Softlogic Capital

Annual Report 2020/21

Content

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:** Maximise and deliver sustainable returns to our shareholders.

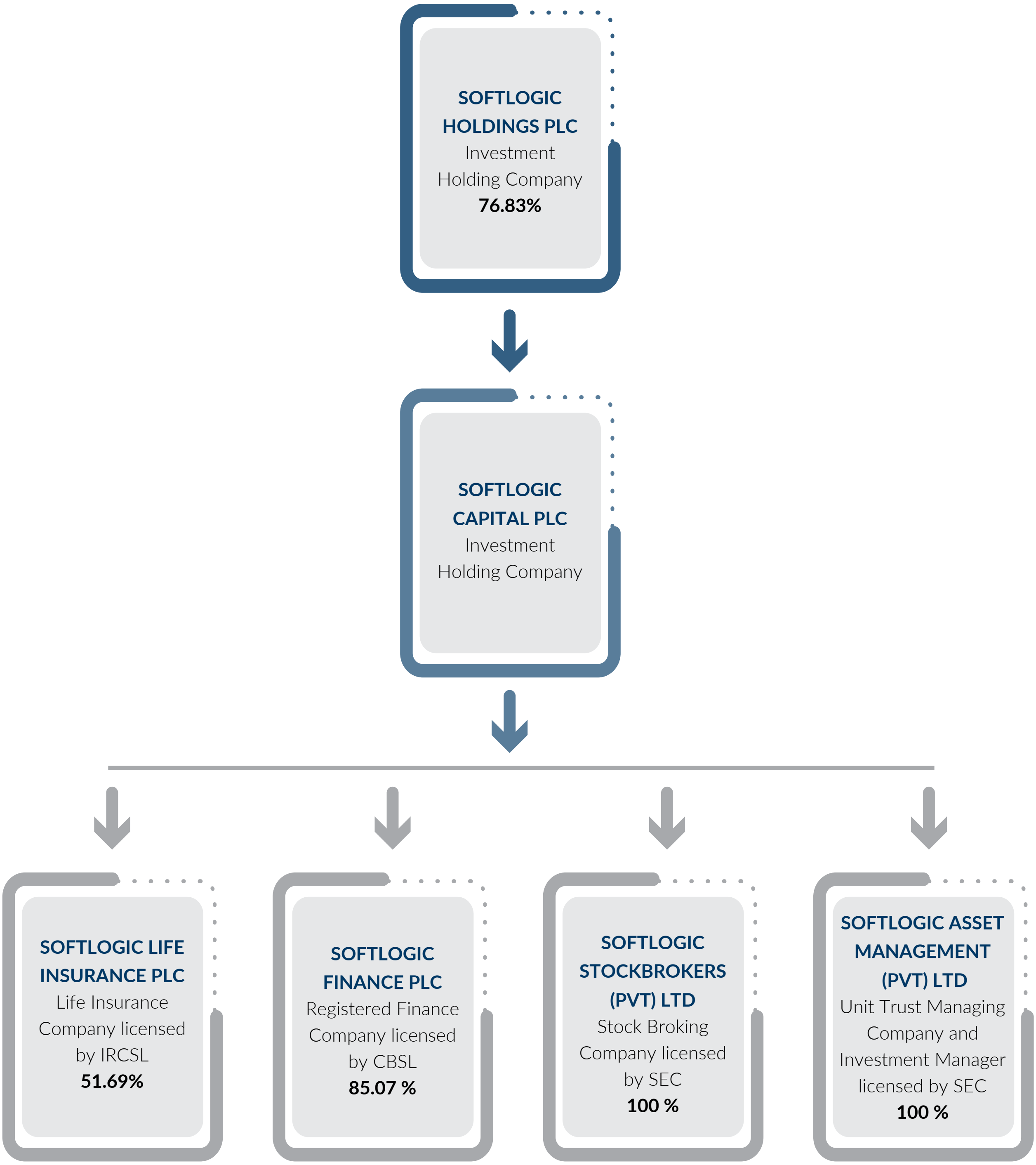
- **Productivity:** Be a highly effective, lean and fast-moving team.

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 in 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 Regulatory Commission of Sri Lanka; Softlogic Stockbrokers (Pvt) Ltd, a stock broking company licensed and operating on the Colombo Stock Exchange and Softlogic Invest, a unit trust managing company and investment manager licensed by Securities and Exchange Commission of Sri Lanka.

Group Structure



Financial Highlights

		2020/21	2019/20	%
FINANCIAL PERFORMANCE AND RATIOS				
Total revenue	Rs. Mn	20,937	17,777	18
Operating profit	Rs. Mn	10,218	8,298	23
Profit before interest and tax	Rs. Mn	3,416	4,245	(20)
Profit before tax	Rs. Mn	887	1,370	(35)
Income tax expense/(income)	Rs. Mn	522	202	158
Profit after tax	Rs. Mn	365	1,168	(69)
Profit for the year attributable to equity holders	Rs. Mn	(95)	377	(125)
Operating profit margin	%	49	47	4
Net profit margin	%	2	7	(71)
Earnings per share	Rs.	(0.12)	0.51	(124)
Return on equity (ROE) *	%	3	11	(73)
Return on capital employed (ROCE)**	%	9.48	12.74	(26)
FINANCIAL POSITION AND RATIOS AS AT THE YEAR END				
Total assets	Rs. Mn	58,421	50,036	17
Total equity	Rs. Mn	11,474	10,527	9
Shareholders' funds	Rs. Mn	6,323	5,438	16
Total interest bearing borrowings	Rs. Mn	9,995	5,749	74
Public deposits	Rs. Mn	14,582	17,035	(14)
Insurance contract liability	Rs. Mn	17,948	13,134	37
Net asset value per share	Rs.	6.47	7.90	(18)
Debt : Equity	No. of times	2.14	2.16	(1)
SHARE INFORMATION				
Market value per share				
Highest value recorded during the year	Rs.	5.60	5.90	(5)
Lowest value recorded during the year	Rs.	3.00	4.00	(25)
Value as at end of the year	Rs.	4.00	4.00	-
No. of shares in issue	Mn	977.19	688.16	42
Market capitalisation	Rs. Mn	3,908.75	2,752.64	42
Price to book value	No. of times	0.62	0.51	22

* 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)

Message from the Chairman

I welcome you, valued shareholders, to the 14th Annual General Meeting and present before you the Annual Report and Audited Financial Statements of Softlogic Capital PLC for the financial year 2020/21.

The year under review was enormously challenging due to COVID-19 pandemic and its impacts on business that have been well documented. The chaos brought on by this global pandemic has seen mixed results where business performance has largely persevered and shown resilience with the exception of the Finance and Leasing business.

The Group recorded its highest ever consolidated revenue of Rs. 21 Bn during 2020/21, in comparison to the revenue of Rs. 18 Bn reported the previous year. The Group Profit After Tax (PAT) declined to Rs. 365 Mn compared to PAT of Rs. 1,168 Mn in 2019/20. The highest contributor to Group PAT was the Insurance business which reported PAT of Rs. 1,458 Mn and was off-set by a loss of Rs 903 Mn from the Finance and Leasing business.

As at the end of the financial year under review, the Group recorded a total asset base of Rs. 58,421 Mn compared with Rs. 50,036 Mn held at the end of the previous financial year. The total equity attributable to equity holders of the parent company stood at Rs. 6,323 Mn as at 31 March 2021. This indicated a net asset per share of Rs. 6.47.

Softlogic Life saw Gross Written Premiums increase by 25% despite two waves of COVID-19 closures demonstrating the attractiveness of the business as customers were keen to gain insurance protection amidst the pandemic. The Company inked landmark deals making up to USD 30 Mn to boost its capital position with a Financial Reinsurance transaction of USD 15 Mn with Münchener Rückversicherungs - Gesellschaft – MunichRe, and a further USD 15 Mn Tier II transaction with Finnfund and Norfund that will enable the Company to proceed with its aggressive business plans without interruption. The Company is now ranked third in the market with one in every three policies sold last year being a Softlogic Life insurance policy.

Softlogic Finance completed the year with total assets of the Company at Rs. 20,870 Mn, Customer Deposits of Rs. 14,598 Mn and has worked hard to clear up the legacy issues that are now behind us. Softlogic Capital supported a Rights Issue of its subsidiary by investing a further Rs. 1,761 Mn during the financial year demonstrating its full commitment to support the obligations of the Group.

Investor sentiment in the Colombo Stock Exchange improved during the financial year providing a tailwind to the market's recovery. These positive sentiments lifted Softlogic Stockbrokers performance to deliver one of the best financial results in recent times enabling the Company to pay an interim dividend of Rs. 100 Mn.

Softlogic Invest was launched during the year operating two Unit Trusts; Money Market and Equity and received its license for fund management from the Securities and Exchange Commission. Both funds have comfortably exceeded their respective benchmark yields whilst propagating a digital approach to business. Together with the fund management business the Company is now within the Top 3 Fund Managers in the country.

Despite the ongoing difficulties resulting from the pandemic we remain optimistic and focused on delivering the future goals and aspirations of our stakeholders. Our Group success stems from the resilience and innovation of dynamic management teams that we have in each of our businesses. Our thirst for innovation will push us to explore new channels for growth whilst leveraging strongly on the latest in technology and its application.

I would like to express our sincere thanks to all our stakeholders for the support extended to the Group during this extremely challenging year. I also extend sincere appreciation to all the staff of the Group for their support, tenacity and focus in executing our vision. The unstinted contributions made by the Directors in all our companies is highly appreciated.

Whilst there may be further demanding conditions in the year ahead we are preparing for the post pandemic growth and development that is likely to happen. I have immense confidence in the many resources that we have accumulated as we progress our journey towards being the best in business.

(Sgd.)
Ashok Pathirage
Chairman

Colombo, Sri Lanka
26 July 2021

Management Discussion and Analysis

"In spite of the overall contraction, the economy began to show strong signs of recovery during the second half of 2020, responding to the pro-growth policy initiatives across the fiscal and monetary policy fronts. But the surge in new COVID-19 cases in March 2021 is a reminder that the pandemic is far from beaten."

Operating Context of the Group

This section embodies the economic, political and legal backdrop the Group operated in and the resulting impacts during the year.

Global Economy

It is one year since COVID-19 was declared a global pandemic, the accumulating human toll continues to raise concerns, even as growing vaccine coverage lifts sentiment. High uncertainty surrounds the global economic outlook, primarily related to the path of the pandemic. According to the World Economic Outlook (WEO) of International Monetary Fund (IMF), the global economy is projected to grow at 6 percent in 2021, after an estimated contraction of 3.3 percent in 2020. Growth is gaining momentum across the globe, but renewed COVID-19 outbreaks show the pandemic is still a threat.

Output losses have been particularly large for countries that rely on tourism and commodity exports and for those with limited policy space to respond. Future developments will depend on the path of the health crisis, including whether the new COVID-19 strains prove susceptible to vaccines or they prolong the pandemic; the effectiveness of policy actions to limit persistent economic damage; the evolution of financial conditions and commodity prices; and the adjustment capacity of the economy.

Sri Lankan Economy

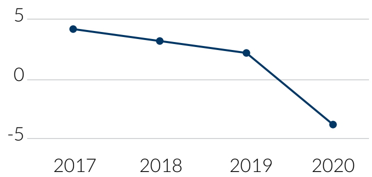
Alongside the global economic downturn induced by the pandemic, the Sri Lankan economy contracted by 3.6 per cent in real terms in 2020, recording the deepest recession since independence. Mobility restrictions and other containment measures imposed locally and internationally, with a view to preventing the spread of COVID-19, hampered real economic activity across all sectors.

In spite of the overall contraction, the economy began to show strong signs of recovery during the second half of 2020, responding to the pro-growth policy initiatives across the fiscal and monetary policy fronts. But the surge in new COVID-19 cases in March 2021 is a reminder that the pandemic is far from beaten. Vaccination efforts are still in the early stages, and the country faces challenges with the procurement and deployment of vaccines, and vaccine hesitancy. Economic prospects in 2021 and 2022 will be largely dictated by how the pandemic and the vaccination effort unfold.

Macroeconomic Outlook

The Sri Lankan economy contracted in 2020, reflecting the effects of the COVID-19 pandemic. In nominal terms, the Sri Lankan economy contracted by 0.3 per cent in 2020, compared to the expansion of 5.1 per cent in the previous year.

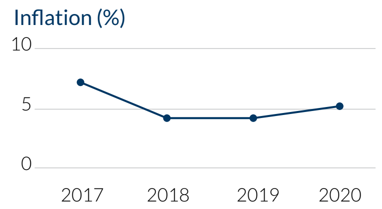
<table>
<tr><th>Indicator</th><th>2020/21</th><th>2019/20</th><th>Cause</th><th>Impact on the Softlogic Capital Group</th></tr>
<tr><td>GDP Growth</td><td>(3.6%)</td><td>2.3%</td><td rowspan="2">This overall contraction in 2020 experienced during the second quarter of the year, due to the nationwide lockdown measures imposed to contain the COVID-19 outbreak.

All sectors of the economy contracted during 2020 (agriculture, forestry and fishing by 2.4 per cent, industry by 6.9 per cent, and services by 1.5 per cent), compared to the previous year.</td><td rowspan="2">Though the reduced activity following the outbreak of the COVID-19 pandemic impacted the Group businesses, the Group recorded a faster than expected rebound in business activity with the easing of restrictions, with near normalcy levels reached from the end of from 2020 onwards. But the surge in new COVID-19 cases in March 2021 indicated potential risks on Group business activities.</td></tr>
<tr><td colspan="3">Real GDP Growth (%)


The Sri Lankan economy contracted by 3.6 per cent in 2020, compared to the 2.3 per cent growth recorded in the preceding year.</td></tr>
</table>

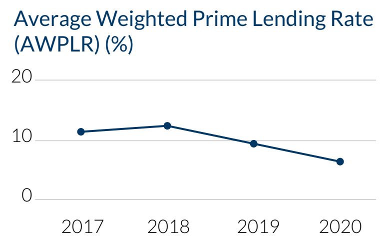
Management Discussion and Analysis

Indicator	2020/21	2019/20	Cause	Impact on the Softlogic Capital Group
Inflation	4.6%	4.3%	Subdued demand conditions, well anchored inflation expectations and downward revisions to administered prices helped maintain inflation at the targeted level, despite upward pressures from food inflation, particularly due to elevated prices of certain essential food items and supply disruptions due to the pandemic.	Inflationary pressures adversely impact on Group businesses due to decrease in real disposable income.



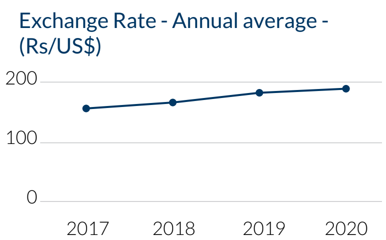
Average annual inflation, as measured by the Colombo consumer price index, rose from 4.3% in 2019 to 4.6% in 2020. Headline inflation remained broadly within the desired range of 4-6 per cent during 2020, while core inflation remained low throughout the year.

Indicator	2020/21	2019/20	Cause	Impact on the Softlogic Capital Group
Interest Rates	5.75%	9.29%	The Central Bank continued to relax the monetary policy stance during 2020 with a view to supporting the economy to recover from the effects of the COVID-19 pandemic and to regain the growth momentum.	The low interest rates increase the present value of liabilities against the positive fair value against could be expected from interest sensitive assets and equity instruments. However, due to asset and liability mismatch there will be negative net impact on the bottom line.



AWPLR decreased to 5.75 per cent in March 2021 from 9.29 per cent in March 2020.

Indicator	2020/21	2019/20	Cause	Impact on the Softlogic Capital Group
Exchange Rate	185.6	178.7	The pandemic affected most productive sectors of the economy. Foreign exchange earnings declined markedly and, along with capital outflow, put pressure on the exchange rate and reserves. CBSL interventions such as the supply of foreign currency liquidity and execution of short-term FOREX swaps, helped ease the pressure.	Exchange rate movements could adversely impact payments of the Group in foreign currency.



The Rupee depreciated by 4 per cent to Rs. 185.6 against the USD as at 31 March 2021, compared to its closing rate of Rs. 178.7 per USD as at 31 March 2020.

Sri Lanka Medium Term Macroeconomic Outlook

The Sri Lankan economy is expected to rebound strongly in 2021 and sustain the high growth momentum over the medium term. The pro-growth policy agenda of the Government and the accommodative monetary policy stance of the Central Bank are expected to contribute to the growth of the economy in 2021. The local and international vaccination drive and the return of most economic activities to normalcy are expected to help the economy to achieve a high growth rate in 2021. The implementation of policies to strengthen non debt creating foreign exchange inflows is expected to improve the resilience of the sector in the medium term. The inflation is anticipated to be maintained within the targeted range over the medium term with proactive policies to rollback any excessive policy stimulus when aggregate demand conditions normalise. The envisaged low inflation environment will help the maintenance of the low interest rate structure, facilitating credit flows to the private sector at reasonable cost and thereby supporting the expected high economic growth, while providing a reasonable real return to savers.

Overview of the Sri Lanka Financial Services Sector

During the year 2020, the stability of Sri Lanka's financial system was preserved amidst challenging domestic and global market conditions posed by the COVID-19 pandemic. Despite the challenging economic environment resulting from the pandemic, and regional or countrywide lockdown periods disrupting business activities to a larger extent, the financial services exhibited moderate growth in terms of loans and advances, investments, and deposit base. However, deterioration in credit quality, sovereign rating downgrades and decreased foreign inflows due to the pandemic, exerted pressure on the financial services sector operations. Having identified the importance of reviving adversely affected sectors in the economy, the Central Bank implemented several extraordinary regulatory measures to provide flexibility to Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs) in supporting businesses and individuals affected by the pandemic. The Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector recorded sluggish performance as reflected by the decline in asset base, loans and advances and deposits as well as increasing Non-Performing Loans (NPLs) and declining profitability during the year, mainly due to the COVID-19 pandemic related growth impediments and the lack of public confidence in some weak LFCs. The Central Bank initiated several regulatory actions along with the introduction of the Financial Sector Consolidation Master Plan to avoid further deterioration of the financial position of LFCs, maintain the stability of the sector and safeguard the interest of depositors. Other sectors in the financial system recorded a mixed performance. Meanwhile, the Central Bank ensured the availability of liquidity in the money market, particularly considering the need for supporting the financial system and facilitating economic activities during the COVID-19 pandemic period by introducing several monetary policy relaxation measures in 2020. Though the pressure on the exchange rate observed in March - April eased thereafter, with the imposition of restrictions on non- essential imports and selected outward remittances and the rebound of export earnings, the pressure re-emerged due to relatively low level of Foreign Exchange (FX) inflows.

The Colombo Stock Exchange (CSE) recovered from the significant decline it witnessed with the spread of COVID-19 pandemic, to a record high in terms of overall price index. Domestic investors' preference shifting towards equity investments in a low interest rate regime helped market recovery although foreign outflows continued. Meanwhile, the Central Bank continued to ensure uninterrupted payment and settlement services in the country amidst the COVID-19 pandemic.

Performance of the Financial Services Sector

Total Assets of the Financial System	2020		2019	
	Rs. Bn	Share (%)	Rs. Bn	Share (%)
Banking Sector	17,087.9	72.5	14,442.1	72.0
Other Deposit Taking Financial Institutions (Including Licensed Finance Companies)	1,637.6	6.9	1,553.2	7.7
Specialised Financial Institutions (Including Stockbrokers and Unit Trusts)	415.3	1.8	286.7	1.4
Contractual Savings Institutions (Including Insurance Companies)	4,429.8	18.8	3,787.5	18.9
Total	**23,570.6**	**100.0**	**20,068.2**	**100.0**

Source: CBSL Annual Report 2020

Economic Impact of the COVID-19 Outbreak on the Financial Sector and the Way Forward

The COVID-19 outbreak has adversely impacted the income and earning capacity of borrowers thereby affecting their ability to service their debt obligations to banks and other financial institutions. Hence the credit quality of the financial service sector will depend on the nature and pace of economic recovery.

Therefore, it is difficult for financial service sector companies to fully assess the impact of the COVID-19 outbreak on loan classification, expected credit losses, provisioning, credit risk weightings, and capital. The governments and regulatory authorities have mandated, encouraged, or granted payment holidays and debt moratoria to borrowers under which repayments of interest and principal are delayed creating a potential adverse impact on the cash flows and liquidity positions of banks. Therefore, reduced revenue flows and higher potential losses may adversely affect profitability and reduce capital ratios of financial service sector companies.

Consumers switching to digital banking platforms and services could also become victims of financial crime or misconduct as deceptive parties may identify opportunities for fraud, scams or other unlawful activities which may pose legal risks to banks. Many institutions including banks have moved to flexible working arrangements in the 'new normal', such as working from home and other remote working arrangements, duty shifts, flexible hours, etc. However, work from home arrangements may also have an adverse impact on operational activities of financial institutes in terms of IT and data security, internal and external fraud, cyberattacks, internal network capacity, and control mechanisms.

Ongoing forward, the COVID-19 outbreak required supervisory and regulatory authorities as well as the financial service sector companies to adapt to the operational constraints and heightened risks resulting from the COVID-19 outbreak. It is mandatory for many industries, including the financial sector, to plan, test and implement business continuity programmes and follow risk based supervisory approaches and practices going forward in the 'new normal' amidst the COVID-19 outbreak.

Risk and Industry Potentials

Credit Risk

Considering the difficulties faced by borrowers due to the COVID-19 pandemic, moratoria were introduced initially for different segments of the economy and further extended for certain sectors considering the longer recovery period of those sectors affected by the COVID-19 pandemic. Classification of loans to non-performing categories were frozen during the period under the moratorium and normal classification rules will be applied upon cessation of the moratorium. Despite the freezing of classification of credit facilities under the moratorium, NPLs increased by Rs. 66.4 Bn during 2020 compared to an increase of Rs. 118.5 Bn during 2019, stemming from the challenging business environment that prevailed for a substantial period in 2020 resulting in an increase in gross NPL ratio to 4.9 per cent by end 2020.

Market Risk

Interest Rate Risk

Interest rate sensitivity ratio (interest bearing assets as a share of interest bearing liabilities with maturities of less than 12 months) decreased to 74.9 per cent as at end 2020 from 76.5 per cent as at end 2019, thereby increasing the exposure to interest rate risk by end 2020 compared to end 2019.

Equity Risk

Equity risk of the banking sector was minimal throughout 2020. The exposure of banks' trading portfolio to the equity market was Rs. 11.7 Bn, which was only 0.1 per cent and 1.5 per cent of total assets and investments held for trading, respectively, at end 2020.

Liquidity Risk

With a higher portion of funds being directed to liquid assets during 2020, the banking sector operated with an adequate level of liquidity. The Domestic Banking Units (DBUs) of LCBs and LSBs are required to maintain their Statutory Liquid Assets Ratios (SLARs) above 20.0 per cent. The DBU SLAR increased from 31.0 per cent in December 2019 to 37.3 per cent in December 2020, while the SLAR of Offshore Banking Units decreased from 47.1 per cent to 43.2 per cent during this period.

CAPITAL MANAGEMENT – CONSOLIDATED REVIEW

The sections that follow details the performance of the Group, under each form of Capital and the means by which each form of Capital is utilised for the execution of the businesses' strategies towards generating sustainable value to all stakeholders concerned. All Group activities are centred around sustainable value creation which is the underlying essence of our business model and business framework.

The financial services arm of Softlogic Capital has now established an impressive presence in the market with portfolio comprising of;

- Softlogic Life Insurance PLC: An insurer licensed for Life Insurance by the Insurance Regulatory Commission of Sri Lanka;
- Softlogic Finance PLC: A Licensed Finance Company under the purview of Central Bank of Sri Lanka;
- Softlogic Stockbrokers (Pvt) Ltd: a stock broking company licensed and operating on the Colombo Stock Exchange.
- Softlogic Asset Management (Pvt) Ltd: Unit Trust Management and Investment Management company licensed from the Securities Exchange Commission of Sri Lanka (SEC).

This comprehensive financial service portfolio has primed the Sector for strident growth, leveraging on its fast increasing customer base acquired from diverse sectors of the overall Group.

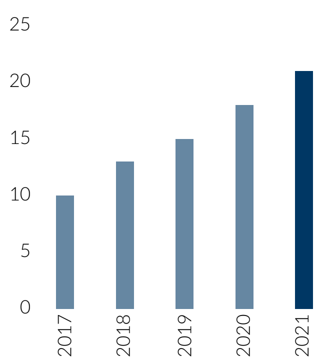
FINANCIAL AND MANUFACTURED CAPITAL

Our financial capital includes our monetary resources, which have been contributed by our investors and are being enhanced through our business activities, which is embedded in our business model. With the onset of the COVID-19 pandemic, Group performance in the year under review was significantly impacted. Our Manufactured Capital is a mix of building, Property, Plant and Equipment, Branch network and IT equipment that support our value creation process.

Revenue

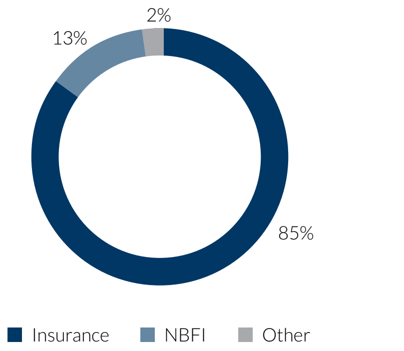
The Softlogic Capital Group recorded consolidated revenue of Rs. 21 Bn during 2020/21, in comparison to the revenue of Rs. 18 Bn reported the previous year. This increase of 15% mainly arose from the extraordinary performance of the insurance sector which accounted for 85% of the total revenue.

Revenue - (Rs. Bn)



Composition of Revenue

Composition of Revenue (%)



Profitability

The Group Profit After tax (PAT) was Rs. 365 Mn for the year 2020/21 which is a decrease of 69 per cent compared to PAT of Rs. 1,168 Mn.

The highest contributor to Group PAT was the Insurance sector and the Other sector by generating profit after tax of Rs. 1,458 Mn and Rs. 483 Mn respectively which was netted off by the loss incurred from NBFI sector of Rs. 903 Mn.

Earnings Per Share (EPS)

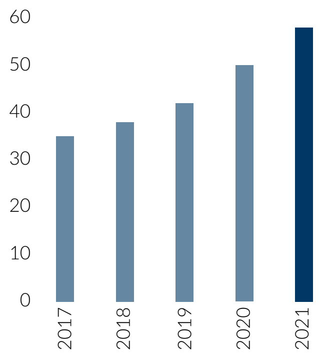
The Group Earnings Per Share (EPS) for the financial year decreased by 123 per cent to negative Rs.0.12 per share [2019/20: Rs.0.51] due to a decrease in total profit attributable to equity holders.

