by the Government that Banks, Insurance and Non-Bank Financial Institutions are an essential Service Provider led the Softlogic Life Insurance PLC and Softlogic Finance PLC to operate with critical functions to ensure uninterrupted service to its valued customers.

Liquidity was a major concern for many of the small and medium scale companies and daily monitoring of cash flow requirement was immediately started. All possible cost reduction measures were initiated to secure available liquid assets. The Group could maintain a healthy liquidity position even during the hard time of outbreak. Meantime the Central bank of Sri Lanka issued circular No.04 and 05 of 2020 on debt moratorium which caused direct impact to rental collection of Softlogic Finance PLC. Softlogic Finance PLC has established procedures to ensure all moratorium requests are properly collected and attended individually to ensure the COVID – 19 impacted customers are given the required relief. However, the CBSL announcement of COVID - 19 moratorium and the Government decision of country lock down is likely to have negative consequences on the Group's performance and the liquidity position.

The Group has assessed the probable impact stemming from COVID -19 outbreak and the key assessments are listed below.

- Based on the available information and management's best judgement, it is determined the appropriateness of the Going concern assumptions in preparing Financial Statements for the year ended 31 March 2020.

- Despite the challenging environment of having difficulties in collecting the Group's dues and the difficulties in getting funding lines from banks and other financial institutions, the Group was able to maintain a stable liquidity position and safeguard the interest of the stakeholders.

- The unutilized Overdraft facilities, the available excess investment and already negotiated funding lines and were used as a cushion to absorb any sudden liquidity shocks.

- A more prudent cost control mechanism was in place which ensured an effective cost structure in the Group. There is a considerable degree of judgement involved in making the above assessments.

The underline assumptions are also subject to certain level of uncertainty and are mostly out of the control of the Group. Hence the actual economic conditions are likely to be different from the anticipated events. The effect of those differences may have significant impact on accounting judgement and estimates included in these Financial Statements.

10. THE IMPACT OF COVID-19 (Contd.)

The Management evaluated the key assumptions used in the above estimates and judgements under probable stress scenarios such as, retention ratio of Fixed Deposits, Ratio of Rental Collection and Re-imposing of CBSL liquid asset requirement. After evaluating the above by the Management, and after due consideration of the range and likelihood of outcomes, the Management is satisfied that the Group have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

Financial reporting impact due to COVID 19

Guidance notes on accounting considerations of the COVID - 19 outbreak issued by Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has provided following measures which have been applied in preparation of these Annual Financial Statements;

a) Expected Credit Loss assessment

Group has used Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment computed in 31 December 2019 to assess the expected credit losses as at 31 March 2020 due to uncertainties and lack of sufficient information available to make any adjustments to factor the impact of COVID 19. However the Group has increased the weightage assigned to worst case scenario as at 31 March 2020 to capture potential impact of COVID 19.

b) Fair value of quoted equity investments

Due to the COVID - 19 Pandemic situation prevailed within the country, Group was unable to fair value its Financial Investments using prices recorded on 31 March 2020 due to the unavailability of reliable information and distressed market prices recorded. As permitted by Financial Reporting Guidance issued by CA Sri Lanka on COVID 19 Financial Reporting Implications, Group used market prices reported on 31 December 2019 to Fair Value Financial Investments held by the Group as at 31 March 2020.

c) Impairment of financial assets

Board of Directors has assessed potential impairment loss of financial and non-financial assets as at the reporting date. Based on the assessment, the board of directors concluded that no additional impairment provision is required to be made in the Financial Statements as at the reporting date in respect of COVID – 19 Pandemic.

d) Going concern assessment

The directors also have made an assessment of the Group's ability to continue as a going concern under the prevailing situation and considering all available information and internal analysis, it is concluded that the Group has enough resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern due to COVID - 19 outbreak. In addition to that, the Group has been taken several actions, risk mitigation strategies and other developments in order to minimise the adverse impacts from COVID – 19.

11. INTEREST INCOME

	Group		Company	
For the year ended 31 March In LKR	2020	2019	2020	2019
Finance leasing	489,736,214	397,647,755	-	-
Hire purchase	3,613,993	4,880,537	-	-
Term loans	2,892,053,333	3,078,102,085	-	-
Investment in treasury bills, bonds, fixed deposits and debentures	1,394,268,121	1,170,607,553	24,676,134	11,258,892
	4,779,671,661	4,651,237,930	24,676,134	11,258,892

12. FEE AND TRADING INCOME

Net earned premium	11,919,961,361	9,833,074,697	-	-
Documentation and processing fee	128,400,023	225,679,633	-	-
Stockbroker income	150,495,801	183,227,274	-	-
Professional fee income	8,859,708	1,203,240	153,983,871	120,269,653
	12,207,716,893	10,243,184,844	153,983,871	120,269,653

13. OTHER INCOME AND GAINS

	Note	Group		Company	
For the year ended 31 March In LKR		2020	2019	2020	2019
Profit on disposal property plant and equipment		4,847,017	427,716	-	-
Bad debt recoveries		40,785,181	80,129,694	-	-
Maturity of put option liability		9,356,708	-	9,356,708	-
Other income		59,533,198	51,180,410	938,500	804,000
		114,522,104	131,737,820	10,295,208	804,000

14. NET REALIZED GAINS/(LOSSES)

Net gains from financial assets measured at fair value through other comprehensive income					
Realised gains					
Equity market securities		-	-	-	-
Money market securities - treasury bonds		9,586,176	-	-	-
Unit trust		74,350,166	-	-	-
Realised losses					
Equity market securities		-	-	-	-
Debt securities		-	-	-	-
Money market securities - treasury bonds		(802,358)	(17,342,944)	-	-
		83,133,984	(17,342,944)	-	-

15. NET FAIR VALUE GAINS

15. NET FAIR VALUE GAINS			-	-	-
Financial Investments measured at Fair Value through Profit or Loss	15.1	480,253,993	(100,321,534)	-	-
		480,253,993	(100,321,534)	-	-

15. NET FAIR VALUE GAINS (Contd.)

	Group		Company	
For the year ended 31 March In LKR	2020	2019	2020	2019
15.1. Financial Investments at Fair Value through Profit or Loss				
Unrealised gains				
Equity securities	68,172,370	-	-	-
Treasury bonds	235,817,897	-	-	-
Unit trusts	160,706,218	16,168,314	-	-
	464,696,485	16,168,314	-	-
Realised gains				
Equity securities	10,087,297	-	-	-
Treasury bonds	5,735,888	-	-	-
Treasury bills	-	587,216	-	-
Unit trusts	-	101,917,042	-	-
	15,823,185	102,504,258	-	-
Unrealised losses				
Equity securities	(265,677)	(128,216,191)	-	-
Treasury bonds	-	(11,832,894)	-	-
	(265,677)	(140,049,085)	-	-
Realised losses				
Equity securities	-	(74,875,343)	-	-
Treasury bonds	-	(4,069,678)	-	-
	-	(78,945,021)	-	-
Total	480,253,993	(100,321,534)	-	
16. DIVIDEND INCOME				
Dividends from investments in subsidiaries	-	-	-	280,048,318
Dividends from other quoted investments	112,105,515	112,921,877	1,818,589	1,955,433
	112,105,515	112,921,877	1,818,589	282,003,751
17. INTEREST EXPENSE				
Interest on public deposits	2,199,492,782	2,065,706,745	-	-
Interest on borrowings	469,410,552	573,283,679	256,328,022	210,403,468
Interest on securitisation	100,133,065	51,117,868	-	-
Interest on leases	105,402,622	-	13,041,055	-
	2,874,439,021	2,690,108,292	269,369,077	210,403,468

18. OTHER DIRECT EXPENSES

For the year ended 31 March In LKR	Group		Company	
	2020	2019	2020	2019
Service fee on asset management	10,056,000	7,643,324	10,056,000	7,643,324
Direct expenses on research services	27,982,205	18,783,880	27,982,205	18,783,880
Net insurance benefits and claims paid	3,147,245,922	2,586,177,137	-	-
Underwriting and net acquisition cost	2,969,904,543	2,166,568,795	-	-
Direct expenses on stockbroking	59,525,665	60,518,819	-	-
	6,214,714,334	4,839,691,955	38,038,205	26,427,204

19. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES

19.1. The table below shows the expected credit loss (ECL) charges for financial instruments for the year ended 31.03.2020 recorded in the income statement.

	2020			
	Stage 1 Rs	Stage 2 Rs	Stage 3 Rs	Total Rs
Lease and hire purchase receivables	3,241,260	5,822,547	31,698,374	40,762,181
Gold Loans	452,706	188,567	7,152,365	7,793,637
Factoring	14,370,254	13,082,447	15,206,101	42,658,802
Loan receivables	(63,994,886)	(16,117,989)	274,502,853	194,389,978
Other receivable	-	-	6,041,554	6,041,554
Write offs	-	-	98,490,912	98,490,912
	(45,930,666)	2,975,572	433,092,159	390,137,065

19.2. The table below shows the expected credit loss (ECL) charges for financial instruments for the year ended 31.03.2019 recorded in the income statement.

	2019			
	Stage 1 Rs	Stage 2 Rs	Stage 3 Rs	Total Rs
Lease and hire purchase receivables	6,034,415	13,807,081	57,474,324	77,315,820
Gold loans	480,939	40,952	1,597,095	2,118,986
Loan receivables	(153,004,537)	27,214,410	249,085,405	123,295,278
Other receivables	(210,454)	(256,649)	(12,581,112)	(13,048,215)
	(146,699,637)	40,805,794	295,575,712	189,681,869

Notes to the Financial Statements

20. PROFIT BEFORE TAX

For the year ended 31 March In LKR	Note	Group 2020	Group 2019	Company 2020	Company 2019
Profit before tax is stated after charging all expenses including the following;					
Directors' remuneration		101,804,853	111,942,573	37,575,000	33,525,000
Audit fees		6,683,430	10,080,646	1,020,000	990,000
Audit related and non audit fee including expenses		34,588,144	17,832,674	629,455	342,766
Personnel costs					
- Defined contribution plan costs - EPF and ETF		168,576,515	157,126,038	2,823,734	1,853,595
- Defined benefit plan costs		54,423,405	40,026,559	717,714	469,147
- Other staff costs		1,839,168,201	1,713,987,176	25,158,471	18,496,383
Depreciation		200,597,543	189,755,440	591,131	57,725
Amortization of intangible assets		142,657,730	133,195,350	-	-
Depreciation of right of use assets		208,001,553	-	35,940,044	-
Provision for bad debts		-	105,763,449	-	-
(Gain)/loss on disposal of fixed assets		(4,847,017)	(427,716)	-	-

21. TAX EXPENSE

Current income tax					
Current tax charge		-	-	-	-
Withholding tax on inter company dividends		-	12,811,784	-	-
(Over) provisions in previous years		-	(2,393,404)	-	-
Deferred tax charge					
Relating to origination and reversal of temporary differences		(202,128,838)	(2,179,466,296)	-	-
Income tax expense	21.1	(202,128,838)	(2,169,047,916)	-	-

21. 1. The tax on the Company and Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company and the Group as follows:

For the year ended 31 March In LKR	Note	Group 2020	Group 2019	Company 2020	Company 2019
Reconciliation between current tax charge and accounting profit					
Profit before tax		1,370,320,998	1,032,552,174	(267,364,832)	49,015,343
Tax calculated at a tax rate 28% (2019 - 28%)		383,689,879	289,114,609	(74,862,153)	13,724,296
Expenses not deductible for tax		275,035,515	147,228,657	19,603,020	58,953,007
Expenses deductible for tax		(664,995,902)	(14,378,399)	(12,302,201)	(41,972)
Effect from tax losses		(7,160,723)	(479,798,004)	74,979,856	6,325,719
Income not subject to tax		(20,717,333)	(79,872,732)	(7,418,522)	(78,961,050)
Consolidation adjustments		34,148,563	150,517,653	-	-
Under/(over) provisions in previous years		-	(2,393,404)	-	-
Deferred tax	21.2	(202,128,838)	(2,179,466,296)	-	-
		(202,128,838)	(2,169,047,916)	-	-

All Companies of the Group are liable to pay Income Tax at 28% (2018/2019 - 28%).

21.2. Deferred tax charge/(release)

For the year ended 31 March In LKR	Group 2020	Group 2019	Company 2020	Company 2019
Income statement				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	(10,148,073)	(9,394,748)	-	-
Employee benefit liabilities	664,015	(1,541,496)	-	-
Benefit arising from tax losses	(192,644,780)	(2,015,504,610)	-	-
Others	-	(153,025,442)	-	-
	(202,128,838)	(2,179,466,296)	-	-
Other comprehensive income				
Deferred tax expense arising from;				
Revaluation of land and building to fair value	(4,340,000)	4,760,000	-	-
Actuarial gains/(loss) on retirement benefits	2,665,229	258,114	-	-
	(1,674,771)	5,018,114	-	-

Deferred tax has been computed at 28% for all companies.

21.3. Tax losses carried forward

Tax losses brought forward	11,176,883,248	12,182,567,141	1,449,371,645	1,426,779,790
Adjustments on finalization of liability	1,084,876,553	707,880,409	(469,147)	-
Tax losses arising during the year	2,213,050,969	33,850,747	267,785,201	33,850,747
Utilization of tax losses	(2,246,481,049)	(1,747,415,049)	(24,676,134)	(11,258,892)
	12,228,329,721	11,176,883,248	1,692,011,565	1,449,371,645

The Group considered tax losses of Rs.9,040 Million for the deferred tax asset computation.

22. Earnings/(Loss) Per Share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

For the year ended 31 March	Group 2020	Group 2019	Company 2020	Company 2019
22.1. Basic Earnings per Share				
Profit attributable to equity holders of the parent (LKR)	377,385,892	1,579,478,202	(267,364,832)	49,015,343
Weighted average number of ordinary shares	688,160,000	688,160,000	688,160,000	688,160,000
Basic/Diluted earnings per share (LKR)	0.55	2.30	(0.39)	0.07

Notes to the Financial Statements

23. CASH AND CASH EQUIVALENTS

	Group		Company	
As at 31 March In LKR	2020	2019	2020	2019
Cash in hand and at bank balances	686,481,769	1,536,697,666	109,466,200	316,780,811
Bank overdrafts	(856,363,831)	(1,287,753,240)	(130,125,750)	(137,515,959)
	(169,882,062)	248,944,426	(20,659,550)	179,264,852

Cash and Cash equivalents include Cash in Hand, Bank Deposits and Investments with the maturity of less than 3 months.
Bank Overdrafts include all temporary and permanent overdrafts.

24. INVENTORIES

	Group	
As at 31 March In LKR	2020	2019
Vehicle stock	10,524,338	19,933,760
Real estate stock	174,696,692	153,491,749
Other	10,261,979	817,355
	195,483,009	174,242,864

25. OTHER ASSETS

	Group		Company	
As at 31 March In LKR	2020	2019	2020	2019
Advance, deposits and prepayments	977,170,713	1,005,249,209	4,670,258	2,894,853
Taxes receivable	257,452,684	203,778,889	6,168,141	-
Receivable from Fairfax on AAGI disposal	3,600,000	22,935,552	-	-
Other receivables	265,096,106	318,957,901	1,182,611	3,023,170
	1,503,319,503	1,550,921,551	12,021,010	5,918,023

26. FINANCIAL ASSETS

		Group	
As at 31 March In LKR	Note	2020	2019
26.1. Financial assets recognised through profit or loss			
Quoted shares	26.1.1	3,684,453	562,390,179
Treasury bonds	26.1.3	2,105,955,258	293,477,297
Unit trusts	26.1.4	3,270,729,100	601,073,979
		5,380,368,811	1,456,941,455

26.1.1 Quoted shares investments

	Group					
	2020			2019		
As at 31 March	Market price	No of shares	Market value (Rs.)	Market price	No of shares	Market value (Rs.)
Banks, Finance and Insurance						
Commercial Bank of Ceylon PLC	83.00	44,391	3,684,453	98.70	915,872	90,396,566
Hatton National Bank PLC	-	-	-	175.00	499,710	87,449,250
Sampath Bank PLC	-	-	-	180.10	472,518	85,100,492
Seylan Bank PLC (Non Voting)	-	-	-	35.90	322,684	11,584,356
Union Bank of Colombo	-	-	-	11.00	6,023,317	66,256,487
Sector Total			3,684,453			340,787,151
Diversified Holdings						
John Keells Holdings PLC	-	-	-	156.00	947,553	147,818,290
Valible One PLC	-	-	-	14.30	827,345	11,831,034
Sector Total			-			159,649,324
Power and Energy						
LVL Energy Fund Limited	-	-	-	7.90	1,561,600	12,336,640
Sector Total			-			12,336,640
Telecommunications						
Dialog Axiata PLC	-	-	-	9.10	3,578,630	32,565,533
Sector Total			-			32,565,533
Manufacturing						
Teejay Lanka PLC	-	-	-	30.40	550,000	16,720,000
B P P L Holdings PLC	-	-	-	9.90	33,488	331,531
Sector Total			-			17,051,531
Total Investments in Listed Equity Shares			3,684,453			562,390,179

26.1.2 Reclassification of financial assets at fair value through profit or loss (FVTPL) to financial assets at fair value through other comprehensive income (FVOCI)

Guidance Notes on Accounting Considerations of the COVID 19 Outbreak issued by Institute of Chartered Accountants of Sri Lanka on 11 May 2020 granted a one off option to reclassify equity instruments after initial recognition if the entity decides to change its business model as at 1 January 2020. Accordingly, Softlogic Life Insurance PLC has reclassified equity instruments from FVTPL to FVOCI with effect from 01 January 2020. Subsequent to the reclassification, the gain or loss on disposal of equity shares are recognized in the statement of profit or loss and other comprehensive income. Already recognised fair value loss of Rs.178 Mn has been reversed in the Income Statement on reclassification for the period ended 31 March 2020.