Total Assets

As at end of the financial year under review, the Group recorded a total asset base of Rs. 58 Bn. This was in comparison to the total asset base of Rs. 50 Bn held at the end of the previous financial year. The total assets included Rs. 51 Bn as financial assets and Rs.7 Bn as non-financial assets. The largest portion of the assets was attributable to financial assets at amortized cost which amounted to Rs. 35 Bn as at year end.

Management Discussion and Analysis

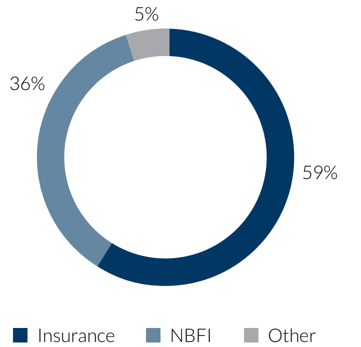
Total Assets - (Rs. Bn)



Composition of Assets

59 per cent of the total assets of the Group amounting to Rs. 34 Bn were held by the Insurance sector. The NBFI sector held a total asset base of Rs. 21 Bn while the total asset base in the Other sector was 9 Bn.

Composition of Assets (%)



Net Assets per Share (NAPS)

The total equity attributable to equity holders of the parent company stood at Rs. 6.32 Bn at end of the financial year under review. This indicated a net asset per share of Rs. 6.47 which was a 18 per cent decrease over the net assets per share of Rs.7.90 as at end of the previous financial year. The decrease has resulted from a decrease in both profit attributable to the equity holders of the parent and increased number of issued shares as an effect of shares issued in December 2020.

Building Our Manufactured Capital

We measure the expected return on our manufactured capital and manage them cautiously to generate maximum possible benefits out of the investments made. Our investments are mainly focused on the outreach of business expansion to increase market value and digitalising of our work processes with IT related infrastructure. We make sure to get the maximum value generated from our manufactured capital by obtaining regular maintenance, upgrades and certifications as required.

Ensuring Financial Resilience amidst COVID-19

In managing our financial capital during challenging times, inflows and outflows were closely monitored on a monthly basis and budgeting was used as a controlling mechanism. The performance indicators are tabled at regular management meetings and Board meetings. Proactive planning and execution of the aforementioned measures enabled the business in better navigating through these unprecedented challenges.

Looking Ahead

The Group has implemented several initiatives in line with our strategic objective of delivering sustainable profitable growth in the medium to long-term. The Group's strong corporate governance framework, philosophy and practices ensure we manage our financial capital in a transparent manner with the ultimate objective of entity value creation. The management is confident that our future strategy which will be filtered through the governance body of the Group generate outstanding performance in future. The Group has successfully established a Business Continuity Plan (BCP) and tested the same during the year under review. BCP is an outcome of our risk management framework. We will continue to test and improve further our BCP in order to ensure our value creation will not be affected by external or internal events, thereby protecting our financial capital. The management carefully screens the environment it operates in and sets business strategy that brings value addition in every aspect of the operation. Our management approach for future Manufactured capital will further shift from investing physical assets to intangibles as we expect our future growth and business strategy to be impacted from digitalisation.

HUMAN CAPITAL

The Group's human capital includes employees who provide their expertise in various capacities and build an innovation driven culture. The knowledge, innovations and experience that our employees utilise within their role help the organisation to serve our customer better by attracting and retaining them.

Management Approach

We firmly believe that it is the 'People' factor that makes the difference as a critical driver of our business success in delivering a superior client experience, while sustaining the happiness and wellness of our employees.

Steering to the Future

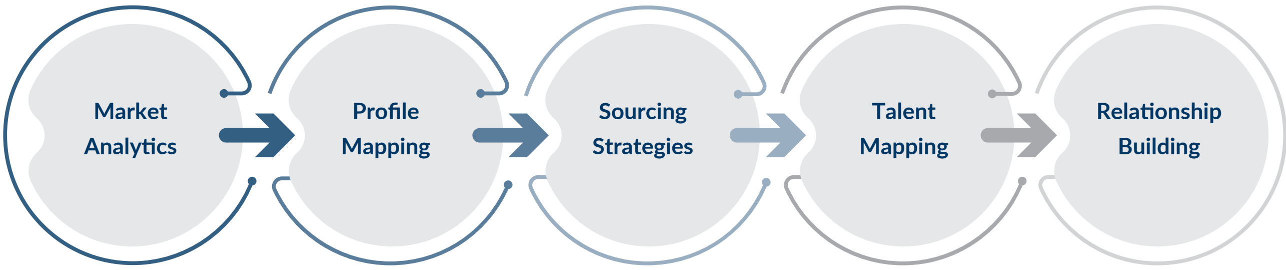
The Group has established medium term strategies to be recognised as Great Place to Work with inculcated value stream within the Group, to have rich second level leaders who will be the future of the Group and to build a strong employer brand and emerge as one of the top employers of choice.

Short term strategies relating to human capital comprise of short term targets as to improve employee retention rate, maintain strong HR governance practices, attend to employee concerns on working from home, take care of employee health and mental well-being, training a workforce to work in a digitalised environment, focus on gender parity and take steps to improve further and succession planning for key management.

1. Talent Management Practices

Energising our employees' talents positively while keeping them aligned to the Group's long term and short-term initiatives. We invest in our young people in areas of skills by providing stepping stones to move up in the employee ladder to become future leaders. Our talent management philosophy is built on two key aspects namely talent acquisition and talent retention.

Talent Acquisition Process



2. Training and Professional Development

Building a strong talent pipelines is the core deliverable of the HR team in addition to fulfilling talent gaps and enhancing employees professional and leadership skills. All the employees are eligible for internal and external training.

3. Career Development

We seek to provide career progression to all our staff on the basis of ability, qualifications and suitability of work. In this financial year the Group introduced more interactive learning platforms through the Learning Management System (LMS) to strengthen the Group engagement strategy to ensure higher engagement during distant working.

4. Performance Management

By enabling our employees to perform to the best of their ability, and the Group has a performance driven culture we follow a Key Performance Indicator (KPI) setting process where all the permanent employees undergo performance appraisals during the year.

5. Rewards and Recognition

Treating our employees like our assets and maintaining harmonious relationships with them doesn't only yield business at present but is also an effective strategy for the future. Hence, we always reward our employees who go that extra mile pro- actively and develop a talented and dedicated workforce.

We encourage our employees further by rewarding them along various parameters outlined in the HR practices.

6. Fair Pay and Other Benefits

Our key focus is to offer attractive and competitive remuneration which is designed to attract and retain a highly qualified and experienced workforce. The key remuneration policy principles are as follows:

- Set at a level to attract, motivate and retain high quality talent
- Commensurate with each employee's level of expertise and aligned with the Group's performance.
- Executive remuneration is set such that a significant portion is linked to performance to align the employees' and main stakeholder's interests.
- Remuneration levels are based on industry and market surveys

The Group offers various other benefits to employees based on the category and the job responsibilities than regulated benefits. Adhering to the Group's equal opportunity policy, it does not discriminate employee benefits including remuneration, based on diversity including gender, age, race etc.

7. Employee Diversity and Equal Opportunity

We value employee diversity and equal opportunity. Our HR policy on Equal Opportunity and Non-Discrimination recently enhanced its scope, so that there would be no discrimination based on race, religion, age, nationality, social origin, disability, sexual orientation, gender identity, political affiliation or opinion.

Group Gender Diversity

The Group has implemented multifaceted initiatives that support the empowerment of women in the workplace and to improve gender balance within the Group. The Group is promoting the creation of a workplace where both genders are motivated to play an active role. The goal is to increase female representation within 2nd layer of management.

8. Succession Planning

Our Succession Plan is focused on keeping talent in the pipeline. The Group seeks to attract suitable talent with experience, qualifications and competencies and tend to continue beyond years. The identified staff within us will be trained, developed over a period for future leadership in Organisation.

Looking Ahead

With the greater prospects our Group in the future, we can foresee areas that will need to be developed in our employees such as career development, succession planning, leadership and talent development. The environment we operate is changing rapidly and our operating landscape is challenged by many factors such as technological developments and changing customer needs.

The following aspects of our human capital have been taken into consideration when developing this report:

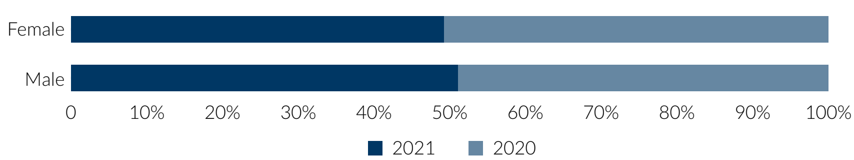
- Focus on gender parity
- Employee development
- Cultural transformation
- Innovation

COVID-19 Response and Agile Working Arrangements

In the Group, we believe that our people are the value creators supporting our business success. All the employees received smart online modes such as online meetings through corporate applications and secured network access. Concerned about the employees' health care and well-being during the pandemic, the Group took responsibility to cover any testing and treatment costs associated with COVID-19 for employees and offered drive through testing facilities with the Softlogic Health Care chain "Asiri Hospitals".

With the intention of supporting our employees during lockdown we introduced priority lines at

Group Gender Diversity



the Softlogic supermarket chain "GLOMARK" where every employee enjoyed staff discounts and home delivery service ensuring our employees were well served and stayed protected. This concept brings us many positives such as employee loyalty, higher retention etc. Many initiatives have been introduced promoting culture of care, mechanism of sharing knowledge within departments, succession planning etc.

SOCIAL AND RELATIONSHIP CAPITAL

In order to achieve long term sustainable value creation, it is important to have sustainable relationships with customers, community and all other stakeholders. To this end, the Group is engaged in a multitude of initiatives that facilitate collaboration between the Group and its key stakeholders.

Management Approach to Community Development Projects

Our purpose is to make a difference in people's lives by easing their financial worries through education and by improving the wellness of the citizens of our country. The Group has taken a step to bridge the gap and provide a safety net to those disadvantaged communities who are not supported by formal social support services. By sharing this sense of purpose with stakeholders, we motivate and connect with our employees, business partners and customers.

Statement of Value Creation – Community

Financial Year			2020/21	2019/20
Performance	Number of CSR Projects	No	+10	+9
Outcome	Number of People Benefited	People	430	1,117
	CSR Expenditure	Rs. Mn	3.3	8

Steering to the future

The long term vision of the Group is to enhance our Group's contribution towards the community, to enhance the standards of Sri Lankans and strengthen the Group's sustainable development. In the medium term the Group has set a target to improve the CSR programmes via virtual platforms considering the prevailing COVID-19 pandemic and in the short term the Group has targeted to improve the lives covered by 10+% island-wide, empower youth and to connect the Group strategy with the CSR strategy.

Our Strategy

Our CSR strategy focusses on a progressive model which enables us to contribute to society through three core verticals.

1. Community development
2. Empowering the future generation
3. Environmental protection

Our CSR intent is inspiring all Sri Lankans to contribute towards enhancing the quality of all Sri Lankan lives by lending a helping hand wherever possible.

What we did in 2020

Community Development Initiatives

To support the SMEs who got affected due to COVID-19, the Group carried out "Pin The Biz Project" to help promote small businesses by spreading the word and recommending goods or services that they have consumed and sharing positive feedback. The project could create 207 business pins on Google maps. In addition to that the Group has launched a campaign to promote the good sicknesses, such as acting, music, cooking etc among society.

Empowering Youth

The Group has conducted the "WIN Programme" for the fourth consecutive year to empower youth and to develop their soft skills with the intention of making them more employable which covered 430 students.

Environment Protection

The Group has carried out a "Home Gardening Project" in order to contribute the national mission of promoting the home gardening concept to build self-sustaining communities.

Our career development plans, community development projects, environmental projects, educational projects and empowerment projects are all directed towards impacting this crucial set of recipients that'll keep the intent alive and actually start working towards the great life they aspire to have. Since the brand's core target audience is both influential and affluent given their social standing, the intent is for them to be equally inspired to replicate the efforts and inspire others around them to do so as well. Thus, the circle of influence will keep on spreading, impacting many more lives and ultimately drive the nation towards better quality lives.

Resilience during Pandemic

Indeed, it was a challenge to serve the community during the COVID-19 outbreak, yet the Group was able to contribute to society under many aspects using different strategies which resulted in a better output than 2019. This showcased how strong and effective the Group's strategic CSR projects were and how we bounced back to normalcy faster and stronger.

Looking Ahead

As a responsible corporate, the Group always intends to enhance the quality of lives and always inspires the well-being of society with better fitness, nutrition and wellness so that our people can live their lives to the fullest.

Our responsible business practices will be converted/updated to stringent compliances by shaping those with future changes in the environment we operate. Our business practices will also be monitored by strong corporate governance practices within the Group, ensuring we are compliant with all laws and regulations at all times.

INTELLECTUAL CAPITAL

Our Intellectual Capital is a combination of a well-positioned brand, our talented human capital, strong governance framework and the relationship with stakeholders, which drives excellence in business. Our drivers in intellectual capital improve the Group's performance in areas such as profitability, productivity, and market value.

Steering to the future

Our long-term vision in terms of intellectual property is to implement artificial intelligence technology in day-to-day operations. In order to reach the vision, in the medium term it is focused to enhance and preserve our employees and organisational knowledge which gives a value addition to our business model and to step into digitalise systems and big data analytics. In the short term the Group has focused on the implementation of programmes to improve employees' innovativeness and introduce system automations for business efficiency. Further development of human capital will be a key pillar of increasing intellectual capital.

Management Approach

Our Intellectual Capital differentiates our service offering and provides us with a significant competitive edge. Awards and accolades bear testimony to exceptional growth of our intellectual capital, thereby enhancing our brand capital.

Looking Ahead

The Group will emphasise more on the development of our Human Capital as it is key to our success. Also, the Group will improve on the organisation's capability in going forward by leveraging the organisation philosophy and systems and focus to create perception and value in the minds of stakeholders to build and protect relationships with them which help us to grow. The Group will pursue IT advances across our business while focusing on development of Intellectual Capital. We have identified digitalisation as a key pillar on which our future success depends. We will adopt emerging digital trends such as Big Data, Artificial Intelligence, Machine learning etc.

NATURAL CAPITAL

Our Natural Capital is all renewable and non-renewable environmental resources that support our value creation process. Our environment provides a significant quantum of resources that we use within our value creation process.

Steering to the future

The Group's long-term vision is to become a responsible corporate citizen who protects the environment. We have planned to organise awareness campaigns to increase employee commitment to achieve environmental protection strategies, to invest in environment protection initiatives, to automate business processes to reduce/eliminate paper usage and to initiate more green energy projects to promote the habit of planting trees.

In order to reduce the environmental impact from our business we have taken several internal and external measures that have positive impact on Mother nature, but quantification is not possible.

Our Internal Measures

Driving Eco Efficient Business following 3R Concept

Energy Consumption and Carbon Offsetting

Our key energy consumption sources are;

- Direct Consumption - Electricity used for our premises from the national grid
- Indirect Consumption - Fuel used for business travelling and business commuting of employees and sales force

While Carbon offsetting is the way to use carbon credits enable companies to compensate for unavoidable emissions, we are committed to meeting carbon reduction goals and supporting the move to a low carbon economy.

Internal Policy on preserving Biodiversity

The Group follows a set of environment and social management system procedures consisting of five main activities for the management of Environment and Social (E & S) Risk Assessment which pave the way towards a more sustainable operation.

External Measures – Awareness Initiatives

Working towards helping Sri Lanka build a self-sustaining community, we began our very own home gardening programme "Grow in the Garden". The main objectives of this project were to contribute to the national mission of promoting the home gardening concept in order to build self-sustaining communities within the country. Taking the lead step, we initiated our programme with our staff and distributed 3,000 seed pouches to our customers across Sri Lanka through our sales force.

Looking Ahead

The way forward our objective is to enhance our efforts towards conservation of the environment by incorporating environmental sustainability into our business strategies. As a responsible corporate citizen, we will also continue to support and implement more greenery projects in order to create meaningful change in the environment we operate.

Sector Review
Insurance Sector
Overview of Insurance industry

Business Growth

The insurance sector reported a significant growth in its asset base in 2020. The total assets of the insurance sector grew by 14.6 per cent by end 2020 on a y-o-y basis and reached Rs. 790.1 Bn. The asset base of the long-term insurance subsector increased by 16.1 per cent from Rs. 485.7 Bn by end 2019 to Rs. 563.9 Bn by end 2020.

Earnings

Gross written premium of the insurance sector grew by 9.7 per cent to Rs. 208.6 Bn by end 2020 from Rs. 190.2 Bn at the end 2019. Gross written premium of the long-term insurance sector increased by 16.0 per cent, whereas the gross written premium of the general insurance subsector increased by 4.2 per cent during the period under consideration.

Profitability

Profitability of the insurance sector increased by 25.9 per cent during the year. The increase of profitability was observed in the general insurance sub-sector by 104.9 per cent during the year while a decline in profitability was observed in the long-term insurance subsector by 19.1 per cent in 2020. Decline in claims due to lockdowns imposed by the Government for controlling the spread of COVID-19 virus, may have contributed to this increase. Meanwhile, the underwriting profits of the sector also increased by 126.6 per cent by end 2020.

Overview of the Group's Insurance Sector

Vision

To revolutionise insurance in Sri Lanka through world-class innovations and deliver extraordinary stakeholder value.

Key Indicators

Summary of the financial performance of the last two years are provided below.

Key Performance Indicators (Rs. Mn.)	2020/2021	2020/2019
Gross Written Premium	16,940	13,134
Profit After Tax*	1,458	1,918
Net Assets	9,245	8,586
Insurance contract liabilities (Life fund)	17,948	13,133
Total Assets	34,370	24,810

**Including deferred tax*

Performance Review

The company successfully concluded the year 2020 with remarkable results despite very challenging environment. The year showcased robustness of our sustainability and risk management practices embedded within the business.

The management continued to focus on the factors within our control, which included driving operational improvements, stringent cost controls and driving the business at subunit level which are segregated based on the geographical area. This, combined with the all-encompassing changes we have introduced to ensure greater efficiency, effectiveness and competitiveness, underpinned our excellent performance. The Company consistently improved its turnover, surpassing industry average growth rates of 13% during the last five years by achieving 5-year average growth of 29% and demonstrated a consistently exceptional sustainable performance.

Gross Written Premium (GWP)

Softlogic Life became the 3rd largest insurer in Sri Lanka by recording a growth of 25% in 2020 against the industry average growth of 16%. This was possible only because the Company understands the customer better and provides insurance solutions they need - combining it with incomparable customer service innovations. The Company achieved a mammoth GWP of Rs. 16.9 Bn– re-emphasising the sustainability of our business strategy.

Profit After Tax (PAT)

The profit of the Life Insurance Company is mainly determined based on the actuarial valuation made by the Appointed Actuary which is called "Surplus". In addition to the surplus, the profit of the Company consists of investment income of the shareholder funds less related expenses and income tax. The Company reported Profit After Tax of Rs. 1,458 Mn despite challenging conditions which shows the sustainability of the business model despite a significant drop-in interest rate which negatively impact to the policyholder liability valuation.

Total Assets

Total assets of the company as at 31 March 2021 was Rs.34 Bn, recording a 39% growth compared to Rs. 25 Bn as at 31 March 2020 in total assets. The growth was supported by the

Management Discussion and Analysis

Company's highest GWP achievement of Rs. 16.9 Bn as well as capital infusion.

Insurance Contract Liabilities

The Life Insurance contract liabilities refers to the reserves built to meet the future claims and maturities of Life Insurance policyholders. Life Insurance contract liabilities of the Company stood at Rs. 17.9 Bn at the financial year end 2020/21, with a significant increase of 36% compared to 2019/20. The funds received from the Finre arrangement were recorded under insurance contract liability and amortised over the agreement period.

Non-bank Financial Institutions (NBFI) Sector

Overview of Non-bank Financial Institutions (NBFI) Sector

The LFCs and SLCs sector performance deteriorated during the year, with negative credit growth and high NPLs. In addition to the COVID-19 pandemic related growth impediments, the reduction of consumer confidence due to issues observed in the sector contributed towards the sluggish performance. However, despite certain institutions encountering difficulties to fulfil regulatory requirements at an individual level, the sector remained stable with capital and liquidity maintained at healthy levels above the minimum regulatory requirements.

The Central Bank continued to introduce prudential measures to maintain the stability of the sector and granted regulatory flexibility to support the sector to face the challenges posed by the COVID-19 pandemic.

Performance of Non-Bank Financial Institutions (NBFI) Sector

The NBFI sector performance deteriorated during the year, with negative credit growth and high NPLs. In addition to the COVID-19 pandemic related growth impediments, the reduction of consumer confidence due to issues observed in the sector contributed towards the static performance. At end-2020, the sector comprised 40 LFCs and 3 SLCs. There were 1,517 branches and 460 other outlets of the sector, of which 1,001 branches (66%) were concentrated outside the Western Province.

Year	Growth %			
	2020	2019	2018	2017
Banking Sector	18.3	5.3	15.2	12.5
NBIF Sector	(2.2)	0.1	5.6	11.8
Others	21.2	9.6	0.5	11.1
Total Financial System	17.5	5.8	11.2	12.1

Source: CBSL Annual Reports 2017-2020

Total assets of the NBFI sector and its growth contracted for the first time in 2020 which resulted NBFI share in the larger financial system to decline by 120 bps. The growth of the financial system was predominately driven by the banking sector which grew by Rs 2,646 Bn. The banking sector has gained and consolidated its share from 2017 onwards whilst the share of NBFI sector has declined over the same period.

Analysis of Sector Assets and Liabilities

Year	2020	2019	2018	2017
Loans and Advances (net) (Rs. Bn)	1,039.9	1,102.7	1,137.0	1,057.1
Investments (Rs. Bn)	158.8	132.2	109.7	118.1
Other (Rs. Bn)	202.9	197.8	184.6	179.8
Total (Rs. Bn)	1,401.6	1,432.7	1,431.3	1,355.0

Source: CBSL Annual Report 2017-2020

Profitability and Capital Resources

Profitability

Net interest income of the sector during the year was Rs. 111.2 Bn, which was a decline of 5.3 per cent (Rs. 6.2 Bn) compared to 2019. This was due to the decline in economic activities with the COVID-19 outbreak resulting in a reduction in both interest income and interest expenses. The interest income and interest expenses declined by 12.0 per cent (Rs. 31.3 Bn) and 17.6 per cent (Rs. 25.0 Bn), respectively. Net interest margin of the sector (net interest income as a percentage of average assets) declined to 7.3 per cent in 2020 from the 7.7 per cent in 2019, due to a decline in the net interest income and a marginal increase in (gross) average assets.

Capital Resources

The sector as a whole remained resilient with capital maintained above the minimum required levels during the year. The capital base improved to Rs. 218.9 Bn by end December 2020 compared with Rs. 182.0 Bn recorded by end December 2019, with the infusion of new capital by LFCs to meet regulatory requirements and cancellation of license of a LFC with a large negative net worth. Upon reaching the deadline, an extension of 12 months was granted to LFCs to comply with minimum core capital requirements considering the economic impact of the COVID-19 outbreak. The new target is to reach Rs. 2.5 Bn by 01 January 2022. The sector core capital and total risk weighted capital ratios increased to 14.5 per cent and 15.7 per cent, respectively, by end December 2020 from the reported levels of 11.1 per cent and 12.5 per cent at end December 2019.

Further, the Financial Sector Consolidation Master Plan (FSCMP) was introduced to address non-compliance with the minimum core capital requirement and/or the minimum capital adequacy ratios by several LFCs. Several regulatory actions were initiated by the Central Bank in addition to introducing the FSCMP with a view to avoid further deterioration of the financial position, maintain the stability of such institutions and safeguard the interest of depositors.

Overview of the Group's Non-Bank Financial Institutions (NBFI) Sector

During the year under review, as an industry that predominately caters to the customers from the unorganised part of the economy, Non-Bank Financial Institutions (NBFIs) sector experienced a direct impact from the COVID-19 pandemic that resulted in decline in credit growth, collection of dues and dilution in overall profitability.

Vision

To be the preferred Non-Banking financial institution in Sri Lanka.

Key Indicators

Financial Highlights	2020/21	2019/20
Financial Results for the Year Ended 31st March (Rs. Mn)		
Total Gross Income	2,587	3,817
Lending Portfolio	16,532	16,713
Lease and Hire Purchase Portfolio	5,263	2,160
Customer Deposit Base	14,598	17,063

Revenue and Profitability

The company posted a net loss after tax of Rs. 903 Mn for the financial year 2020/21. The interest income, which is the main contributor for revenue, recorded a sharp decline of 32% from Rs. 3.6 Bn to Rs. 2.4 Bn. This is mainly attributable to the interest concessions granted to customers who were affected by the COVID-19 pandemic, slower credit growth in the first quarter of the financial year and decline in policy rates. Reflecting the same trend, income from fees and commissions along with other operating income narrowed by Rs 1.3 Bn from Rs. 3.8 Bn to Rs. 2.6 Bn. Additionally, there was a notable increase in impairment charges, mainly due to rising NPLs affecting the entire NBFI sector.

The company continued to focus on secured lending and continued to reduce the exposure towards unsecured credit that is expected to deliver improvements in financial performance in the medium to long term.

Lending Portfolio Analysis

The company continued with its strategic focus to keep higher emphasis on secured lending such as Finance Leasing, Auto Loans, Gold Loans and

"Softlogic Asset Management (Pvt) Ltd, the asset management arm of Softlogic Capital, launched two unit trusts or mutual funds; Softlogic Equity Fund and Softlogic Money Market Fund after obtaining the license from the Securities Exchange Commission of Sri Lanka (SEC)."

Factoring and restricted Personal Loans to employees of the group. Despite the recurrent lockdowns measures that restricted our ability to drive market penetration, the Company managed to retain the net lending portfolio (net of impairment) at Rs 16.5 Bn with a marginal decline of 1%.

Lease and Hire Purchase Portfolio

The Leasing and Hire Purchase portfolio grew by Rs. 3.2 Bn from Rs. 2.1 Bn to Rs. 5.3 Bn which marked an increase of 144%. The policy rates decline in Gold Loans shifted customers from NBFI sector towards Banking sector which reflected a sharp reduction of our Gold Loan portfolio by Rs 0.6 Bn from Rs 2.9 Bn to Rs 2.3 Bn. A relatively new entrant in the lending portfolio, Factoring receivables stood at Rs. 565 Mn with a marginal decline of Rs 35 Mn as at 31st March 2021.