Details of reclassified amounts from FVTPL to FVOCI are as follows;

	Fair value	Impact on income statement	Impact on other comprehensive income
As at 31 March 2020	349,735,385	178,595,555	(178,595,555)

26. FINANCIAL ASSETS (Contd.)

26.1.3 Treasury bonds

			Group		
As at 31 March	Maturity date	Interest rate %	Face value	2020 Market value	2019 Market value
ISIN					
LKB01326B011	1-Feb-26	9.00%	100,000,000	99,169,160	-
LKB01027F156	15-Jun-27	11.75%	50,000,000	57,389,793	-
LKB01027F156	15-Jun-27	11.75%	50,000,000	57,389,793	-
LKB01027F156	15-Jun-27	11.75%	50,000,000	57,389,793	-
LKB01027F156	15-Jun-27	11.75%	50,000,000	57,389,793	-
LKB01628G019	1-Jul-28	9.00%	100,000,000	98,831,659	-
LKB01528I017	1-Sep-28	11.50%	100,000,000	111,380,991	-
LKB01528I017	1-Sep-28	11.50%	100,000,000	111,380,991	-
LKB01528I017	1-Sep-28	11.50%	100,000,000	111,380,991	-
LKB01528I017	1-Sep-28	11.50%	100,000,000	111,380,991	-
LKB01529E014	1-May-29	13.00%	50,000,000	62,381,708	57,278,465
LKB01529E014	1-May-29	13.00%	50,000,000	62,381,708	-
LKB01529E014	1-May-29	13.00%	50,000,000	62,381,708	-
LKB01530E152	15-May-30	11.00%	200,000,000	224,046,716	-
LKB02033F013	1-Jun-33	9.00%	150,000,000	145,131,285	-
LKB02033K013	1-Nov-33	9.00%	50,000,000	48,598,296	-
LKB01534I155	15-Sep-34	10.25%	50,000,000	51,174,423	-
LKB01534I155	15-Sep-34	10.25%	50,000,000	51,174,423	-
LKB01534I155	15-Sep-34	10.25%	50,000,000	51,174,423	-
LKB01534I155	15-Sep-34	10.25%	50,000,000	51,174,423	-
LKB01534I155	15-Sep-34	10.25%	50,000,000	51,174,423	-
LKB01534I155	15-Sep-34	10.25%	50,000,000	51,174,423	-
LKB03043F011	1-Jun-43	9.00%	50,000,000	47,519,978	-
LKB03044F019	1-Jun-44	13.50%	100,000,000	136,691,683	118,099,416
LKB03044F019	1-Jun-44	13.50%	100,000,000	136,691,683	118,099,416
				2,105,955,258	293,477,297

26.1.4 Unit trusts

	Group					
	2020			2019		
As at 31 March	Market price	No of units	Market value	Market price	No of units	Market value
Unlisted						
Namal - High Yield Fund	23.20	27,417,496	636,006,399	-	-	-
Capital Alliance - Investment Grade Fund	18.31	3,621,220	66,319,029	16.20	6,222,504	100,802,081
Capital Alliance - Income Fund	18.85	73,149,903	1,378,590,388	16.59	15,911,689	264,024,244
First Capital - Money Market Fund	1,747.25	680,963	1,189,813,284	1,531.75	154,234	236,247,654
			3,270,729,100			601,073,979

26.2. Financial assets measured at fair value through other comprehensive income

As at 31 March In LKR	Note	Group 2020	Group 2019	Company 2020	Company 2019
Quoted shares	26.2.1	2,221,315,166	1,534,938,050	28,330,045	25,577,722
Unquoted shares	26.2.2	373,690,600	469,030,600	81,326,000	-
Treasury bonds	26.2.3	1,364,028,871	2,780,090,294	-	-
		3,959,034,637	4,784,058,944	109,656,045	25,577,722

26.2.1 Quoted shares

	Group					
	2020			2019		
As at 31 March	Market price	No of shares	Fair value	Market price	No of shares	Fair value
Health Care						
Asiri Hospital Holdings PLC	20.00	16,424,711	328,494,220	20.20	15,424,711	311,579,162
			328,494,220			311,579,162
Banks, Finance and Insurance						
Commercial Bank of Ceylon PLC	95.00	1,305,000	123,975,000	-	-	-
National Development Bank	100.00	13,609,086	1,360,908,600	94.20	12,975,105	1,222,254,891
Seylan Bank PLC (Non Voting)	33.80	31,954	1,080,045	35.90	30,752	1,103,997
Sampath Bank PLC	162.40	574,978	93,376,427	-	-	-
People's Leasing and Finance PLC	17.90	1,000,000	17,900,000	-	-	-
			1,597,240,072			1,223,358,888
Beverage, Food and Tobacco						
Ceylon Cold Stores PLC	795.00	52,095	41,415,525	-	-	-
			41,415,525			-
Construction and Engineering						
Access Engineering PLC	21.80	2,028,927	44,230,609	-	-	-
			44,230,609			-
Diversified Holdings						
John Keells Holdings PLC	167.60	298,243	49,985,527	-	-	-
Melstacorp PLC	43.50	1,204,686	52,403,841	-	-	-
			102,389,368			-
Footwear and Textiles						
Teejay Lanka PLC	40.80	1,602,215	65,370,372	-	-	-
			65,370,372			-
Manufacturing						
Lanka Tiles PLC	76.70	400,000	30,680,000	-	-	-
			30,680,000			-
Power and Energy						
Lanka IOC PLC	19.00	605,000	11,495,000	-	-	-
			11,495,000			-
			2,221,315,166			1,534,938,050

26. FINANCIAL ASSETS (Contd.)

26.2.1 Quoted shares (Contd.)

	Company					
	2020			2019		
As at 31 March	Market price	No of shares	Fair value	Market price	No of shares	Fair value
Nations Development Bank	100.00	272,500	27,250,000	94.20	259,806	24,473,725
Seylan Bank PLC (Non Voting)	33.80	31,954	1,080,045	35.90	30,752	1,103,997
			28,330,045			25,577,722

26.2.2 Un-quoted shares investments

	Group					
	2020			2019		
As at 31 March	No of shares	Carrying value	Fair value	No of shares	Carrying value	Fair value
Cargills Bank Limited	34,000,100	373,660,000	373,660,000	34,000,000	469,000,000	469,000,000
Credit Information Bureau	100	30,600	30,600	100	30,600	30,600
		373,690,600	373,690,600		469,030,600	469,030,600

	Company					
	2020			2019		
As at 31 March	No of shares	Carrying value	Fair value	No of shares	Carrying value	Fair value
Cargills Bank Limited	7,400,000	81,326,000	81,326,000	-	-	-
		81,326,000	81,326,000		-	-

As per SLFRS 09 all the equity instruments including unlisted investments need to be measured at fair value. Accordingly, fair value of Cargills Bank investment was assessed as at the reporting date based on net assets per share adjusted for illiquidity. Total fair value of Cargills Bank investments at 31 March 2020 is Rs.373.66 Mn.

Please Refer Note 7.2 for valuation method and technique followed by the Group in determining the fair value unlisted financial instruments as at reporting date.

26.2.3 Treasury Bonds

				Group	
As at 31 March	Maturity date	Interest rate %	Face value	2020 Fair value	2019 Fair value
ISIN					
LKB01326B011	1-Feb-26	9.00%	100,000,000	-	91,269,431
LKB01027F156	15-Jun-27	11.75%	50,000,000	-	52,847,961
LKB01027F156	15-Jun-27	11.75%	50,000,000	-	52,847,961
LKB01027F156	15-Jun-27	11.75%	50,000,000	-	52,847,961
LKB01027F156	15-Jun-27	11.75%	50,000,000	-	52,847,961
LKB01628G019	1-Jul-28	9.00%	100,000,000	-	88,674,958
LKB01528I017	1-Sep-28	11.50%	100,000,000	-	101,427,274
LKB01528I017	1-Sep-28	11.50%	100,000,000	-	101,427,274
LKB01528I017	1-Sep-28	11.50%	100,000,000	-	101,427,274
LKB01528I017	1-Sep-28	11.50%	100,000,000	-	101,427,274
LKB01529A012	1-Jan-29	13.00%	50,000,000	-	56,028,568
LKB01529A012	1-Jan-29	13.00%	50,000,000	-	56,028,568
LKB01529E014	1-May-29	13.00%	50,000,000	187,145,123	57,278,465
LKB01529E014	1-May-29	13.00%	50,000,000	-	57,278,465
LKB01529E014	1-May-29	13.00%	150,000,000	-	171,835,396
LKB01530E152	15-May-30	11.00%	50,000,000	-	50,323,485
LKB01530E152	15-May-30	11.00%	200,000,000	-	201,293,940
LKB01530E152	15-May-30	11.00%	50,000,000	-	50,323,485
LKB02032A016	1-Jan-32	8.00%	100,000,000	89,663,362	78,488,044
LKB02033F013	1-Jun-33	9.00%	150,000,000	-	127,322,373
LKB02033K013	1-Nov-33	9.00%	50,000,000	-	42,662,968
LKB02035C155	15-Mar-35	11.50%	100,000,000	113,115,791	99,339,901
LKB02035C155	15-Mar-35	11.50%	50,000,000	56,557,896	49,669,951
LKB02035C155	15-Mar-35	11.50%	200,000,000	169,673,686	198,679,802
LKB03043F011	1-Jun-43	9.00%	50,000,000	-	40,572,338
LKB03044A010	1-Jan-44	13.50%	100,000,000	135,708,872	117,192,523
LKB03044A010	1-Jan-44	13.50%	100,000,000	135,708,872	117,192,523
LKB03044A010	1-Jan-44	13.50%	100,000,000	135,708,872	117,192,523
LKB03044A010	1-Jan-44	13.50%	100,000,000	135,708,872	117,192,523
LKB03044F019	1-Jun-44	13.50%	150,000,000	205,037,525	177,149,124
				1,364,028,871	2,780,090,294

26. FINANCIAL ASSETS (Contd.)

26.3. Financial assets at amortised cost

	Note	Group		Company	
As at 31 March In LKR		2020	2019	2020	2019
Loan receivables	26.3.1	11,011,141,328	13,733,288,691	-	-
Gold loans receivables	26.3.2	2,940,869,436	2,009,717,061	-	-
Factoring receivables	26.3.3	600,088,173	309,225,914	-	-
Trade debtors		349,465,731	150,701,921	-	-
Policyholder loans		236,700,371	173,311,507	-	-
Reinsurance receivables		334,006,545	294,293,672	-	-
Premium receivables		1,150,855,641	493,426,884	-	-
Debentures	26.3.4	4,402,467,960	2,958,607,314	-	-
Commercial papers	26.3.5	1,474,558,868	755,020,426	615,086,301	-
Placements with banks	26.3.6	2,240,505,397	1,715,571,533	4,727,144	-
Treasury bonds	26.3.7	249,955,273	242,821,752	-	-
Sri Lanka Development Bonds	26.3.8	1,905,298,102	-	-	-
Repos		2,348,352,367	1,734,284,982	-	-
Deposits with regulator-CSE		3,500,000	3,500,000	-	-
		29,247,765,192	24,573,771,657	619,813,445	-

26.3.1 Loan Receivables

	Note	Group	
As at 31 March In LKR		2020	2019
Revolving loan receivables		1,686,091,491	1,605,647,175
Vehicle loan receivables		2,033,730,246	1,400,125,033
Personal/Business loan receivables		8,637,108,307	11,878,915,220
Gross loan receivables		12,356,930,044	14,884,687,428
Less : Allowance for expected credit losses/individual impairment	26.3.1.2	(224,623,192)	(192,943,551)
Less : Allowance for expected credit losses/collective impairment	26.3.1.3	(1,121,165,524)	(958,455,186)
		11,011,141,328	13,733,288,691

26.3.1.1 Analysis of loan receivables on maximum exposure to credit risk

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
As at 31 March 2020				
Gross loan receivables- subject to collective impairment	3,114,842,117	1,438,775,996	7,803,311,931	12,356,930,044
Allowance for expected credit losses (ECL)	(56,581,930)	(125,250,399)	(1,163,956,387)	(1,345,788,716)
	3,058,260,187	1,313,525,597	6,639,355,544	11,011,141,328

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
As at 31 March 2019				
Gross loan receivables- subject to collective impairment	8,062,092,159	3,495,978,533	3,326,616,736	14,884,687,428
Allowance for expected credit losses (ECL)	(120,576,817)	(141,368,387)	(889,453,533)	(1,151,398,737)
	7,941,515,342	3,354,610,146	2,437,163,203	13,733,288,691

26.3.1.2 Allowance for expected credit losses/Impairment

	Group	
As at 31 March In LKR	2020	2019
Individually impaired loans		
Balance as at 01 April	192,943,551	338,953,244
Charge/(Reversal) to income statement	31,679,641	(146,009,693)
Balance as at 31 March	224,623,192	192,943,551

26.3.1.3 Allowance for expected credit losses/Impairment

	Group	
As at 31 March In LKR	2020	2019
Loans subject to collective impairment		
Balance as at 01 April	958,455,186	572,145,598
Impact of adoption of SLFRS 09 as at 01 April 2018	-	592,062,447
	958,455,186	1,164,208,045
Charge/(Reversal) to income statement	162,710,338	(205,752,859)
Balance as at 31 March	1,121,165,524	958,455,186

26.3.1.4 Movement in allowance for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Balance as at 01 April 2019	120,576,817	141,368,387	889,453,533	1,151,398,737
Charge/(Reversal) to income statement	(63,994,887)	(16,117,988)	274,502,854	194,389,979
Balance as at 31 March 2020	56,581,930	125,250,399	1,163,956,386	1,345,788,716

26.3.1.5 Movement in allowance for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Balance as at 01 April 2018	283,080,266	115,233,972	1,104,847,051	1,503,161,289
Charge/(Reversal) to income statement	(162,503,449)	26,134,415	(215,393,518)	(351,762,552)
Balance as at 31 March 2019	120,576,817	141,368,387	889,453,533	1,151,398,737

26. FINANCIAL ASSETS (Contd.)

26.3.2 Gold loans receivables

	Note	Group	
As at 31 March In LKR		2020	2019
Gold loan receivables		2,953,867,305	2,014,921,293
Less : Allowance for expected credit losses/collective impairment	26.3.2.2	(12,997,869)	(5,204,232)
		2,940,869,436	2,009,717,061

26.3.2.1 Analysis of gold loan receivables on maximum exposure to credit risk

	Stage 1	Stage 2	Stage 3	Total
As at 31 March 2020				
Gross gold loan receivables- subject to collective impairment	1,633,126,999	742,952,820	577,787,486	2,953,867,305
Allowance for expected credit losses (ECL)	(1,500,594)	(1,309,513)	(10,187,762)	(12,997,869)
	1,631,626,405	741,643,307	567,599,724	2,940,869,436

	Stage 1	Stage 2	Stage 3	Total
As at 31 March 2019				
Gross gold loan receivables- subject to collective impairment	1,272,996,467	597,382,066	144,542,760	2,014,921,293
Allowance for expected credit losses (ECL)	(1,047,888)	(1,120,946)	(3,035,398)	(5,204,232)
	1,271,948,579	596,261,120	141,507,362	2,009,717,061

26.3.2.2 Allowance for expected credit losses/Impairment

	Group	
As at 31 March In LKR	2020	2019
Loans subject to collective impairment		
Balance as at 01 March	5,204,232	1,084,040
Impact of adoption of SLFRS 09 as at 01 April 2018	-	2,001,206
	5,204,232	3,085,246
Charge/(Reversal) to income statement	7,793,637	2,118,986
Balance as at 31 March	12,997,869	5,204,232

26.3.2.3 Movement in allowance for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Balance as at 01 April 2019	1,047,888	1,120,946	3,035,398	5,204,232
Charge/(Reversal) to income statement	452,706	188,567	7,152,364	7,793,637
Balance as at 31 March 2020	1,500,594	1,309,513	10,187,762	12,997,869

26.3.3 Factoring Receivables

As at 31 March In LKR	Group 2020	Group 2019
Gross factoring receivable	642,746,975	309,225,914
Less : Allowance for expected credit losses	(42,658,802)	-
	600,088,173	309,225,914

26.3.3.1 Analysis of factoring receivables on maximum exposure to credit risk

	Stage 1	Stage 2	Stage 3	Total
As at 31 March 2020				
Gross factoring receivables- subject to collective impairment	547,238,887	68,669,541	26,838,547	642,746,975
Allowance for expected credit losses(ECL)	(14,370,254)	(13,082,447)	(15,206,101)	(42,658,802)
	532,868,633	55,587,094	11,632,446	600,088,173

26.3.3.2 Analysis of factoring receivables on maximum exposure to credit risk

	Stage 1	Stage 2	Stage 3	Total
As at 31 March 2019				
Gross factoring receivables- subject to collective impairment	244,462,837	58,716,531	6,046,546	309,225,914
Allowance for expected credit losses(ECL)	-	-	-	-
	244,462,837	58,716,531	6,046,546	309,225,914

26.3.4 Debentures

As at 31 March In LKR	Note	Group 2020	Group 2019
Gross debenture value	26.3.4.1	4,402,467,960	2,990,029,514
Impact of adoption of SLFRS 09 as at 01 April 2018		-	(31,422,200)
		4,402,467,960	2,958,607,314