Deposit Portfolio Analysis

During the 2020/21 financial year, the public deposit portfolio declined by 14% to Rs. 14.6 Bn which was primarily stemming from the liquidation of few higher valued deposits. The company was able to maintain healthy levels of liquidity risk capitalising on long standing customer relationships and superior service levels despite the unfavourable macro environment to mobile deposits due to reduction in policy rates.

Outlook for 2021 and beyond

The company is confident that the objectives framed with good governance and diligent execution of strategic plans will enable us to build an organisation that is geared to win in volatile and uncertain economic conditions. The company believes in digitalisation and use of technology to improve operational efficiency and enhance customer experience which will drive our profitability enabling the company to move towards a prominent position in the market.

Other Sector

Overview of the Performance of Group's Other Sector

The Group's other sector comprises of Softlogic Asset Management (Pvt) Ltd; Unit Trust Management and Investment Management company licensed from the Securities Exchange Commission of Sri Lanka (SEC) and Softlogic Stockbrokers (Pvt) Ltd; a stock broking company licensed from Securities and Exchange Commission of Sri Lanka (SEC) and operating on the Colombo Stock Exchange.

Overview of Group's Asset Management Sector

Softlogic Asset Management (Pvt) Ltd, the asset management arm of Softlogic Capital, launched two unit trusts or mutual funds; Softlogic Equity Fund and Softlogic Money Market Fund after obtaining the license from the Securities Exchange Commission of Sri Lanka (SEC).

The portfolio is actively managed using a bottom-up stock selection approach investing in listed companies in the Colombo Stock Exchange (CSE), where investee companies are evaluated by the fund managers and a research team.

Softlogic Equity Fund

The Softlogic Equity Fund was launched on 08th July 2020, in a challenging environment. Since inception, 357-unit holders invested with Softlogic Equity Fund by end of the financial year.
The equity fund delivered a return of 17.37% (Net return after all fees) from its inception date to 31st March 2021.

The portfolio was allocated into financial, industrials, and materials segments. The fund has carefully selected companies that come under these sectors for future value creation. From the inception, the strategy has been to concentrate portfolios into key-value counters while maintaining an appropriate level of diversification. And the fund has always tried to maintain less than 15 counters in the portfolio as it is enabled to track the changes in value drivers of each business.

Going forward, the Fund expects a low-interest environment to remain for an extended period mainly due to evolving third wave of COVID-19. While the low-interest environment also acting in favour of equities as an asset class. An extended period of mobility restrictions can have an adverse implication on short-term earnings. However, the impact on equity valuations (long term) would be minimal. Therefore, the fund keeps a healthy allocation into equity whilst maintaining a healthy cash buffer to take advantage of bargains in the market because the management is convinced that the number of equity counters which could provide long-term value creation.

Softlogic Money Market Fund

The Softlogic Money Market Fund was launched on 08th July 2020, in a challenging environment. The Money Market Fund yielded an attractive 7.80% p.a. during the end of the financial year. At the same time, the fund has comfortably exceeded the respective benchmark yield (NDBIB -CRISIL 91 Day T-Bill Index) of 4.79% p.a.

The above impressive performance is achieved without compromising on credit quality. We have maintained more than 82% allocation into “A” category issuers, and we don’t have any exposure to “BBB-” issuers. Further, the Fund obtained an external credit evaluation from ICRA Lanka Ratings. As a result, the money market Fund is an “A” rated mutual fund scheme in Sri Lanka. The schemes with this rating are “considered to have adequate degree of safety regarding timely receipt of payments from the investments that they have made”.

Since inception, 1,377-unit holders invested with Softlogic Money Market Fund by end of the financial year. Softlogic Money Market Fund became the third-largest fund in terms of the number of unitholders within its category within a 9-month time horizon.

Stockbroking Sector

Overview of Stockbroking Sector

The Colombo Stock Exchange (CSE) experienced short-term volatilities throughout the year due to unprecedented challenges created by the COVID-19 pandemic. Index-based circuit breakers were activated on several occasions due to excessive volatility in the market. The All Share Price Index (ASPI) on 12 May 2020 recorded its lowest point in over a decade but recovered recording a growth of 10.5 per cent by end 2020, the highest annual increase since 2014. Even though S&P SL20 index showed a similar trend and recovered since mid-May, it recorded a 10.2 per cent decline during the year.

The majority of stock market indicators showed an improvement since mid-May 2020. Market capitalisation increased by 3.8 per cent during 2020 compared to end 2019 and stood at Rs. 2,960.6 Bn by end 2020.

The CSE recorded an extraordinary average daily turnover during 2020 which amounted to Rs. 3.2 Bn compared to Rs. 711.2 Mn in 2019. This daily average turnover recorded in 2020 was the highest recorded for a year since 2011. This was mainly driven by domestic investors’ preference shifting towards equity investments due to the prevailing low interest rate regime and attractive market valuations. Sri Lanka recorded one of the lowest Price to Earnings Ratio (PER) among its regional peers. The PER and Price to Book Value stood at 11.3 and 1.1, respectively, by end 2020.

However, net foreign outflows continue to remain a concern. Foreign contribution towards the total turnover was subpar compared to the previous year. Only 19.8 per cent of the total turnover originated from foreign purchases as against 36.4 per cent reported in the previous year. The CSE recorded Rs. 51.3 Bn foreign outflows during 2020 compared to an outflow of Rs. 11.7 Bn recorded during 2019. The Securities and Exchange Commission of Sri Lanka (SEC), together with Colombo Stock Exchange (CSE), introduced a number of progressive measures during the year. Amendments to listing rules, introduction of three-tiered circuit breaker structure, digitalisation and launch of new products, such as Real Estate Investment Trusts (REITs), were some of the new measures implemented towards ensuring the development and smooth functioning of the market.

Overview of the Group’s Stockbroking Sector

Softlogic Stockbrokers’ is centred on its best-in-class research capabilities, access to foreign clientele and excellent client servicing which has enabled it to develop sustainable relationships with a diverse pool of customers. Stockbrokers had an exceptional performance during 2020/21 with an interim dividend of Rs. 100 Mn.

OUTLOOK

The objective of Softlogic Capital Group is to understand opportunities to enhance and provide long-term protection and security for our future generations. The nurturing and mentoring role we have adopted ensures the well-being, health and financial security of our stakeholders.

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.

Board of Directors

Mr. Ashok Pathirage

Mr. Ashok Pathirage, recognised as a visionary leader of Sri Lanka's corporate world, is the founding member 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 gives strategic direction to the Group which has a leading market presence in four vertical sectors – Retail and Telecommunications, Healthcare Services, Financial Services and IT, Leisure and Automotive. The 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 Capital PLC and Softlogic Life PLC in addition to the other companies of the Group. He is also the Chairman of NDB Capital Holdings Limited, Sri Lankan Airlines Limited and Sri Lankan Catering Limited.

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, Asset Management and Stockbroking. He is also the Managing Director of Softlogic Life Insurance PLC, Director of Softlogic Asset Management Pvt Ltd and Director of Softlogic Stockbrokers 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. He is the Managing Director of Softlogic Pharmaceuticals (Pvt) Ltd and having vast experience in the area of Supply Chain Management & 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 Master's Degree in Business Administration (MBA) from the Post Graduate Institute of Management, University of Sri Jayewardenepura. 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 & 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 & Economics from Manchester College, N Manchester, Indiana, USA.

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 Master's Degree in Business Administration from the University of Sri Jayewardenepura. 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 a former President of the Sri Lanka-Malaysia Business Council.

Corporate Governance

Governance Framework

Softlogic Capital PLC 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 organisation 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 organisation and other partners, the framework strives to provide challenge, clarity and accountability to all stakeholders.

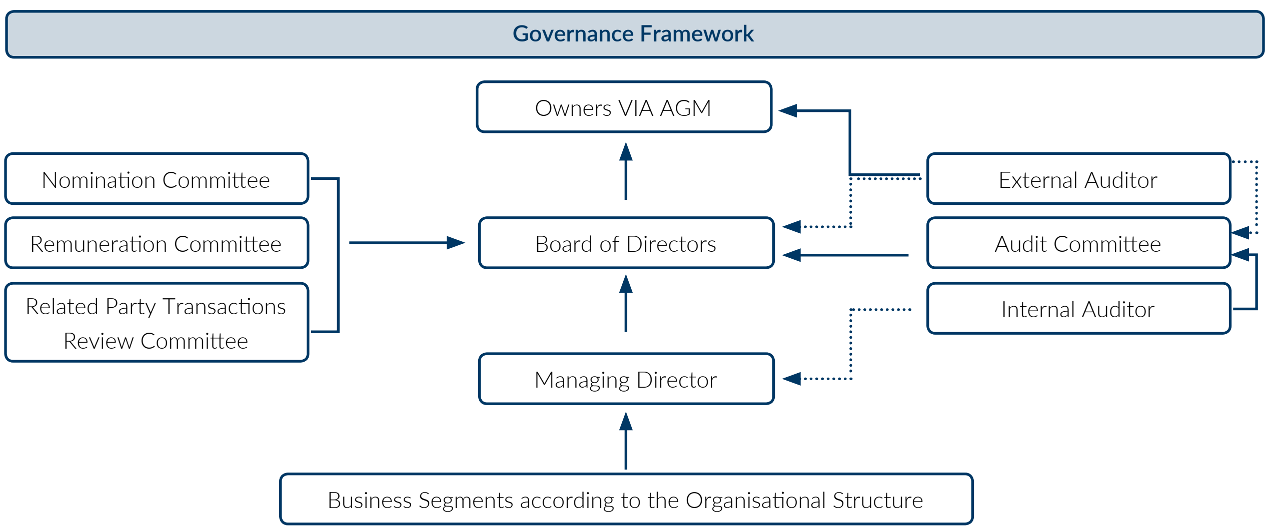
Code of Best Practice on Corporate Governance (Issued jointly by the SEC and CASL)						
The Company				**Shareholders**		**Sustainability Reporting**
The Board	Directors' Remuneration	Relations with Shareholders	Accountability and Audit	Institutional Investors	Other Investors	
A1-A11	B1-B3	C1-C3	D1-D6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

The Board

An Effective Board (Principle A.1)

The Board of Softlogic Capital PLC comprises of 8 renowned professionals whose profiles are given on pages 22 to 23. Directors are elected by shareholders at the Annual General Meeting, with the exception of the Managing Director who is appointed by the Board and remains 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.



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 37 to 40 for more information	Comprises 03 Independent Non-Executive Directors. 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 41 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 42 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 page 43 for more information.	Comprises 03 Independent Non-Executive Directors. The Company Secretary acts as the Secretary to the Committee.

Corporate Governance

Regular Meetings

(Principle A 1.1)

During 2020/21 the Board held 04 scheduled meetings. The Board Committees also met regularly as summarised below.

Details of the Main Board and Board Sub-Committees as at March 31, 2021

	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 *(Resigned w.e.f 31st December, 2020)*	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, 2021

	Executive Members	Non-Executive Members	Independent Members	Non-Independent Members	Gender		Age Group	
					Male	Female	Below 60 Years	Over 60 Years
Main Board	1	7	3	5	8	Nil	4	4
Board Audit Committee	1*	3	3	1*	3	Nil	Nil	3
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 Review Committee	1*	3	3	Nil	3	Nil	Nil	3

* Attended by invitation

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	4								
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 *(Resigned w.e.f 31st December, 2020)*	2	2	2	2						
Mr. A Russell-Davison	4	4								
Mr. V S Somasunderam	4	4	4	4					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 Secretaries 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 Secretaries 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 resolution.

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 on 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 effectively conducting 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 Secretaries 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 seven Non-Executive Directors and one Executive Director as at 31 March 2021. 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;

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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	Material Business Relationship	Close family member is a KMP	Significant shareholding	Service of nine or more years	Business Relationship	Director in another entity	Shareholder in another company
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. 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 41. 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 elect 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 realisation 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 22 to 23.
- Other business interests on pages 45 to 49.
- Memberships of Board committees, status of Directorship, attendance at Board Meetings and Board Subcommittee meetings are on pages 24 to 27.
- Remuneration paid under Note 45 to the Financial Statements on page 160.

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 42. The names of the Board Remuneration Committee members are set out on page 42 and the aggregate remuneration paid to Executive and Non-Executive Directors is given in Note 45 to the Financial Statements on page 160.

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

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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 45 All other related party transactions are disclosed in Note 45 to the Financial Statements on page 160.

Accountability and Audit Financial Reporting
(Principle 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 page 45 includes the disclosures required as per Principle D.1.3 of the Code
- Statement of Directors' Responsibility on page 48 contains a statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements
- Independent Auditors' Report on page 51 includes a statement of their responsibilities
- Statement of going concern of the Company is set out on page 49 in the Statement of Directors' Responsibility and page 46 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 page 48 for details.
- Related Party transactions are disclosed on page 45 of the Directors' Report and in Note 45 in the Financial Statements on page 160 and the process in place is described in the Report of the Board Related Party Transactions Review Committee on page 43.

Internal Control and Audit Committee
(Principles 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. The Board Audit Committee assists the Board in the discharge of its duties in relation to internal controls. Their responsibilities are summarised in the respective Committee reports appearing on pages 37 to 42 and have been formulated with reference to the requirements of the Code.

The Board Audit Committee comprises 3 Non-Executive Independent Directors. A summary of their responsibilities and activities are given in the Report of the Board Audit Committee on page 41. 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 pages 24 to 36 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

(Principle E)

The Company has 2,377 voting ordinary shareholders of which 5.4% 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

(Principle 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 56-165.

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 177.

Additionally, the information on Investor Relations on pages 166 to 171 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 2021

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	7 out of 8 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 7 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 45.
	(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 page 45.
	(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 page 22 to 23
7.10.4	Criteria for Defining Independence		
	Requirements for meeting the criteria for an Independent Director.	Yes	Refer Corporate Governance Section on pages 24 to 36 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 42.
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 42. Please refer Annual Report of the Board of Directors on the Affairs of the Company on pages 45 to 47

Rule	Requirement	Status of Compliance	Comments
7.10.6	Audit Committee		
7.10.6(a)	**Composition** The Committee 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 recognised professional accounting body;	Yes	The Audit Committee comprises of three Independent Non-Executive Directors. 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 37 to 40.
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 37 to 40.

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 2021

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 43 to 44.
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	Related 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 45 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 43 to 44 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 Page 48 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 *(Resigned w.e.f 31st December, 2020)*	Non - Executive Director	2/2
Mr. S Somasunderam	Independent Non - Executive Director	4/4

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

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 Master's 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 22 to 23 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 2020/21 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 organisation 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 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 2020/21;

- 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 do 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, re-appointment 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 2022 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 AND PROFESSIONAL DEVELOPMENT

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. REVIEW OF COVID-19 IMPACT ON BUSINESS OPERATIONS AND FINANCIAL REPORTING

The Committee has reviewed financial and operational impact of the entity due to COVID -19 pandemic during the financial year under review.

10. CYBERSECURITY REVIEW

The Committee assessed the actions taken to mitigate the cybersecurity risk of the Group. The Committee emphasised the importance of maintaining sound controls to protect cyberattacks specially with the initiation of Work from Home (WFH) arrangement.

11. 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
26 July 2021

Nomination Committee Report

Composition of the committee and attendance

The Nomination Committee ("the Committee") appointed by Board of Directors consists of the following members whose profiles are given on pages 22 to 23. The Committee's attendance at meetings are provided below.

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.)
Ashok Pathirage
Chairman - Nomination Committee

Colombo, Sri Lanka
26 July 2021

Remuneration Committee Report

Composition of the committee and attendance

The Remuneration Committee ("the Committee") appointed by Board of Directors consists of the following members whose profiles are given on pages 22 to 23. The Committee's attendance at meetings are provided below.

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 organisation.

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.)
Ashok Pathirage
Chairman - Remuneration Committee

Colombo, Sri Lanka
26 July 2021

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 22 to 23 of this report.

The Committee met four (04) times during the financial year ended 31 March 2021, 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.

Messrs Softlogic Corporate Services (Pvt) Ltd functions as the Company Secretaries 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.

Related Party Transactions Review Committee Report

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 45 to the financial statements. Details of other Related Party Transactions entered into by the Company during the above period is also disclosed in Note 45 to the financial statements.

The annual review of the RPT policy was carried out during the year 2020/21, 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, Counsellor 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
26 July 2021

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 2021.

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 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 6. This Report together with the Financial Statements, reflect the state of affairs of the Company and its subsidiary companies.

Summarised Financial Results

For the year ended 31 March 2021 (in LKR)	Group	Company
Revenue	20,937,141,425	828,945,311
Profit/(Loss) for the year	364,635,024	393,374,511

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 51 to 55.

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 64 to 165. 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. A. Russell-Davison

Mr. S. Somasunderam *

Mr. A. C. M. Lafir

(Mr. G L H Premaratne has resigned from the Board w.e.f 31st December, 2020)

**Independent Non-Executive Directors*

Messrs R. Perera and A.C.M. Lafir 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.

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 45 to the Financial Statements on page 160.

Annual Report of the Board of Directors

Directors' Shareholding

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

	As at 31.03.2021	As at 01.04.2020
Mr. A. K. Pathirage	2,847,872	2,005,544
Mr. T. M. I. Ahamed	-	-
Mr. R. J. Perera	-	-
Mr. W. L. P. Wijewardena	142,000	100,000
Mr. A. M. Pasqual	14,200	10,000
Mr. A. Russell-Davison	-	-
Mr. V. S. Somasunderam	1,000,000	-
Mr. A. C. M. Lafir	-	-

Mr. A K Pathirage is the Chairman and the major shareholder of Softlogic Holdings PLC which held 750,760,543 shares constituting 76.83% of the issued shares of the company. Messrs R. J. Perera, 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. 1,080,000/- is payable by the Company to the Auditors for the year under review as audit fees and there was no liability in the form of non-audit fees during the year under review. A sum of Rs. 11,154,487/- is payable by the Group to the Auditors for the year under review comprising Rs. 7,262,900/- as audit fees and Rs. 3,891,587/- 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 authorise 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 2021 is Rs. 3,891,595,200/- represented by 977,187,200 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 166 to 171 under Investor Information.

Property, Plant and Equipment

Details and movements of property, plant and equipment are given in note 29 to the Financial Statements on page 133.

Donations

The Company did not make any donations 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 43 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. The Corporate Governance Statement on pages 24 to 36 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. 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 by electronic means on Tuesday the 17th August, 2021 at 10.30 a.m. The Notice of the Annual General Meeting is on page 177 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, Sri Lanka
26 July 2021

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 51 to 55.

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 2021, 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 2021; 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 64 to 165 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 2020/21, 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 2017 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 37 to 40. 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 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 Senior Manager - 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 59 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 51 to 55.

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, Sri Lanka
26 July 2021

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 2021 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 2017 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 51 to 55. 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 37 to 40.

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 31st March 2021 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.)
Anupama Karannagoda
Senior Manager - Finance

Colombo, Sri Lanka
26 July 2021

Independent Auditors' Report

Building a better working world

Ernst & Young
Chartered Accountants
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Colombo 10
Sri Lanka

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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 2021, 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 2021, 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 on loans & leases in a subsidiary from Finance Activities As at 31 March 2021, loans & advances and receivables from lease & hire purchase (net of impairment) amounted to Rs. 11.3 Bn and Rs. 5.2 Bn respectively net of total allowance for impairment of Rs. 2.1 Bn. These collectively contributed 28% to the Group's total assets. As described in Note 25.3 and Note 26, impairment allowance on such financial assets carried at amortised cost is determined in accordance with Sri Lanka Accounting Standard – SLFRS 9 Financial Instruments (SLFRS 9). This was a key audit matter due to: • materiality of the reported impairment allowance which involved complex spread sheets based calculations; and • the degree of assumptions, judgements and estimation uncertainty associated with the calculations. Key areas of significant judgements, estimates and assumptions used by management in the assessment of the impairment allowance included the following: • the probable impacts of COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the company); and • forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impacts from COVID-19 that may impact future expected credit losses.	We assessed the alignment of the component's impairment computations and underlying methodology with the requirements of SLFRS 9 with consideration of COVID-19 impacts and related industry responses based on the best available information up to the date of our report. Our audit procedures included amongst others the following: • We evaluated the design, implementation and operating effectiveness of controls where relevant over estimation of impairment of loans and advances, which included assessing the level of oversight, review and approval of impairment policies by the Board of Audit Committee and management of the Component. • We checked the completeness and accuracy of the underlying data used in the computations by agreeing significant details to source documents and accounting records of the Component. • We test–checked the underlying calculations. • In addition to the above, following focused procedures were performed: **For a sample of loans and advances individually assessed for impairment:** - Assessing the appropriateness of the criteria used by the management to determine whether there are any indicators of impairment; and - Evaluating the reasonableness of the provisions made with particular focus on the impact of COVID-19 on elevated risk industries, strategic responsive actions taken, collateral values, and the value and timing of future cashflows. **For loans and advances collectively assessed for impairment:** - Assessing the reasonableness of assumptions and estimates used by management including the reasonableness of forward-looking information and scenarios; and - As relevant, assessing the basis for and data used by management to determine overlays in consideration of the probable effects of the COVID-19 pandemic. We assessed the adequacy of the related financial statement disclosures as set out in Note 25 and Note 26.

Key Audit Matter	How our audit addressed the key audit matter
Insurance contract liabilities Life Insurance Contract Liabilities amounting to Rs 17.9 Bn represent 38% of total liabilities of the Group as at 31 March 2021. Life Insurance Contract Liabilities are determined as described in Note 39. This was a key audit matter due to: • Materiality of the reported Life Insurance Contract Liabilities; • The degree of assumptions, judgements and estimation uncertainty associated with actuarial valuation of Life Insurance Contract Liabilities; and • Liability adequacy test carried out to ensure the adequacy of the carrying value of Life Insurance Contract Liabilities. Key areas of significant judgments, estimates and assumptions used in the valuation of the Life Insurance Contract Liabilities included the following: • The determination of assumptions such as mortality, morbidity, lapses and surrenders, loss ratios, bonus, interest rate, discount rates and expenses including the probable effects of COVID 19.	Our audit procedures included amongst others the following: • We involved the component Auditor of the subsidiary company to perform the audit procedures to assess the reasonableness of the assumptions and test the controls over the process of estimating the insurance contract liabilities. • We reviewed the working papers of the component Auditor and report of the internal expert involved by component Auditor of the subsidiary company to assess the reasonableness of the assumptions and judgements used in the valuations of the insurance contract liabilities. • We assessed the adequacy of the disclosures in Note 39 to the financial statements.
Recoverability of Deferred Tax Asset As detailed in Note 41.1 to the financial statements, the brought forward tax losses of the Life Insurance segment as of 31 March 2021 amounted to Rs. 5.0 Bn with a Deferred Tax Asset of Rs. 1.2 Bn derived from such tax losses. The recognition of deferred tax asset 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 asset as a key audit matter because of; • its significance to the Group's Financial Statements; and • significant management judgments involved and estimation required in forecasting future taxable profits.	Our audit procedures included amongst others the following: • We involved the component Auditor to review the correspondence with the company'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. • Assessed the business plans used and thus the likelihood that taxable profits would be available to utilize the tax losses in the future. • We assessed the adequacy of the disclosures in Note 20.3 and Note 41.1 to the financial statements

Independent Auditors' Report

Key Audit Matter	How our audit addressed the key audit matter
Impact of moratoriums and other relief measures on recognition of interest income from finance activities Moratoriums and other relief measures were granted by the finance segment of the Group to customers affected by the COVID – 19 Pandemic as related directions issued by Central Bank of Sri Lanka Impact of moratoriums and other relief measures on the recognition of interest revenue on loans & receivables and lease rentals receivable was a key audit matter due to: • Significant judgments that were applied in determining whether such moratoriums and other relief measures have resulted in substantial modifications or not, to contracts with customers as set out in note 10.1 to the financial statements; and • Use of various calculations by management to quantify the impacts of such moratoriums and other relief measures on the amount of revenue recognized for the period.	Our audit procedures (among others) included the following; • We gained an understanding of the process adopted by the Company to grant, record and account for moratoriums and other relief measures provided to customers. • We assessed the reasonableness of judgements applied by management in determining whether moratoriums and other relief measures have resulted in substantial modifications or not, to customer contracts. This included evaluating whether interest income on modified contracts have been recognized in line with its accounting policy for interest income recognition. • We tested the accuracy of underlying calculations. Our procedures included testing the completeness and accuracy of the data used in such calculations, by agreeing to source documents and moratorium customer returns.

Other information included in the 2020/21 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.

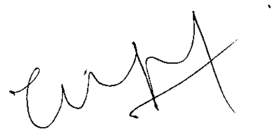
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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



26 July 2021
Colombo

Income Statement

	Note	Group		Company	
For the year ended 31 March In LKR		2021	2020	2021	2020
Interest income	10	4,230,637,729	4,779,671,661	51,547,762	24,676,134
Fee and trading income	11	15,558,168,011	12,207,716,893	176,210,469	153,983,871
Other income and gains	12	520,415,775	114,522,104	14,485,272	10,295,208
Net realized gains	13	245,427,071	98,957,169	-	-
Net fair value gains	14	306,540,503	464,430,808	-	-
Dividend income	15	75,952,336	112,105,515	586,701,808	1,818,589
Total operating income		**20,937,141,425**	**17,777,404,150**	**828,945,311**	**190,773,802**
Direct expenses					
Interest expenses	16	(2,529,703,867)	(2,874,439,021)	(444,070,552)	(269,369,077)
Other direct expenses	17	(7,697,926,441)	(6,214,714,335)	(25,777,217)	(38,038,205)
Credit loss expense on financial assets and other losses	18	(491,731,598)	(390,137,065)	-	-
Net operating income		**10,217,779,519**	**8,298,113,729**	**359,097,542**	**(116,633,480)**
Administrative expenses		(3,956,830,660)	(3,790,169,636)	(133,612,995)	(129,460,559)
Distribution costs		(786,331,204)	(853,645,419)	(15,389,031)	(117,958)
Change in insurance contract liabilities		(4,111,060,578)	(2,089,317,200)	-	-
Other operating expenses		(476,790,424)	(194,660,476)	(40,731,782)	(21,152,835)
Profit/(loss) before tax for the year	19	886,766,653	1,370,320,998	169,363,734	(267,364,832)
Tax expense	20	(522,131,629)	(202,128,838)	224,010,777	-
Profit/(loss) after tax for the year		**364,635,024**	**1,168,192,160**	**393,374,511**	**(267,364,832)**
Profit after tax for the year attributable to;					
Equity holders of the parent		(95,226,898)	377,385,892		
Non-controlling interests		459,861,922	790,806,268		
		364,635,024	**1,168,192,160**		
Basic earnings/(loss) per share	21	(0.12)	0.51	0.48	(0.36)

Figures in brackets indicates deductions.