26. FINANCIAL ASSETS (Contd.)

26.3.4.1 Debentures

				Group			
As at 31 March				2020		2019	
Issuer	Maturity date	Interest rate %	No of debentures	Carrying value	Fair value	Carrying value	Fair value
Citizens Development Business Finance PLC	3-Jun-21	12.75%	500,000	51,890,894	49,355,411	51,784,282	50,285,100
Commercial Bank of Ceylon PLC	8-Mar-21	10.75%	500,000	46,732,741	53,187,022	43,525,244	47,634,888
	27-Oct-21	12.00%	243,100	23,902,624	22,726,879	23,045,347	22,588,173
	22-Jul-28	12.50%	1,267,000	129,632,546	126,699,665	129,595,061	129,595,061
DFCC Bank PLC	9-Nov-23	12.75%	500,000	51,814,548	50,120,756	51,679,604	50,091,006
	29-Mar-25	13.00%	1,000,000	100,061,413	99,967,997	100,066,352	99,965,927
	29-Mar-25	13.00%	1,000,000	100,061,413	99,967,997	100,066,352	99,965,927
	28-Mar-29	13.90%	1,564,100	156,570,025	156,356,837	156,577,397	156,577,397
	29-Mar-23	12.60%	500,000	50,056,937	48,674,907	-	-
Dunamis Capital PLC	5-Aug-19	12.50%	798,000	-	-	82,134,762	80,163,028
	5-Aug-19	12.50%	202,000	-	-	20,850,524	19,803,750
First Capital Treasuries PLC	6-Feb-20	9.50%	250,000	-	-	25,290,585	24,541,295
	30-Jan-25	12.75%	500,000	51,034,768	51,043,540	-	-
Hatton National Bank PLC	14-Dec-19	7.75%	500,000	-	-	49,123,664	44,792,830
	14-Dec-24	8.33%	500,000	51,017,642	37,501,651	51,007,936	49,990,109
	28-Mar-21	11.25%	1,000,000	93,907,541	105,423,111	88,649,033	98,383,074
	1-Nov-23	13.00%	370,200	38,397,682	37,136,181	38,270,637	37,110,360
	29-Aug-23	8.00%	185,256	14,908,088	16,128,816	14,009,346	13,742,935
	23-Sep-26	12.80%	663,900	70,680,997	70,685,554	-	-
	23-Sep-26	12.80%	413,300	44,001,289	44,004,127	-	-
	30-Dec-24	13.20%	1,000,000	103,141,229	103,174,257	-	-
Lanka Orix Leasing Company PLC	31-Jul-22	13.00%	1,000,000	102,079,985	99,999,155	102,060,271	99,889,033
	27-Sep-24	15.00%	2,000,000	200,286,743	206,935,260	-	-
	27-Sep-24	15.00%	500,000	50,071,686	51,733,815	-	-
	27-Sep-24	15.00%	500,000	50,071,686	51,733,815	-	-
Nations Trust Bank PLC	8-Nov-21	12.80%	225,900	23,505,463	22,683,967	23,406,823	22,665,921
	20-Apr-23	13.00%	750,000	84,199,670	74,999,583	84,183,989	84,183,989
	20-Apr-23	13.00%	750,000	84,199,670	74,999,583	84,183,989	84,183,989
	23-Dec-26	12.90%	1,500,000	154,991,637	155,018,258	-	-
	23-Dec-24	12.80%	1,000,000	103,302,876	103,320,627	-	-
	23-Dec-24	12.80%	500,000	51,651,438	51,660,314	-	-
People's Leasing and Finance PLC	16-Nov-21	12.60%	1,000,000	103,937,252	100,368,930	103,539,032	100,250,853
	18-Apr-23	12.80%	1,252,600	140,492,565	125,259,326	140,455,944	140,455,944
	18-Apr-23	12.80%	1,252,600	140,492,565	125,259,326	140,455,944	140,455,944
Sampath Bank PLC	14-Dec-19	8.25%	500,000	-	-	48,921,765	52,771,762
	10-Jun-21	12.75%	500,000	54,082,027	51,355,770	53,352,523	50,629,163
	21-Dec-22	12.50%	2,270,000	234,694,068	227,006,019	234,637,426	226,895,833
	28-Feb-24	13.90%	1,000,000	101,135,245	100,279,425	101,111,479	101,111,479
	28-Feb-24	13.90%	1,000,000	101,135,245	100,279,425	101,111,479	101,111,479
	20-Mar-23	12.50%	450,000	45,069,746	43,706,012	-	-

				Group			
As at 31 March				2020		2019	
Issuer	Maturity date	Interest rate %	No of debentures	Carrying value	Fair value	Carrying value	Fair value
Seylan Bank PLC	29-Mar-25	13.20%	500,000	50,046,965	49,980,140	50,057,891	50,005,386
	29-Mar-25	13.20%	500,000	50,046,965	49,980,140	50,057,891	50,005,386
	18-Apr-24	15.00%	500,000	57,116,633	60,796,353	-	-
	18-Apr-24	15.00%	500,000	57,116,633	60,796,353	-	-
	18-Apr-24	15.00%	500,000	60,228,026	58,132,609	-	-
	29-Mar-23	12.85%	500,000	50,048,359	48,656,246	-	-
	15-Jul-23	13.75%	626,000	65,889,910	62,489,100	-	-
Singer Finance (Lanka) PLC	6-Apr-19	11.50%	300,000	-	-	31,651,730	30,518,679
	6-Apr-20	12.00%	300,000	31,737,347	30,371,927	31,354,302	30,313,024
Siyapatha Finance PLC	20-Sep-21	13.50%	168,000	17,274,284	17,178,795	16,891,254	17,899,115
	8-Aug-24	13.33%	500,000	54,203,992	54,213,284	-	-
	26-Aug-24	13.00%	2,000,000	202,339,521	206,563,057	-	-
	26-Aug-24	13.00%	1,001,100	101,281,047	103,395,138	-	-
Hayleys PLC	26-Aug-24	13.00%	650,000	65,760,344	67,132,994	-	-
Kotagala Plantations PLC	26-May-19	14.50%	25,000	-	-	2,679,751	2,555,461
	26-May-20	14.75%	25,000	2,523,753	2,002,961	2,644,914	2,032,440
	26-May-21	15.00%	25,000	2,254,660	2,002,062	2,629,373	2,021,662
	26-May-19	14.50%	281,800	-	-	29,168,692	28,173,470
	26-May-20	14.75%	281,800	28,431,325	22,543,423	29,175,485	22,532,119
	26-May-21	15.00%	281,800	25,422,285	22,543,636	29,192,191	22,532,111
	26-May-19	14.50%	156,950	-	-	16,746,055	15,995,406
	26-May-20	14.75%	156,950	15,838,469	12,571,494	16,589,927	12,750,486
	26-May-21	15.00%	156,950	14,150,770	12,567,567	16,515,640	12,696,525
Sri Lanka Telecome PLC	19-Apr-28	12.75%	1,250,000	140,101,780	124,999,138	140,059,122	140,059,122
	19-Apr-28	12.75%	1,000,000	112,081,424	99,999,310	112,047,298	112,047,298
	19-Apr-28	12.75%	889,300	94,006,710	88,929,687	93,976,895	93,976,895
	19-Apr-28	12.75%	714,400	75,518,266	71,439,749	75,494,313	75,494,314
Abans PLC	19-Dec-24	12.50%	250,000	25,836,548	25,844,842	-	-
				4,402,467,960	4,293,883,323	2,990,029,514	2,951,445,148

26. FINANCIAL ASSETS (Contd.)

26.3.5 Commercial papers

	Note	Group		Company	
As at 31 March In LKR		2020	2019	2020	2019
Gross commercial paper value	26.3.5.1	1,474,558,868	755,132,616	615,086,301	-
Impact of adoption of SLFRS 09 as at 01 April 2018		-	(112,190)	-	-
		1,474,558,868	755,020,426	615,086,301	-

26.3.5.1 Commercial papers

	Group			
As at 31 March	2020		2019	
In LKR	Carrying value	Fair value	Carrying value	Fair value
First Capital Holdings PLC	307,585,356	307,585,356	308,486,029	308,486,029
Lanka Orix Leasing Company PLC	566,973,512	566,973,512	446,646,587	446,646,587
Softlogic Holdings PLC	600,000,000	600,000,000	-	-
	1,474,558,868	1,474,558,868	755,132,616	755,132,616

	Company			
As at 31 March	2020		2019	
In LKR	Carrying value	Fair value	Carrying value	Fair value
Softlogic Holdings PLC	600,000,000	600,000,000	-	-
Softlogic Stockbrockers (Private) Limited	15,086,301	15,086,301	-	-
	615,086,301	615,086,301	-	-

26.3.6 Placements with banks

		Group	
As at 31 March In LKR	Note	2020	2019
Gross bank deposit value	26.3.6.1	2,240,505,397	1,715,755,095
Impact of adoption of SLFRS 09 as at 01 April 2018		-	(183,562)
		2,240,505,397	1,715,571,533

26.3.6.1 Bank deposits

As at 31 March	2020		2019	
In LKR	Carrying value	Fair value	Carrying value	Fair value
Licensed Commercial Banks	1,577,547,316	1,577,547,316	1,571,078,851	1,571,078,851
Licensed Specialized Banks	662,958,081	662,958,081	144,676,244	144,676,244
	2,240,505,397	2,240,505,397	1,715,755,095	1,715,755,095

26.3.7 Treasury bonds

			2020			2019	
ISIN	Maturity date	Interest rate %	Face value	Carrying value	Fair value	Carrying value	Fair value
LKB01020H017	1-Aug-20	6.20%	250,000,000	249,955,273	251,617,599	242,821,752	239,528,931

26.3.8 Sri Lanka Development Bonds

				2020		2019	
	Maturity date	Interest rate %	Face value	Carrying value	Fair value	Carrying value	Fair value
Sri Lanka Development Bonds	22-Jan-23	5.95%	1,873,584,000	1,905,298,102	1,905,298,102	-	-

27. LEASE AND HIRE PURCHASE RECEIVABLES

		Group	
As at 31 March In LKR	Note	2020	2019
At Amortized cost			
Total lease and hire purchase rentals receivable		3,018,071,930	2,823,580,057
Less: Unearned interest income		(707,461,488)	(748,022,514)
Gross lease and hire purchase receivable		2,310,610,442	2,075,557,543
Less: Allowance for expected credit losses/collective impairment	27.6	(150,326,052)	(109,563,872)
Net lease receivable	27.1	2,160,284,390	1,965,993,671

27.1. Maturity analysis of net lease and hire purchase receivable as at 31 March 2020

	1 Year	1- 5 Year	Over 5 Years	Total
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	1,269,749,436	1,748,322,494	-	3,018,071,930
Less: Unearned lease interest income	(284,378,662)	(423,082,825)	-	(707,461,487)
Gross lease receivable	985,370,774	1,325,239,669	-	2,310,610,443
Less: Allowance for expected credit losses				(150,326,053)
Net lease receivable				2,160,284,390

27.2. Maturity analysis of net lease and hire purchase receivable as at 31 March 2019

	1 Year	1- 5 Year	Over 5 Years	Total
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	1,331,498,953	1,492,081,104	-	2,823,580,057
Less: Unearned lease interest income	(391,457,933)	(356,564,582)	-	(748,022,514)
Gross lease receivable	940,041,020	1,135,516,522	-	2,075,557,543
Less: Allowance for expected credit losses				(109,563,872)
Net lease receivable				1,965,993,671

27.3. Analysis of lease and hire purchase receivables on maximum exposure to credit risk

	Stage 1	Stage 2	Stage 3	Total
As at 31 March 2020				
Gross receivables- subject to collective impairment	1,344,903,306	493,287,403	472,419,734	2,310,610,443
Allowance for expected credit losses (ECL)	(12,397,193)	(26,561,551)	(111,367,308)	(150,326,053)
	1,332,506,113	466,725,852	361,052,426	2,160,284,390

27. Analysis of lease and hire purchase receivables on maximum exposure to credit risk

	Stage 1	Stage 2	Stage 3	Total
As at 31 March 2019				
Gross receivables- subject to collective impairment	1,112,696,150	620,054,212	342,807,181	2,075,557,543
Allowance for expected credit losses (ECL)	(9,155,933)	(20,739,004)	(79,668,935)	(109,563,872)
	1,103,540,217	599,315,208	263,138,246	1,965,993,671

27. LEASE AND HIRE PURCHASE RECEIVABLES (Contd.)

27.5. Allowance for expected credit losses/Impairment

	Group	
As at 31 March In LKR	2020	2019
Loans subject to collective impairment		
Collective impairment		
Balance as at 01 April	95,527,460	121,881,556
Impact of adoption of SLFRS 09 as at 01 April 2018	-	(1,863,815)
	95,527,460	120,017,741
Charge/(Reversal) to income statement	33,353,705	(24,490,281)
Balance as at 31 March	128,881,165	95,527,460
Individual Impairment		
Balance as at 01 April	14,036,411	10,090,351
Charge/(Reversal) to income statement	7,408,477	3,946,060
Balance as at 31 March	21,444,888	14,036,411

27.6. Movement in allowance for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Balance as at 01 April 2019	9,155,933	20,739,004	79,668,935	109,563,872
Charge/(Reversal) to income statement	3,241,260	5,822,547	31,698,374	40,762,181
Balance as at 31 March 2020	12,397,193	26,561,551	111,367,309	150,326,053

27.7. Movement in allowance for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Balance as at 01 April 2018	870,442	3,606,303	127,495,163	131,971,908
Impact of adoption of SLFRS 09 as at 01 April 2018	22,013,460	3,325,620	(27,202,895)	(1,863,815)
Charge/(Reversal) to income statement	(13,727,969)	13,807,081	(20,623,333)	(20,544,221)
Balance as at 31 March 2019	9,155,933	20,739,004	79,668,935	109,563,872

28. INVESTMENTS IN SUBSIDIARIES

	Company					
	Effective holding %	No of shares	2020	Effective holding %	No of shares	2019
Carrying Value						
Softlogic Finance PLC	72.94%	75,402,434	2,069,157,689	66.84%	45,401,370	1,559,673,453
Softlogic Life Insurance PLC	51.69%	193,820,760	2,348,683,347	51.69%	193,820,760	2,348,683,347
Softlogic Stockbrokers (Pvt) Ltd	100.00%	19,700,000	316,929,500	100.00%	19,700,000	316,929,500
Softlogic Asset Management (Pvt) Ltd	100.00%	3,500,002	35,000,020	100.00%	750,002	7,500,020
			4,769,770,556			4,232,786,320
Market value of group quoted investments in subsidiaries						
Softlogic Finance PLC			867,127,991			980,669,592
Softlogic Life Insurance PLC			4,787,372,772			6,105,353,940
			5,654,500,763			7,086,023,532

29. RIGHT OF USE ASSETS

Group

As at 31 March In LKR	Leasehold properties	Furniture and fittings	Office equipment	Motor vehicles	Total
Cost					
As at 01 April 2019	-	-	-	-	-
Impact from Adoption of SLFRS 16	563,736,346	-	-	-	563,736,346
Additions during the year	690,223,701	-	-	-	690,223,701
Transfers	-	3,590,487	707,000	27,176,953	31,474,440
Disposals during the year	-	-	-	(8,888,788)	(8,888,788)
De-recognition during the year	(12,671,600)	-	-	-	(12,671,600)
As at 31 March 2020	1,241,288,447	3,590,487	707,000	18,288,165	1,263,874,099
Accumulated depreciation					
As at 01 April 2019	-	-	-	-	-
Transfers	-	3,590,487	707,000	23,224,564	27,522,051
Depreciation charge for the year	206,564,856	-	-	1,436,697	208,001,553
Disposals during the year	-	-	-	(6,373,096)	(6,373,096)
De-recognition during the year	(10,248,902)	-	-	-	(10,248,902)
As at 31 March 2020	196,315,954	3,590,487	707,000	18,288,165	218,901,606
Net book value as at 31 March 2020	1,044,972,493	-	-	-	1,044,972,493
Net book value as at 31 March 2019	-	-	-	-	-

Company

As at 31 March In LKR	Leasehold properties	Total
Cost		
As at 01 April 2019	-	-
Impact from Adoption of SLFRS 16	-	-
Additions during the year	475,554,490	475,554,490
De-recognition during the year	-	-
As at 31 March 2020	475,554,490	475,554,490
Accumulated depreciation		
As at 01 April 2019	-	-
Depreciation charge for the year	35,940,044	35,940,044
De-recognition during the year	-	-
As at 31 March 2020	35,940,044	35,940,044
Net book value as at 31 March 2020	439,614,446	439,614,446
Net book value as at 31 March 2019	-	-

The Information relating to the movement of lease liabilities are disclosed in Note 38.

30. PROPERTY, PLANT AND EQUIPMENT

30.1. Group

In LKR	Land and building	Furniture and fittings	Computers and printers	Office equipment	Motor vehicles	Capital work in progress	Total 2020	Total 2019
Freehold assets								
Cost or valuation								
At the beginning of the year	532,172,849	792,999,488	149,684,092	500,040,728	138,469,861	-	2,113,367,018	1,898,742,165
Additions	-	96,560,157	24,584,421	38,829,378	-	50,122,144	210,096,099	199,661,567
Disposals	(1,172,850)	(6,398,158)	-	(7,394,015)	(143,375)	-	(15,108,398)	(2,036,714)
Transfers	(22,772,712)	-	-	-	-	-	(22,772,712)	-
Impairment/de-recognition	-	-	-	-	-	-	-	-
Revaluations	59,772,712	-	-	-	-	-	59,772,712	17,000,000
At the end of the year	567,999,999	883,161,487	174,268,513	531,476,090	138,326,486	50,122,144	2,345,354,719	2,113,367,018
Leasehold assets								
Cost								
At the beginning of the year	-	3,590,487	-	707,000	27,176,953	-	31,474,440	31,474,440
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers	-	(3,590,487)	-	(707,000)	(27,176,953)	-	(31,474,440)	-
At the end of the year	-	-	-	-	-	-	-	31,474,440
Total value of assets	567,999,999	883,161,487	174,268,513	531,476,090	138,326,486	50,122,144	2,345,354,719	2,144,841,458
Freehold assets								
Accumulated depreciation								
At the beginning of the year	14,318,855	456,124,412	100,308,450	353,167,552	34,777,929	-	958,697,198	774,387,561
Charge for the year	11,480,637	103,639,588	19,123,279	56,627,288	9,726,751	-	200,597,543	184,961,588
Disposals	(1,172,850)	(6,215,874)	-	(7,143,567)	(143,385)	-	(14,675,676)	(651,951)
Transfers	(22,772,712)	-	-	-	-	-	(22,772,712)	-
Impairment/de-recognition	-	-	-	-	-	-	-	-
At the end of the year	1,853,930	553,548,126	119,431,729	402,651,274	44,361,295	-	1,121,846,353	958,697,198
Leasehold assets								
Accumulated depreciation								
At the beginning of the year	-	3,590,487	-	707,000	23,224,564	-	27,522,051	22,728,196
Charge for the year	-	-	-	-	-	-	-	4,793,855
Disposals	-	-	-	-	-	-	-	-
Transfers	-	(3,590,487)	-	(707,000)	(23,224,564)	-	(27,522,051)	-
At the end of the year	-	-	-	-	-	-	-	27,522,051
Total accumulated depreciation	1,853,930	553,548,126	119,431,729	402,651,273	44,361,295	-	1,121,846,353	986,219,249
As at 31 March 2020	566,146,069	329,613,361	54,836,784	128,824,817	93,965,191	50,122,144	1,223,508,366	
As at 31 March 2019	517,853,994	336,875,076	49,375,642	146,873,176	107,644,321	-		1,158,622,209

30.2. Company

In LKR	Furniture and fittings	Computers and printers	Office equipment	Fixtures and fittings	Total 2020	Total 2019
Cost						
At the beginning of the year	-	749,500	-	-	749,500	-
Additions	366,924	799,481	415,875	4,392,580	5,974,860	749,500
Disposals	-	-	-	-	-	-
Transfers/write-offs	-	-	-	-	-	-
At the end of the year	366,924	1,548,981	415,875	4,392,580	6,724,360	749,500
Accumulated depreciation						
At the beginning of the year	-	57,725	-	-	57,725	-
Charge	13,873	213,660	31,447	332,151	591,131	57,725
Disposals	-	-	-	-	-	-
Transfers/write-offs	-	-	-	-	-	-
At the end of the year	13,873	271,385	31,447	332,151	648,856	57,725
Balance as at 31 March 2020	353,051	1,277,596	384,428	4,060,429	6,075,504	
Balance as at 31 March 2019	-	691,775	-	-		691,775

30.3. Acquisition of PPE during the year

During the financial year, the Company and Group acquired PPE to the aggregate value of Rs.5,974,860/- (2019 - Rs.749,500/-) and Rs.210,096,099/- (2019 - Rs.199,661,567/-) respectively.

30.4. Fully depreciated property plant and equipment in use

	Group	
As at 31 March	2020	2019
Cost		
Property, plant and equipment	727,402,142	510,330,231

30.5. Property plant and equipment pledged as security

None of the PPE have been pledged as securities as at the reporting date.

30.6. Permanent fall in value of property, plant and equipment

There has been no permanent fall in the value of PPE which require an impairment provision in the Financial Statements.

30.7. Title restriction on property plant and equipment

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

30.8. Assessment of impairment

The Board of Directors has assessed the potential impairment loss of PPE as at 31 March 2020. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of PPE.

30.9. Temporarily idle property, plant and equipment

There are no temporarily idle property, plant and equipment as at the reporting date.

30.10. Compensation from third parties for items of property, plant and equipment

There was no compensation received/receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

30.11. Capitalisation of borrowing cost

There were no capitalised borrowing costs relating to the acquisition of Property Plant and Equipment during the year.

30. PROPERTY, PLANT AND EQUIPMENT

30.12. The details of freehold land and buildings which are stated at valuation are as follows;

Freehold land - Group

Subsidiary	Location	Land extend	Method of valuation	Date of the valuation	Valuer	Revalued amount (LKR)
Softlogic Finance PLC	No. 13, De Fonseka place, Colombo 4.	0A-0R-12.0P	Open market value	31 March 2020	Mr. G. W. G. Abeygunawardena (Chartered Valuation Surveyor)	218,000,000
Softlogic Life Insurance PLC	No. 283, R A De Mal Mawatha, Colombo 3.	0A-0R-12.0P (04 Perch for Streetline)	Open market value	31 December 2019	Mr. P.B. Kalugalgedara (Chartered Valuation Surveyor)	160,000,000

Freehold buildings - Group

Subsidiary	Location	Number of buildings	Sqaure feet	Method of valuation	Date of the valuation	Valuer	Revalued amount (LKR)
Softlogic Finance PLC	No. 13, De Fonseka Place, Colombo 4.	1	16,850	Direct Capital Comparison method	31 March 2020	Mr. G. W. G. Abeygunawardena (Chartered Valuation Surveyor)	84,000,000
Softlogic Life Insurance PLC	No. 283, R A De Mal Mawatha, Colombo 3.	1	11,824	Investment Method	31 December 2019	Mr. P.B. Kalugalgedara (Chartered Valuation Surveyor)	106,000,000

30.13. If land and buildings were stated at historical cost, the amounts would have been as follows

As at 31 March	Group 2020		Group 2019	
	Land	Building	Land	Building
Cost	147,801,424	217,927,006	147,801,424	217,927,006
Accumulated depreciation	-	(57,679,143)	-	(46,782,793)
Carrying value	147,801,424	160,247,863	147,801,424	171,144,213

30.14 Fair Value hierarchy

The fair value of the Land and Buildings was determined by an external independent property valuer, having appropriate recognised professional qualifications and experience in the category of the property being valued. The valuer provides the fair value of the property. Fair value measurements of the property has been categorised as a Level 3 fair value based on the valuation techniques used.

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring fair values, as well as the significant unobservable inputs.

Description	Effective date of valuation	Valuation technique	Significant unobservable inputs				Interrelationship between key unobservable inputs and Fair value measurements
			Per perch value (Rs. Mn)		Per square foot value (Rs.)		
			2020	2019	2020	2019	
Freehold land - Group							
No. 13, De Fonseka place, Colombo 4.	31 March 2020	Open market value	17.5	16.5	-	-	Positive correlated sensitivity
No. 283, R A De Mel Mawatha, Colombo 3.	31 December 2019	Open market value	20	15	-	-	Positive correlated sensitivity
Freehold buildings - Group							
No. 13, De Fonseka place, Colombo 4.	31 March 2020	Direct capital comparison method			6,450 to 8,200	6,500 to 8,250	Positive correlated sensitivity
No. 283, R A De Mel Mawatha, Colombo 3.	31 December 2019	Investment Method			Rs.100 - Rs.300	-	Positive correlated sensitivity
		Direct capital comparison method			-	9,750	Positive correlated sensitivity

31. INTANGIBLE ASSETS

				Group		Company	
In LKR	PVIB	Goodwill	Other	2020	2019	2020	2019
Cost							
At the beginning of the year	1,980,596,000	924,934,106	261,440,133	3,166,970,239	3,268,863,709	-	6,571,263
Additions	-	-	142,718,466	142,718,466	-	-	-
Impairment/De-recognition	-	-	-	-	(101,893,470)	-	(6,571,263)
	1,980,596,000	924,934,106	404,158,599	3,309,688,705	3,166,970,239	-	-
Accumulated amortisation							
At the beginning of the year	1,004,922,718	-	178,064,138	1,182,986,856	1,049,791,506	-	-
Amortisation	121,959,155	-	20,698,575	142,657,730	133,195,350	-	-
Transfers - from PPE	-	-	-	-	-	-	-
Impairment/De-recognition	-	-	-	-	-	-	(6,571,263)
At the end of the year	1,126,881,873	-	198,762,713	1,325,644,586	1,182,986,856	-	-
Carrying value							
As at 31 March 2020	853,714,127	924,934,106	205,395,886	1,984,044,119	-	-	-
As at 31 March 2019	975,673,282	924,934,106	83,375,995	-	1,983,983,383	-	-

31.1. Present value of acquired in-force Long-term Insurance business (PVIB)

On acquiring a controlling stake in Softlogic Life Insurance PLC, the group has recognized in the consolidated financial statements an intangible asset representing the present value of future profits on Softlogic Life's portfolio of long term life insurance contracts, known as the present value of acquired in-force Long-term Insurance business (PVIB) at the acquisition date. Further, PVIB recognized at the acquisition date will be amortized over the life of the business acquired and reviewed annually for any impairment in value.

31.2. Goodwill

Goodwill and Brand Name acquired through business combinations have been allocated to three cash generating units (CGU's) for impairment testing as follows:

	Goodwill	
As at 31 March In LKR	2020	2019
Non Banking Financial Institutions	24,400,306	24,400,306
Insurance	778,868,391	778,868,391
Stockbroking	121,665,409	121,665,409
	924,934,106	924,934,106

31.3. Impairment of goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market in an arm's length transaction of similar assets, or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine recoverable amounts for the different cash generating units are as follows.

The recoverable amount of all CGUs have been determined based on the higher of fair value less costs to sell and its Value in Use (VIU) calculation. VIU is determined by discounting the future cash flows generated from continuing use of the unit. The key assumptions used are given below:

Business growth	Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to five years immediately subsequent to the budgeted year, based on industry growth rates. Cash flows beyond a five year period are extrapolated using zero growth rate.
Inflation	Budgeted cost inflation is the inflation rate, based on projected economic conditions.
Discount rate	The discounting rate used is the risk free rate increased by an appropriate risk premium.
Margin	Budgeted gross margins are the gross margins achieved in the year preceding, adjusted for projected market conditions and business plans.

32. STATED CAPITAL

	2020		2019	
As at 31 March In LKR	Number of shares	Value of shares	Number of shares	Value of shares
Issued and fully paid				
At the beginning of the year	688,160,000	2,880,000,000	688,160,000	2,880,000,000
At the end of the year	688,160,000	2,880,000,000	688,160,000	2,880,000,000

33. RESERVES

33.1. Reserve fund

As at 31 March In LKR	Group 2020	Group 2019
At the beginning of the year	260,448,732	219,654,894
Transferred during the year	-	40,793,838
At the end of the year	260,448,732	260,448,732

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 as Finance Companies Act (amended) issued to Registered Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 20% of the net profit for the year transferred to Reserve Fund as long as the capital funds are not less than 10% of total deposit liabilities.

33.2. Available for sale reserve

	Group		Company	
As at 31 March In LKR	2020	2019	2020	2019
At the beginning of the year	-	(714,008,817)	-	1,109,531
Impact of adopting SLFRS 9	-	714,008,817	-	(1,109,531)
At the beginning of the year - Adjusted	-	-	-	-
Net unrealised gain/(loss) on available-for-sale financial instruments	-	-	-	-
At the end of the year	-	-	-	-

The available-for-sale reserve is comprised of the cumulative net change in fair value of financial investments available for sale until such investments are de-recognised or impaired.

33.3. Fair value reserve

	Group		Company	
As at 31 March In LKR	2020	2019	2020	2019
At the beginning of the year	(996,507,130)	-	(2,348,680)	-
Impact of adopting SLFRS 9	-	(714,008,817)	-	1,109,531
At the beginning of the year - Adjusted	(996,507,130)	(714,008,817)	(2,348,680)	1,109,531
Net unrealised gain/(loss) on available-for-sale financial instruments	59,148,745	(282,498,313)	(16,573,549)	(3,458,211)
At the end of the year	(937,358,385)	(996,507,130)	(18,922,229)	(2,348,680)

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are de-recognised or impaired.

33.4. Restricted regulatory reserve

As at 31 March In LKR	Group 2020	Group 2019
At the beginning of the year	798,004,000	798,004,000
Transfer of One-off Surplus from Policy Holder Fund	-	-
At the end of the year	798,004,000	798,004,000

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on 20 March 2018 on “Identification and Treatment of One-off Surplus” and has instructed all Life Insurance Companies to comply with the new direction. Based on the new guideline Life Insurance Companies are allowed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Share Holder Fund as at the reporting year ended 31 December 2017. The transfer has been presented as a separate reserve in the Statement of Financial Position as “Restricted Regulatory Reserve” under Equity in accordance with the direction above. The distribution of One-off Surplus to shareholders as dividend shall remain restricted until the requirements disclosed in Note 38.7.2 are met. As required by the said Direction, the Group received the approval for this transfer on 29 March 2018.

34. TRADE AND OTHER PAYABLES

	Group		Company	
As at 31 March In LKR	**2020**	**2019**	**2020**	**2019**
Trade payables	86,877,577	90,405,385	11,488,680	-
Claims payable	579,933,399	478,872,582	-	-
Reinsurance creditors	519,783,683	444,231,402	-	-
Commission payable	376,872,944	313,334,233	-	-
Premium deposit	116,504,579	113,087,870	-	-
Accrued expenses	596,469,299	278,329,751	34,816,324	24,212,237
	2,276,441,481	1,718,261,223	46,305,004	24,212,237

35. OTHER NON FINANCIAL LIABILITIES

	Group		Company	
As at 31 March In LKR	**2020**	**2019**	**2020**	**2019**
Tax and other statutory payables	25,025,884	107,288,324	377	5,168,748
Other payables	30,351,381	169,717,137	566,779	566,502
	55,377,265	277,005,461	567,156	5,735,250

36. INCOME TAX PAYABLE/(RECEIVABLE)

	Group	
As at 31 March In LKR	**2020**	**2019**
At the beginning of the year	(244,628,628)	(158,492,309)
Provision for the year	-	-
Reversal of income tax over charge in previous years	-	(2,393,404)
Impact on Reclassification	-	(82,662,507)
Payments and set off against refunds	(15,178,074)	(1,080,408)
At the end of the year	(259,806,702)	(244,628,628)

37. PUT OPTION LIABILITY

	Group and Company	
As at 31 March In LKR	2020	2019
Put option liability	168,344,531	9,356,708

37.1. Softlogic Holdings PLC ("SH"), Softlogic Capital PLC ("SC") and Softlogic Life Insurance PLC ("SLI") entered into a "Shareholders Agreement" and "Share Purchase Agreement" dated 20 December 2012 as amended 13 February 2013 with Deutsche Investitions - Und Entwicklungsgesellschaft MBH ("DEG") and Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. ("FMO") to sell 19% of the ordinary shares of SLI, held by SH to FMO and 19% of the SLI ordinary shares held by SC to DEG. As per the above agreements, SC has granted a 'Put Option' to FMO and DEG which will be valid for a three year period with effect from 07 March 2017 to repurchase 38% of the shares held by DEG and FMO based on a 'Put Option' price as specified in the amended agreements.

On 20 December 2018 FMO sold their 19% stake to Dalvik Inclusion Private Limited (Dalvik) and the above said Put Option granted by SC is continued with LeapFrog and DEG. On 07 March 2020 this Put Option become null and void.

On 16 January 2020 DEG sold their 19% stake to Milford Ceylon (Pvt) Ltd (Milford) and SH, SC and SLI entered into the fourth amendment to the "Shareholder Agreement" and "Share Purchased Agreement". With this amendment SC granted an Investor Stake Put Option as one of the exit strategies to Dalvik and Milford which will be valid for the period of three years with effect from 31 July 2024.

Subsequent to the evaluation of ownership interest on the share transferred to non-controlling interest (NCI) based on pricing, voting rights, decision making and dividend rights, management determines that SH and SC have transferred full ownership interest to the NCI. Therefore SLI shares were de-recognized and any liability arising from the put option will be recognized based on option valuation methodology in line with SLFRS 09 Financial Instrument.

37.2. The Obligation on the put option liability is based on the Binomial method of valuation carried out by the management of Softlogic Capital PLC. The principal inputs used in determining the liability were:

	Group and Company	
As at 31 March In LKR	2020	2019
Continuous compounded risk free rate (%)	8.32	10.40
Annualized volatility (%)	35.84	37.00
Put option price/appraisal value (Rs.)	47.08	39.73
Probability to move up (pu) of the option value (%)	80.00	90.00
Probability to move down (pd) of the option value (%)	20.00	10.00
Upward movement of the appraisal value (%)	1.43	1.30
Downward movement of the appraisal value (%)	0.70	0.77

At the end of the year the liability amounted to Rs.168,344,531/-(In 2018/19 - Rs.9,356,708/-).

Risk free rate - Rate of return of an investment with no risk of financial loss

37.3. Sensitivity of assumptions used

If one percentage point changes in the assumptions, would have the following effect:

	Group and Company	
As at 31 March In LKR	2020	2019
Effect on the put option obligation liability;		
Increase by one percentage point in risk free rate	(7,750,093)	(52,633)
Decrease by one percentage point in risk free rate	8,154,922	53,135
Effect on the put option obligation liability;		
Increase by one percentage point in appraisal value	(3,248,809)	(349,937)
Decrease by one percentage point in appraisal value	3,248,809	349,937
Effect on the put option obligation liability;		
Increase by one percentage point in probability to move up of the option value	(14,713,144)	(1,912,650)
Decrease by one percentage point in probability to move up of the option value	15,184,692	2,092,899

38. INTEREST BEARING BORROWINGS

	Note	Group		Company	
As at 31 March In LKR		2020	2019	2020	2019
Bank loans	38.2	1,993,644,702	2,748,425,197	1,047,468,990	1,375,000,000
Lease creditors		1,005,931,574	2,740,844	446,950,089	-
Securitisation	38.3	1,167,774,067	381,190,488	-	-
Debentures		1,430,426,764	766,659,458	1,534,559,625	-
Commercial papers		151,712,327	-	151,712,327	-
		5,749,489,434	3,899,015,987	3,180,691,031	1,375,000,000

38. INTEREST BEARING BORROWINGS (contd.)

38.1. Movement in the Interest Bearing Borrowings

As at 31 March In LKR	Bank loans	Lease creditors	Securitisation	Debentures	Commercial papers	2020	2019
Company							
At the beginning of the year	1,375,000,000	-	-	-	-	1,375,000,000	1,272,000,000
Additions	628,000,000	466,239,775	-	1,488,505,984	914,271,428	3,497,017,187	125,000,000
Finance charges	-	13,041,055	-	-	-	13,041,055	-
Repayments	(955,531,010)	(33,348,458)	-	-	(764,271,428)	(1,753,150,896)	(22,000,000)
Exchange differences	-	1,017,717	-	-	-	1,017,717	-
Accrued interest	-	-	-	46,053,641	1,712,327	47,765,968	-
At the end of the year	1,047,468,990	446,950,089	-	1,534,559,625	151,712,327	3,180,691,031	1,375,000,000
Group							
At the beginning of the year	2,748,425,197	2,740,844	381,190,488	766,659,458	-	3,899,015,987	3,717,692,519
From adoption of SLFRS 16	-	524,299,783	-	-	-	524,299,783	-
Additions	2,828,000,000	645,230,574	1,018,200,000	1,384,373,123	914,271,428	6,790,075,125	3,619,858,898
Finance charges	-	104,023,379	-	-	-	104,023,379	-
Repayments	(3,588,331,200)	(258,869,911)	(321,190,488)	(766,659,458)	(764,271,428)	(5,699,322,485)	(3,440,023,036)
De-recognition	-	(12,510,812)	-	-	-	(12,510,812)	-
Exchange differences	-	1,017,717	-	-	-	1,017,717	-
Accrued interest	5,550,705	-	89,574,067	46,053,641	1,712,327	142,890,740	1,487,606
At the end of the year	1,993,644,702	1,005,931,574	1,167,774,067	1,430,426,764	151,712,327	5,749,489,434	3,899,015,987

38.2. Bank Loans

Institution	Type of loan	Amortized cost	Interest rate	Securities pledged	Security value
Softlogic Capital PLC					
Sampath Bank PLC	Term Loan	712,468,990	AWPLR+2.75%	158,611,920 shares of Softlogic Life Insurance PLC and 13,244,981 shares of Softlogic Finance PLC	4,070,031,706
	Term Loan	46,000,000			
		758,468,990			
Nations Trust Bank PLC	Term Loan	289,000,000	AWPLR+2.75% with a floor of 14%	35,188,840 shares of Softlogic Life Insurance PLC	869,164,348
		1,047,468,990			
Softlogic Finance PLC					
Union Bank PLC	Term Loan	142,471,007	AWPLR + 3.75%, Floor rate of 15.5%	Mortgage over Loan receivables of Softlogic Finance PLC	176,956,000
Commercial Bank of Ceylon PLC	Revolving Loan	250,601,490	AWPLR+3.00%	Nil	-
Seylan Bank PLC	Revolving Loan	250,539,490	AWPLR+2.00%	Mortgage over Lease and Hire purchase receivables for Rs.375 Mn	375,730,000
Hatton National Bank PLC	Term Loan	302,563,725	AWPLR+2.00%	Mortgage over Lease and Vehicle Loans receivables of Softlogic Finance PLC	420,144,000
		946,175,712			
Total Bank Borrowings		1,993,644,702			