The accounting policies and notes from pages 64 to 165 form an integral part of these financial statements.

Statement of Comprehensive Income

		Group		Company	
For the year ended 31 March In LKR		2021	2020	2021	2020
Profit/(loss) for the year		364,635,024	1,168,192,160	393,374,511	(267,364,832)
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		162,540,141	202,103,224	-	-
Net other comprehensive income/(loss) to be reclassified to income statement in subsequent periods		162,540,141	202,103,224	-	-
Other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods					
Net gain / (loss) on equity instruments at fair value through other comprehensive income		(179,886,746)	(119,437,162)	(2,520,064)	(16,573,549)
Revaluation of land and buildings		15,600,000	59,772,712	-	-
Re-measurement gain / (loss) on defined benefit plans	40.2	(277,264)	(26,523,405)	234,505	79,682
Net other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods		(164,564,010)	(86,187,855)	(2,285,559)	(16,493,867)
Tax on other comprehensive income		(2,658,697)	(1,674,771)	(32,831)	-
Total Other comprehensive income/(loss) for the year, net of tax		(4,682,566)	114,240,598	(2,318,390)	(16,493,867)
Total comprehensive income/(loss) for the year		359,952,458	1,282,432,758	391,056,121	(283,858,699)
Attributable to :					
Equity holders of the parent		(123,317,424)	441,237,338		
Non-controlling interests		483,269,882	841,195,420		
		359,952,458	1,282,432,758		

Figures in brackets indicates deductions.

The accounting policies and notes from pages 64 to 165 form an integral part of these financial statements.

Statement of Financial Position

	Note	Group		Company	
As at 31 March In LKR		2021	2020	2021	2020
ASSETS					
Cash and cash equivalents	22	1,353,198,128	686,481,769	180,279,363	109,466,200
Inventories	23	185,478,715	195,483,009	-	-
Amounts due from related companies	45	5,042,484	1,560,000	29,167,235	42,104,200
Other assets	24	1,487,389,469	1,503,319,503	13,037,861	12,021,010
Income tax receivable	35.1	254,134,779	259,806,702	-	-
Financial assets recognized through profit or loss	25.1	5,669,062,030	5,380,368,811	-	-
Financial assets measured at fair value through other comprehensive income	25.2	3,692,685,241	3,959,034,637	187,047,679	109,656,045
Financial assets at amortized cost	25.3	34,841,349,075	29,247,765,192	557,050,701	619,813,445
Lease and hire purchase receivables	26	5,262,704,091	2,160,284,390	-	-
Investment in subsidiaries	27	-	-	6,547,153,490	4,769,770,556
Deferred tax asset	41.1	1,889,693,055	2,389,799,880	223,977,946	-
Right of use assets	28	809,387,751	1,044,972,493	344,555,635	439,614,446
Property, plant and equipment	29	1,134,547,682	1,223,508,366	4,723,329	6,075,504
Intangible assets	30	1,836,702,114	1,984,044,119	-	-
TOTAL ASSETS		**58,421,374,614**	**50,036,428,871**	**8,086,993,239**	**6,108,521,406**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	31	3,891,595,200	2,880,000,000	3,891,595,200	2,880,000,000
Reserve fund	32.1	260,448,732	260,448,732	-	-
Fair value reserve	32.2	(993,743,319)	(937,358,385)	(21,442,293)	(18,922,229)
Revaluation reserve		147,984,005	137,539,815	-	-
Restricted regulatory reserve	32.3	798,004,000	798,004,000	-	
Retained earnings		2,218,369,539	2,299,402,012	107,400,250	(286,175,935)
Shareholders' funds		6,322,658,157	5,438,036,174	3,977,553,157	2,574,901,836
Non-controlling interest		5,151,153,014	5,088,586,598	-	-
Total equity		**11,473,811,171**	**10,526,622,772**	**3,977,553,157**	**2,574,901,836**

As at 31 March In LKR	Note	Group 2021	Group 2020	Company 2021	Company 2020
Liabilities					
Bank overdrafts	22	321,559,040	856,363,831	405,588	130,125,750
Trade and other payables	33	3,525,173,597	2,276,441,480	34,608,722	46,305,004
Amounts due to related companies	45	329,320	14,292,415	714,972	5,355,208
Other non financial liabilities	34	139,199,160	55,377,265	567,410	567,156
Income tax liability	35.2	15,830,486	-	-	-
Put option liability	36	154,609,366	168,344,531	154,609,366	168,344,531
Interest bearing borrowings	37	9,994,756,180	5,749,489,434	3,918,463,879	3,180,691,031
Public deposits	38	14,582,316,243	17,035,396,151	-	-
Insurance contract liability	39	17,947,993,820	13,133,911,336	-	-
Employee benefit liabilities	40	262,697,781	220,189,656	70,145	2,230,890
Deferred tax liabilities	41	3,098,450	-	-	-
Total liabilities		46,947,563,443	39,509,806,099	4,109,440,082	3,533,619,570
TOTAL EQUITY AND LIABILITIES		**58,421,374,614**	**50,036,428,871**	**8,086,993,239**	**6,108,521,406**

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

(Sgd.)
Anupama Karannagoda
Senior Manager - 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 64 to 165 form an integral part of these financial statements.

Colombo, Sri Lanka
26th July 2021

Statement of Changes in Equity

In LKR	Note	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 01 April 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 year		-	-	-	-	-	377,385,892	377,385,892	790,806,268	1,168,192,160
Other comprehensive income for the year		-	-	(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 realized gain/loss of equity instruments at FVOCI		-	-	101,078,629	-	-	(52,243,032)	48,835,597	(48,835,597)	-
Recognition of put option liability	36	-	-	-	-	-	(168,344,531)	(168,344,531)	-	(168,344,531)
Changes in ownership interest in subsidiaries		-	-	-	-	-	26,792,176	26,792,176	31,050,096	57,842,272
		-	-	101,078,629	-	-	(193,795,387)	(92,716,758)	(17,785,501)	(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
Profit for the year		-	-	-	-	-	(95,226,898)	(95,226,898)	459,861,922	364,635,024
Other comprehensive income for the year		-	-	10,111,061	10,444,190	-	(884,237)	19,671,014	(24,353,580)	(4,682,566)
Total comprehensive income		-	-	10,111,061	10,444,190	-	(96,111,135)	(75,555,884)	435,508,342	359,952,458
Transfer of realized gain/loss of equity instruments at FVOCI		-	-	(12,032,910)	-	-	12,032,910	-	-	-
Issue of shares	31	1,011,595,200	-	-	-	-	-	1,011,595,200	-	1,011,595,200
Dividend paid to non controlling interest		-	-	-	-	-	-	-	(452,948,100)	(452,948,100)
Changes in ownership interest in subsidiaries		-	-	(54,463,085)	-	-	3,045,752	(51,417,333)	80,006,174	28,588,841
		1,011,595,200	-	(66,495,995)	-	-	15,078,662	960,177,867	(372,941,926)	587,235,941
As at 31 March 2021		3,891,595,200	260,448,732	(993,743,319)	147,984,005	798,004,000	2,218,369,539	6,322,658,157	5,151,153,014	11,473,811,171

Figures in brackets indicates deductions.

The accounting policies and notes from pages 64 to 165 form an integral part of these financial statements.

In LKR	Note	Stated capital	Fair value reserve	Retained earnings	Total
Company					
As at 01 April 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/(loss)		-	(16,573,549)	79,682	(16,493,867)
Total comprehensive income/(loss)		-	(16,573,549)	(267,285,150)	(283,858,699)
Recognition of put option liability	36	-	-	(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
Profit for the year		-	-	393,374,511	393,374,511
Other comprehensive income/(loss)		-	(2,520,064)	201,674	(2,318,390)
Total comprehensive income/(loss)		-	(2,520,064)	393,576,185	391,056,121
Issue of shares	31	1,011,595,200	-	-	1,011,595,200
As at 31 March 2021		3,891,595,200	(21,442,293)	107,400,250	3,977,553,157

Figures in brackets indicates deductions.

The accounting policies and notes from pages 64 to 165 form an integral part of these financial statements.

Statement of Cash Flows

	Note	Group		Company	
For the year ended 31 March In LKR		2021	2020	2021	2020
Cash flow from operating activities					
Profit / (loss) before tax		886,766,653	1,370,320,998	169,363,734	(267,364,832)
Adjustments for					
Dividend income	15	(75,952,336)	(112,105,515)	(586,701,808)	(1,818,589)
Profit on disposal of property, plant and equipment	19	(244,334)	(4,847,017)	-	-
Realized gain	13	(245,427,071)	(98,957,169)	-	-
Fair value gain	14	(306,540,503)	(464,430,808)	-	-
Amortization of intangible assets	30	153,139,373	142,657,730	-	-
Unrealized exchange loss	37.1	254,152,179	1,017,717	29,116,972	1,017,717
Interest expenses	16	2,529,703,867	2,874,439,021	444,070,552	269,369,077
Gratuity provision and related costs	40	61,549,737	54,423,405	253,227	717,714
Change in fair value of put option liability	12	(13,735,165)	(9,356,708)	(13,735,165)	(9,356,708)
Credit loss expense on financial assets and other losses	18	491,731,598	390,137,065	-	-
Rent assistance income	37.2.1	(24,548,065)	-	(24,548,065)	-
Amortisation of right of use assets	28	320,617,365	208,001,553	95,058,811	35,940,044
Depreciation	29	201,203,189	200,597,543	1,328,829	591,131
Operating profit before working capital changes		4,232,416,487	4,551,897,815	114,207,087	29,095,554
(Increase)/decrease in inventories		10,004,294	(21,240,145)	-	-
(Increase)/decrease in amounts due form related companies		(3,482,485)	1,661,687	12,936,965	(37,071,193)
(Increase)/decrease in other assets		47,134,816	32,929,104	(1,016,851)	(15,417,701)
(Increase)/decrease in Financial assets recognized through profit or loss		263,274,353	(3,443,173,363)	-	-
(Increase)/decrease in Financial assets measured at fair value through other comprehensive income		283,696,002	990,824,353	(79,911,698)	(100,651,872)
(Increase)/decrease in financial assets at amortized cost		(6,085,315,481)	(4,903,577,905)	62,762,744	(619,813,445)
(Increase)/decrease in lease and hire purchase receivables		(3,102,419,700)	(189,717,598)	-	-
Increase/(decrease) in trade and other payables		1,248,732,116	558,180,260	(11,696,282)	22,092,767
Increase /(decrease) in amount due to related companies		(13,963,095)	(167,291)	(4,943,953)	(914,372)
Increase /(decrease) in other non financial liabilities		83,821,893	(227,723,117)	254	(5,168,095)
Increase/(decrease) in insurance contract liabilities		4,814,082,484	4,824,283,890	-	-
Increase/(decrease) in public deposits		(2,453,079,908)	32,898,198	-	-
Cash (used in) / generated from operations		(675,098,224)	2,207,075,888	92,338,266	(727,848,357)
Tax paid		(82,642)	(13,503,303)	-	-
Interest paid		(2,529,120,793)	(2,978,462,400)	(438,542,231)	(221,603,109)
Gratuity paid	40	(19,405,404)	(14,956,288)	(1,875,750)	-
Net cash used in operations		(3,223,707,063)	(799,846,103)	(348,079,715)	(949,451,466)

	Note	Group		Company	
For the year ended 31 March In LKR		2021	2020	2021	2020
Cash flows from investing activities					
Dividend income	15	75,952,336	112,105,515	586,701,808	1,818,589
Investment in subsidiaries		-	-	(1,777,382,934)	(536,984,236)
Proceeds from non controlling interest		29,888,592	64,387,789	-	-
Proceeds on disposal of property plant & equipment		1,316,757	7,795,431	651,386	-
Purchase of property, plant & equipment and intangible assets		(103,512,294)	(352,814,565)	(628,040)	(5,974,860)
Net cash (used in) / generated from investing activities		3,645,391	(168,525,830)	(1,190,657,780)	(541,140,507)
Cash flows from financing activities					
Subsidiary dividend paid to non-controlling interest	46.1	(452,948,100)	-	-	-
Proceeds from right issue	31	1,011,595,200	-	1,011,595,200	-
Proceeds from long term borrowings		7,606,582,870	5,230,573,123	1,624,838,735	2,116,505,984
Repayment of long term borrowings		(4,185,887,480)	(4,676,181,146)	(1,279,146,081)	(955,531,010)
Payment of principal portion of lease liability	37.2.1	(205,674,601)	(154,846,532)	(59,854,666)	(20,307,403)
Proceed/(repayment) from short term borrowings		647,914,933	150,000,000	441,837,632	150,000,000
Net cash generated from financing activities		4,421,582,822	549,545,445	1,739,270,820	1,290,667,571
Net increase / (decrease) in cash and cash equivalents		1,201,521,150	(418,826,488)	200,533,325	(199,924,402)
Cash & cash equivalents at the beginning of the year		(169,882,062)	248,944,426	(20,659,550)	179,264,852
Cash and cash equivalents at the end of the year (Note A)		1,031,639,088	(169,882,062)	179,873,775	(20,659,550)
A. Cash & cash equivalents					
Cash & bank balances	22	1,353,198,128	686,481,769	180,279,363	109,466,200
Bank overdrafts	22	(321,559,040)	(856,363,831)	(405,588)	(130,125,750)
		1,031,639,088	(169,882,062)	179,873,775	(20,659,550)

Figures in brackets indicates deductions.

The accounting policies and notes from pages 64 to 165 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 2021, 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 2021 were authorized for issue by the Board of Directors on 26th July 2021.

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 continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate amidst the outbreak of COVID-19 pandemic and the measures adopted by the government in Sri Lanka to mitigate its spread which has negatively impacted the Group's financial performance during the year and also its liquidity position.

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.

2.1.4 Changes to accounting policies

2.1.4.1 COVID-19-Related Rent Concessions – Amendment to SLFRS 16

The Group has early adopted COVID-19-Related Rent Concessions – Amendment to SLFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings as at 01 April 2020.

2.1.5 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 2021 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.

2.1.6 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 44.

2.1.7 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).

2.1.8 Amended Accounting Standards and Standards issued but not yet effective at the reporting date

Amended Accounting Standards

The Group applied for the first-time certain amendments, which are effective for annual periods beginning on or after 1 January 2020.

COVID 19 related rent concessions (Amendment to SLFRS 16)

The amendment provides relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification and account for them in the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The group has applied practical expedient for COVID-19 related rent concessions and evaluated the appropriate accounting for each concession.

The following new standards and amendments became effective as at 1 January 2020 and did not have a significant impact on the Group's financial statements.

- Amendments to SLFRS 3: Definition of a Business
- Amendments to SLFRS 7, SLFRS 9 and LKAS 39 Interest Rate Benchmark Reform
- Amendments to LKAS 1 and LKAS 8 Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018

Standards issued but not yet effective at the reporting date

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

SLFRS 17 is effective for annual periods beginning on or after 01st January 2023. Early adoption is permitted along with the adoption of SLFRS 9 and SLFRS 15. SLFRS 17 supersedes SLFRS 4 Insurance contracts. SLFRS 17 replaces this with new measurement model for all insurance contracts.

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 expected to have a substantial change in the presentation of the financial statements and disclosures, as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. The effect of changes required to the Group's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of profit recognition.

The Group has an implementation program underway to implement SLFRS 17. The program is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate date and implementing actuarial and finance system changes. The Group is intended to adopt the new standard on its mandatory effective date.

Interest Rate Benchmark Reform - Phase 2 - (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 relating to:

- Changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- Hedge accounting

The amendments will require the Group to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities. The Group is in the process of assessing the impact of this standard on its financials. This amendment is effective for annual periods beginning on or after 1 January 2021.

Annual Improvements to SLFRS Standards 2018–2020

The amendments from 2018–2020 annual improvements to SLFRS Standards are effective for annual reporting periods beginning on or after 1 January 2022. Key Aspects covered is as follow:

i. SLFRS 1First-time Adoption of International Financial Reporting Standards -Subsidiary as a first-time adopter

ii. SLFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

The following amendments and improvements do not expect to have a significant impact on the Group's financial statements.

- Onerous Contracts - Costs of Fulfilling a Contract (Amendments to LKAS 37)
- Reference to the Conceptual Framework (Amendments to SLFRS 3)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)
- Classification of Liabilities as Current or Non-current -Amendments to LKAS 1
- Definition of Accounting Estimates - Amendments to LKAS 8

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

Notes to the Financial Statements

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 29 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 40 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 2021 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 42 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 following;

- 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
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 37.2).

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.

iv) COVID-19-related rent concessions

The Group has applied COVID-19-Related Rent Concessions - Amendment to SLFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances and it is accounted as if lease is unchanged. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

The Group negotiated rent concessions with its landlords to address the severe impact of the COVID 19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions. The Group continues to account for rent concessions relating to its leases under other applicable guidance in SLFRS 16.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is Rs. 24,548,065/- (2019/20: nil).

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.

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

Notes to the Financial Statements

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.

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The fair value of the policyholder loans is 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 2021. 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 2021.

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 an 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.

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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 is 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 recognized 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 recognized 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 recognized 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 and financial assets measured at fair value through profit or loss . 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

Notes to the Financial Statements

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.

Notes to the Financial Statements

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, banks overdrafts, 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 financial assets measured at amortised cost, Rental receivable on lease assets and hire purchase, trade & other receivables and cash and cash equivalents that flows directly from its operations. The Group also holds other financial instruments such as investments in equity instruments.

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 defense 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 minimize 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 summarized below.

Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management frame work. 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 groups 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, exchange 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	**2021**	**2020**	**2021**	**2020**
Fixed interest rate instruments:				
Financial assets	39,971,274,159	35,494,733,435	557,050,701	619,813,445
Financial liabilities	18,554,255,598	18,812,737,579	2,131,104,032	1,816,397,702
Floating interest rate instruments:				
Financial assets	-	-	-	-
Financial liabilities	5,433,227,728	3,727,455,492	1,395,695,517	1,047,468,990

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	Effect on profit before tax	
		Group	Company
2021	+400	(217,329,109)	(55,827,821)
	-400	217,329,109	55,827,821
2020	+200	(111,823,665)	(31,424,070)
	-200	111,823,665	31,424,070

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 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
2021	7%	295,101,079	Nil
	-7%	(295,101,079)	Nil
2020	3%	71,059,016	Nil
	-3%	(71,059,016)	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 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 recognized through profit or loss				Financial assets measured at fair value through other comprehensive income			
	2021		2020		2021		2020	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Group								
Banks, Finance and Insurance	53,239,197	25.5%	3,684,453	100.0%	1,243,295,843	68.0%	1,597,240,072	71.9%
Diversified Holdings	11,818,233	5.7%	-	-	95,648,614	5.2%	102,389,368	4.6%
Healthcare	-	-	-	-	418,830,131	22.9%	328,494,220	14.8%
Power & Energy	-	-	-	-	11,495,000	0.7%	11,495,000	0.5%
Manufacturing	-	-	-	-	-	-	30,680,000	1.4%
Beverage, Food and Tobacco	-	-	-	-	1,302,566	0.1%	41,415,525	1.9%
Construction and Engineering	-	-	-	-	29,369,287	1.6%	44,230,609	2.0%
Footwear and Textiles	-	-	-	-	28,088,600	1.5%	65,370,372	2.9%
Capital Goods	31,370,448	15.0%	-	-	-	-	-	-
Retailing	1,300,000	0.6%	-	-	-	-	-	-
Power & energy	970,000	0.5%	-	-	-	-	-	-
Consumer Durables and Apparel	24,929,167	11.9%	-	-	-	-	-	-
Materials	85,428,510	40.9%	-	-	-	-	-	-
	209,055,555	100.0%	3,684,453	100.0%	1,828,030,041	100.0%	2,221,315,166	100%

	Financial assets measured at fair value through other comprehensive income			
	2021		2020	
	Rs.	%	Rs.	%
Company				
Bank, Finance and Insurance	109,569,679	100.0%	28,330,045	100.0%
	109,569,679	100.0%	28,330,045	100.0%

Investments in unquoted investments are made after obtaining the board approval.

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				
2021				
Quoted equity investments listed in Colombo Stock Exchange	10%	20,905,556	182,803,004	203,708,560
2020				
Quoted equity investments listed in Colombo Stock Exchange	10%	368,445	222,131,517	222,499,962

	Change in equity price	Effect on profit before tax	Effect on other comprehensive income	Effect on equity
Company				
2021				
Quoted equity investments listed in Colombo Stock Exchange	10%	-	10,956,968	10,956,968
2020				
Quoted equity investments listed in Colombo Stock Exchange	10%	-	2,833,005	2,833,005

4.3. Credit risk

Credit risk is the risk that a counterparty 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 recognized, 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, financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss and financial assets measured at amortisesd cost the Group's exposure to credit risk arise from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty 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. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

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 homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

4.3.3 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 authorization structure for the approval and renewal of credit facilities. Authorization 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 counterparties, 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 Company in the management of credit risk.

- Regular audits of business units and credit processes are undertaken by Internal Audit.

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.

As at 31 March	2021							
	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 hire purchase receivables	Total maximum exposure	% of allocation	Total net exposure
Risk exposure - Group								
Government securities	-	713,618,537	1,508,644,600	11,962,036,988	-	14,184,300,125	32%	14,184,300,125
Corporate debt securities	-	730,402,536	-	8,593,088,081	-	9,323,490,617	21%	9,323,490,617
Deposits with regulator	-	-	-	7,000,000	-	7,000,000	0%	7,000,000
Deposits with bank	-	-	-	945,705,233	-	945,705,233	2%	945,705,233
Loans and receivables	-	-	-	11,269,788,740	-	11,269,788,740	25%	10,083,689,043
Lease and hire purchase	-	-	-	-	5,262,704,091	5,262,704,091	12%	3,745,618,761
Policy holder loans	-	-	-	221,526,180		221,526,180	0%	221,526,180
Trade debtors	-	-	-	619,216,556	-	619,216,556	1%	619,216,556
Premium receivables	-	-	-	845,984,585	-	845,984,585	2%	845,984,585
Reinsurance receivables	-	-	-	377,002,712	-	377,002,712	1%	377,002,712
Amounts due from related companies	-	-	-	5,042,484	-	5,042,484	0%	5,042,484
Cash in hand and at bank	1,353,198,128	-	-	-	-	1,353,198,128	3%	1,353,198,128
Total credit risk exposure	1,353,198,128	1,444,021,073	1,508,644,600	34,846,391,559	5,262,704,091	44,414,959,451	100%	41,711,774,424
Equity securities - Quoted	-	209,055,555	1,828,030,041	-	-	2,037,085,596	31%	2,037,085,596
Equity securities - Unquoted	-	-	356,010,600	-	-	356,010,600	6%	356,010,600
Investments in units	-	4,015,985,402	-	-	-	4,015,985,402	63%	4,015,985,402
Total equity risk exposure	-	4,225,040,957	2,184,040,641	-	-	6,409,081,598	100%	6,409,081,598
Total	1,353,198,128	5,669,062,030	3,692,685,241	34,846,391,559	5,262,704,091	50,824,041,049		48,120,856,022

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 hire purchase 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	-	-	-	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 receivables	-	-	-	14,552,098,937	-	14,552,098,937	41%	10,294,407,180
Lease and hire purchase	-	-	-	-	2,160,284,390	2,160,284,390	6%	1,263,557,190
Policyholder loans	-	-	-	236,700,371	-	236,700,371	1%	236,700,371
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
Amount 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%	30,411,656,523
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%	5,869,419,319
Total	686,481,769	5,380,368,811	3,959,034,637	29,249,325,192	2,160,284,390	41,435,494,799		36,281,075,842

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

As at 31 March	2021					
	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						
Corporate debt securities	-	-	551,899,860	551,899,860	71%	551,899,860
Deposits with bank	-	-	5,150,841	5,150,841	1%	5,150,841
Amounts due from related companies	-	-	29,167,235	29,167,235	4%	29,167,235
Cash in hand and at bank	180,279,363	-	-	180,279,363	24%	180,279,363
Total credit risk exposure	180,279,363	-	586,217,936	766,497,299	100%	766,497,299
Equity Securities - Quoted	-	109,569,679	-	109,569,679	59%	109,569,679
Equity Securities - Unquoted	-	77,478,000	-	77,478,000	41%	77,478,000
Total equity risk exposure	-	187,047,679	-	187,047,679	100%	187,047,679
Total	180,279,363	187,047,679	586,217,936	953,544,978		953,544,978

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

4.3.4 Government securities

As at 31 March 2021 as shown in the table above, 32% (2020 - 22%) and 0% (2020 - 15%) 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.

4.3.5 Corporate debt securities

As at 31 March 2021, corporate debt securities comprise 79% (2020 - 78%) of the total investments in debt securities, out of which 79% (2020 – 78%) were rated "A-" or better, or guaranteed by a banking institution with a rating of "A-" or better.

	Group			
As at 31 March	2020		2019	
	Rs.	Rating % of total	Rs.	Rating % of total
AA+	488,551,872	6%	421,708,180	7%
AA	-	-	-	-
AA-	307,664,118	4%	422,763,666	7%
A+	1,224,208,078	14%	1,303,285,114	22%
A	3,763,286,355	44%	1,505,599,942	26%
A-	975,240,660	11%	929,636,056	16%
BBB+	970,120,510	11%	1,173,675,259	20%
BBB	-	-	31,737,347	1%
BBB-	-	-	-	-
CC	38,386,342	-	88,621,264	2%
Not rated	825,630,146	10%	-	-
Total	8,593,088,081	100%	5,877,026,828	100%

4.3.6 Deposits with banks

Deposits with banks mainly consist of fixed and call deposits. As at 31 March 2021, 99% (2020- 84%) of the fixed and call deposits were rated "A-" or better for the Group.