38.3. Securitisations

Institution	Type of loan	Amortized cost	Interest rate	Securities pledged	Security value
NSB Trust	Securitisation	112,663,577	15.00%	Mortgage over Lease receivables of Softlogic Finance PLC	118,359,000
HNB Trust 2	Securitisation	353,771,000	16.75%	Mortgage over Lease receivables of Softlogic Finance PLC	416,618,000
HNB Trust 3	Securitisation	237,164,000	16.25%	Mortgage over Lease receivables of Softlogic Finance PLC	288,780,000
HNB Trust 4	Securitisation	464,175,490	16.00%	Mortgage over Lease receivables of Softlogic Finance PLC	583,180,000
		1,167,774,067			

38.4. Details of Debentures Issued

Company

Rated, Senior, Unsecured, Redeemable Debentures

Debenture type	No of debentures	Issue date	Maturity date	Rate of interest	Face value Rs	Amortised cost Rs
Type A	2,500,600	19-Dec-19	19-Dec-23	14.75%	250,060,000	258,480,927
Type B	4,598,800	19-Dec-19	19-Dec-24	14.50%	459,880,000	458,954,096
Type C	7,900,500	19-Dec-19	19-Dec-24	15.00%	790,050,000	817,114,330
Type D	100	19-Dec-19	19-Dec-24	13.50%	10,000	10,272
					1,500,000,000	1,534,559,625

38. INTEREST BEARING BORROWINGS (contd.)

Debenture issue proceeds utilization as at 31 March 2020

Objective number	Objective as per prospectus	Amount allocated as per prospectus in LKR	Proposed date of utilization as per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (e.g.: whether lent to related party/s etc.)
1	To fund Company's subscription (i.e. entitlement plus the under-subscribed shares) of Rights Issue carried out by Softlogic Finance PLC.	600,000,000	December 2019	600,000,000	100%	502,938,676	84%	Balance Rs.97,061,324 Invested in a Commercial Paper at Softlogic Holdings PLC
2	The Company wishes to reserve LKR 500Mn for future acquisitions/investments, and up to LKR 400Mn will be utilized to settle short term debt. However, the Company wishes to re-allocate up to LKR 400Mn which was originally identified for settlement of short term debt for investments/acquisitions, if the value of the identified investment exceeds the aforesaid LKR 500Mn originally allocated for future acquisitions/investment.	500,000,000	December 2019 - December 2020	500,000,000	100%	500,000,000	-	Entire Rs.500,000,000 Invested in a Commercial Paper at Softlogic Holdings PLC
		400,000,000	December 2019 - December 2020	400,000,000	100%	400,000,000	100%	N/A

39. PUBLIC DEPOSITS

	Group	
As at 31 March In LKR	2020	2019
Time deposits	16,969,814,487	16,945,236,799
Savings deposits	65,581,664	57,261,154
	17,035,396,151	17,002,497,953
Payable after one year	4,860,255,767	4,466,408,824
Payable within one year	12,175,140,384	12,536,089,129
	17,035,396,151	17,002,497,953

40. INSURANCE PROVISION - LIFE

	Group	
As at 31 March In LKR	2020	2019
At the beginning of the year	8,309,627,446	7,192,590,569
Increase in life fund	6,720,336,902	2,546,036,877
Transfer to shareholders	(1,850,275,000)	(1,394,000,000)
Change in insurance contract liabilities	4,870,061,902	1,152,036,877
Tax on policyholder bonus	(45,778,012)	(35,000,000)
At the end of the year	13,133,911,336	8,309,627,446

Change in life insurance contract liabilities

The results of Softlogic Life Insurance PLC life business segment is consolidated line by line into the Group's consolidated income statement.

The change in life insurance contract liabilities represents the transfer to the Life Fund, the difference between all income and expenditure attributable to life policyholders during the year.

Change in insurance contract liabilities for the period ended 31 March 2020 included Rs.2.7 Bn. commission income received from financial re-insurance arrangement.

	Group	
As at 31 March In LKR	2020	2019
Income and expenditure attributable to life policyholders		
Revenue	13,246,540,345	10,788,948,753
Direct expenses	(5,998,331,904)	(4,753,019,716)
Operating profit	7,248,208,441	6,035,929,037
Operating expenses including distribution and administration expenses	(3,308,616,241)	(3,489,892,160)
Transfer to shareholders	(1,850,275,000)	(1,394,000,000)
Change in insurance contract liabilities	2,089,317,200	1,152,036,877

40. INSURANCE PROVISION - LIFE (contd.)

40.1. Valuation of Life Insurance Fund

Long duration contract liabilities included in the Life insurance fund, primarily consist of traditional participating and non-participating life insurance products. The actuarial reserves have been established by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Towers Watson India Private Limited as at 31 March 2020.

40.1.1 Methodology used in determination of market value of liability

A discounted cash flow approach, equivalent to a gross premium valuation methodology, has been used for calculating the liabilities for the existing business as at 31 March 2020. Gross and net of reinsurance liabilities have been calculated as required in the RBC submission template. In determining the policy liabilities, provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

In accordance with the RBC guidelines, negative policy reserves for long term insurance contracts are acceptable and the value of the liabilities held have been floored to zero at a product level.

No implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC).

Details of calculation of policy liability and net cash flows are provided in following table for each class of products;

Details of product category	Basis of determinants of policy liability	Basis of calculating Net Cash flows
Individual traditional Non-Participating products	Discounting "Net Cash Flows" at the risk free interest rate curve	Future Premium Income (-) Death benefit Outgo (+) Rider benefit Outgo (+) Surrender benefit Outgo (+) Maturity benefit Outgo (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Individual traditional Participating products	Max (Guaranteed benefit liability, Total benefit liability)	Same as above
Individual universal Non-Participating products	Discounting "Net Cash Flows" at the risk free interest rate curve	Future Premium Income (-) Death benefit Outgo inclusive of dividend accumulations (+) Rider benefit Outgo (+) Surrender benefit Outgo inclusive of dividend accumulations (+) Maturity benefit Outgo inclusive of dividend accumulations (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Group Traditional Non-participating products - Group Term (Life) and per day Insurance	Net Cash Flow	Future Premium Income (-)Death benefit Outgo (+) Rider benefit Outgo (+)Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Group Traditional Non-participating products - Group Hospitalisation Cover	Policy liability has been set equal to UPR.	Not Applicable

40.2. Key Assumptions Used in determinations of Best Estimate Liability (BEL)

Details of key assumption used and basis of arriving for the same are summarised in following table;

Assumption	Basis of estimation
Risk free rate	The risk free rates have been set based on Sri Lankan Government Bond yields issued by IRCSL for the industry as at 31 March 2020.
Mortality rates	A67/70 Standard Mortality Rates were used.
Morbidity rates	The morbidity rates have been set based on loss ratios whereby loss ratio is calculated as the ratio of settled and pending claims to earned premiums.
Expenses	Based on the Expense investigation carried out as at 31 March 2020 based on the expenses incurred during 2019/20.
	For the purpose of the expense study, a functional split of expenses between acquisition or maintenance costs have been done on the basis of inputs from various department heads of each cost centre to determine a reasonable activity based split of expense. These have been further identified as either being premium or policy-count driven based on the nature of expenses to determine a unit cost loading for use in the valuation.
Expense inflation	The best estimate expense inflation has been assumed to be 5% p.a. The expense inflation assumption has remained unchanged since previous valuation. The assumption is also in line with the long term inflation target of Central Bank of Sri Lanka which is in the range of 4 % to 6%.
Persistency ratio	Discontinuance assumptions have been set on the basis of experience investigation.
	The discontinuance assumptions have been set with reference to actual experience and vary by policy duration.
Bonus rate	Bonus rate scale assumed has been arrived based on bonus declared as at 31 December 2019, based on the Company management's views on policyholder reasonable expectations. This assumes that company is expecting to maintain the current bonus levels into the future and is unchanged from the previous valuation.
Participating fund yield	Based on the weighted average of projected asset mix and based on the expected yields for various asset types.

40.3. Sensitivity Analysis

Sensitivity Analysis of Life Insurance Fund Liability is provided in Note 8.4 Insurance Risk.

40.4. Recommendation of Surplus Transfer

The valuation of life insurance fund as at 31 March 2020 was made by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, of Messrs. Towers Watson India Private Limited, who recommended;

- there is no transfer to shareholders from the Participating life fund

- transfer of a sum of Rs.1,850.28 million to non-participating life insurance fund/insurance contract liabilities to the shareholders' fund (2019 - Rs.1,394 million)

Subsequent to the transfer the surplus of Rs.1,850.28 million, life fund stands as Rs.13,134 million as at 31 March 2020, including the liability in respect of bonuses and dividends declared up to and including for the year 2019/20 as well as Surplus created due to Change on Valuation method of policy liabilities from NPV to GPV in the participating fund.

40. INSURANCE PROVISION - LIFE (contd.)

40.4.1 Taxation on surplus distributed to the life insurance policyholder who shares the profits

According to the Section 67 (2) of new Inland Revenue Act No. 24 of 2017 which is effective from 01 April 2018, the surplus distributed to the life insurance policyholder who shares the profits of a person engaged in the business of life insurance in a given year, as provided in the Regulation of Insurance Industry Act, No. 43 of 2000, shall be deemed as gains and profits of that person from the business and subject to tax at a concessionary rate of 14% for three years of assessment after the commencement of the Act. As recommended by the Appointed Actuary Mr. Kunj Behari Maheshwari. FIA, FIAI of Messrs. Towers Watson India Private Limited, Softlogic Life Insurance PLC has declared a bonus of Rs.322 million to Life Insurance Policyholders who participating in the profit of Life Insurance business. Accordingly the Company has adjusted the tax liability to the life insurance fund.

40.5. Solvency Margin

In the opinion of the appointed actuary, the Company maintains a Capital Adequacy Ratio (CAR) of 203% and Total Available Capital (TAC) of Rs.10,710.46 Mn as at 31 March 2020, which exceed the minimum requirement of 120% and Rs.500.00 Mn respectively as per the Solvency Margin (Risk Based Capital) Rules 2015 requirement prescribed under section 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

40.6. Liability Adequacy Test (LAT)

A Liability Adequacy Test for Life Insurance contract Liability was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, of Messrs. Towers Watson India Private Limited as at 31 December 2020. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability.

According to the Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31 March 2020.

No additional provision was required against the LAT as at 31 March 2020.

40.7. Surplus created due to Change in Valuation Method - One-off Surplus Zeroed at Product Level

Valuation

Details of one off results as at 01 January 2016 is provided as follows;

Description

	Participating Fund Rs. '000	Non-Participating Fund Rs. '000	Total Rs. '000
Value of Insurance contract liability based on Independent Actuary - NPV as at 31 December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance contract liability based on Independent Actuary - GPV 31 December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to change in valuation method			
One off Surplus as at 01 January 2016	1,056,535	798,004	1,854,539

40.7.1 Transfer of one-off surplus from Policy Holder Fund to Share Holder Fund (Non Participating Fund)

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on 20th March 2018 on "Guidelines/Directions for Identification and Treatment of One-off Surplus" and has instructed all Life Insurance Companies to comply with the new direction. Based on the new guidelines Life Insurance Companies are directed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Share Holder Fund as at the reporting year ended 31 December 2017. The transfer has been presented as a separate line item in the Income Statement as "Change in contract liability due to transfer of One-off surplus" and as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with above Direction. As required by the said Direction, the Company received the approval for this transfer on 29 March 2018.

"Further distribution of One-off Surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The One-off Surplus in the Share Holder Fund will remain invested in government debt securities and deposits as disclosed in Note 40.7.3 as per the directions of the IRCSL."

The financial ratios have been determined in accordance with Sri Lanka Accounting Standards. Additionally the Company has voluntarily presented financial ratios without One-off Surplus impact.

One-off surplus in respect of participating business is held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the Share Holder Fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000". Please refer Note 40.7.3 for details of assets supporting the restricted regulatory reserve as at 31 March 2020.

Movement of one-off surplus after transfer

	Participating fund Rs. '000	Non-participating fund Rs. '000	Total Rs. '000
Value of Insurance contract liability based on Independent Actuary - NPV as at 31 December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance contract liability based on Independent Actuary - GPV 31 December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One-off Surplus as at 01 January 2016	1,056,535	798,004	1,854,539
Transfer of One-off Surplus from long term fund to Restricted Regulatory Reserve	-	(798,004)	(798,004)
Surplus created due to Change in Valuation Method - One-off Surplus as at 31 December 2017	1,056,535	-	1,056,535
Surplus created due to Change in Valuation Method - One-off Surplus as at 31 March 2018	1,056,535	-	1,056,535
Surplus created due to Change in Valuation Method - One-off Surplus as at 31 March 2019	1,056,535	-	1,056,535
Surplus created due to Change in Valuation Method - One-off Surplus as at 31 March 2020	1,056,535	-	1,056,535

40. INSURANCE PROVISION - LIFE (contd.)

40.7.2 Distribution of one-off surplus

The distribution of One-off surplus to Shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business, as listed below.

- Expense allocation policy setting out basis of allocation of expenses between the Share Holder Fund and the Policy Holder Fund as well as between different lines of business within the Policy Holder Fund, particularly participating and non-participating.
- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- Asset-liability management policy.
- Policy on internal target Capital Adequacy Ratio.
- Considerations for transfer of funds from Policy Holder Fund to Share Holder Fund.

These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further IRCSL will reconsider the distribution of One-off Surplus when the RBC rules are revised.

The IRCSL will permit distribution of One-off Surplus subject to yearly distribution caps on a case-by-case basis.

40.7.3 Composition of investments supporting the restricted regulatory reserve as at 31 March 2020

		31 March 2020		31 March 2019	
Asset category	ISIN No	Face value	Market value Rs.'000	Face value	Market value Rs.'000
Government securities					
Treasury bond	LKB03044A010	100,000,000	135,709	100,000,000	117,193
	LKB01534I155	50,000,000	51,174		-
	LKB01534I155	50,000,000	51,174		-
	LKB01534I155	50,000,000	51,174		-
	LKB01534I155	50,000,000	51,174		-
Deposits					
Sampath Bank PLC			-		420,728
Hatton National Bank PLC			-		120,522
Seylan Bank PLC			304,559		186,380
National Savings Bank			108,641		-
Regional Development Bank			54,318		-
Total market value of the assets			807,923		844,823

41. EMPLOYEE BENEFIT LIABILITIES

	Group		Company	
As at 31 March In LKR	2020	2019	2020	2019
At the beginning of the year	154,017,207	125,400,068	1,410,932	-
Transfer of liability from group companies	181,926	-	181,926	639,008
Expenses recognised in income statement	54,423,405	43,175,030	717,714	469,147
Actuarial (gain)/loss on defined benefit plans	26,523,405	2,455,589	(79,682)	302,777
Benefits paid	(14,956,288)	(17,013,480)	-	-
At the end of the year	220,189,655	154,017,207	2,230,890	1,410,932
41.1. Expenses recognized in income statement				
Current service cost	36,958,648	26,219,898	537,921	409,080
Interest cost	17,464,757	16,955,132	179,793	60,067
Total expenses recognise in income statement	54,423,405	43,175,030	717,714	469,147
41.2. Actuarial losses/(gains) in statement of other comprehensive income				
Recognised loss/(gain) during the year	26,523,405	2,455,589	(79,682)	302,777
	26,523,405	2,455,589	(79,682)	302,777
41.3. The principal assumptions used for this purpose are as follows;				
Discount rate per annum	9.50% to 11.00%	11%	9.50%	11.30%
Annual salary increment rate	8% to 10%	7% to 8%	8%	8%
Retirement age	55	55	55	55
41.4. Sensitivity of assumptions used				
If one percentage point changes in the assumptions, would have the following effect:				
Effect on the defined benefit obligation liability;				
Increase by one percentage point in discount rate	(8,440,621)	(6,318,374)	(100,559)	(66,014)
Decrease by one percentage point in discount rate	9,255,784	6,962,503	110,060	72,350
Effect on the defined benefit obligation liability;				
Increase by one percentage point in salary increment rate	9,912,525	7,554,547	120,085	80,187
Decrease by one percentage point in salary increment rate	(9,216,078)	(6,976,820)	(111,485)	(74,200)

41. EMPLOYEE BENEFIT LIABILITIES (Contd.)

41.5. Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years.

	Group		Company	
As at 31 March In LKR	2020	2019	2020	2019
- within the next 12 months	65,537,252	45,707,195	300,450	155,932
- between 1 and 2 years	49,627,447	33,054,462	456,486	303,101
- between 3 and 5 years	61,135,838	41,189,857	871,427	543,107
- between 6 and 10 years	33,021,651	24,057,787	367,652	254,130
- beyond 10 years	10,867,467	10,007,905	234,875	154,662
Total expected payments	220,189,655	154,017,206	2,230,890	1,410,932
Weighted Average Duration of Defined Benefit Obligation (years)	5.13	5.88	5.43	5.43

42. DEFERRED TAX LIABILITIES/ASSETS

42.1. Deferred tax assets

	Group	
As at 31 March In LKR	2020	2019
At the beginning of the year	2,594,745,545	420,096,961
Charge/release	(203,270,894)	2,179,526,846
Charge/release - Other Comprehensive Income	(1,674,771)	(4,878,262)
At the end of the year	2,389,799,880	2,594,745,545
The closing deferred tax asset balance relates to the following;		
Accelerated depreciation for tax purposes	(56,300,100)	(44,545,396)
Capital gain on land revaluation	(45,729,270)	(41,389,270)
Employee benefit liabilities	14,553,090	9,092,996
Losses available for offset against future taxable income	2,531,087,099	2,721,721,703
Lease capital balance	(53,810,939)	(50,134,488)
	2,389,799,880	2,594,745,545

42.2. Deferred tax liabilities

	Group	
As at 31 March In LKR	2020	2019
At the beginning of the year	1,142,056	941,654
Charge/release	(1,142,056)	60,549
Charge/release - Other Comprehensive Income	-	139,853
At the end of the year	-	1,142,056
The closing deferred tax liability balance relates to the following;		
Accelerated depreciation for tax purposes	-	5,283,083
Employee benefit liabilities	-	(2,130,850)
Losses available for offset against future taxable income	-	(2,010,177)
	-	1,142,056

43. COMMITMENTS AND CONTINGENCIES

43.1. Capital Commitments

	Group	
As at 31 March In LKR	2020	2019
As at 31 March		
Approved and contracted for	39,971,339	125,505,729

43.2. Guarantees issued and in-force, and commitments for unutilised facilities

	Group		Company	
As at 31 March In LKR	2020	2019	2020	2019
As at 31 March				
Guarantees issued and in force	86,550,000	99,944,250	75,000,000	75,000,000
Commitment for unutilised facilities	549,808,346	1,033,864,561	-	-

43.3. Contingent Liabilities

Softlogic Life Insurance PLC (SLI)

a) Assessment in Respect of Value Added Tax (VAT)

i SLI received with VAT assessments from the Department of Inland Revenue for the taxable period 2010 and was determined by the Tax Appeal Commissions on 22 August 2019. Out of total 11 assessments, 08 assessments were determined in favour of Commissioner General of Inland Revenue amounting to Rs.46.5 Million including the penalty and 03 assessments were determined in favour of Softlogic Life Insurance PLC amounting to Rs.24.8 Million including the penalty.