	Group				Company			
As at 31 March	2021		2020		2021		2020	
	Rs.	Rating % of total	Rs.	Rating % of total	Rs.	Rating % of total	Rs.	Rating % of total
AAA	105,806,608	11%	108,639,677	5%	-	-	-	-
AA+	-	-	25,750	0%	-	-	-	-
AA-	270,985,989	29%	-	-	-	-	-	-
A+	330,509,645	35%	-	-	-	-	-	-
A	3,433,168	-	1,211,102,671	54%	-	-	-	-
A-	229,818,982	24%	554,559,575	25%	-	-	-	-
BBB-	5,150,841	1%	104,727,144	5%	5,150,841	100%	4,727,144	100%
B-	-	-	261,450,580	12%	-	-	-	-
Total	945,705,233	100%	2,240,505,397	100%	5,150,841	100%	4,727,144	100%

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

4.3.7 Loans and receivables

As a part of the overall risk management strategy, the Boards of Directors of the respective companies in the Non Banking Financial Institution Segment, have delegated responsibility for the oversight of credit risk to their 'Credit Committee' and 'Integrated Risk Management Committee'. Their 'Credit Risk Monitoring Unit' reports to the 'Risk Committee' through the 'Chief Risk Officer' who is responsible for managing the company's credit risk. Steps taken to manage credit risk include:

- introduction of a comprehensive credit policy as the guideline in lending, which has strengthened the credit evaluation process.
- regular evaluation of the concentration risk of credit, with the credit policy amended appropriately to ensure the credit granting process responds.
- implementation of delegated authority levels, to strengthen credit screening and evaluation.
- implementation of a customer rating system as a way of building a data base within the company for efficient and effective credit evaluation.
- regular discussions by both 'Credit Committee' and 'Integrated Risk Management Committee' in relation to credit risk and actions to be implemented.

4.3.8 Lease and hire purchase receivables

As a part of overall risk management strategy, the Board of Directors of the company concerned has delegated responsibility for the oversight of credit risk to its 'Board Credit Committee'. Its 'Independent Credit Risk Monitoring Unit' reports to the 'Risk Committee' through the 'Head of Credit Risk' who is responsible for managing the company's credit risk. Following are the steps taken to manage credit risk:

- introduction of a comprehensive credit policy as the guideline in lending, which has strengthened the credit evaluation process
- formulation of policy considering current market conditions and evaluating it quarterly to keep it in line with the market conditions
- determining the levels of service and quality of the evaluators involved in the credit evaluation process
- regular discussion in both the Credit Committee and Integrated Risk Management Committee on credit risk, with necessary actions being implemented

The Group monitors concentrations of credit risk by sector and by geographic location for Loans and receivables and Lease and hire purchase receivables. An analysis of concentrations of credit risk from loans and advances as the reporting date is shown below.

Credit risk concentration of Loans and Receivables and Lease and hire purchase receivables by sector (Gross)

	Group	
	2021	2020
Agriculture	1,632,021,280	817,420,179
Manufacturing	2,385,169,259	1,632,210,142
Tourism	582,168,602	552,035,213
Transport	610,061,137	791,795,844
Construction	643,781,425	1,053,040,923
Trading	4,768,071,618	6,067,053,876
Services	2,522,576,349	1,856,797,918
Other	5,453,933,667	5,493,800,671
	18,597,783,337	18,264,154,766

Credit risk concentration of Loans and Receivables and Lease and hire purchase receivables by geographical location (Gross)

	Group	
	2021	2020
Central Province	3,374,101,660	3,321,355,822
North Central Province	953,529,874	963,644,419
North Western Province	1,339,812,197	1,204,080,360
Northern Province	489,862,043	723,701,744
Sabaragamuwa Province	1,024,886,235	983,243,403
Southern Province	2,114,466,991	2,165,848,181
Uva Province	313,180,283	338,308,918
Western Province	8,987,944,054	8,563,971,919
Eastern Province	-	-
	18,597,783,337	18,264,154,766

4.3.9 Policy holder loans

Softlogic Life Insurance PLC issued loans to life policyholders of the company considering the surrender value of their life policies as collateral. As at the reporting date, the value of policy loans granted amounted to Rs. 221.53 Mn (2020 – Rs. 236.70 Mn) and their related surrender value is more than carrying value.

4.3.10 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.

4.3.11 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.
* Counterparties' 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.

4.3.12 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 counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed in an annual basis, and may be updated throughout the year subject to appropriate approval. The limits are set to minimize 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

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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.

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 to 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 summarizes the maturity profile of the Group's financial liabilities at 31 March 2021 based on contractual undiscounted payments.

	On demand	Less than 12 months	1 to 3 years	> 3 years	Total
Bank overdrafts	321,559,040	-	-	-	321,559,040
Trade and other payables	-	3,525,173,597	-	-	3,525,173,597
Amounts due to related companies	-	329,320	-	-	329,320
Put option liability	-	-	-	154,609,366	154,609,366
Lease liabilities	-	341,647,928	543,645,255	148,307,471	1,033,600,654
Interest-bearing loans and borrowings	-	1,181,368,809	73,216,992	1,197,509,670	2,452,095,471
Public deposits	-	12,129,541,397	2,462,050,036	1,450,605,135	16,042,196,568
	321,559,040	17,178,061,051	3,078,912,283	2,951,031,642	23,529,564,016

The table below summarizes 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 overdrafts	856,363,831	-	-	-	856,363,831
Trade and other payables	-	2,276,441,480	-	-	2,276,441,480
Amount due to related companies	-	14,292,415	-	-	14,292,415
Put option liability	-	-	-	168,344,531	168,344,531
Lease liabilities	-	337,007,121	717,595,265	210,297,573	1,264,899,959
Interest-bearing loans and borrowings	-	2,075,260,510	1,933,627,432	1,849,112,188	5,858,000,130
Public deposits	-	16,200,717,135	2,538,633,452	1,871,190,871	20,610,541,458
	856,363,831	20,903,718,661	5,189,856,149	4,098,945,163	31,048,883,804

The table below summarizes the maturity profile of the Company's financial liabilities at 31 March 2021 based on contractual undiscounted payments.

	On demand	Less than 12 months	1 to 3 years	> 3 years	Total
Bank overdrafts	405,588	-	-	-	405,588
Trade and other payables	-	34,608,722	-	-	34,608,722
Amounts due to related companies	-	714,972	-	-	714,972
Put option liability	-	-	-	154,609,366	154,609,366
Lease liabilities	-	122,577,879	251,143,279	74,511,384	448,232,542
Interest-bearing loans and borrowings	-	941,006,101	750,060,000	1,799,940,000	3,491,006,101
	405,588	1,098,907,674	1,001,203,279	2,029,060,750	4,129,577,291

The table below summarizes 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
Trade and other payables	-	46,305,004	-	-	46,305,004
Amounts due to related companies	-	5,355,208	-	-	5,355,208
Put option liability	-	-	-	168,344,531	168,344,531
Lease liabilities	-	112,615,905	230,378,903	187,434,788	530,429,596
Interest-bearing loans and borrowings	-	425,157,324	1,624,551,841	1,850,509,738	3,900,218,903
	130,125,750	589,433,441	1,854,930,744	2,206,289,057	4,780,778,992

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 maximize 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.

During the year the Company has issued 289,027,200 new shares by way of Rights issue (21 new Ordinary shares for every 50 shares held by shareholder) at a price of Rs. 3.50 per share on December 2020, and raised Rs. 1,011,592,200/- in order to subscribe the right issue of Softlogic Finance PLC taken place on December 2020.

Accordingly, Softlogic Finance PLC has issued 165,390,848 new shares during the year by way of Rights issue (8 new Ordinary shares for every 5 shares held by shareholder) at a price of Rs. 11.50 per share on December 2020, and raised Rs. 1,901,994,752/- in order to comply with the Finance Business Act Direction No 03 of 2018 of the Central Bank of Sri Lanka.

However, Softlogic Finance PLC is yet to comply with the minimum Capital Adequacy Requirement set out in the Direction No.03 of 2018 of Finance Business Act as of 31 March 2021. As a result, the Central Bank of Sri Lanka had issued a letter dated 23 January 2019 imposing a temporary cap on loans and advances base & for the deposit base until required minimum Capital Adequacy Requirement is met as given below.

Notes to the Financial Statements

5. CAPITAL MANAGEMENT (Contd.)

	Group	
	2021	2020
SLFRS 9 based impairment provisions recorded in the Financial Statements	2,065,290,507	1,551,771,439
Regulatory provisions reported to Central Bank without Interest in Suspense	4,017,192,636	3,305,876,808
Interest in Suspense reported to Central Bank *	970,454,010	995,202,342
Total regulatory provisions	4,987,646,646	4,301,079,149
Impairment provision gap	2,922,356,138	2,749,307,711
Profit / (Loss) as reported in accordance with the Central Bank provisioning method	(1,142,988,125)	(1,366,757,720)
Capital Adequacy Ratios (As per Central Bank Direction 03 of 2018 Capital Adequacy Requirements)		
Tier 1 Ratio - (Minimum Requirement - 6.5%)	-3.9%	-5.6%
Total Capital ratio - (Minimum Requirement - 10.5%)	-3.9%	-5.8%

No changes were made in the objectives, policies or processes of the Group for managing capital during the year ended 31 March 2021.

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 less cash and cash equivalents.

	Group		Company	
As at 31 March	2021	2020	2021	2020
Interest-bearing loans and borrowings	9,994,756,180	5,749,489,434	3,918,463,879	3,180,691,031
Less: cash and cash equivalents	(1,031,639,088)	169,882,062	(179,873,775)	20,659,550
Net debt	8,963,117,092	5,919,371,496	3,738,590,104	3,201,350,581
Equity	11,473,811,171	10,526,622,772	3,977,553,157	2,574,901,836
Equity and net debt	20,436,928,263	16,445,994,268	7,716,143,261	5,776,252,417
Gearing ratio-(%)	44%	36%	48%	55%

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

	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	
As at 31 March	2021	2020	2021	2020	2021	2020	2021	2020
Cash and cash equivalents	1,353,198,128	686,481,769	-	-	-	-	1,353,198,128	686,481,769
Amount due from related companies	5,042,484	1,560,000	-	-	-	-	5,042,484	1,560,000
Financial assets recognized through profit or loss	-	-	5,669,062,030	5,380,368,811	-	-	5,669,062,030	5,380,368,811
Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,692,685,241	3,959,034,637	3,692,685,241	3,959,034,637
Financial Assets at amortized cost	34,841,349,075	29,247,765,192	-	-	-	-	34,841,349,075	29,247,765,192
Lease and hire purchase receivables	5,262,704,091	2,160,284,390	-	-	-	-	5,262,704,091	2,160,284,390
Total	41,462,293,778	32,096,091,351	5,669,062,030	5,380,368,811	3,692,685,241	3,959,034,637	50,824,041,049	41,435,494,799

6.2. Financial liabilities by categories - Group

	Financial liabilities measured at amortised cost		Financial liabilities at fair value through profit or loss		Total	
As at 31 March	2021	2020	2021	2020	2021	2020
Bank overdrafts	321,559,040	856,363,831	-	-	321,559,040	856,363,831
Trade and other payables	3,525,173,597	2,276,441,480	-	-	3,525,173,597	2,276,441,480
Amounts due to related companies	329,320	14,292,415	-	-	329,320	14,292,415
Put option liability	-	-	154,609,366	168,344,531	154,609,366	168,344,531
Interest bearing borrowings	9,994,756,180	5,749,489,434	-	-	9,994,756,180	5,749,489,434
Public deposits	14,582,316,243	17,035,396,151	-	-	14,582,316,243	17,035,396,151
Total	28,424,134,380	25,931,983,311	154,609,366	168,344,531	28,578,743,746	26,100,327,842

6. FINANCIAL INSTRUMENTS (Contd.)

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	
	2021	2020	2021	2020	2021	2020
Cash in hand and at bank	180,279,363	109,466,200	-	-	180,279,363	109,466,200
Amounts due from related companies	29,167,235	42,104,200	-	-	29,167,235	42,104,200
Financial assets measured at fair value through other comprehensive income	-	-	187,047,679	109,656,045	187,047,679	109,656,045
Financial Assets at amortized cost	557,050,701	619,813,445	-	-	557,050,701	619,813,445
Total	766,497,299	771,383,845	187,047,679	109,656,045	953,544,978	881,039,890

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	
	2021	2020	2021	2020	2021	2020
Bank overdrafts	405,588	130,125,750	-	-	405,588	130,125,750
Trade and other payables	34,608,722	46,305,004	-	-	34,608,722	46,305,004
Amounts due to related companies	714,972	5,355,208	-	-	714,972	5,355,208
Put option liability	-	-	154,609,366	168,344,531	154,609,366	168,344,531
Interest bearing borrowings	3,918,463,879	3,180,691,031	-	-	3,918,463,879	3,180,691,031
Total	3,954,193,161	3,362,476,993	154,609,366	168,344,531	4,108,802,527	3,530,821,524

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 recognized 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 counterparty default and prepayments and selection of appropriate discount rates.

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
Treasury bills	Valued using the market yield	Level 1
Investment in shares		
Investment in quoted shares	Market price as at 31st March 2021	Level 1
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

* 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. FAIR VALUE MEASUREMENT (Contd.)

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	2021				2020			
	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	209,055,555	-	-	209,055,555	-	3,684,453	-	3,684,453
Treasury bonds	230,225,552	-	-	230,225,552	2,105,955,258	-	-	2,105,955,258
Treasury bills	483,392,985	-	-	483,392,985	-	-	-	-
Unit trusts	4,015,985,402	-	-	4,015,985,402	3,270,729,100	-	-	3,270,729,100
Quoted debenture	-	-	730,402,536	730,402,536	-	-	-	-
	4,938,659,494	-	730,402,536	5,669,062,030	5,376,684,358	3,684,453	-	5,380,368,811
Fair value through other comprehensive income								
Quoted shares	1,828,030,041	-	-	1,828,030,041	-	2,221,315,166	-	2,221,315,166
Unquoted shares	-	-	356,010,600	356,010,600	-	-	373,690,600	373,690,600
Treasury bonds	1,508,644,600	-	-	1,508,644,600	1,364,028,871	-	-	1,364,028,871
	3,336,674,641	-	356,010,600	3,692,685,241	1,364,028,871	2,221,315,166	373,690,600	3,959,034,637
Non financial assets								
Property, plant and equipment								
Land and building	-	-	570,109,974	570,109,974	-	-	566,146,069	566,146,069
	-	-	570,109,974	570,109,974	-	-	566,146,069	566,146,069
Financial liabilities								
Put option liability	-	-	154,609,366	154,609,366	-	-	168,344,531	168,344,531
	-	-	154,609,366	154,609,366	-	-	168,344,531	168,344,531

As at 31 March	2021				2020			
	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	109,569,679	-	-	109,569,679	-	28,330,045	-	28,330,045
Unquoted shares	-	-	77,478,000	77,478,000	-	-	81,326,000	81,326,000
	109,569,679	-	77,478,000	187,047,679	-	28,330,045	81,326,000	109,656,045
Financial liabilities								
Put option liability	-	-	154,609,366	154,609,366	-	-	168,344,531	168,344,531
	-	-	154,609,366	154,609,366	-	-	168,344,531	168,344,531

There were no transfers between Level 1, Level 2 and Level 3 during 2021 and 2020 other than the transfer of Quoted Shares from Level 2 to Level 1.

7.1. 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 29.1.

Note 29.14 provides information on significant unobservable inputs used as at 31st March 2021 in measuring fair value of Land and Buildings categorized as Level 3 in the fair value hierarchy.

Note 29.14 on page 136 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. 356.01 Mn as at end of the year 2020/21 (2019/20 - Rs. 373.3 Mn) categorized under Financial investments measured at FVOCI. Internal model of adjusted net asset for illiquidity has been used to measure the Fair Value of Unquoted shares.

When deciding illiquidity premium the company 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.

		2020/21		2019/20	
		Impact on OCI Rs. 000	Impact on Equity Rs. 000	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)	(3,740)	(3,740)
1% Decrease in adjustment for illiquidity	Illiquidity premium	3,740	3,740	4,080	4,080

Reconciliation from the opening balance to the ending balance for the un-quoted equity investments classified in the Level 3 of the fair value hierarchy is available in Note 25.2.2.

Put option liability

Note 36.2 on page 141 provides information on significant unobservable inputs used as at 31st March 2021 in measuring fair value of Put Option Liability categorized as Level 3 in the fair value hierarchy.

Note 36.3 on page 142 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

7. FAIR VALUE MEASUREMENT (Contd.)

7.2. 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 amortized 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.

7.3. 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.

7.4. 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 amortized cost.

As at 31 March	2021					2020				
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	-	10,281,489,115	-	10,281,489,115	8,454,723,905	-	12,356,930,044	-	12,356,930,044	11,011,141,328
Gold loans receivables	-	2,265,462,464	-	2,265,462,464	2,250,074,023	-	2,953,867,305	-	2,953,867,305	2,940,869,436
Factoring receivables	-	-	-	564,990,812	564,990,812	-	-	-	600,088,173	600,088,173
Trade debtors	-	-	-	619,216,556	619,216,556	-	-	-	349,465,731	349,465,731
Policyholder loans	-	-	-	221,526,180	221,526,180	-	-	-	236,700,371	236,700,371
Reinsurance receivables	-	-	-	377,002,712	377,002,712	-	-	-	334,006,545	334,006,545
Premium receivables	-	-	-	845,984,585	845,984,585	-	-	-	1,150,855,641	1,150,855,641
Debentures	-	6,349,583,951	-	6,349,583,951	6,241,906,501	-	4,293,883,323	-	4,293,883,323	4,402,467,960
Sri Lanka Development Bonds	-	-	-	3,108,488,393	3,089,614,572	-	-	-	1,905,298,102	1,905,298,102
Commercial papers	-	-	-	2,351,181,580	2,351,181,580	-	-	-	1,474,558,868	1,474,558,868
Placements with banks	-	-	-	945,705,233	945,705,233	-	-	-	2,240,505,397	2,240,505,397
Treasury bonds	-	-	-	2,290,362,768	2,355,388,010	251,617,599	-	-	251,617,599	249,955,273
Repos	-	-	-	3,460,609,056	3,460,609,056	-	-	-	2,348,352,367	2,348,352,367
Deposits with regulator - CSE			-	7,000,000	7,000,000	-	-	-	3,500,000	3,500,000
Lease and hire purchase	-	5,468,305,370	-	5,468,305,370	5,262,704,091	-	2,310,610,442	-	2,310,610,442	2,160,284,390
Bank and cash balances	-	-	-	1,353,198,128	1,353,198,128	-	-	-	686,481,769	686,481,769
Total financial assets not at fair value	-	24,364,840,900	-	40,510,106,903	38,400,825,944	251,617,599	21,915,291,114	-	33,496,721,677	32,094,531,351
Liabilities										
Interest bearing borrowings	-	9,994,756,180	-	9,994,756,180	9,994,756,180	-	5,749,489,434	-	5,749,489,434	5,749,489,434
Public deposits	-	14,582,316,243	-	14,582,316,243	14,582,316,243	-	17,035,396,151	-	17,035,396,151	17,035,396,151
Bank overdraft	-	-	-	321,559,040	321,559,040	-	-	-	856,363,831	856,363,831
Total financial liabilities not at fair value	-	24,577,072,423	-	24,898,631,463	24,898,631,463	-	22,784,885,585	-	23,641,249,416	23,641,249,416

7. FAIR VALUE MEASUREMENT (Contd.)

As at 31 March	2021					2020				
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	-	-	-	5,150,841	5,150,841	-	-	-	4,727,144	4,727,144
Commercial papers	-	-	-	551,899,860	551,899,860	-	-	-	615,086,301	615,086,301
Bank and cash balances	-	-	-	180,279,363	180,279,363	-	-	-	109,466,200	109,466,200
Total financial assets not at fair value	-	-	-	737,330,064	737,330,064	-	-	-	729,279,645	729,279,645
Liabilities										
Interest bearing borrowings	-	3,918,463,879	-	3,918,463,879	3,918,463,879	-	3,180,691,031	-	3,180,691,031	3,180,691,031
Bank overdraft	-	-	-	405,588	405,588	-	-	-	130,125,750	130,125,750
Total financial liabilities not at fair value	-	3,918,463,879	-	3,918,869,467	3,918,869,467	-	3,180,691,031	-	3,310,816,781	3,310,816,781

Financial Instruments are measured on an ongoing basis either at Fair Value or at Amortized 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 summarized 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 31st March 2021 based on the expenses incurred during 2020/21 (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 company'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.
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.

8. LIFE INSURANCE BUSINESS RISK (Contd.)

Key risks arising from contracts issued

Softlogic Life Insurance PLC issues participating, On 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 Company, 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 Company'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 Company'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 Company'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 company 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.

Risk response

- 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.

- Counterparty 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 are given below.

			Reinsurance Receivable	
Name of the Reinsurer	**Credit Rating**	**Name of Rating Agency**	**31 March 2021**	**31 March 2020**
Munich Re	AA	Fitch	229,009,307	156,291,233
RGA	AA-	S&P Global	3,831,325	22,996,112
SCOR	AA-	S&P Global	55,733,438	85,983,926
Toa Re	A+	S&P Global	58,712,584	56,620,848
Assicurazioni Generali S.P.A.	A	A.M Best	12,353,863	12,114,426
AXA PPP Healthcare Ltd	AA-	Fitch	17,362,195	-
			377,002,712	334,006,545

Counterparty 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. 377 Mn (2020 - Rs. 334 Mn).

8. LIFE INSURANCE BUSINESS RISK (Contd.)

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 31st March 2021. 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 enforce 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 enforce 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 2021		31 March 2020	
	Insurance Contract Liabilities Rs. '000	%	Insurance Contract Liabilities Rs. '000	%
Participating Fund	7,808,852	44%	6,614,191	50%
Non-participating Fund	10,139,142	56%	6,519,721	50%
	17,947,994	100%	13,133,912	100%

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 and profit before tax. The method used for deriving sensitivity information and significant assumptions used did not change from the previous accounting period.

	Change in assumptions	31 March 2021 Impact on liabilities Rs. '000	31 March 2020 Impact on liabilities Rs. '000
Mortality	+10%	514,681	298,222
	-10%	(425,777)	(299,878)
Morbidity	10%	127,391	66,478
	-10%	(117,319)	(66,478)
Discount Rate (Risk Free Rate)	+50 basis points	(1,124,308)	(220,276)
	-50 basis points	1,234,353	234,834
Expense Ratio	1%	550,380	450,873
	-1%	(550,118)	(450,873)

9. THE IMPACT OF COVID-19

The Coronavirus Disease 2019 ("COVID-19") pandemic and measures taken to prevent its spread has significantly impacted to Sri Lankan business industries, disrupting their operations, financial, risk management and internal control systems.

The containment of the COVID-19 pandemic since the second half of 2020 has allowed for greater mobility and economic activity in Sri Lanka. But renewed COVID-19 outbreaks show the pandemic is still a threat.

At the time of publication of this Annual Report, the COVID-19 pandemic continues to evolve and develop. Given these uncertainties, the Group had to consider additional assumptions, estimates and judgements in relating to COVID -19 pandemic in preparing the Financial Statements for the year ended 31 March 2021.

This Note provides comprehensive analysis on impact of COVID-19 pandemic to the Company's Financial Statements.

The Group has evaluated implications to financial statements due to the COVID-19 outbreak considering the key areas in the Financial Statements for the year ended 31 March 2021 as disclosed below.

Financial reporting impact due to COVID 19

The company has evaluated implications to financial statements due to the COVID-19 outbreak considering the key areas in the Financial Statements for the year ended 31 March 2021 as disclosed below.

a) Fair value measurement of financial assets

The COVID-19 pandemic has significantly affected financial markets in the first quarter of 2020. Stock markets have declined sharply, and volatility has been increased significantly and market became inactive for certain period. Therefore, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued guidance note on the "Implications on Financial Reporting" and it was permitted to apply an appropriate valuation technique to measure the fair value of financial assets for the period when market was inactive. Accordingly, judgements, estimates and assumptions have been used in developing internal model to determine the fair value of quoted equities and subsequent to the valuation model quoted equity shares have been transferred to Level 2 from Level 1 in the fair value hierarchy as at 31 March 2020. With the increase of market activities of the stock market in the third quarter of the year the Group has changed its equity valuation back to published quoted market prices to determine the fair value of quoted equities and accordingly these instruments are classified back to Level 1 in the fair value hierarchy as at 31 March 2021.

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

b) Impairment of financial assets and Expected Credit Loss assessment

The COVID-19 pandemic, together with measures implemented to contain the virus, has had a profound impact on the Sri Lankan and global economy, driving heightened levels of market uncertainty and a significant deterioration, or expected deterioration, in macroeconomic conditions, notably unemployment, and gross domestic product (GDP). This, in turn, has resulted in a significant impact on the provision for impairment on financial assets, as forecast macroeconomic conditions are a key factor in determining the expected credit loss (ECL) for loans and advances. In response to COVID-19 and the Company's expectations of economic impacts, the key assumptions used in the Company's calculation of ECL have been revised. At reporting date, the expected impacts of COVID-19 have been captured via the modelled outcome as well as a separate management overlay reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts of COVID-19. Although the credit model inputs and assumptions, including forward-looking macroeconomic assumptions, were revised in response to the COVID-19 pandemic, the fundamental credit model mechanics and methodology underpinning the Company's calculation of ECL have remained consistent with prior periods.

c) Impairment of non financial assets

This assessment has become even more critical with the COVID-19 condition and measurement of recoverable amount involves certain level of estimates and judgment. The Board of Directors has assessed the potential impairment loss on non-financial assets due to COVID-19 pandemic. The assessment was carried out through multiple scenario basis, up to date available information and business continuity plan. Based on the assessment, the Group has not identified any indications of Impairment due to impact on COVID-19 pandemic as at the reporting date.

d) Leases

On 28 May 2020, an amendment to SLFRS 16 was issued and this amendment provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. If the practical expedient is applied, lessees can elect to account for such rent concessions in the profit or loss instead of accounting for them as lease modifications.

"The Group has elected to apply the practical expedient to all property leases. The Group negotiated rent concessions with its landlords to address the severe impact of the COVID 19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions. The Group continues to account for rent concessions relating to its leases under other applicable guidance in SLFRS 16.

The amount recognized in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is Rs. 24.5 Mn."

e) Recognition of deferred taxes

COVID-19 could have impacted the entity's future profits and in turn impact the amount of deferred tax assets and recoverability. Therefore, the Board of Directors assess the effect of changes in COVID-19 environment on the recoverability of deferred tax assets. In this assessment, the Board of Directors considered potential impact from COVID-19 in a very conservative manner and performed sensitivity analysis to assess the impact on recoverability within the specified period.

f) 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 minimize the adverse impacts from COVID – 19.

g) Relief measures to assist COVID-19 affected businesses and individuals by the Central Bank of Sri Lanka (CBSL)

The Central Bank of Sri Lanka has provided financial assistance to affected industry sectors and those who employed in those sectors, in the form of a debt moratorium through licensed banks/financial institutions in the country.