SLI transmitted the case to the Court of Appeal being dissatisfied with the determination which determined in favour of the Commissioner General of Inland Revenue and case is stated for the opinion of the Honourable Court of Appeal. The Total tax exposure of this appeal is Rs.46.5 million including the penalty.

The Commissioner General of Inland Revenue, transmitted the case to the Court of Appeal being dissatisfied with the determination which determined in favour of Softlogic Life Insurance PLC and case is stated for the opinion of the Honourable Court of Appeal. The Total tax exposure of this appeal is Rs.24.8 million including the penalty.

ii SLI has been issued with an assessment by the Department of Inland Revenue on 10 March 2016 under the Value Added Tax Act, in relation to the quarter ended 31 March 2014 for Rs.57.4 Million.

SLI has filed an appeal to the Commissioner General of Inland Revenue on 08 April 2016 for the VAT assessment issued for the quarter ended 31 March 2014 on the basis that the underlying computation includes items which are exempt/out of scope of the VAT Act. SLI is awaiting the CGIR determination.

b) Assessment in Respect of Value Added Tax on Financial Services (VAT on FS)

i SLI has been issued with an assessment by the Department of Inland Revenue on 10 July 2018, 06 August 2019 and 03 February 2020 under the Value Added Tax Act, in relation to the taxable period ended 31 December 2014, 31 December 2016 and 31 December 2017 amounting to Rs.68.7 Million, Rs.28 Million and Rs.102.4 Million Respectively.

SLI has filed an appeal to the Commissioner General of Inland Revenue on 24 August 2018, 27 September 2019 and 25 February 2020 on the basis that the underlying computation includes items which are out of scope of the VAT Act. SLI is awaiting the CGIR determination.

c) Assessment in Respect of Nation Building Tax on Financial Services (NBT on FS)

i SLI has been issued with an assessment by the Department of Inland Revenue on 08 August 2019 and 30th December 2019 under the Nation Building Tax Act, in relation to the taxable period ending 31 December 2016 and 31 December 2017 amounting to Rs.4.3 Million and Rs.13.7 Million respectively.

SLI has filed an appeal to the Commissioner General of Inland Revenue on 20 September 2019 and 13 February 2020 on the basis that the underlying computation includes items which are out of scope of the NBT Act. SLI is awaiting the CGIR determination.

43. COMMITMENTS AND CONTINGENCIES (Contd.)

d) Life insurance taxation

i The Tax Appeals Commission issued it's determination on the appeal filed by SLI relating to the assessment raised for Y/A 2010/11 amounting to Rs.679,000/-, in favour of the Softlogic Life Insurance PLC and The Commissioner General of Inland Revenue has transmitted this case to the Court of Appeal being dissatisfied with the said determination of Tax Appeals Commission and case is stated for the opinion of the Honourable Court of Appeal. SLI is awaiting the hearing from the Court of appeal.

ii The Commissioner General of Inland Revenue issued it's determination on the appeal filed by SLI relating to the assessment raised for Y/A 2011/12, 2012/13, 2014/15 and 2015/16 amounting to Rs.348.8 Million , in favour of the Commissioner General of Inland Revenue and SLI is in the process of hearing the appeals with Tax Appeals Commission.

iii The Department of Inland Revenue has raised an assessment on Softlogic Life Insurance PLC (SLI) for the year of assessment 2013/14, 2016/17 and 2017/18 assessing the life insurance business to pay an income tax liability of Rs.691.3 Million along with penalty (before deducting the available Tax credits) and SLI has lodged a valid appeal against the said assessment.

Directors are of the view that it has followed due process and acted in accordance with the prevailing laws in its tax submission and therefore, the probability of company having to settle any of this tax assessments are very low.

43.4.1 Pending litigation

Company

In the opinion of the Directors, there no pending litigations by the Company and against the Company.

Softlogic Finance PLC

i) The court case has been filed against the Company in the District Court of Colombo under case No. DMR 3743/19, by one of our customer claiming damages of Rs.100 Mn for the reputational loss and mental agony suffered. The Company will take appropriate action to defend the case in order to preserve its rights.

All pending litigations for claims have been evaluated and adequate provisions have been made in these Financial Statements where necessary.

43.4.2 Compliance with solvency regulation

Softlogic Life Insurance PLC is also subject to insurance solvency regulations and has complied with all solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

44. POST BALANCE SHEET EVENTS

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorized for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

No circumstances have arisen since the date of the statement of financial position, which would require adjustments to or disclosure in the financial statements other than disclosed in note 44.1. and 44.2.

44.1. Rights issue

Company

Board of Directors of the Company has resolved on 14 August 2020 to issue 289,027,000 ordinary shares by way of a Right Issue to the shareholders of the Company in the proportion of 21 new shares for 50 existing ordinary shares held as at the date of allotment at a consideration of Rs.3.50 per share.

Softlogic Finance PLC

Board of Directors of Softlogic Finance PLC has resolved on 31 July 2020 to issue 165,390,848 ordinary shares by way of a Right Issue to the shareholders of the Company in the proportion of 8 new shares for 5 existing ordinary shares held as at the date of allotment at a consideration of Rs.11.50 per share.

44.2. Disclosure on impacts of COVID -19

Covid-19 pandemic has caused uncertainty to not only the livelihoods of people but also to the economy of the country and the impact of COVID-19 on companies is evolving rapidly and its future effects are uncertain hence quantification of financial impact is not possible right now. Interruption caused by COVID-19 and measures taken to prevent its spread both domestically and internationally have impacted on our results of operations.

As a Group, since 20th March 2020, Softlogic Capital PLC and its Subsidiaries have been operating its businesses strictly in conformity with Government guidelines and directives issued from time to time with regard to the implementation of curfew, work from home arrangements and other measures that concern the health and safety of all stakeholders.

The Group has evaluated implications to financial statements due to the COVID 19 outbreak considering the key areas in the financial statements as at 31 March 2020 as disclosed below.

Board of Directors has assessed potential impairment loss of financial and non-financial assets as at the reporting date. Based on the assessment, the board of directors concluded that no additional impairment provision is required to be made in the Financial Statements as at the reporting date in respect of COVID – 19 Pandemic.

The directors also have made an assessment of the Group's ability to continue as a going concern under the prevailing situation and considering all available information and internal analysis, it is concluded that the Group has enough resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern due to COVID - 19 outbreak. In addition to that, the Group has been taken several actions, risk mitigation strategies and other developments in order to minimise the adverse impacts from COVID – 19.

45. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its services and has three reportable segments, as follows:

- Non-banking Financial Institutions segment comprise of Softlogic Finance PLC which provides specialised business loans, regular business loans, vehicle and machinery loans, personal financing, leasing and hire purchase and fund mobilisation.

- Insurance segment comprise of Softlogic Life Insurance PLC which provides life insurance solutions.

- Others sector consists of Softlogic Capital PLC, which provides investment management, consultancy and advisory services, Softlogic Stockbrokers (Pvt) Ltd which provides stockbroking services and Softlogic Asset Management (Private) Limited which provides Asset Management Services for Unit Trust Funds.

Notes to the Financial Statements

45. SEGMENT INFORMATION (Contd.)

	Non-banking Financial Institutions		Insurance		Others	
For the year ended 31 March In LKR	2020	2019	2020	2019	2020	2019
Total external revenue	3,816,976,160	4,018,892,071	13,744,574,330	10,788,948,753	215,853,660	213,577,169
Inter-segment	-	-	-	-	154,747,512	412,275,954
Total revenue	3,816,976,160	4,018,892,071	13,744,574,330	10,788,948,753	370,601,171	625,853,123
Interest income	3,607,233,872	3,674,449,559	1,147,617,477	961,695,880	33,693,659	27,503,713
Interest expense	(2,548,472,751)	(2,490,557,311)	(61,817,964)	(273,784)	(273,021,654)	(211,688,419)
Impairment of loans and receivables	(390,137,065)	(189,681,869)	-	-	-	-
Change in insurance contract liabilities	-	-	(2,089,317,200)	(1,152,036,877)	-	-
Depreciation	(55,223,868)	(65,458,956)	(142,752,708)	(120,939,107)	(2,620,967)	(3,357,380)
Amortization	(19,535,231)	(6,764,438)	(1,163,344)	(4,471,757)	-	-
Employee benefits expenses	(14,093,139)	(9,498,729)	(36,748,520)	(31,126,847)	(3,581,746)	(2,549,454)
Tax expense	204,653,631	140,854,189	(415,317,212)	2,038,672,656	8,534,743	2,332,855
Profit after tax for the year	(333,959,296)	203,969,187	1,917,899,316	3,441,901,608	(293,788,704)	60,347,752
Total assets	21,746,592,088	22,404,601,195	24,809,622,003	17,216,749,243	6,576,605,727	4,942,881,685
Total liabilities	19,705,603,044	20,647,903,795	16,223,434,912	10,460,953,755	3,768,418,123	1,682,700,264
Other disclosures						
Additions to property, plant and equipment	23,872,671	39,298,009	165,002,869	159,596,858	21,220,560	766,700
Additions to intangible assets	142,384,966	-	333,500	-	-	-

	Total segments		Adjustments and eliminations		Group total	
	2020	2019	2020	2019	2020	2019
	17,777,404,150	15,021,417,993	-	-	17,777,404,150	15,021,417,993
	154,747,512	412,275,954	(154,747,512)	(412,275,954)	-	-
	17,932,151,662	15,433,693,947	(154,747,512)	(412,275,954)	17,777,404,150	15,021,417,993
	4,788,545,008	4,663,649,152	(8,873,347)	(12,411,222)	4,779,671,661	4,651,237,930
	(2,883,312,369)	(2,702,519,514)	8,873,348	12,411,222	(2,874,439,021)	(2,690,108,292)
	(390,137,067)	(189,681,869)	-	-	(390,137,065)	(189,681,869)
	(2,089,317,200)	(1,152,036,877)	-	-	(2,089,317,200)	(1,152,036,877)
	(202,031,489)	(189,755,443)	-	-	(200,597,543)	(189,755,443)
	(20,698,576)	(11,236,195)	(121,959,155)	(121,959,155)	(142,657,730)	(133,195,350)
	(54,423,405)	(43,175,030)	-	-	(54,423,405)	(43,175,030)
	(202,128,838)	2,181,859,700	-	(12,811,784)	(202,128,838)	2,169,047,916
	1,290,151,315	3,706,218,547	(121,959,156)	(504,618,457)	1,168,192,160	3,201,600,090
	53,132,819,818	44,564,232,123	(3,096,390,947)	(2,536,402,863)	50,036,428,871	42,027,829,260
		-				
	39,697,456,079	32,791,557,814	(187,649,976)	(118,420,827)	39,509,806,099	32,673,136,987

46. RELATED PARTY TRANSACTIONS

The Companies within the Group disclosed under the Corporate Directory engage in trading transactions under relevant commercial terms and conditions. Outstanding current account balances at year end are unsecured and interest free and settlement occurs in cash. Interest bearing borrowings are on pre-determined interest rates and terms.

46.1. Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company and the Group

Accordingly, the Directors (including Executive and Non-Executive Directors) and the Members of the Executive Committees and their immediate family members of the Company and its' subsidiaries have been classified as Key Management Personnel.

Compensation with KMP

	Group		Company	
For the year ended 31 March In LKR	**2020**	**2019**	**2020**	**2019**
Short-term employment benefits	101,804,853	111,942,573	37,575,000	33,525,000

46.2. Transactions, Arrangements and Agreements involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children of the KMP domestic partner and dependants of the KMP or the KMP domestic partner. CFM are related parties to the Company and the Group.

Income statement

	Group		Company	
For the year ended 31 March In LKR	**2020**	**2019**	**2020**	**2019**
Interest expense on public deposits	6,127,299	7,868,312		
Insurance premiums	2,650,432	3,959,061	-	-
Professional charges	656,341	796,597	-	-
			-	-
Statement of Financial Position				
Public Deposits from KMPs	15,153	47,616,879		

46.3. Outstanding balances arising from the related party transactions are as follows:

	Group		Company	
As at 31 March In LKR	2020	2019	2020	2019
Amount due from related companies				
Softlogic Life Insurance PLC	-	-	33,354,561	4,851,081
Softlogic Finance PLC	-	-	884,958	-
Softlogic Stockbrokers (Pvt) Ltd	-	-	6,217,282	-
Softlogic Retail (Pvt) Ltd	1,560,000	1,582,858	1,560,000	-
Softlogic Communications (Pvt) Ltd	-	1,129,959	-	-
Softlogic Automobiles (Pvt) Ltd	-	508,870	-	-
Softlogic Asset Management (Pvt) Ltd	-	-	87,399	-
	1,560,000	3,221,687	42,104,200	4,851,081
Amount due to related companies				
Softlogic Stockbrokers (Pvt) Ltd	-	-	-	824,180
Softlogic Holdings PLC	5,582,483	5,243,944	4,865,665	5,242,997
Softlogic Corporate Services (Pvt) Ltd	795,045	746,725	227,036	202,403
Softlogic Information Technologies (Pvt) Ltd	1,943,521	728,648	-	-
Softlogic BPO Services (Pvt) Ltd	4,150,961	6,720,177	262,507	-
Softlogic Automobiles Pvt Ltd	-	1,020,212	-	-
Central Hospitals Ltd	73,450	-	-	-
Nextage (Pvt) Ltd	336,884	-	-	-
Future Automobiles Pvt Ltd	1,410,071	-	-	-
	14,292,415	14,459,706	5,355,208	6,269,580

46.4. Transactions with group companies

Nature of the Transaction	Company	Relationship	2020	2019
Interest income	Softlogic Holdings PLC	Parent Company	12,228,822	-
	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	129,700	-
Consultancy and professional fees income	Softlogic Finance PLC	Subsidiary	900,000	-
	Softlogic Life Insurance PLC	Subsidiary	102,942,254	87,094,413
	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	41,281,910	31,972,000
	Softlogic Retail (Pvt) Ltd	Group Company	1,560,000	-
Corporate guarantee fees income	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	750,000	750,000
Dividend income	Softlogic Life Insurance PLC	Subsidiary	-	269,883,118
	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	-	10,165,200
Consultancy and professional fees expense	Softlogic Holdings PLC	Parent Company	79,492,672	63,716,939
Secretarial fee	Softlogic Corporate Services (Pvt) Ltd.	Group Company	2,478,126	1,978,454
Brokerage fee and placement fee expense	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	41,428	810,269
Network support charges	Softlogic BPO Services (Pvt) Ltd.	Group Company	3,303,212	3,212,728
Corporate guarantee fee expense	Softlogic Holdings PLC	Parent Company	18,703,125	18,489,796
Purchase of fixed assets	Softlogic Information Technologies (Pvt) Ltd	Group Company	628,230	749,500
Purchase of mobile vouchers	Softlogic Retail (Pvt) Ltd	Group Company	130,000	110,000
Corporate guarantees given to	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	75,000,000	75,000,000
Investment in commercial papers	Softlogic Holdings PLC	Parent Company	600,000,000	-
	Softlogic Stockbrokers (Private) Limited	Subsidiary	15,086,301	-

46. RELATED PARTY TRANSACTIONS (Contd.)

46.5. Transactions with group entities

(a) Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the Company as per 31 March 2019 audited financial statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission except for the following;

Name of the related party	Relationship	Value of the transaction (Rs.)	Value of related party transactions as a % of total assets	Value of related party transactions as a % of equity	Terms and conditions	The rationale for entering into the transactions
Softlogic Holding PLC	Parent company	600,000,000	13%	20%	Interest rate - 14.5% per annum. Period - 19 December 2019 to 07 February 2020	To invest funds on a short term basis which provides higher returns as per the Company's Investment Decision
Softlogic Holding PLC	Parent company	600,000,000	13%	20%	Interest rate - 13.67% per annum. Period - 30 March 2020 to 30 April 2020 with option to rollover monthly	To invest funds on a short term basis which provides higher returns as per the Company's Investment Decision

(b) Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2019 audited financial Statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

47. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non controlling interest (NCI) is given below.