1) COVID-19 Moratorium (First Wave): Circular No. 4 of 2020

The Central Bank of Sri Lanka issued Circular No. 4 of 2020 on 24th March 2020 instructing financial institutions to offer a debt moratorium to segments of the economy that were majorly impacted by the pandemic. According to the above circular, financial institutions were required to offer moratoriums of two months, three months, and six months for eligible borrowers under different qualifying criteria. Instalments (both capital and interest) that were due during the moratorium period have been converted to a new loan account which can be repaid by the borrowers after the moratorium period. Repayment period of the new loan varies based on the repayment capacity of each borrower and the terms and conditions of the loan agreement with the Group. When initially recognized, the new loans were recorded at their nominal value as the Group considers that it is representative of the fair value. As per the Circular No. 4 of 2020 and the subsequent communication issued by the CBSL in this regard, finance companies were required to charge interest at a reduced rate of 11.5% per annum during the moratorium period. Modification to the original terms and conditions of the loan due to COVID-19 moratorium resulted in derecognition of the original loans as the Group concluded that the modification was substantial. Consequently a new loan has been recognised and the EIR has also been restated based on the original carrying value (before modification) and the revised cash flows. Accordingly, loss arising from modification has been differed through the remaining tenure of the loan.

2) COVID-19 Moratorium (Second Wave): CBSL Circular No. 9 of 2020 / No. 11 of 2020

On November 2020, the second wave of the COVID-19 outbreak resulted in re-imposing the travel restrictions, leading to recurrent disruption to economic activities. Giving due consideration to the requests received from affected individuals and businesses, CBSL advised licensed finance companies, to extend the debt moratorium for a further period of six months commencing from 1 October 2020 to 31 March 2021. Finance Companies shall convert the capital and interest falling due during the moratorium period commencing from 1 October 2020 to 31 March 2021 into a term loan of which repayment shall commence from July 2021. Further, the finance companies are eligible to charge an interest rate for the converted loan, not exceeding the latest auction rate for 364-days Treasury Bills available as at 1 April 2021, plus 5.5% per annum but not exceeding 11.5%. Repayment period of the new loan shall be two years in general; however this may vary based on the terms and conditions agreed with the borrower. The finance companies were also allowed to recover interest at the original EIR during the moratorium period and therefore did not recognize any modification loss on account of the second phase of the COVID-19 moratorium. The granting of the moratorium is directly attributed to the cash flow difficulties caused by the pandemic. However, it did not lead to an automatic transfer of these credit facilities into stage two or stage three. Each case was analysed to determine its most significant exposure and only those exposures with increased credit risk have been moved to stage two and stage three. Further, the real impact of the pandemic on ECL allowance is expected to be realised upon the cessation of the moratorium.

10. INTEREST INCOME

		Group		Company	
For the year ended 31 March In LKR	Note	**2021**	**2020**	**2021**	**2020**
Finance leasing	10.1	671,907,076	489,736,214	-	-
Hire purchase	10.1	4,659,569	3,613,993	-	-
Term loans	10.1	1,626,437,691	2,892,053,333	-	-
Investment in treasury bills, bonds, fixed deposits & debentures		1,927,633,393	1,394,268,121	51,547,762	24,676,134
		4,230,637,729	4,779,671,661	51,547,762	24,676,134

10 .1 Day 1 Loss on granting moratorium for lease rentals and loan repayments in compliance with the circulars issued by the Central Bank of Sri Lanka of Rs. 301.759 Mn was recognized in these financial statements, as a reduction from revenue. The loss recognized is the difference between the gross carrying amount of the financial asset and the present value of the modified cash flow discounted at the financial asset's original effective interest rate.

11. FEE AND TRADING INCOME

	Group		Company	
For the year ended 31 March In LKR	**2021**	**2020**	**2021**	**2020**
Net earned premium	15,066,693,570	11,919,961,361	-	-
Documentation and processing fee	60,935,507	128,400,023	-	-
Stockbroker income	388,373,251	150,495,801	-	-
Professional fee income	42,165,683	8,859,708	176,210,469	153,983,871
	15,558,168,011	12,207,716,893	176,210,469	153,983,871

12. OTHER INCOME & GAINS

Profit on disposal of property plant and equipment	244,334	4,847,017	-	-
Bad debt recoveries	20,372,514	40,785,181	-	-
Maturity of put option liability	13,735,165	9,356,708	13,735,165	9,356,708
Exchange gain on tier 2 assets of SLI	433,247,850	-	-	-
Other income	52,815,912	59,533,198	750,107	938,500
	520,415,775	114,522,104	14,485,272	10,295,208

Notes to the Financial Statements

13. NET REALIZED GAINS/(LOSSES)

	Group		Company	
For the year ended 31 March In LKR	2021	2020	2021	2020
Net realized gains from financial assets measured at fair value through other comprehensive income				
Equity securities	-	-	-	-
Treasury bonds	-	8,783,818	-	-
Unit trust	-	74,350,166	-	-
Net realized gains from financial assets measured at fair value through profit or loss				
Equity securities	45,068,198	10,087,297	-	-
Treasury bonds	(318,161)	5,735,888	-	-
Unit trusts	200,677,034	-	-	-
	245,427,071	98,957,169	-	-

14. NET FAIR VALUE GAINS

	Group		Company	
For the year ended 31 March In LKR	2021	2020	2021	2020
Net fair value gains from financial assets measured at fair value through profit or loss				
Equity securities	258,729,873	67,906,693	-	-
Treasury bonds	-	235,817,897	-	-
Treasury bills	15,307,229	-	-	-
Unit trusts	32,503,401	160,706,218	-	-
	306,540,503	464,430,808	-	-

15. DIVIDEND INCOME

	Group		Company	
For the year ended 31 March In LKR	2021	2020	2021	2020
Dividends from investments in subsidiaries	-	-	584,627,900	-
Dividends from other quoted investments	75,952,336	112,105,515	2,073,908	1,818,589
	75,952,336	112,105,515	586,701,808	1,818,589

16. INTEREST EXPENSE

	Group		Company	
For the year ended 31 March In LKR	2021	2020	2021	2020
Interest on public deposits	1,679,500,672	2,199,492,782	-	-
Interest on borrowings	631,996,645	469,410,552	412,446,613	256,328,022
Interest on securitisation	103,376,739	100,133,065	-	-
Interest on leases	114,829,811	105,402,622	31,623,939	13,041,055
	2,529,703,867	2,874,439,021	444,070,552	269,369,077

17. OTHER DIRECT EXPENSES

	Group		Company	
For the year ended 31 March In LKR	2021	2020	2021	2020
Service fee on asset management	6,138,000	10,056,000	6,138,000	10,056,000
Direct expenses on research services	19,639,217	27,982,205	19,639,217	27,982,205
Net insurance benefits and claims paid	3,897,772,094	3,147,245,922	-	-
Underwriting and net acquisition cost	3,646,123,903	2,969,904,543	-	-
Direct expenses on stockbroking	128,253,227	59,525,665	-	-
	7,697,926,441	6,214,714,335	25,777,217	38,038,205

18. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES

18.1 . The table below shows the expected credit loss (ECL) charges for financial instruments for the year ended 31.03.2021 recorded in the income statement.

For the year ended 31 March In LKR	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total
Lease & hire purchase receivables	2,348,179	18,453,093	34,473,955	55,275,227
Gold loans	(744,703)	300,764	2,834,510	2,390,571
Factoring	(9,881,388)	(5,994,931)	(9,246,907)	(25,123,226)
Loan receivables	(38,292,711)	(14,338,399)	477,121,929	424,490,819
Other receivable	-	-	17,774,427	17,774,427
Write-offs	-	-	16,923,780	16,923,780
	(46,570,623)	(1,579,473)	539,881,694	491,731,598

18.2 . 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.

For the year ended 31 March In LKR	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total
Lease & hire purchase receivables	3,241,260	5,822,547	31,698,374	40,762,181
Gold loans	452,706	188,567	7,152,365	7,793,638
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 receivables	-	-	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. PROFIT BEFORE TAX

		Group		Company	
For the year ended 31 March In LKR	Note	2021	2020	2021	2020
Profit before tax is stated after charging all expenses including the following;					
Directors' remuneration		79,987,858	101,804,853	24,312,500	37,575,000
Audit fees		7,262,900	6,683,430	1,080,000	1,020,000
Audit related and non audit fee including expenses		3,891,587	34,588,144	-	629,455
Personnel costs					
- Defined contribution plan costs - EPF & ETF		168,057,788	168,576,515	1,867,112	2,823,734
- Defined benefit plan costs	40	61,549,737	54,423,405	253,227	717,714
- Other staff costs		1,363,755,417	1,839,168,201	16,650,269	25,158,471
Depreciation on property, plant & equipment	29	201,203,189	200,597,543	1,328,829	591,131
Amortization of intangible assets	30	153,139,373	142,657,730	-	-
Amortisation of right of use assets	28	320,617,365	208,001,553	95,058,811	35,940,044
Profit on disposal of Property,plant & equipment		(244,334)	(4,847,017)	-	-

20. TAX EXPENSE

Current income tax					
Current tax charge		21,585,051	-	-	-
Deferred tax charge					
Relating to origination and reversal of temporary differences		500,546,578	202,128,838	(224,010,777)	-
Income tax expense	20.1	522,131,629	202,128,838	(224,010,777)	-

20.1 . 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:

		Group		Company	
For the year ended 31 March In LKR	Note	2021	2020	2021	2020
Reconciliation between current tax charge & accounting profit					
Profit before tax		886,766,653	1,370,320,998	169,363,734	(267,364,832)
Tax calculated at a tax rate 24% (2020 - 28%)		212,823,997	383,689,879	40,647,296	(74,862,153)
Expenses not deductible for tax		272,636,551	275,035,515	42,220,914	19,603,020
Expenses deductible for tax		(260,556,575)	(664,995,902)	(28,199,316)	(12,302,201)
Effect from tax losses		(274,797,853)	(7,160,723)	(33,078,318)	74,979,856
Income not subject to tax		(90,134,706)	(20,717,333)	(21,590,576)	(7,418,522)
Consolidation adjustments		161,613,637	34,148,564	-	-
Under / (over) provisions in previous years		-	-	-	-
Deferred tax	20.2	500,546,578	202,128,838	(224,010,777)	-
		522,131,629	202,128,838	(224,010,777)	-

The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No. 24 of 2017, incorporating announcements implemented by the Inland Revenue Department was Gazetted on 18 March 2021. As the Bill has been Gazetted and also printed by order of Parliament as of the reporting date, the Group's management, having applied significant judgement and based on the guideline issued by Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) on Application of Tax Rates in Measurement of Current Tax and Deferred Tax have concluded the provisions of the Inland Revenue (Amendment) Bill to be substantially enacted, and have relied upon the income tax rates specified therein to calculate the income tax liability and deferred tax provision for the 2020/21 financial year of the Group. Accordingly, all liabilities relating to Current tax and deferred tax of all companies within the Group are computed at the standard tax rate of 24% for the year 2020/21 (except for deferred tax computation of Softlogic Capital PLC as described in Note 20.2).

20.2. Deferred tax charge / (release)

	Group		Company	
For the year ended 31 March In LKR	2021	2020	2021	2020
Income statement				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	(38,289,584)	65,203,068	47,065	-
Employee benefit liabilities	(1,873,127)	(2,415,564)	(42,651)	-
Benefit arising from tax losses	115,172,735	(97,610,684)	(217,419,974)	-
Disallowed impairment provision	90,731,789	236,952,018	-	-
Impact of tax rate change	341,399,982	-	-	-
Others	(6,595,217)	-	(6,595,217)	-
	500,546,578	202,128,838	(224,010,777)	-
Other comprehensive income				
Deferred tax expense arising from;				
Revaluation of land and building to fair value	(3,744,000)	(4,340,000)	-	-
Actuarial gains/ (loss) on retirement benefits	1,085,303	2,665,229	32,831	-
	(2,658,697)	(1,674,771)	32,831	-

Deferred tax has been computed at 24% for all companies except for the deferred tax asset arising from carried forward tax losses of Softlogic Capital PLC (the Company), where deferred tax asset is computed at 14% since the management has decided based on their judgement that carried forward tax losses of the Company will be claimed in future taxable periods from the profits generated significantly from the dividend income from its subsidiaries.

20.3. Tax losses carried forward

Tax losses brought forward	12,228,329,721	11,176,883,248	1,692,011,565	1,449,371,645
Adjustments on finalization of liability	(96,096,756)	1,084,876,553	(1,185,424)	(469,147)
Tax losses arising during the year	1,675,934,644	2,213,050,969	424,004,830	267,785,201
Utilization of tax losses	(2,814,034,967)	(2,246,481,049)	(561,831,156)	(24,676,134)
	10,994,132,642	12,228,329,721	1,552,999,815	1,692,011,565

The Group considered tax losses of Rs. 10.703.5 Mn for the deferred tax asset computation.

21. 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.

		Group		Company	
For the year ended 31 March In LKR	Note	2021	2020	2021	2020
Basic / diluted earnings per share					
Profit / (loss) attributable to equity holders of the parent (LKR)		(95,226,898)	377,385,892	393,374,511	(267,364,832)
Weighted average number of ordinary shares	21.1	816,449,549	744,372,746	816,449,549	744,372,746
Basic/Diluted earnings per share (LKR)		(0.12)	0.51	0.48	(0.36)

21.1. Weighted average number of ordinary shares

	Group		Company	
For the year ended 31 March In LKR	2021	2020	2021	2020
Issued ordinary shares at 1 April	744,372,746	688,160,000	744,372,746	688,160,000
Effect of shares issued in December 2020	72,076,803	56,212,746	72,076,803	56,212,746
Weighted-average number of ordinary shares at 31 March	816,449,549	744,372,746	816,449,549	744,372,746

22. CASH AND CASH EQUIVALENTS

	Group		Company	
As at 31 March In LKR	2021	2020	2021	2020
Cash in hand and at Bank Balances	1,353,198,128	686,481,769	180,279,363	109,466,200
Bank Overdrafts	(321,559,040)	(856,363,831)	(405,588)	(130,125,750)
Cash and cash equivalents reported in the statement of cash flows	1,031,639,088	(169,882,062)	179,873,775	(20,659,550)

Cash and Cash equivalents include Cash in Hand, Bank Deposits & Investments with the maturity of less than 3 months.

Bank Overdrafts include all temporary & permanent overdrafts.

23. INVENTORIES

	Group	
As at 31 March In LKR	2021	2020
Vehicle stock	-	10,524,338
Real estate stock	174,696,692	174,696,692
Other stock	10,782,023	10,261,979
	185,478,715	195,483,009

24. OTHER ASSETS

	Group		Company	
As at 31 March In LKR	2021	2020	2021	2020
Advance, deposits & prepayments	953,017,569	977,170,713	4,139,171	4,670,258
Taxes receivable	219,446,511	257,452,684	6,168,142	6,168,141
Receivable from Fairfax	1,200,000	3,600,000	-	-
Other receivables	313,725,389	265,096,106	2,730,548	1,182,611
	1,487,389,469	1,503,319,503	13,037,861	12,021,010

25. FINANCIAL ASSETS

25.1. Financial assets recognized through profit or loss

		Group	
As at 31 March In LKR	Note	2021	2020
Quoted shares	25.1.1	209,055,555	3,684,453
Treasury bonds	25.1.2	230,225,552	2,105,955,258
Treasury bills	25.1.3	483,392,985	-
Unit trusts	25.1.4	4,015,985,402	3,270,729,100
Debentures	25.1.5	730,402,536	-
		5,669,062,030	5,380,368,811

25.1.1 Quoted shares investments

	Group					
	2021			2020		
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	78.60	45,541	3,579,523	83.00	44,391	3,684,453
Hatton National Bank PLC	97.20	510,902	49,659,674	-	-	-
			53,239,197			3,684,453
Capital Goods						
Royal Ceramics Lanka PLC	257.00	122,064	31,370,448	-	-	-
			31,370,448			-
Retailing						
R I L Property PLC	6.50	200,000	1,300,000	-	-	-
			1,300,000			-
Diversified financials						
HNB Finance PLC	8.90	100,000	890,000	-	-	-
Central Finance Company PLC	80.70	135,418	10,928,233	-	-	-
			11,818,233			-
Power & energy						
LVL Energy Fund Limited	9.70	100,000	970,000	-	-	-
			970,000			-
Consumer durables and apparel						
Hayleys Fabric PLC	14.10	1,768,026	24,929,167	-	-	-
			24,929,167			-
Materials						
Haycarb PLC	93.00	386,910	35,982,630	-	-	-
Tokyo Cement PLC(N)	66.70	249,847	16,664,795	-	-	-
Tokyo Cement PLC(X)	60.60	540,942	32,781,085	-	-	-
			85,428,510			-
Total investment in listed equity shares			209,055,555			3,684,453

25. FINANCIAL ASSETS (Contd.)

25.1.2 Treasury bonds

	Group				
As at 31 March	Maturity date	Interest rate %	Face value	2021 Market value	2020 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
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	57,556,388	51,174,423
LKB01534I155	15-Sep-34	10.25%	50,000,000	57,556,388	51,174,423
LKB01534I155	15-Sep-34	10.25%	50,000,000	57,556,388	51,174,423
LKB01534I155	15-Sep-34	10.25%	50,000,000	57,556,388	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
LKB03044F019	1-Jun-44	13.50%	100,000,000	-	136,691,683
				230,225,552	2,105,955,258

25.1.3 Treasury bills

	Group				
				2021	2020
As at 31 March	Maturity date	Purchased yield %	Face value	Market value	Market value
ISIN					
LKA36421L035	03-Dec-2021	5.00%	100,000,000	96,678,597	-
LKA36421L035	03-Dec-2021	5.00%	100,000,000	96,678,597	-
LKA36421L035	03-Dec-2021	5.00%	100,000,000	96,678,597	-
LKA36421L035	03-Dec-2021	5.00%	200,000,000	193,357,194	-
				483,392,985	-

25.1.4 Unit trusts

	Group					
	2021			2020		
As at 31 March	Market price	No of units	Market value	Market price	No of units	Market value
Namal - High Yield Fund	24.98	17,762,603	443,709,820	23.20	27,417,496	636,006,399
Capital Alliance - Investment Grade Fund	20.10	51,987,463	1,044,844,027	18.31	3,621,220	66,319,029
Capital Alliance - Income Fund	-	-	-	18.85	73,149,903	1,378,590,388
First Capital - Money Market Fund	1,932.43	384,283	742,599,824	1,747.25	680,963	1,189,813,284
JB Vantage Money Market Fund	27.94	26,219,358	732,574,097	-	-	-
Softlogic Money Market Fund	105.73	9,423,494	996,306,476	-	-	-
Softlogic Equity Fund	112.00	499,547	55,951,158	-	-	-
			4,015,985,402			3,270,729,100

25.1.5 Debentures

	Group						
As at 31 March				2021		2020	
	Maturity date	Interest rate %	No of debentures	Carrying value	Fair value	Carrying value	Fair value
Issuer							
Bank of Ceylon	1-Dec-25	9.00%	2,000,000	208,656,824	208,656,824	-	-
Bank of Ceylon	1-Dec-25	9.00%	3,000,000	312,985,236	312,985,236	-	-
People's Bank	29-Mar-26	9.25%	1,000,000	104,380,238	104,380,238	-	-
People's Bank	29-Mar-26	9.25%	500,000	52,190,119	52,190,119	-	-
People's Bank	29-Mar-26	9.25%	500,000	52,190,119	52,190,119	-	-
				730,402,536	730,402,536	-	-

25.2. Financial assets measured at fair value through other comprehensive income

		Group		Company	
As at 31 March In LKR	Note	2021	2020	2021	2020
Quoted shares	25.2.1	1,828,030,041	2,221,315,166	109,569,679	28,330,045
Unquoted shares	25.2.2	356,010,600	373,690,600	77,478,000	81,326,000
Treasury bonds	25.2.3	1,508,644,600	1,364,028,871	-	-
		3,692,685,241	3,959,034,637	187,047,679	109,656,045

25. FINANCIAL ASSETS (Contd.)

25.2.1 Quoted shares

	Group					
	2021			2020		
As at 31 March	Market price	No of shares	Fair value	Market price	No of shares	Fair value
Healthcare						
Asiri Hospital Holdings PLC	25.50	16,424,711	418,830,131	20.00	16,424,711	328,494,220
			418,830,131			328,494,220
Banks, finance and insurance						
Commercial Bank of Ceylon PLC	85.50	721,492	61,687,566	95.00	1,305,000	123,975,000
National Development Bank	80.79	13,609,086	1,099,480,149	100.00	13,609,086	1,360,908,600
Seylan Bank PLC (Non Voting)	43.40	32,988	1,431,679	33.80	31,954	1,080,045
Sampath Bank PLC	53.80	1,499,934	80,696,449	162.40	574,978.00	93,376,427
People's Leasing & Finance PLC	-	-	-	17.90	1,000,000.00	17,900,000
		.	1,243,295,843			1,597,240,072
Beverage, food and tobacco						
Ceylon Cold Stores PLC	621.75	2,095	1,302,566	795.00	52,095	41,415,525
			1,302,566			41,415,525
Construction and engineering						
Access Engineering PLC	22.10	1,328,927	29,369,287	21.80	2,028,927	44,230,609
			29,369,287			44,230,609
Diversified holdings						
John Keells Holdings PLC	148.50	298,243	44,289,086	167.60	298,243	49,985,527
Melstacorp PLC	44.00	1,167,262	51,359,528	43.50	1,204,686	52,403,841
			95,648,614			102,389,368
Footwear and textiles						
Teejay Lanka PLC	40.00	702,215	28,088,600	40.80	1,602,215	65,370,372
			28,088,600			65,370,372
Manufacturing						
Lanka Tiles PLC	-	-	-	76.70	400,000	30,680,000
			-			30,680,000
Power & energy						
Lanka IOC PLC	19.00	605,000	11,495,000	19.00	605,000	11,495,000
			11,495,000			11,495,000
			1,828,030,041			2,221,315,166

	Company					
	2021			2020		
As at 31 March	Market price	No of shares	Fair value	Market price	No of shares	Fair value
Nations Development Bank	80.70	1,340,000	108,138,000	100.00	272,500	27,250,000
Seylan Bank PLC (Non Voting)	43.40	32,988	1,431,679	33.80	31,954	1,080,045
			109,569,679			28,330,045

25.2.2 Un-quoted shares investments

	Group					
	2021			2020		
	No of shares	Carrying value	Fair value	No of shares	Carrying value	Fair value
Cargills Bank Limited	34,000,000	355,980,000	355,980,000	34,000,100	373,660,000	373,660,000
Credit Information Bureau	100	30,600	30,600	100	30,600	30,600
		356,010,600	356,010,600		373,690,600	373,690,600

	Company					
	2021			2020		
	No of shares	Carrying value	Fair value	No of shares	Carrying value	Fair value
Cargills Bank Limited	7,400,000	77,478,000	77,478,000	7,400,000	81,326,000	81,326,000
		77,478,000	77,478,000		81,326,000	81,326,000

Movement of un-quoted share investment is as follows;

	Group		Company	
	2021	2020	2021	2020
As at 01st April	373,690,600	469,030,600	81,326,000	-
Additions	-	-	-	99,300,000
Remeasurement recognised in OCI	(17,680,000)	(95,340,000)	(3,848,000)	(17,974,000)
As at 31st March	356,010,600	373,690,600	77,478,000	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 investment at 31st March 2021 is Rs.356.1 Mn. (2020 - Rs. 373.69 Mn)

Please Refer Note 7.2 on page 102 for valuation method and technique followed by the Group in determining the fair value unlisted financial instruments as at reporting date.

25.2.3 Treasury bonds

			Group		
As at 31 March	Maturity date	Interest rate %	Face value	2021 Fair value	2020 Fair value
ISIN					
LKB01529E014	1-May-29	13.00%	50,000,000	200,956,561	187,145,123
LKB02032A016	1-Jan-32	8.00%	100,000,000	99,978,135	89,663,362
LKB02035C155	15-Mar-35	11.50%	100,000,000	125,024,440	113,115,791
LKB02035C155	15-Mar-35	11.50%	50,000,000	62,512,220	56,557,896
LKB02035C155	15-Mar-35	11.50%	200,000,000	187,536,656	169,673,686
LKB03044A010	1-Jan-44	13.50%	100,000,000	151,188,746	135,708,872
LKB03044A010	1-Jan-44	13.50%	100,000,000	151,188,746	135,708,872
LKB03044A010	1-Jan-44	13.50%	100,000,000	151,188,746	135,708,872
LKB03044A010	1-Jan-44	13.50%	100,000,000	151,188,746	135,708,872
LKB03044F019	1-Jun-44	13.50%	150,000,000	227,881,604	205,037,525
				1,508,644,600	1,364,028,871

Notes to the Financial Statements

25. FINANCIAL ASSETS (Contd.)

25.3. Financial assets at amortized cost

	Note	Group		Company	
As at 31 March In LKR		**2021**	**2020**	**2021**	**2020**
Loan receivables	25.3.1	8,454,723,905	11,011,141,328	-	-
Gold loans receivables	25.3.2	2,250,074,023	2,940,869,436	-	-
Factoring receivables	25.3.3	564,990,812	600,088,173	-	-
Trade debtors		619,216,556	349,465,731	-	-
Policyholder loans		221,526,180	236,700,371	-	-
Reinsurance receivables		377,002,712	334,006,545	-	-
Premium receivables		845,984,585	1,150,855,641	-	-
Debentures	25.3.4	6,241,906,501	4,402,467,960	-	-
Commercial papers	25.3.5	2,351,181,580	1,474,558,868	551,899,860	615,086,301
Placements with banks	25.3.6	945,705,233	2,240,505,397	5,150,841	4,727,144
Treasury bonds	25.3.7	2,355,388,010	249,955,273	-	-
Sri Lanka Development Bonds	25.3.8	3,089,614,572	1,905,298,102	-	-
International Soverign Bonds		3,056,425,350	-	-	-
Repos		3,460,609,056	2,348,352,367	-	-
Deposits with regulator - CSE		7,000,000	3,500,000	-	-
		34,841,349,075	29,247,765,192	557,050,701	619,813,445

25.3.1 Loan receivables

	Note	Group	
As at 31 March In LKR		**2021**	**2020**
Revolving loan receivables		1,608,683,200	1,686,091,491
Vehicle loan receivables		806,541,624	2,033,730,246
Personal/Business loan receivables		7,866,264,291	8,637,108,307
Gross loan receivables		10,281,489,115	12,356,930,044
Less : Allowance for expected credit losses/ individual impairment	25.3.1.2	(532,593,003)	(224,623,192)
Less : Allowance for expected credit losses/ collective impairment	25.3.1.3	(1,294,172,207)	(1,121,165,524)
		8,454,723,905	11,011,141,328

25.3.1.1 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 2021				
Gross loan receivables- subject to collective impairment	1,028,339,943	1,160,146,824	8,093,002,348	10,281,489,115
Allowance for expected credit losses (ECL)	(18,289,219)	(110,912,000)	(1,697,563,991)	(1,826,765,210)
	1,010,050,724	1,049,234,824	6,395,438,357	8,454,723,905

	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

25.3.1.2 Allowance for expected credit losses/Impairment

	Group	
As at 31 March In LKR	2021	2020
Individually impaired loans		
Balance as at 01st April	224,623,192	192,943,551
Charge to income statement	307,969,811	31,679,641
Balance as at 31st March	532,593,003	224,623,192

25.3.1.3 Allowance for expected credit losses/Impairment

Loans subject to collective impairment		
Balance as at 01st April	1,121,165,524	958,455,186
Charge to income statement	173,006,683	162,710,338
Balance as at 31st March	1,294,172,207	1,121,165,524

25.3.1.4 Movement in allowance for expected credit losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2020	56,581,930	125,250,399	1,163,956,387	1,345,788,716
Charge/ (Reversal) to income statement	(38,292,711)	(14,338,399)	533,607,604	480,976,494
Balance as at 31st March 2021	18,289,219	110,912,000	1,697,563,991	1,826,765,210

Notes to the Financial Statements

25. FINANCIAL ASSETS (Contd.)

25.3.1.5 Movement in allowance for expected credit losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st 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 31st March 2020	56,581,930	125,250,399	1,163,956,387	1,345,788,716

25.3.2 Gold loans receivables

	Note	Group	
As at 31 March In LKR		2021	2020
Gold loan receivables		2,265,462,464	2,953,867,305
Less : Allowance for expected credit losses/ collective impairment	25.3.2.2	(15,388,441)	(12,997,869)
		2,250,074,023	2,940,869,436

25.3.2.1 Analysis of gold loan receivables on maximum exposure to credit risk

As at 31 March 2021	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Gold Loan Receivables- subject to collective impairment	1,034,778,980	752,356,514	478,326,970	2,265,462,464
Allowance for expected credit losses(ECL)	(755,891)	(1,610,277)	(13,022,273)	(15,388,441)
	1,034,023,089	750,746,237	465,304,697	2,250,074,023

As at 31 March 2020	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
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

25.3.2.2 Allowance for expected credit losses/Impairment

	Group	
As at 31 March In LKR	2021	2020
Loans subject to collective impairment		
Balance as at 01st April	12,997,869	5,204,232
Charge to income statement	2,390,572	7,793,637
Balance as at 31st March	15,388,441	12,997,869

25.3.2.3 Movement in allowance for expected credit losses as at 31st March 2021

	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2020	1,500,594	1,309,513	10,187,762	12,997,869
Charge/ (Reversal) to income statement	(744,703)	300,764	2,834,511	2,390,572
Balance as at 31st March 2021	755,891	1,610,277	13,022,273	15,388,441

25.3.2.4 Movement in allowance for expected credit losses as at 31st March 2020

	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2019	1,047,888	1,120,946	3,035,398	5,204,232
Charge to income statement	452,706	188,567	7,152,364	7,793,637
Balance as at 31st March 2020	1,500,594	1,309,513	10,187,762	12,997,869

25.3.3 Factoring receivables

	Group	
As at 31 March In LKR	2021	2020
Gross factoring receivable	582,526,389	642,746,975
Less : Allowance for expected credit losses	(17,535,577)	(42,658,802)
	564,990,812	600,088,173

25.3.3.1 Analysis of factoring receivables on maximum exposure to credit risk

As at 31 March 2021	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Factoring Receivables- subject to collective impairment	249,106,702	58,364,323	275,055,364	582,526,389
Allowance for expected credit losses (ECL)	(4,488,866)	(7,087,517)	(5,959,194)	(17,535,577)
	244,617,836	51,276,806	269,096,170	564,990,812

25.3.3.2 Analysis of factoring receivables on maximum exposure to credit risk

As at 31 March 2020	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
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

Notes to the Financial Statements

25. FINANCIAL ASSETS (Contd.)

25.3.4 Debentures

				Group			
As at 31 March				2021		2020	
Issuer	Maturity date	Interest rate %	No of debentures	Carrying value	Fair value	Carrying value	Fair value
Abans PLC	19-Dec-24	12.50%	250,000	25,785,422	25,873,288	25,836,545	25,844,844
Citizens Development Business Finance PLC	3-Jun-21	12.75%	500,000	51,988,432	52,810,959	51,890,894	49,355,411
Commercial Bank of Ceylon PLC	8-Mar-21	10.75%	500,000	-	-	46,732,741	53,187,022
	27-Oct-21	12.00%	243,100	24,894,863	23,117,811	23,902,624	22,726,879
	22-Jul-28	12.50%	1,267,000	129,595,775	129,650,548	129,632,546	126,699,665
DFCC Bank PLC	9-Nov-23	12.75%	-	51,886,695	52,230,137	51,814,548	50,120,756
	29-Mar-25	13.00%	1,000,000	99,967,637	100,071,233	100,061,413	99,967,997
	29-Mar-25	13.00%	1,000,000	99,967,637	100,071,233	100,061,413	99,967,997
	28-Mar-29	13.90%	1,564,100	156,423,761	156,588,693	156,570,025	156,356,837
	29-Mar-23	12.60%	500,000	50,002,047	49,899,521	50,056,937	48,674,907
	23-Oct-25	9.00%	4,000,000	414,872,517	415,682,192	-	-
	23-Oct-25	9.00%	1,500,000	155,579,984	155,880,822	-	-
First Capital Holdings PLC	7-Feb-26	9.00%	872,500	88,216,823	88,368,712	-	-
	7-Feb-26	9.00%	872,500	88,216,823	88,368,712	-	-
	7-Feb-26	9.00%	443,300	44,821,224	44,898,396	-	-
First Capital Treasuries PLC	30-Jan-25	12.75%	500,000	50,975,710	51,047,945	51,034,768	51,043,540
Hatton National Bank PLC	14-Dec-24	8.33%	500,000	51,011,629	38,720,973	51,017,642	37,501,651
	28-Mar-21	11.25%	1,000,000	-	-	93,907,541	105,423,111
	1-Nov-23	13.00%	370,200	38,519,960	41,681,731	38,397,682	37,136,181
	29-Aug-23	8.00%	185,256	15,959,752	17,430,813	14,908,088	16,128,816
	23-Sep-26	12.80%	663,900	70,663,268	70,790,293	70,680,997	70,685,554
	23-Sep-26	12.80%	413,300	43,990,252	44,069,330	44,001,289	44,004,127
	30-Dec-24	13.20%	1,000,000	-	-	103,141,229	103,174,257
Hayleys PLC	26-Aug-24	13.00%	2,000,000	202,093,124	185,690,685	202,339,521	206,563,057
	26-Aug-24	13.00%	1,001,100	101,157,713	92,947,472	101,281,047	103,395,138
	26-Aug-24	13.00%	650,000	65,680,265	60,349,473	65,760,344	67,132,994
HNB Finance Limited	30-Dec-24	13.20%	1,000,000	103,079,356	103,290,959	-	-
Kotagala Plantation PLC	26-May-20	14.75%	25,000	-	-	2,523,753	2,002,961
	26-May-21	15.00%	25,000	-	-	2,254,660	2,002,062
	26-May-20	14.75%	281,800	-	-	28,431,325	22,543,423
	26-May-21	15.00%	281,800	-	-	25,422,285	22,543,636
	26-May-20	14.75%	156,950	-	-	15,838,469	12,571,494
	26-May-21	15.00%	156,950	-	-	14,150,770	12,567,567
	31-Aug-21	7.50%	92,750	8,831,905	9,679,034	-	-
	31-Aug-22	7.50%	92,750	7,448,781	9,679,034	-	-
	31-Aug-23	7.50%	92,750	7,415,475	9,679,034	-	-
	31-Aug-24	7.50%	92,750	7,349,418	9,679,034	-	-
	31-Aug-25	7.50%	92,750	7,340,764	9,679,034	-	-

				Group			
As at 31 March				2021		2020	
Issuer	Maturity date	Interest rate %	No of debentures	Carrying value	Fair value	Carrying value	Fair value
Lanka Orix Leasing Company PLC	31-Jul-22	13.00%	1,000,000	101,958,000	102,481,370	102,079,985	99,999,155
	27-Sep-24	15.00%	2,000,000	200,116,483	230,068,767	200,286,743	206,935,260
	27-Sep-24	15.00%	500,000	50,029,121	57,517,192	50,071,686	51,733,815
	27-Sep-24	15.00%	500,000	50,029,121	57,517,192	50,071,686	51,733,815
	24-Feb-31	12.00%	5,000,000	504,957,196	505,503,425	-	-
	24-Feb-31	12.00%	2,000,000	201,982,878	202,201,370	-	-
	24-Feb-31	12.00%	1,000,000	100,991,439	101,100,685	-	-
National Development Bank	24-Sep-25	9.50%	3,000,000	313,953,271	314,679,452	-	-
Nations Trust Bank PLC	8-Nov-21	12.80%	225,900	23,593,634	23,722,842	23,505,463	22,683,967
	20-Apr-23	13.00%	750,000	84,101,098	84,215,753	84,199,670	74,999,583
	20-Apr-23	13.00%	750,000	84,101,098	84,215,753	84,199,670	74,999,583
	23-Dec-26	12.90%	1,500,000	154,814,570	155,195,342	154,991,637	155,018,258
	23-Dec-24	12.80%	1,000,000	102,950,120	103,436,712	103,302,876	103,320,627
	23-Dec-24	12.80%	500,000	51,592,432	51,718,356	51,651,438	51,660,314
People's Leasing & Finance PLC	16-Nov-21	12.60%	1,000,000	104,264,993	104,660,274	103,937,252	100,368,930
	18-Apr-23	12.80%	1,252,600	140,317,476	140,502,598	140,492,565	125,259,326
	18-Apr-23	12.80%	1,252,600	140,317,476	140,502,598	140,492,565	125,259,326
Sampath Bank PLC	10-Jun-21	12.75%	500,000	54,885,512	55,134,932	54,082,027	51,355,770
	21-Dec-22	12.50%	2,270,000	234,513,054	259,176,473	234,694,068	227,006,019
	21-Dec-22	12.50%	650,000	71,549,940	74,213,527	-	-
	20-Mar-23	12.50%	450,000	45,074,781	44,949,021	45,069,746	43,706,012
	28-Feb-24	13.90%	1,000,000	101,052,938	115,500,548	101,135,245	100,279,425
	28-Feb-24	13.90%	1,000,000	101,052,938	115,500,548	101,135,245	100,279,425
Seylan Bank PLC	29-Mar-25	13.20%	500,000	50,002,496	50,036,164	50,046,965	49,980,140
	29-Mar-25	13.20%	500,000	50,002,496	50,036,164	50,046,965	49,980,140
	18-Apr-24	15.00%	500,000	57,049,082	65,350,137	57,116,633	60,796,353
	18-Apr-24	15.00%	500,000	57,049,082	65,350,137	57,116,633	60,796,353
	18-Apr-24	15.00%	500,000	59,527,360	65,350,137	60,228,026	58,132,609
	29-Mar-23	12.85%	500,000	50,000,359	49,940,205	50,048,359	48,656,246
	15-Jul-23	13.75%	626,000	65,409,724	66,234,144	65,889,910	62,489,100
Singer Finance PLC	6-Apr-20	12.00%	300,000	-	-	31,737,347	30,371,927
Siyapatha Finance PLC	20-Sep-21	13.50%	168,000	17,704,939	17,993,030	17,274,284	17,178,795
	8-Aug-24	13.33%	500,000	54,141,537	58,291,164	54,203,992	54,213,284
	7-Jul-23	11.25%	717,600	77,502,356	77,665,455	-	-
Sri Lanka Telecome PLC	19-Apr-28	12.75%	1,250,000	140,060,289	140,107,877	140,101,780	124,999,138
	19-Apr-28	12.75%	1,000,000	112,048,231	112,086,301	112,081,424	99,999,310
	19-Apr-28	12.75%	889,300	93,977,318	93,993,528	94,006,710	88,929,687
	19-Apr-28	12.75%	714,400	75,494,651	75,507,677	75,518,269	71,439,747
				6,241,906,501	6,349,583,951	4,402,467,960	4,293,883,323

Notes to the Financial Statements

25. FINANCIAL ASSETS (Contd.)

25.3.5 Commercial papers

	Group			
As at 31 March	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
First Capital Holdings PLC	343,832,304	343,832,304	307,585,356	307,585,356
Lanka Orix Leasing Company PLC	1,181,719,130	1,181,719,130	566,973,512	566,973,512
Softlogic Holdings PLC	825,630,146	825,630,146	600,000,000	600,000,000
	2,351,181,580	2,351,181,580	1,474,558,868	1,474,558,868

	Company			
As at 31 March	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Softlogic Holdings PLC	323,291,134	323,291,134	600,000,000	600,000,000
Softlogic Stockbrokers (Private) Limited	228,608,726	228,608,726	15,086,301	15,086,301
	551,899,860	551,899,860	615,086,301	615,086,301

25.3.6 Placements with banks

	Group			
As at 31 March	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Licensed Commercial Banks	610,079,659	610,079,659	1,577,547,316	1,577,547,316
Licensed Specialized Banks	335,625,574	335,625,574	662,958,081	662,958,081
	945,705,233	945,705,233	2,240,505,397	2,240,505,397

	Company			
As at 31 March	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Licensed Commercial Banks	5,150,841	5,150,841	4,727,144	4,727,144
Licensed Specialized Banks	-	-	-	-
	5,150,841	5,150,841	4,727,144	4,727,144

25.3.7 Treasury bonds

As at 31 March				2021		2020	
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
LKB01529E014	1-May-29	13.00%	50,000,000	69,455,450	66,985,520	-	-
LKB01528I017	1-Sep-28	11.50%	100,000,000	125,888,402	121,730,521	-	-
LKB01528I017	1-Sep-28	11.50%	100,000,000	125,888,402	121,730,521	-	-
LKB01528I017	1-Sep-28	11.50%	100,000,000	125,888,402	121,730,521	-	-
LKB01529E014	1-May-29	13.00%	50,000,000	69,455,450	66,985,520	-	-
LKB01529E014	1-May-29	13.00%	50,000,000	69,455,450	66,985,520	-	-
LKB00322K152	15-Nov-22	5.75%	200,000,000	204,024,902	204,165,254	-	-
LKB03044F019	1-Jun-44	13.50%	100,000,000	156,818,478	151,921,070	-	-
LKB03044F019	1-Jun-44	13.50%	100,000,000	156,818,478	151,921,070	-	-
LKB01534I155	15-Sep-34	10.25%	50,000,000	59,435,356	57,556,388	-	-
LKB01534I155	15-Sep-34	10.25%	50,000,000	59,435,356	57,556,388	-	-
LKB02033F013	1-Jun-33	9.00%	150,000,000	166,246,314	162,191,995	-	-
LKB03043F011	1-Jun-43	9.00%	50,000,000	56,069,975	53,438,858	-	-
LKB02033K013	1-Nov-33	9.00%	50,000,000	55,831,996	54,360,130	-	-
LKB01530E152	15-May-30	11.00%	200,000,000	251,045,452	242,305,164	-	-
LKB01628G019	1-Jul-28	9.00%	100,000,000	112,431,455	109,110,948	-	-
LKB01027F156	15-Jun-27	11.75%	50,000,000	63,718,748	62,231,656	-	-
LKB01027F156	15-Jun-27	11.75%	50,000,000	63,718,748	62,231,656	-	-
LKB01027F156	15-Jun-27	11.75%	50,000,000	63,718,748	62,231,656	-	-
LKB01027F156	15-Jun-27	11.75%	50,000,000	63,718,748	62,231,656	-	-
LKB01326B011	1-Feb-26	9.00%	100,000,000	110,435,297	109,030,234	-	-
LKB01528I017	1-Sep-28	11.50%	100,000,000	125,888,403	121,730,522	-	-
				2,355,388,010	2,290,362,768	249,955,273	251,617,599

25.3.8 Sri Lanka Development Bonds

As at 31 March				2021		2020	
ISIN	Maturity date	Interest rate %	Face value	Carrying value	Fair value	Carrying value	Fair value
SLDB 1	22-Jan-23	4.36%	1,998,300,000	2,002,450,120	2,014,682,803	1,905,298,102	1,905,298,102
SLDB 2	30-Jul-21	6.15%	499,575,000	501,567,307	504,631,246	-	-
SLDB 3	30-Jul-21	6.30%	465,603,900	467,573,506	470,429,765	-	-
SLDB 4	15-Aug-21	6.90%	99,915,000	100,045,406	100,656,527	-	-
SLDB 5	15-Aug-21	6.60%	9,991,500	9,990,054	10,051,077	-	-
SLDB 6	15-Aug-21	6.50%	7,993,200	7,988,179	8,036,975	-	-
				3,089,614,572	3,108,488,393	1,905,298,102	1,905,298,102

26. LEASE & HIRE PURCHASE RECEIVABLES

As at 31 March In LKR	Note	Group 2021	Group 2020
At Amortized cost			
Total lease & hire purchase rentals receivable		7,321,166,525	3,018,071,930
Less: Unearned interest income		(1,852,861,155)	(707,461,488)
Gross lease & hire purchase receivable		5,468,305,370	2,310,610,442
Less: Allowance for expected credit losses/ collective impairment	26.6	(205,601,279)	(150,326,052)
Net lease receivable	26.1	5,262,704,091	2,160,284,390

26.1. Maturity analysis of net lease & hire purchase receivable as at 31 March 2021

	1 Year	1- 5 Year	Over 5 Years	Total
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	873,949,626	6,447,216,899	-	7,321,166,525
Less: Unearned lease interest income	(56,997,542)	(1,795,863,613)	-	(1,852,861,155)
Gross lease receivable	816,952,084	4,651,353,286	-	5,468,305,370
Less: Allowance for expected credit losses				(205,601,279)
Net lease receivable				5,262,704,091

26.2. Maturity analysis of net lease & 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

26.3 Analysis of lease & hire purchase receivables on maximum exposure to credit risk

	Stage 1	Stage 2	Stage 3	Total
As at 31 March 2021				
Gross receivables- subject to collective impairment	2,847,399,084	1,751,385,774	869,520,512	5,468,305,370
Allowance for expected credit losses (ECL)	(14,745,372)	(45,014,644)	(145,841,263)	(205,601,279)
	2,832,653,712	1,706,371,130	723,679,249	5,262,704,091

26.4 Analysis of lease & 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	472,419,733	2,310,610,442
Allowance for expected credit losses (ECL)	(12,397,194)	(26,561,551)	(111,367,308)	(150,326,053)
	1,332,506,112	466,725,852	361,052,425	2,160,284,389

26.5. Allowance for expected credit losses / Impairment

As at 31 March In LKR	Group 2020	2019
Loans subject to collective impairment		
Collective impairment		
Balance as at 01st April	128,881,165	95,527,460
Charge to income statement	27,640,417	33,353,705
Balance as at 31st March	156,521,582	128,881,165
Individual impairment		
Balance as at 01st April	21,444,887	14,036,410
Charge to income statement	27,634,810	7,408,477
Balance as at 31st March	49,079,697	21,444,887

26.6. Movement in allowance for expected credit losses for the year ended 31st March 2021

	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2020	12,397,193	26,561,551	111,367,308	150,326,052
Charge to income statement	2,348,179	18,453,093	34,473,955	55,275,227
Balance as at 31st March 2021	14,745,372	45,014,644	145,841,263	205,601,279

26.7. Movement in allowance for expected credit losses for the year ended 31st March 2020

	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2019	9,155,933	20,739,004	79,668,934	109,563,871
Charge to income statement	3,241,260	5,822,547	31,698,374	40,762,181
Balance as at 31st March 2020	12,397,193	26,561,551	111,367,308	150,326,052

27. INVESTMENTS IN SUBSIDIARIES

	Company					
	Effective holding %	No of shares	2021	Effective holding %	No of shares	2020
Carrying value						
Softlogic Finance PLC	88.09%	228,647,351	3,831,540,623	72.94%	75,402,434	2,069,157,689
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%	5,000,002	50,000,020	100.00%	3,500,002	35,000,020
			6,547,153,490			4,769,770,556
Market value of group quoted investments in subsidiaries						
Softlogic Finance PLC			2,286,473,510			867,127,991
Softlogic Life Insurance PLC			5,911,533,180			4,787,372,772
			8,198,006,690			5,654,500,763

28. RIGHT OF USE ASSETS

Group

As at 31 March In LKR	Leasehold properties	Furniture and fittings	Office equipment	Motor vehicles	Total 2021	Total 2020
Cost						
At the beginning of the year	1,241,288,447	3,590,487	707,000	18,288,165	1,263,874,099	-
Impact from adoption of SLFRS 16	-	-	-	-		563,736,346
Additions	95,671,644	-	-	-	95,671,644	690,223,701
Transfers	-	-	-	-	-	31,474,440
Disposals	-	-	-	-	-	(8,888,788)
Derecognition	(20,774,830)	-	-	-	(20,774,830)	(12,671,600)
At the end of the year	1,316,185,261	3,590,487	707,000	18,288,165	1,338,770,913	1,263,874,099
Accumulated Amortisation						
At the beginning of the year	196,315,954	3,590,487	707,000	18,288,165	218,901,606	-
Transfers	-	-	-	-	-	27,522,051
Charge for the year	320,617,365	-	-	-	320,617,365	208,001,553
Disposals	-	-	-	-	-	(6,373,096)
Derecognition	(10,135,809)	-	-	-	(10,135,809)	(10,248,902)
At the end of the year	506,797,510	3,590,487	707,000	18,288,165	529,383,162	218,901,606
Net book value as at 31 March 2021	809,387,751	-	-	-	809,387,751	
Net book value as at 31 March 2020	1,044,972,493	-	-	-		1,044,972,493

Company

As at 31 March In LKR	Leasehold properties	Total 2021	Total 2020
Cost			
At the beginning of the year	475,554,490	475,554,490	-
Impact from adoption of SLFRS 16	-	-	475,554,490
Additions	-	-	-
Derecognition	-	-	-
At the end of the year	475,554,490	475,554,490	475,554,490
Accumulated Amortisation			
At the beginning of the year	35,940,044	35,940,044	-
Charge for the year	95,058,811	95,058,811	35,940,044
Derecognition	-	-	-
At the end of the year	130,998,855	130,998,855	35,940,044
Net book value as at 31 March 2021	344,555,635	344,555,635	
Net book value as at 31 March 2020	439,614,446		439,614,446

The Information relating to the movement of lease liabilities are disclosed in Note 37.2

29. PROPERTY, PLANT & EQUIPMENT

29.1. Group

In LKR	Land and building	Furniture and fittings	Computers and printers	Office equipment	Motor vehicles	Capital work in progress	Total 2021	Total 2020
Freehold assets								
Cost or valuation								
At the beginning 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
Additions	-	35,327,225	24,401,573	17,305,720	160,000	20,520,408	97,714,926	210,096,099
Disposals	-	(981,682)	(881,731)	(220,834)	(271,850)	-	(2,356,097)	(15,108,398)
Transfers	-	63,419,138	5,806,881	1,416,533	-	(70,642,552)	-	(22,772,712)
Impairment/ Derecognition	-	-	-	-	-	-	-	-
Revaluations	15,600,000	-	-	-	-	-	15,600,000	59,772,712
At the end of the year	583,599,999	980,926,168	203,595,236	549,977,509	138,214,636	-	2,456,313,548	2,345,354,719
Leasehold assets								
Cost								
At the beginning of the year	-	-	-	-	-	-	-	31,474,440
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	(31,474,440)
At the end of the year	-	-	-	-	-	-	-	-
Total cost or valuation	583,599,999	980,926,168	203,595,236	549,977,509	138,214,636	-	2,456,313,548	2,345,354,719
Freehold assets								
Accumulated depreciation								
At the beginning of the year	1,853,930	553,548,126	119,431,727	402,651,274	44,361,294	-	1,121,846,351	958,697,198
Charge for the year	11,636,095	110,139,964	22,084,207	47,615,416	9,727,507	-	201,203,189	200,597,543
Disposals	-	(592,850)	(230,345)	(188,628)	(271,851)	-	(1,283,674)	(14,675,676)
Transfers	-	-	-	-	-	-	-	(22,772,712)
At the end of the year	13,490,025	663,095,240	141,285,589	450,078,062	53,816,950	-	1,321,765,866	1,121,846,353
Leasehold assets								
Accumulated depreciation								
At the beginning of the year	-	-	-	-	-	-	-	27,522,051
Charge for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	(27,522,051)
At the end of the year	-	-	-	-	-	-	-	-
Total accumulated depreciation	13,490,025	663,095,240	141,285,589	450,078,062	53,816,950	-	1,321,765,866	1,121,846,353
As at 31 March 2021	570,109,974	317,830,928	62,309,647	99,899,447	84,397,686	-	1,134,547,682	
As at 31 March 2020	566,146,069	329,613,361	54,836,786	128,824,816	93,965,192	50,122,144		1,223,508,366

29. PROPERTY, PLANT & EQUIPMENT (Contd.)

29.2. Company

In LKR	Furniture and fittings	Computers and printers	Office equipment	Fixtures and fittings	Total 2021	Total 2020
Cost						
At the beginning of the year	366,924	1,548,981	415,875	4,392,580	6,724,360	749,500
Additions	-	628,040	-	-	628,040	5,974,860
Transfers/Write-offs	-	(881,731)	-	-	(881,731)	-
At the end of the year	366,924	1,295,290	415,875	4,392,580	6,470,669	6,724,360
Accumulated depreciation						
At the beginning of the year	13,873	271,385	31,447	332,151	648,856	57,725
Charge for the year	36,692	330,446	83,175	878,516	1,328,829	591,131
Transfers/Write-offs	-	(230,345)	-	-	(230,345)	-
At the end of the year	50,565	371,486	114,622	1,210,667	1,747,340	648,856
Balance as at 31 March 2021	316,359	923,804	301,253	3,181,913	4,723,329	
Balance as at 31 March 2020	353,051	1,277,596	384,428	4,060,429		6,075,504

29.3. Acquisition of PPE during the year

During the financial year, the Company and Group acquired PPE to the aggregate value of Rs. 628,040/- (2020 - Rs.5,974,860/-) and Rs. 97,714,926/- (2020 - Rs. 210,096,099/-) respectively.

29.4. Fully depreciated property plant and equipment in use

	Group	
As at 31 March	**2021**	**2020**
Property, Plant and Equipment	943,234,917	727,402,142

29.5. Property plant & equipment pledged as security

None of the PPE have been pledged as securities as at the reporting date.