47.1. Summarised income statement

	Softlogic Finance PLC		Softlogic Life Insurance PLC	
Year ended 31 March In LKR	2020	2019	2020	2019
Total operating income	3,816,976,160	4,018,892,071	13,744,574,330	10,788,948,753
Direct expenses	(2,938,609,818)	(2,680,239,180)	(6,178,968,429)	(4,753,019,716)
Net operating income	878,366,342	1,338,652,891	7,565,605,901	6,035,929,037
Admin, selling and other operating expenses	(1,416,979,269)	(1,275,537,893)	(3,143,072,174)	(3,480,663,209)
Change in insurance contract liabilities	-	-	(2,089,317,200)	(1,152,036,877)
Profit before tax for the year	(538,612,927)	63,114,998	2,333,216,527	1,403,228,951
Tax expense	204,653,631	140,854,189	(415,317,212)	2,038,672,656
Profit after tax for the year	(333,959,296)	203,969,187	1,917,899,315	3,441,901,607
Other comprehensive income	15,755,707	(30,749,339)	95,795,855	(611,481,062)
Total comprehensive income	(318,203,589)	173,219,848	2,013,695,170	2,830,420,545
Profit/(loss) attributable to material NCI	(76,898,038)	61,488,356	926,622,774	1,662,936,313
Dividend paid to NCI	-	-	-	262,709,898

47.2. Summarised Statement of Financial Position

	Softlogic Finance PLC		Softlogic Life Insurance PLC	
As at 31 March In LKR	**2020**	**2019**	**2020**	**2019**
Total assets	21,746,592,088	22,555,054,069	24,809,622,003	17,216,749,243
Total liabilities	19,705,603,044	20,647,903,795	16,223,434,912	10,460,953,755
Accumulated balance of material NCI	490,618,970	514,197,377	4,560,837,653	3,735,417,672
47.3. Summarised cash flow information				
Net cash generated from/(used in) operations	459,346,930	(623,408,312)	5,984,999,000	745,356,899
Net cash (used in)/generated from investing activities	(159,207,636)	(37,601,250)	(6,398,117,000)	(159,596,858)
Net cash (used in)/generated from financing activities	133,176,511	49,720,553	(131,095,000)	(546,397,857)
	433,315,805	(611,289,009)	(544,213,000)	39,362,184

47.4. The above information is based on amounts before inter-company eliminations and consolidated adjustments.

48 . CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

48.1. Group

As at	31 March 2020			31 March 2019		
In LKR	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Cash and cash equivalents	686,481,769	-	686,481,769	1,536,697,666	-	1,536,697,666
Inventories	195,483,009	-	195,483,009	174,242,864	-	174,242,864
Amounts due from related companies	1,560,000	-	1,560,000	3,221,687	-	3,221,687
Other assets	1,503,319,503	-	1,503,319,503	1,550,921,551	-	1,550,921,551
Income tax receivable	259,806,702	-	259,806,702	244,628,628	-	244,628,628
Financial assets recognised through profit or loss	3,274,413,553	2,105,955,258	5,380,368,811	1,163,464,157	293,477,298	1,456,941,455
Financial assets measured at fair value through other comprehensive income	-	3,959,034,637	3,959,034,637	-	4,784,058,944	4,784,058,944
Financial Assets at amortised cost	19,993,621,077	9,254,144,115	29,247,765,192	17,805,190,616	6,929,133,738	24,734,324,354
Lease and hire purchase receivables	835,044,721	1,325,239,669	2,160,284,390	830,477,148	1,135,516,523	1,965,993,671
Deferred tax asset	-	2,389,799,880	2,389,799,880	-	2,594,745,545	2,594,745,545
Right of use assets	-	1,044,972,493	1,044,972,493	-	-	-
Property, plant and equipment	-	1,223,508,366	1,223,508,366	-	1,158,622,209	1,158,622,209
Intangible assets	-	1,984,044,119	1,984,044,119	-	1,983,983,383	1,983,983,383
Total assets	26,749,730,334	23,286,698,537	50,036,428,871	23,308,844,317	18,879,537,640	42,188,381,957
Liabilities						
Bank overdraft	856,363,831	-	856,363,831	1,287,753,240	-	1,287,753,240
Trade and other payables	2,276,441,481	-	2,276,441,481	1,718,261,223	-	1,718,261,223
Amounts due to related companies	14,292,415	-	14,292,415	14,459,706	-	14,459,706
Other non financial liabilities	55,377,265	-	55,377,265	277,005,461	-	277,005,461
Put option liability	168,344,531	-	168,344,531	9,356,708	-	9,356,708
Interest bearing borrowings	1,950,126,212	3,799,363,222	5,749,489,434	2,393,883,950	1,505,132,037	3,899,015,987
Public deposits	12,175,140,384	4,860,255,767	17,035,396,151	12,536,089,129	4,466,408,824	17,002,497,953
Insurance provision - life	-	13,133,911,336	13,133,911,336	-	8,309,627,446	8,309,627,446
Employee benefit liabilities	-	220,189,655	220,189,655	-	154,017,207	154,017,207
Deferred tax liabilities	-	-	-	-	1,142,056	1,142,056
Total liabilities	17,496,086,119	22,013,719,980	39,509,806,099	18,236,809,417	14,436,327,570	32,673,136,987

48.2. Company

As at	31 March 2020			31 March 2019		
In LKR	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Cash and cash equivalents	109,466,200	-	109,466,200	316,780,811	-	316,780,811
Amounts due from related companies	42,104,200	-	42,104,200	4,851,081	-	4,851,081
Other assets	12,021,010	-	12,021,010	5,918,023	-	5,918,023
Financial assets measured at fair value through other comprehensive income	-	109,656,045	109,656,045	-	25,577,722	25,577,722
Financial assets measured at amortised cost	619,813,445	-	619,813,445	-	-	-
Investment in subsidiaries	-	4,769,770,556	4,769,770,556	-	4,232,786,320	4,232,786,320
Right of use assets	-	439,614,446	439,614,446	-	-	-
Property, plant and equipment	-	6,075,504	6,075,504	-	691,775	691,775
Total assets	783,404,855	5,325,116,551	6,108,521,406	327,549,915	4,259,055,817	4,586,605,732
Liabilities						
Bank overdraft	130,125,750	-	130,125,750	137,515,959	-	137,515,959
Trade and other payables	46,305,004	-	46,305,004	24,212,237	-	24,212,237
Amounts due to related companies	5,355,208	-	5,355,208	6,269,580	-	6,269,580
Other non financial liabilities	567,156	-	567,156	5,735,250	-	5,735,250
Put option liability	-	168,344,531	168,344,531	9,356,708	-	9,356,708
Interest bearing borrowings	331,761,742	2,848,929,289	3,180,691,031	97,000,000	1,278,000,000	1,375,000,000
Employee benefit obligations	-	2,230,890	2,230,890	-	1,410,932	1,410,932
Total liabilities	514,114,860	3,019,504,710	3,533,619,570	280,089,734	1,279,410,932	1,559,500,666

Investor Relations

Softlogic Capital PLC (SCAP) is a public quoted company which has listed ordinary shares in Colombo Stock Exchange (CSE). SCAP ordinary shares are effectively traded in "Diri Savi Board" of the Colombo Stock Exchange under the symbol of SCAP.N0000.

Performance of shares

a) Market value

	2019/2020		2018/2019	
	Price (Rs.)	Date	Price (Rs.)	Date
Highest during the period	5.90	14-Feb-2020	6.50	4-Jan-19
Lowest during the period	4.00	20-Mar-2020	5.00	4-Jul-18
Last traded price	4.00		5.50	

b) Trading statistics

	2019/2020	2018/2019
Days traded	206	233
Share volume	6,875,206	31,597,716
Turnover (Rs.)	35,987,154	178,428,891
Market capitalization (Rs.)	2,752,640,000	3,784,880,000
Percentage of total market capitalization	0.13%	0.15%

c) Ratios and market price information

	Group		Company	
	2019/20	2018/19	2019/20	2018/19
Number of shares as at 31 March	688,160,000	688,160,000	688,160,000	688,160,000
Basic earnings per share (Rs.)	0.55	2.30	(0.39)	0.07
Net Assets per share (Rs.)	7.90	7.52	3.74	4.40
Dividend per share (Rs.)	-	-	-	-
Dividend payout ratio (%)	-	-	-	-

Distribution of shareholders

	As at 31 March 2020			As at 31 March 2019		
No of shares	No of shareholders	No of shares	% of total	No of shareholders	No of shares	% of total
1 – 1,000	800	219,441	0.03	775	225,303	0.03
1001 – 10,000	409	1,703,181	0.25	411	1,771,536	0.26
10,001 – 100,000	278	10,961,678	1.59	267	10,479,678	1.52
100,001 – 1,000,000	63	16,004,629	2.33	60	15,444,032	2.24
Over 1,000,000	11	659,271,071	95.80	10	660,239,451	95.94
Total	1561	688,160,000		1,523	688,160,000	

Shareholders' Categorized Summary Report (Resident and Non-Resident)

	Resident			Non-resident		
No of shares	No of shareholders	No of shares	% of total	No of shareholders	No of shares	% of total
1 – 1,000	799	219,355	0.03	1	86	0.00
1001 – 10,000	405	1,673,960	0.24	4	29,221	0.00
10,001 – 100,000	270	10,582,403	1.54	8	379,225	0.06
100,001 – 1,000,000	55	13,326,739	1.94	8	2,677,890	0.39
Over 1,000,000	10	654,991,071	95.18	1	4,280,000	0.62
Total	1,539	680,793,528	98.93	22	7,366,472	1.07

Composition of shareholders

a) Resident/non-resident distribution

	As at 31 March 2020			As at 31 March 2019		
No of shares	No of shareholders	No of shares	% of total	No of shareholders	No of shares	% of total
Resident	1,539	680,793,528	98.93	1501	681,027,539	98.96
Non-resident	22	7,366,472	1.07	22	7,132,461	1.04
Total	1,561	688,160,000	100.00	1,523	688,160,000	100.00

b) Individual/institutional distribution

	As at 31 March 2020			As at 31 March 2019		
No of shares	No of shareholders	No of shares	% of total	No of shareholders	No of shares	% of total
Individual	1,446	25,477,940	3.70	1415	25,627,917	3.72
Institutional	115	662,682,060	96.30	108	662,532,083	96.28
Total	1,561	688,160,000		1,523	688,160,000	

c) Public shareholding

	As at 31 March 2020		As at 31 March 2019	
No of shares	No of shareholders	%	No of shareholders	%
Public holding	1,555	24.72%	1,517	24.72

According to the Section 7.6.iv in Listing Rules, the SCAP Public float is 24.72% (2018/19 – 24.72%).

As at 31 March 2020 the Float Adjusted Market Capitalization of SCAP is Rs.680,452,608

The Company has complied with minimum public holding requirement as at the reporting date based on the "Option 2" of Rule 7.13.1.b.

d) Directors' shareholding

No of shares	As at 31 March 2020 No of shareholders	%	As at 01 April 2019 No of shareholders	%
Mr. A K Pathirage	2,005,544	0.29	2,005,544	0.29
Mr. T M I Ahamed	-	-	-	-
Mr. R J Perera	-	-	-	-
Mr. W L P Wijewardena	100,000	0.01	100,000	0.01
Mr. A M Pasqual	10,000	0.001	10,000	0.001
Mr. H Premaratne	-	-	-	-
Mr. A Russell-Davison	-	-	-	-
Mr. V S Somasunderam	-	-	-	-
Mr. A C M Lafir	-	-	-	-

e) Top twenty shareholders

Name	As at 31 March 2020 No. of shares	%	As at 31 March 2019 No. of shares	%
Softlogic Holdings PLC	515,952,743	74.98	515,952,743	74.98
ARRC Capital (Pvt) Limited	70,329,246	10.22	70,329,246	10.22
Melstacorp PLC	40,000,000	5.81	40,000,000	5.81
Rosewood (Pvt) Limited-Account No.1	23,127,505	3.36	23,226,880	3.38
Striders Corporation	4,280,000	0.62	4,280,000	0.62
Mcbridge Blue (Private) Limited	-	-	2,318,000	0.34
Peoples Bank/Asoka Kariyawasam Pathirage	2,005,544	0.29	2,005,544	0.29
Mr. Lintotage Kevin Marc Fernando and Mr. L.U.D. Fernando	1,448,995	0.21	-	-
Mr. Kulappu Arachchige Don Anurada Perera	1,077,038	0.16	1,077,038	0.16
Vanik Incorporation Limited	1,050,000	0.15	1,050,000	0.15
Mr. Damian Amal Cabraal	750,000	0.11	750,000	0.11
Mr. Ravindra Earl Rambukwella	735,000	0.11	705,579	0.10
Mr. Dueleep Fairlie George Dalpethado and Mrs. H.F.A.K.D. Fonseka	712,637	0.10	355,908	0.05
Mr. Rahul Gautam	665,998	0.10	647,000	0.09
Dr. Sena Yaddehige	575,000	0.08	575,000	0.08
Mr. Gerald Dave Michael Ranasinghe and Mrs. O.R.K. Ranasinghe	500,000	0.07	500,000	0.07
Mr. Hiran Anthony Cabraal	500,000	0.07	500,000	0.07
Mr. Sri Dhaman Rajendram Arudpragasam	500,000	0.07	500,000	0.07
Mr. Udena Dhananjaya Wickremesooriya and Mrs. S.F. Wickremesooriya	500,000	0.07	500,000	0.07
Assetline Leasing Company Ltd/T.D.D.Silva	-	-	460,000	0.07
Miss. Mayanathi Shelani Withanachchi Gunawardana	456,218	0.07	600,000	0.09
Seylan Bank Limited/Ruwan Prasanna Sugathadasa	419,469	0.06	437,714	0.06
DFCC Bank PLC/C.W. Vandort	400,300	0.06	540,300	0.08
Weerasinghe Property Development (Pvt) Ltd	400,000	0.06	400,000	0.06
Mr. Premarajah Pranavan	350,000	0.05	-	-
	666,735,693	96.89	667,710,952	97.03
Other Shareholders	21,424,307	3.11	20,449,048	2.97
Total	688,160,000	100.00	688,160,000	100.00

Performance of shares

Rated, Senior, Unsecured, Redeemable Debentures of the Company are listed in the Colombo Stock Exchange.

			Market values for the year ended 31.03.2020			Interest rates		Interest rate of comparable government security
Debenture categories	CSE listing	Interest payable frequency	Highest	Lowest	Period end	Coupon rate %	Effective annual yield %	
Fixed rate	SCAP-BD-19/12/23-C2437-14.75	Semi annually	Not traded during the current period		100	14.75%	14.47%	9.27%
Fixed rate	SCAP-BD-19/12/24-C2440-14.5	Monthly	Not traded during the current period		100	14.50%	14.59%	9.27%
Fixed rate	SCAP-BD-19/12/24-C2439-15	Semi annually	Not traded during the current period		100	15.00%	14.66%	9.27%
Floating rate	SCAP-BD-19/12/24-C2438	Semi annually	Not traded during the current period		100	13.50%	12.25%	9.27%

Ratios

	Company	
	2019/20	2018/19
Debt/equity ratio (times)	1.29	0.50
Interest cover (times)	0.01	0.01
Quick asset ratio (times)	1.52	1.17

Credit Rating

The issue rating of [SL]BBB+ (pronounced SL triple B plus) with Stable outlook has been assigned for the Senior, Unsecured, Listed, Redeemable debentures of Softlogic Capital PLC amounting to LKR 1,500 Mn and there are no subsequent changes to the said credit rating.

The Company presently has an issuer rating of [SL]BBB+ (pronounced SL triple B plus) with Stable outlook.

Investor Relations

Compliance with Contents of Annual Report as per Section 7.6 of the Listing Rules of the Colombo Stock Exchange

Section 7.6 to the listing rules 2013 of the Colombo Stock Exchange includes the following information as compulsory for the listed entities to disclosure in the annual report.

Listing rule number	Compliance Requirement	Section/Reference	Compliance Status
7.6 (i)	Names of persons who held the position of Director during the financial year	The names of persons who held the position of Directors during the Financial year is given in the Annual Report of the Board of directors (refer Pages 30 to 32)	Complied
7.6 (ii)	Principal activities of the Company and its Subsidiaries during the year, and any changes therein.	The principal activities of the Company and its subsidiaries during the year are given in the Annual Report (refer Page 48)	Complied
7.6 (iii)	The names and number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held at the end of the period	The 20 largest shareholders together with their shareholding as at 31 March 2020 is provided on "Investor Relation" Information Section (refer Page 148).	Complied
7.6 (iv)	The public holding percentage	The details of the public shareholding are available on Page 147.	Complied
7.6 (v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year	The statement of each Director's holding and Chief Executive Officer's holding in shares is available on refer Page 31.	Complied
7.6 (vi)	Information pertaining to material foreseeable risk factors of the entity	Information relating to material foreseeable risk factors is provided in the risk management section (refer Pages 68 to 77.	Complied
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the entity	The Company did not encounter any materiel issues relating to employees and industrial relations during the year 2019/20.	Complied
7.6 (viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	The details of Extents, Locations, valuations and the number of buildings of the Entity's land holdings and the investment properties are given in Note 30.12 to the Financial Statements on "Property, Plant and Equipment". (Refer Page 116).	Complied
7.6 (ix)	Number of shares representing the entity's stated capital	Total number of shares is 688,160,000 which are ordinary shares with voting rights (Refer Note 32 on Page119).	Complied
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the given categories	The distribution schedule of the number of shareholders and the percentages of their total holdings in the given categories is provided on Page 146.	Complied
7.6 (xi)	List of ratios and market price Information	The list of applicable ratios and the market price information is provided in the "Investor Relation" section (Refer Page 146).	Complied

Listing rule number	Compliance Requirement	Section/Reference	Compliance Status
7.6 (xii)	Significant changes in the entity's fixed assets and the market value of land, if the value differs substantially from the book value	Changes to the market values of land has been appropriately taken to the books of the Company at the end of the financial year. (Please refer Note 30 - Property, Plant and Equipment).	Complied
7.6 (xiii)	If during the year the entity has raised funds either through a public issue, rights issue or private placement	The Company did not raised funds to increase its Stated Capital during the year.	Complied
7.6 (xiv)	Employee Share Option Schemes and Employee Share Purchase Schemes	There is no "Employee Share Ownership Scheme" in the Company.	Complied
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules	The Disclosures relating to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c, and 7.10.6 c of Section 7 of the rules are given in the Corporate Governance section (Refer Pages 19 to 20).	Complied
7.6 (xvi)	Disclosures on Related Party Transactions exceeding 10 of the Equity or 5 of the total assets of the Entity as per the Audited Financial Statements, whichever is lower.	There were no material transaction during the year with any related party of the company other than disclosed in Note 46.5 (Refer Page 142).	Complied

Five Year Performance - Group

In LKR	2019/2020	2018/2019	2017/2018 (Restated)	2016/2017 (Restated)	2015/2016 (Restated)
Continuing Operations					
Revenue					
Interest income	4,779,671,661	4,651,237,930	4,338,467,021	4,106,283,850	4,096,161,348
Fee and trading income	12,207,716,893	10,243,184,844	8,011,596,325	5,906,350,599	4,773,558,886
Other income and gains	114,522,104	131,737,820	215,555,788	164,850,672	103,196,628
Net realized gains/(losses)	83,133,984	(17,342,944)	(17,640,913)	(2,572,299)	31,264,226
Net fair value gains/(losses)	480,253,993	(100,321,534)	205,416,929	38,850,582	155,491,342
Dividend income	112,105,515	112,921,877	114,808,545	85,479,401	103,744,742
Total Revenue	**17,777,404,150**	**15,021,417,993**	**12,868,203,695**	**10,299,242,805**	**9,263,417,172**
Direct expenses					
Interest expenses	(2,874,439,021)	(2,690,108,292)	(2,752,871,892)	(2,487,157,687)	(2,083,896,430)
Other direct expenses	(6,214,714,334)	(4,839,691,955)	(3,413,750,676)	(2,892,759,469)	(1,737,672,723)
Impairment of loans and receivables	(390,137,065)	(189,681,869)	(258,878,023)	(440,821,511)	(711,845,582)
Operating profit	**8,298,113,729**	**7,301,935,877**	**6,442,703,104**	**4,478,504,138**	**4,730,002,437**
Administrative expenses	(3,790,169,636)	(3,902,485,732)	(3,182,079,694)	(2,462,210,724)	(2,159,550,009)
Distribution cost	(853,645,419)	(883,504,546)	(683,895,179)	(601,500,459)	(366,773,804)
Change in insurance contract liabilities	(2,089,317,200)	(1,152,036,877)	(1,474,027,509)	(82,439,974)	(1,028,927,838)
Change in contract liability due to transfer of one-off surplus	-	-	798,004,000	-	-
Other operating expenses	(194,660,476)	(331,356,548)	(263,359,809)	(236,180,216)	(186,997,062)
Profit before tax for the year from continuing operations	**1,370,320,998**	**1,032,552,174**	**1,637,344,913**	**1,096,172,765**	**987,753,724**
Taxation	(202,128,838)	2,169,047,916	419,202,977	(109,711,397)	(31,451,945)
Profit after tax for the year from continuing operations	**1,168,192,160**	**3,201,600,090**	**2,056,547,890**	**986,461,368**	**956,301,779**
Discontinued operations					
Profit for the year from discontinued operations (Net of tax)	-	-	-	(111,005,995)	(72,514,640)
Gain on disposal of discontinued operations	-	-	-	314,113,601	-
Profit for the year from discontinuing operations	**-**	**-**	**-**	**203,107,606**	**(72,514,640)**
Profit for the Year	**1,168,192,160**	**3,201,600,090**	**2,056,547,890**	**1,189,568,974**	**883,787,139**
Attributable to :					
Equity holders of the parent	377,385,892	1,579,478,202	960,742,149	748,467,215	516,507,860
Non-controlling interests	790,806,268	1,622,121,888	1,095,805,741	441,101,759	367,279,279
Profit/(Loss) for the period	**1,168,192,160**	**3,201,600,090**	**2,056,547,890**	**1,189,568,974**	**883,787,139**

Five Year Performance - Company

In LKR	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016
Revenue					
Interest income	24,676,134	11,258,892	11,505,748	231,551	131,843
Fee and trading income	153,983,871	120,269,653	116,880,774	144,043,825	126,666,429
Other income and gains	10,295,208	804,000	242,241,466	941,866	3,242,579
Net realized gains/(losses) arises from available for sale financial assets	-	-	(1,711,674)	-	-
Dividend income	1,818,589	282,003,751	65,983,268	584,421,541	66,020,158
Total revenue	**190,773,802**	**414,336,296**	**434,899,582**	**729,638,783**	**196,061,009**
Direct expenses					
Interest expenses	(269,369,077)	(210,403,468)	(184,036,573)	(172,324,026)	(93,557,356)
Other direct expenses	(38,038,205)	(26,427,204)	(4,767,888)	(4,767,888)	(6,113,632)
Operating profit	**(116,633,480)**	**177,505,624**	**246,095,121**	**552,546,869**	**96,390,021**
Administrative expenses	(129,460,559)	(109,592,146)	(102,606,811)	(74,379,881)	(63,234,435)
Distribution cost	(117,958)	-	-	-	(773,763)
Other operating expenses	(21,152,835)	(18,898,135)	(18,817,789)	(2,547,388)	(4,165,033)
Profit/(Loss) before taxation	**(267,364,832)**	**49,015,343**	**124,670,521**	**475,619,600**	**28,216,790**
Taxation	-	-	(16,854,006)	(42,142)	(23,995)
Profit/(Loss) for the period	**(267,364,832)**	**49,015,343**	**107,816,515**	**475,577,458**	**28,192,795**

Five Year Financial Position - Group

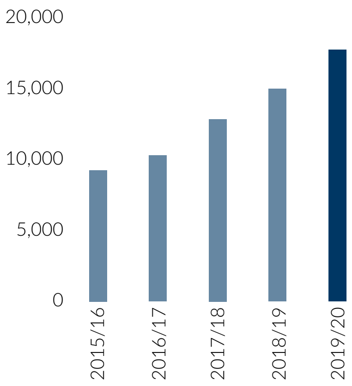
In LKR	2019/2020	2018/2019	2017/2018 (Restated)	2016/2017 (Restated)	2015/2016 (Restated)
ASSETS					
Cash and cash equivalents	686,481,769	1,536,697,666	1,475,608,741	1,209,502,700	800,411,100
Inventories	195,483,009	174,242,864	131,740,333	115,944,123	512,207,691
Amounts due from related companies	1,560,000	3,221,687	-	-	-
Other assets	1,503,319,503	1,550,921,551	1,061,570,465	848,683,835	1,159,930,040
Income tax receivable	259,806,702	244,628,628	158,492,309	115,009,014	-
Financial assets including Lease and HP	40,747,453,030	32,780,765,727	31,110,141,209	29,240,567,671	27,830,942,730
Deferred tax asset	2,389,799,880	2,594,745,545	420,096,960	14,759,960	176,501,630
Right of use assets	1,044,972,493	-	-	-	-
Property, plant and equipment	1,223,508,366	1,158,622,209	1,133,100,848	881,421,605	905,691,404
Intangible assets	1,984,044,119	1,983,983,383	2,219,072,203	2,431,365,146	2,570,853,575
TOTAL ASSETS	**50,036,428,871**	**42,027,829,261**	**37,709,823,068**	**34,857,254,054**	**33,956,538,170**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	2,880,000,000	2,880,000,000	2,880,000,000	2,880,000,000	2,880,000,000
Reserve fund	260,448,732	260,448,732	219,654,894	175,901,761	127,034,858
Fair value reserve	(937,358,386)	(996,507,130)	(714,008,817)	(1,010,688,724)	(870,274,893)
Revaluation reserve	137,539,815	106,179,900	97,629,759	75,190,729	54,617,644
Restricted regulatory reserve	798,004,000	798,004,000	798,004,000	-	-
Retained earnings	2,299,402,013	2,129,952,228	1,022,573,471	855,369,760	247,254,033
Shareholders' funds	5,438,036,174	5,178,077,729	4,303,853,307	2,975,773,526	2,438,631,642
Non-controlling interest	5,088,586,598	4,176,614,544	3,608,032,955	1,750,882,088	1,948,484,140
Total equity	**10,526,622,772**	**9,354,692,274**	**7,911,886,262**	**4,726,655,614**	**4,387,115,782**
Liabilities					
Bank overdraft	856,363,831	1,287,753,240	675,884,962	1,228,013,221	1,350,523,496
Trade payables	2,276,441,481	1,718,261,224	1,593,239,452	1,285,435,152	2,247,800,620
Amounts due to related companies	14,292,415	14,459,706	-	-	473,763
Other non financial liabilities	55,377,265	277,005,461	163,540,784	150,107,210	186,631,375
Income tax liability	-		-	-	72,869,051
Put option liability	168,344,531	9,356,708	9,356,708	9,356,708	9,356,708
Interest bearing borrowings	5,749,489,434	3,899,015,987	3,717,692,519	4,758,843,537	5,175,606,015
Public deposits	17,035,396,151	17,002,497,953	16,319,290,090	16,048,473,927	14,004,134,735
Insurance provision - life	13,133,911,336	8,309,627,446	7,192,590,569	6,516,567,060	6,434,118,177
Employee benefit liabilities	220,189,655	154,017,206	125,400,068	99,508,152	84,774,085
Deferred tax liabilities	-	1,142,056	941,654	34,293,473	3,134,363
Total liabilities	**39,509,806,099**	**32,673,136,987**	**29,797,936,806**	**30,130,598,440**	**29,569,422,388**
TOTAL EQUITY AND LIABILITIES	**50,036,428,871**	**42,027,829,261**	**37,709,823,068**	**34,857,254,054**	**33,956,538,170**

Five Year Financial Position - Company

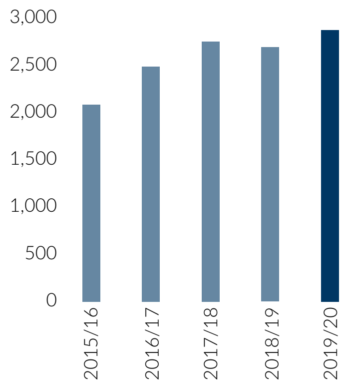
In LKR	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016
ASSETS					
Cash and cash equivalents	109,466,200	316,780,811	137,877,254	40,284,332	40,362,714
Amounts due from related companies	42,104,200	4,851,081	7,073,788	3,906,232	3,504,148
Other non financial assets	12,021,010	5,918,023	9,011,342	4,242,167	2,886,940
Financial assets	729,469,490	25,577,722	87,307,878	12,037,518	11,955,965
Investments in subsidiaries	4,769,770,556	4,232,786,320	4,038,717,608	4,379,616,474	4,377,013,625
Deferred tax asset	-	-	-	14,759,960	14,759,960
Right of uses assets	439,614,446	-	-	-	-
Property, plant and equipment	6,075,504	691,775	-	-	338,774
TOTAL ASSETS	6,108,521,406	4,586,605,732	4,279,987,870	4,454,846,683	4,450,822,126
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	2,880,000,000	2,880,000,000	2,880,000,000	2,880,000,000	2,880,000,000
Available for sale reserve	(18,922,229)	(2,348,680)	1,109,531	(2,860,354)	(2,871,107)
Retained earnings	(286,175,935)	149,453,746	100,741,146	268,188,631	136,691,173
Total equity	**2,574,901,836**	**3,027,105,066**	**2,981,850,677**	**3,145,328,277**	**3,013,820,066**
Liabilities					
Bank overdraft	130,125,750	137,515,959	8,863,078	5,917,819	311,323,068
Trade and other payables	46,305,004	24,212,237	-	-	-
Amounts due to related companies	5,355,208	6,269,580	-	-	473,763
Other non financial liabilities	567,156	5,735,250	7,917,407	3,943,879	2,841,219
Put option liability	168,344,531	9,356,708	9,356,708	9,356,708	9,356,708
Interest bearing borrowings	3,180,691,031	1,375,000,000	1,272,000,000	1,290,300,000	1,113,007,302
Employee benefit liabilities	2,230,890	1,410,932	-	-	-
Total liabilities	**3,533,619,570**	**1,559,500,666**	**1,298,137,193**	**1,309,518,406**	**1,437,002,060**
TOTAL EQUITY AND LIABILITIES	6,108,521,406	4,586,605,732	4,279,987,870	4,454,846,683	4,450,822,126

Five Year Summary - Graphical Presentation

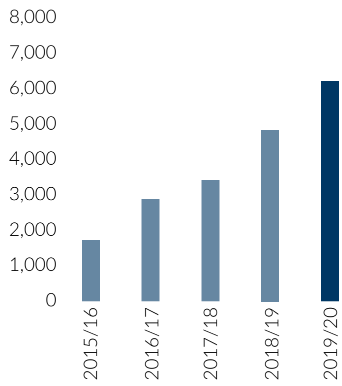
Total Revenue



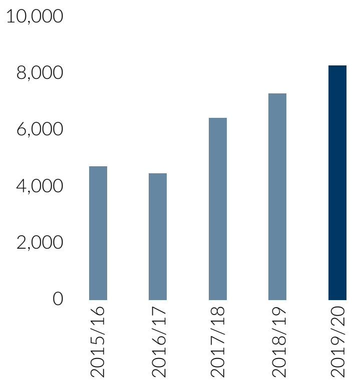
Interest Expenses



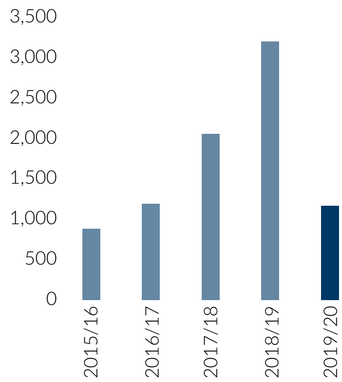
Other Direct Expenses



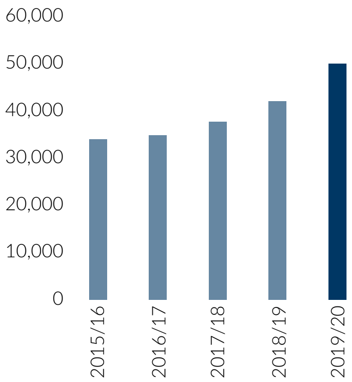
Operating Profit



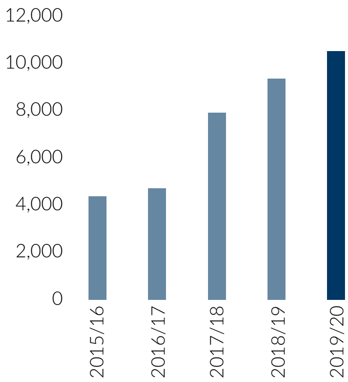
Profit for the Year



Total Assets



Total Equity



Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirteenth (13th) Annual General Meeting of Softlogic Capital PLC will be held at the Auditorium of Central Hospital Limited (4th Floor), No. 114, Norris Canal Road, Colombo 10 on Tuesday the 22nd day of September 2020 at 10.30 a.m. for the following purposes:

1) To receive and consider the Annual Report of the Board of Directors and Financial Statements of the Company for the year ended 31 March 2020 together with the Report of the Auditors thereon.

2) To re-elect Mr. A. Russell - Davison who retires by rotation in terms of Articles 88 and 89 of the Articles of Association, as a Director of the Company.

3) To re-elect Mr. S. Somasunderam who retires by rotation in terms of Articles 88 and 89 of the Articles of Association, as a Director of the Company.

4) To pass the ordinary resolution set out below to re-appoint Mr. G L H Premaratne who is 72 years of age, as a Director of the Company. "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. G L H Premaratne who is 72 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007".

5) To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.

6) To authorize the Directors to determine and make donations for the year ending 31 March 2021 and up to the date of the next Annual General Meeting.

By Order of the Board
Softlogic Corporate Services (PVT) LTD

(Sgd.)
Secretaries

Colombo, Sri Lanka
28 August 2020

Note:
A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend on behalf of him/her.

The Form of Proxy is enclosed in this Report.

The completed Form of Proxy should be deposited at the Registered Office of the Company, Level 16, One Galle Face Tower, Colombo 02 not later than 48 hours before the time fixed for the meeting.

Notes

Form of Proxy

*I/We .... of

.... being *a member/members of

SOFTLOGIC CAPITAL PLC, do hereby appoint ....

.... (holder of N.I.C. No. ....) of

.... or failing him*

Mr A K Pathirage	of Colombo or failing him*
Mr T M I Ahamed	of Colombo or failing him*
Mr R J Perera	of Colombo or failing him*
Mr W L P Wijewardena	of Colombo or failing him*
Mr A M Pasqual	of Colombo or failing him*
Mr G L H Premaratne	of Colombo or failing him*
Mr A Russell-Davison	of Colombo or failing him*
Mr S Somasunderam	of Colombo or failing him*
Mr A C M Lafir	of Colombo

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the ANNUAL GENERAL MEETING OF THE COMPANY to be held at the Auditorium of Central Hospital Limited, No. 114, Norris Canal Road, Colombo 10 at 10.30 a.m. on the 22nd day of September 2020 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors and Financial Statements of the Company for the year ended 31 March 2020 together with the Report of the Auditors Thereon.		
2.	To re-elect Mr. A Russell- Davison who retires by rotation in terms of Articles 88 and 89 of the Articles of Association, as a Director of the Company.		
3.	To re-elect Mr. S Somasunderam who retires by rotation in terms of Articles 88 and 89 of the Articles of Association, as a Director of the Company.		
4.	To pass the ordinary resolution set out below re-appoint Mr. G L H Premaratne who is 72 years of age as a Director of the Company. "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. G L H Premaratne who is 72 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007".		
5.	To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuring year and to authorize the Directors to determine their remuneration.		
6.	To authorize the Directors to determine and make donations.		

....
Signature of Shareholder

Signed this .... day of 2020

Note :

1.*Please delete inappropriate words

2. Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.

2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote on behalf of him. Please indicate with an "X" in the boxes provided how our Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. In the case of a Corporate Member, the Form of Proxy must be executed in the manner prescribed by the Articles of Association/Statute.

5. The completed Form of Proxy should be deposited at the Registered Office of the Company, Level 16, One Galle Face Tower, Colombo 02 not later than 48 hours before the time fixed for the meeting.

Please provide the following details:

Shareholder's N.I.C./ Passport/Company Registration	Shareholder's Folio No.	Number of shares held	Proxy Holder's NIC No. (If not a Director)

Corporate Information

Name of Company
Softlogic Capital PLC

Legal Form
Incorporated under the Companies Act No 17 of 1982 on 21st April 2005
Re-registered under the Companies Act No 7 of 2007 on 27th November 2008
Quoted in the Colombo Stock Exchange on 21st September 2011
Registered under the Securities & Exchange Commission of Sri Lanka Act No 36 of 1987 as an Investment Manager

Date of Incorporation
21st April 2005

Company Registration Number
P B 779 PQ

Stock Exchange Listing
The Ordinary Shares of the Company are listed on the Dirisavi Board of the Colombo Stock Exchange. Stock code for the Company share is "SCAP".

Tax Payer Identification Number (TIN)
134012463

VAT Registration Number
1340124637000

Fiscal Year – End
31st March

Registered Office
Level 16
One Galle Face Tower
Colombo 02.
Tel : +94 11 2018779

Directors
Mr. A. K. Pathirage – Chairman
Non-Executive Director
Mr. T. M. I. Ahamed
Managing Director
Mr. R. J. Perera
Non-Executive Director
Mr. W. L. P. Wijewardena
Independent Non-Executive Director
Mr. A. M. Pasqual
Independent Non-Executive Director
Mr. H. Premaratne
Non-Executive Director
Mr. A. Russell-Davison
Independent Non-Executive Director
Mr. S. Somasunderam
Independent Non-Executive Director
Mr. A.K.M. Lafir
Non-Executive Director

Board Sub Committees

Audit Committee
Mr. W. L. P. Wijewardana - Chairman
Mr. A.M. Pasqual
Mr. H. Premaratne
Mr. S. Somasunderam

Remuneration Committee
Mr. A. K. Pathirage - Chairman
Mr. W. L. P. Wijewardana
Mr. A. M. Pasqual

Nomination Committee
Mr. A. K. Pathirage - Chairman
Mr. W. L. P. Wijewardana
Mr. A. M. Pasqual

Related Party Transaction Review Committee
Mr. W. L. P. Wijewardana - Chairman
Mr. A. M. Pasqual
Mr. S. Somasunderam

Auditors
Messers Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka.

Secretaries
Softlogic Corporate Services (Pvt) Ltd.
No. 14, De Fonseka Place
Colombo - 5.
Tel: +94 11 5575425

Bankers
Sampath Bank PLC
Pan Asia Banking Corporation PLC
Nations Trust Bank PLC
Commercial Bank of Ceylon PLC
National Development Bank PLC
DFCC Bank PLC
Deutsche Bank AG

Subsidiaries	% Holding
Softlogic Finance PLC	72.94
Softlogic Life Insurance PLC	51.69
Softlogic Stockbrokers (Pvt) Ltd	100
Softlogic Asset Management (Pvt) Ltd.	100

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www.softlogiccapital.lk