29.6. 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.

29.7. Title restriction on property plant & equipment

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

29.8. Assessment of impairment

The Board of Directors has assessed the potential impairment loss of PPE as at 31st March 2021. 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.

29.9. Temporarily idle property, plant and equipment

There are no temporarily idle property, plant and equipment as at the reporting date.

29.10. 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.

29.11. Capitalization of borrowing cost

There were no capitalized borrowing costs relating to the acquisition of property plant and equipment during the year.

29.12. 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	31st March 2021	Mr. G. W. G. Abeygunawardena (Chartered Valuation Surveyor)	228,000,000
Softlogic Life Insurance PLC	No. 283, R A De Mal Mawatha, Colombo 3.	0A-0R-12.0P (04 Perch for Street line)	Open market value	31st 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	10,794	Direct Capital Comparison method	31st March 2021	Mr. G. W. G. Abeygunawardena (Chartered Valuation Surveyor)	85,400,000
Softlogic Life Insurance PLC	No. 283, R A De Mal Mawatha, Colombo 3.	1	11,824	Investment Method	31st December 2019	Mr. P.B. Kalugalgedara (Chartered Valuation Surveyor)	106,000,000

29.13. If land and buildings were stated at historical cost, the amounts would have been as follows

As at 31 March	Group 2021		Group 2020	
	Land	Building	Land	Building
Cost	147,801,424	217,927,006	147,801,424	217,927,006
Accumulated depreciation	-	(68,575,493)	-	(57,679,143)
Carrying value	147,801,424	149,351,513	147,801,424	160,247,863

29. PROPERTY, PLANT & EQUIPMENT (Contd.)

29.14. Fair value hierarchy

The fair value of the Land & Buildings was determined by an external independent property valuer, having appropriate recognized 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 categorized 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.

			Significant unobservable inputs				Interrelationship between key unobservable inputs and Fair value measurements
Description	Effective date of valuation	Valuation technique	Per perch value (Rs. Mn)		Per square foot value (Rs.)		
			2021	2020	2021	2020	
Freehold land - Group							
No. 13, De Fonseka Place, Colombo 4.	31st March 2021	Open market value	18.5	17.5	-	-	Positive correlated sensitivity
No. 283, R A De Mal Mawatha, Colombo 3.	31st December 2019	Open market value	-	20	-	-	Positive correlated sensitivity
Freehold buildings - Group							
No. 13, De Fonseka Place, Colombo 4.	31st March 2021	Direct capital comparison method	-	-	6,400 to 8,900	6,450 to 8,200	Positive correlated sensitivity
No. 283, R A De Mal Mawatha, Colombo 3.	31st December 2019	Investment Method	-	-	-	Rs.100 - Rs.300	Positive correlated sensitivity

30. INTANGIBLE ASSETS

				Group		Company	
In LKR	PVIB	Goodwill	Other	2021	2020	2021	2020
Cost							
At the beginning of the year	1,980,596,000	924,934,106	404,158,599	3,309,688,705	3,166,970,239	-	-
Additions	-	-	5,797,368	5,797,368	142,718,466	-	-
At the end of the year	1,980,596,000	924,934,106	409,955,967	3,315,486,073	3,309,688,705	-	-
						-	
Accumulated amortization							
At the beginning of the year	1,126,881,873	-	198,762,713	1,325,644,586	1,182,986,856	-	-
Amortization	121,959,155	-	31,180,218	153,139,373	142,657,730	-	-
At the end of the year	1,248,841,028	-	229,942,931	1,478,783,959	1,325,644,586	-	-
Carrying value							
As at 31 March 2021	731,754,972	924,934,106	180,013,036	1,836,702,114	-	-	-
As at 31 March 2020	853,714,127	924,934,106	205,395,886	-	1,984,044,119	-	-

30.1. 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.

30.2. Goodwill

Goodwill 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	2021	2020
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

30. INTANGIBLE ASSETS (Contd.)

30.3. 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.

The Group has not determined Impairment of goodwill as at the reporting date due to the COVID-19 pandemic. Each business unit currently operating under the business continuity plans as per the Group risk management strategy, to the extent possible, whilst strictly adhering to and supporting government directives. Other business units where it is not feasible to operate in full or partial capacity in the immediate short term under the current environment, the management has taken necessary steps to safeguard the assets.

31. STATED CAPITAL

	2021		2020	
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
Issued during the year	289,027,200	1,011,595,200	-	-
At the end of the year	977,187,200	3,891,595,200	688,160,000	2,880,000,000

On 29th October 2020, the extraordinary of general meeting of shareholders approved to issue 289,027,200 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 with the objective of subscribing Softlogic Finance PLC's right issue which was completed in December 2020.

32. RESERVES

32.1. Reserve fund

	Group	
As at 31 March In LKR	2021	2020
At the beginning of the year	260,448,732	260,448,732
Transferred during the year	-	-
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.

32.2. Fair value reserve

	Group		Company	
As at 31 March In LKR	2021	2020	2021	2020
At the beginning of the year	(937,358,385)	(996,507,130)	(18,922,229)	(2,348,680)
Net unrealized gain/ (loss) on financial instruments	(56,384,934)	59,148,745	(2,520,064)	(16,573,549)
At the end of the year	(993,743,319)	(937,358,385)	(21,442,293)	(18,922,229)

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 derecognised or impaired.

32.3. Restricted Regulatory Reserve

	Group	
As at 31 March In LKR	2021	2020
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 20th 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 31st 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 29th March 2018.

33. TRADE AND OTHER PAYABLES

	Group		Company	
As at 31 March In LKR	2021	2020	2021	2020
Trade payables	280,602,628	86,877,577	974,561	11,488,680
Claims payables	653,193,797	579,933,399	-	-
Reinsurance creditors	1,000,409,978	519,783,683	-	-
Commission payable	542,468,688	376,872,944	-	-
Premium deposit	193,989,876	116,504,577	-	-
Accrued expenses	854,508,630	596,469,300	33,634,161	34,816,324
	3,525,173,597	2,276,441,480	34,608,722	46,305,004

34. OTHER NON FINANCIAL LIABILITIES

	Group		Company	
As at 31 March In LKR	2021	2020	2021	2020
Tax and other statutory payables	71,334,486	25,025,884	627	377
Other payables	67,864,674	30,351,381	566,783	566,779
	139,199,160	55,377,265	567,410	567,156

35. INCOME TAX PAYABLE/(RECEIVABLE)

35.1 . Income tax receivable

		Group		Company	
As at 31 March In LKR	Note	2021	2020	2021	2020
At the beginning of the year		259,806,702	244,628,628	-	-
Provision for the year		-	-	-	-
Reversal of income tax over charge in previous years		-	-	-	-
Impact on reclassification	35.2	(5,754,565)	-	-	-
Payments and set off against refunds		82,642	15,178,074	-	-
At the end of the year		254,134,779	259,806,702	-	-

35.2. Income tax liability

		Group		Company	
As at 31 March In LKR	Note	2021	2020	2021	2020
At the beginning of the year		-	-	-	-
Provision for the year	20	21,585,051	-	-	-
Reversal of income tax over charge in previous years		-	-	-	-
Impact on reclassification	35.1	(5,754,565)	-	-	-
Payments and set off against refunds		-	-	-	-
At the end of the year		15,830,486	-	-	-

36. PUT OPTION LIABILITY

	Group and Company	
As at 31 March In LKR	2021	2020
Put option liability	154,609,366	168,344,531

36.1. 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 7 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 20th 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 07th March 2020 this Put Option become null and void.

On 16th 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 31st 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 & SC have transferred full ownership interest to the NCI. Therefore SLI shares were derecognised and any liability arising from the put option will be recognized based on option valuation methodology in line with SLFRS 09 Financial Instrument.

36.2. 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	2021	2020
Continuous compounded risk free rate (%)	5.11	8.32
Annualized volatility (%)	35.99	35.84
Put option price/appraisal value (Rs.)	57.09	47.08
Probability to move up (Pu) of the option value (%)	80.00	80.00
Probability to move down (Pd) of the option value (%)	20.00	20.00
Upward movement of the appraisal value (%)	1.43	1.43
Downward movement of the appraisal value (%)	0.70	0.70

Risk free rate - Rate of return of an investment with no risk of financial loss.

36. PUT OPTION LIABILITY (Contd.)

36.3. 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	2021	2020
Effect on the put option obligation liability;		
Increase by one percentage point in risk free rate	(6,815,211)	(7,750,093)
Decrease by one percentage point in risk free rate	7,346,125	8,154,922
Effect on the put option obligation liability;		
Increase by one percentage point in appraisal value	(3,625,074)	(3,248,809)
Decrease by one percentage point in appraisal value	3,625,074	3,248,809
Effect on the put option obligation liability;		
Increase by one percentage point in probability to move up of the option value	(13,683,860)	(14,713,144)
Decrease by one percentage point in probability to move up of the option value	14,276,253	15,184,692

The methods and types of assumptions used in preparing the sensitivity analysis has not changed compared to the prior period.

37. INTEREST BEARING BORROWINGS

	Note	Group		Company	
As at 31 March In LKR		2021	2020	2021	2020
Bank loans	37.1	2,058,644,428	1,993,644,702	1,395,695,517	1,047,468,990
Lease creditors	37.2	857,247,357	1,005,931,574	391,664,330	446,950,089
Securitisation	37.3	1,724,604,120	1,167,774,067	-	-
Debentures	37.4	1,431,637,919	1,430,426,764	1,535,793,448	1,534,559,625
Subordinated debt	37.5	3,112,386,261	-	-	-
Commercial papers		810,236,095	151,712,327	595,310,584	151,712,327
		9,994,756,180	5,749,489,434	3,918,463,879	3,180,691,031

37.1. Bank loans

37.1.1 Movement of bank loans

	Group		Company	
As at 31 March In LKR	2021	2020	2021	2020
At the beginning of the year	1,993,644,702	2,748,425,197	1,047,468,990	1,375,000,000
Additions	3,334,283,175	2,828,000,000	1,624,838,735	628,000,000
Repayments	(3,275,341,793)	(3,588,331,200)	(1,279,146,081)	(955,531,010)
Accrued interest	6,058,344	5,550,705	2,533,873	-
At the end of the year	2,058,644,428	1,993,644,702	1,395,695,517	1,047,468,990

37.1.2 Bank loan information

Institution	Type of loan	Amortized cost	Interest rate	Securities pledged	Security value
Softlogic Capital PLC					
National Development Bank PLC	Term loan	800,000,000	AWPLR+ 1.00%	60,000,000 shares of Softlogic Life Insurance PLC	
	Term loan	250,000,000	AWPLR+ 0.50%		1,830,000,000
DFCC Bank PLC	Revolving Loan	345,695,517	AWPLR+ 1.00%	18,100,000 shares of Softlogic Life Insurance PLC	552,050,000
		1,395,695,517			
Softlogic Finance PLC					
Commercial Bank of Ceylon PLC	Revolving loan	251,380,000	AWPLR+3.00%	Nil	-
Seylan Bank PLC	Revolving loan	201,019,562	AWPLR+2.00%	Mortgage over Lease and Hire purchase receivables for Rs. 375 Mn	375,000,000
Hatton National Bank PLC	Term loan	201,104,909	AWPLR+2.00%	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC	280,000,000
		653,504,471			
Softlogic Stockbrokers (Pvt) Ltd					
People's Bank	Term Loan	9,444,440	4%	Mortgage over trade receivables	10,000,000
		9,444,440			
Total Bank Borrowings		2,058,644,428			

37.2. Lease creditors

37.2.1 Movement of lease creditors

	Group			Company		
As at 31 March In LKR	Operating Lease Liability	2021	2020	Operating Lease Liability	2021	2020
At the beginning of the year	1,005,931,574	1,005,931,574	2,740,844	446,950,089	446,950,089	-
Impact from adoption of SLFRS 16	-	-	524,299,783	-	-	-
Additions	94,818,098	94,818,098	645,230,574	-	-	466,239,775
Finance charges	114,831,691	114,831,691	104,023,379	31,623,939	31,623,939	13,041,055
Repayments	(320,506,292)	(320,506,292)	(258,869,911)	(91,478,605)	(91,478,605)	(33,348,458)
Rent Concession	(24,548,065)	(24,548,065)	-	(24,548,065)	(24,548,065)	-
De-recognition	(42,283,328)	(42,283,328)	(12,510,812)	-	-	-
Exchange differences	29,003,679	29,003,679	1,017,717	29,116,972	29,116,972	1,017,717
At the end of the year	857,247,357	857,247,357	1,005,931,574	391,664,330	391,664,330	446,950,089

37. INTEREST BEARING BORROWINGS (Contd.)

37.3. Securitisations

37.3.1 Movement

As at 31 March In LKR	Group 2021	Group 2020
At the beginning of the year	1,167,774,067	381,190,488
Additions	1,500,000,000	1,018,200,000
Repayments	(1,000,119,754)	(321,190,488)
Accrued interest	56,949,807	89,574,067
At the end of the year	1,724,604,120	1,167,774,067

37.3.2 Securitisation information

	Type of loan	Amortized cost	Interest rate	Securities pledged	Security value
Institution					
NSB Trust	Securitisation	18,671,521	15.00%	Mortgage over Lease receivables of Softlogic Finance PLC	25,000,000
HNB Trust 2	Securitisation	69,576,853	16.75%	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC	93,000,000
HNB Trust 3	Securitisation	35,668,589	16.25%	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC	49,000,000
HNB Trust 4	Securitisation	85,282,254	16.00%	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC	115,000,000
HNB Trust 6	Securitisation	513,920,537	10.25%	Mortgage over Gold Loan receivables of Softlogic Finance PLC	831,000,000
	Securitisation	1,001,484,366	10.00%	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC	1,420,000,000
		1,724,604,120			

37.4. Debentures

	Group 2021	Group 2020	Company 2021	Company 2020
At the beginning of the year	1,430,426,764	766,659,458	1,534,559,625	-
Debentures issued	-	1,384,373,123	-	1,488,505,984
Debentures redeemed	-	(766,659,458)	-	-
	1,430,426,764	1,384,373,123	1,534,559,625	1,488,505,984
Interest accrued during the year	208,647,794	62,350,795	223,662,982	62,350,795
Interest paid	(207,436,639)	(16,297,154)	(222,429,159)	(16,297,154)
At the end of the year	1,431,637,919	1,430,426,764	1,535,793,448	1,534,559,625

Details of debentures issued

Company

Rated, Senior, Unsecured, Redeemable Debentures

						Amortized Cost	
Debenture Type	No of debentures	Issue date	Maturity date	Rate of interest	Face value Rs	2021 Rs	2020 Rs
Type A	2,500,600	19-Dec-19	19-Dec-23	14.75%	250,060,000	258,854,155	258,480,926
Type B	4,598,800	19-Dec-19	19-Dec-24	14.50%	459,880,000	459,207,620	458,954,096
Type C	7,900,500	19-Dec-19	19-Dec-24	15.00%	790,050,000	817,721,504	817,114,330
Type D	100	19-Dec-19	19-Dec-24	13.50%	10,000	10,169	10,273
					1,500,000,000	1,535,793,448	1,534,559,625

Debenture issue proceed utilization as at 31st March 2021

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 SCAP's subscription (i.e. entitlement plus the undersubscribed shares) of Rights Issue carried out by Softlogic Finance PLC.	600,000,000	December 2019'	600,000,000	100%	600,000,000	100%	N/A
2	SCAP 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	100%	N/A
		400,000,000	December 2019 - December 2020	400,000,000	100%	400,000,000	100%	N/A

37. INTEREST BEARING BORROWINGS (Contd.)

37.5. Subordinated debt

	Group	
	2021	2020
At the beginning of the year	-	-
Additions	2,772,299,695	-
Repayments	-	-
Accrued interest	114,938,066	-
Exchange translation difference	225,148,500	-
At the end of the year	3,112,386,261	-

37.5.1 Nature and purpose the borrowing

Softlogic Life Insurance PLC entered into a long-term financing agreement with the Finnish Fund for Industrial Cooperation Ltd (Finnfund) and the Norwegian Investment Fund for Developing Countries for USD 15 Mn Tier II Subordinated debt transaction to provide funding to future development of business objectives of the Company. The facility was signed on 24th August 2020.

37.5.2 Security and repayment terms

Nominal interest rate	Repayment terms	Collateral	Interest payable frequency	Allotment date	Maturity date	Interest rate of comparable government security
6 month LIBOR base plus margin	In full at maturity	None	Biannually	2/10/20	2/10/25	7.08%

37.6. Defaults and breaches

The Group did not have any defaults of principal or interest or other breaches with respect to its loans and borrowings during the year ended 31 March 2021.

38. PUBLIC DEPOSITS

	Group	
As at 31 March In LKR	2021	2020
Time deposits	14,486,982,239	16,969,814,487
Savings deposits	95,334,004	65,581,664
	14,582,316,243	17,035,396,151
Payable after one year	3,241,184,088	4,860,255,767
Payable within one year	11,341,132,155	12,175,140,384
	14,582,316,243	17,035,396,151

39. INSURANCE CONTRACT LIABILITIES

	Group	
As at 31 March In LKR	2021	2020
At the beginning of the year	13,133,911,336	8,309,627,446
Increase in life fund	6,004,060,578	3,939,592,200
Transfer to shareholders	(1,893,000,000)	(1,850,275,000)
Change in insurance contract liabilities	4,111,060,578	2,089,317,200
Commission on financial reinsurance arrangement	761,603,875	2,780,744,702
Tax on policyholder bonus	(58,581,969)	(45,778,012)
At the end of the year	17,947,993,820	13,133,911,336

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 2021 included Rs. 761.6 Mn (2019/20 - Rs.2,780 Mn.) commission income received from financial re-insurance arrangement.

	Group	
For the year ended 31 March In LKR	2021	2020
Income and expenditure attributable to life policyholders		
Revenue	16,819,041,457	13,246,540,345
Direct expenses	(7,543,891,420)	(5,998,331,904)
Operating Results	9,275,150,037	7,248,208,441
Operating expenses including distribution and administration expenses	(3,271,089,459)	(3,308,616,241)
Surplus transferred to shareholders	(1,893,000,000)	(1,850,275,000)
	4,111,060,578	2,089,317,200
Tax on Policy holder bonus	-	-
Change in insurance contract liabilities	4,111,060,578	2,089,317,200

39. INSURANCE CONTRACT LIABILITIES (Contd.)

39.1. 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 31st March 2021.

39.1.1 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 31st March 2021. 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 Hospitalization Cover	Policy liability has been set equal to UPR.	Not Applicable

39.2. Key assumptions used in determinations of Best Estimate Liability (BEL)

Details of key assumption used and basis of arriving for the same are summarized 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 31st March 2021.
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 31st March 2021 based on the expenses incurred during 2020/21. 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 31st 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.

39.3. Sensitivity analysis

Sensitivity Analysis of Life Insurance Fund Liability is provided in Note 8.4 Insurance risk.

39.4. Recommendation of surplus transfer

The valuation of life insurance fund as at 31st March 2021 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. 1,893 Mn to non-participating life insurance fund / insurance contract liabilities to the shareholders' fund (2020 - Rs. 1850.28 Mn)

Subsequent to the transfer the surplus of Rs.1,893 Mn, life fund stands as Rs.17,948 Mn as at 31st March 2021, including the liability in respect of bonuses and dividends declared up to and including for the year 2020/21 as well as Surplus created due to Change on Valuation method of policy liabilities from NPV to GPV in the participating fund.

39. INSURANCE CONTRACT LIABILITIES (Contd.)

39.4.1 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 01st 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 Mn 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.

39.5. Solvency margin

In the opinion of the appointed actuary, the Company maintains a Capital Adequacy Ratio (CAR) of 307% and Total Available Capital (TAC) of Rs. 21,526.08 Mn as at 31st March 2021, 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.

39.6. 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 31st 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 31st March 2021.

No additional provision was required against the LAT as at 31st March 2021.

39.7. Surplus created due to change in valuation Method - one-off surplus zeroed at product level

Valuation

Details of one off results as at 01st 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 31st December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance contract liability based on Independent Actuary - GPV 31st December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One off Surplus as at 01st January 2016	1,056,535	798,004	1,854,539

39.7.1 Transfer of one-off surplus from Policy Holder Fund to Shareholder 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 31st 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 29th 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 39.7.3 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 39.7.3 for details of assets supporting the restricted regulatory reserve as at 31st March 2021.

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 31st December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance contract liability based on Independent Actuary - GPV 31st December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One-off Surplus as at 01st 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 31st December 2017	1,056,535	-	1,056,535
Surplus created due to Change in Valuation Method - One-off Surplus as at 31st March 2018	1,056,535	-	1,056,535
Surplus created due to Change in Valuation Method - One-off Surplus as at 31st March 2019	1,056,535	-	1,056,535
Surplus created due to Change in Valuation Method - One-off Surplus as at 31st March 2020	1,056,535	-	1,056,535
Surplus created due to Change in Valuation Method - One-off Surplus as at 31st March 2021	1,056,535	-	1,056,535

39. INSURANCE CONTRACT LIABILITIES (Contd.)

39.7.2 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 Shareholder 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.

39.7.3 Composition of investments supporting the restricted regulatory reserve

As at 31 March		2021		2020	
Asset category	ISIN No	Face value	Market value Rs.'000	Face value	Market value Rs.'000
Government securities					
Treasury bond	LKB03044A010	100,000,000	151,189	100,000,000	135,709
	LKB01534I155	50,000,000	57,556	50,000,000	51,174
	LKB01534I155	50,000,000	57,556	50,000,000	51,174
	LKB01534I155	50,000,000	57,556	50,000,000	51,174
	LKB01534I155	50,000,000	57,556	50,000,000	51,174
Deposits					
Sampath Bank PLC			106,224		-
Seylan Bank PLC			-		304,559
National Savings Bank			105,807		108,641
Regional Development Bank			229,877		54,318
Total market value of the assets			823,321		807,923

40. EMPLOYEE BENEFIT LIABILITIES

		Group		Company	
As at 31 March In LKR	Note	2021	2020	2021	2020
At the beginning of the year		220,189,656	154,017,207	2,230,890	1,410,932
Transfer of liability from / (to) group companies		86,528	181,926	(303,717)	181,926
Expenses recognized in income statement	40.1	61,549,737	54,423,405	253,227	717,714
Actuarial (gain) / loss recognized in other comprehensive income	40.2	277,264	26,523,405	(234,505)	(79,682)
Gratuity payments during the year		(19,405,404)	(14,956,287)	(1,875,750)	-
At the end of the year		262,697,781	220,189,656	70,145	2,230,890

40.1. Expenses recognized in income statement

Current service cost	38,810,368	36,958,648	70,146	537,921
Interest cost	22,739,369	17,464,757	183,081	179,793
Total expenses recognise in income statement	61,549,737	54,423,405	253,227	717,714

40.2. Actuarial losses/(gains) recognized in other comprehensive income

Actuarial loss / (gain)	277,264	26,523,405	(234,505)	(79,682)
	277,264	26,523,405	(234,505)	(79,682)

40.3. The principal assumptions used for this purpose are as follows;

Discount rate per annum	6.71% to 8.00%	9.50% to 11.00%	6.71%	9.50%
Annual salary increment rate	7.00% to 8.00%	8% to 10%	7%	8%
Retirement age	55 Years	55 Years	55 Years	55 Years

40.4. Sensitivity of assumptions used

The following table demonstrates the sensitivity to a reasonably possible change in the discount rate and salary Increment rates with all other variables held constant in the employment benefit liability measurement.

	Group		Company	
As at 31 March In LKR	2021	2020	2021	2020
Effect on the defined benefit obligation liability;				
Increase by one percentage point in discount rate	(10,048,018)	(8,440,621)	(65,516)	(100,559)
Decrease by one percentage point in discount rate	10,976,294	9,255,784	75,262	110,060
Effect on the defined benefit obligation liability;				
Increase by one percentage point in salary increment rate	11,972,675	9,912,525	75,435	120,085
Decrease by one percentage point in salary increment rate	(11,153,082)	(9,216,078)	(65,283)	(111,485)

The above sensitivity analyses are based on a change in significant assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method "Projected Unit Credit method (PUC)" has been applied as when calculating the defined benefit liability recognised in the balance sheet as at the reporting date.

The methods and types of assumptions used in preparing the sensitivity analysis has not changed compared to the prior period.

40. EMPLOYEE BENEFIT LIABILITIES (Contd.)

40.5. Maturity analysis of the payments

The following payments are expected on employees benefit liabilities in future years.

	Group		Company	
As at 31 March In LKR	2021	2020	2021	2020
- Within the next 12 months	69,986,740	65,537,252	-	300,450
- Between 1 and 2 years	62,820,053	49,627,447	-	456,486
- Between 3 and 5 years	63,201,088	61,135,838	39,292	871,427
- Between 6 and 10 years	41,613,887	33,021,651	20,683	367,652
- Beyond 10 years	25,076,013	10,867,468	10,170	234,875
Total expected payments	262,697,781	220,189,656	70,145	2,230,890
Weighted average duration of defined benefit obligation (years)	5.90	5.13	7.37	5.43

41. DEFERRED TAX LIABILITIES / ASSETS

41.1. Deferred tax assets

	Group		Company	
As at 31 March In LKR	2021	2020	2021	2020
At the beginning of the year	2,389,799,880	2,594,745,545	-	-
Charge/release - income statement	(447,448,128)	(203,270,894)	224,010,777	-
Charge/release - other comprehensive income	(2,658,697)	(1,674,771)	(32,831)	-
At the end of the year	1,889,693,055	2,389,799,880	223,977,946	-
The closing deferred tax asset balance relates to the following;				
Accelerated depreciation for tax purposes	(43,121,533)	(58,582,026)	(47,065)	-
Capital gain on land revaluation	(2,736,000)	(45,729,270)	-	-
Disallowed impairment provision	(404,280,791)	(365,807,169)	-	-
Employee benefit liabilities	13,787,728	16,304,639	9,820	-
Losses available for offset against future taxable income	2,413,568,164	2,950,197,715	217,419,974	-
Lease capital balance	(94,119,730)	(106,584,010)	-	-
Others	6,595,217	-	6,595,217	-
	1,889,693,055	2,389,799,880	223,977,946	-

The tax losses of the Group as at the reporting date was Rs.10,994 Mn resulting in a deferred tax asset of Rs. 2,483.2 Mn as at the reporting date. However, deferred tax asset has been recognised on tax losses only up to Rs. 10,703.5 Mn and balance tax losses are not considered in arriving at the deferred tax assets due to uncertainty regarding availability of future taxable profits against which the deferred tax asset would be utilized. Accordingly, the unrecognised deferred tax asset at reporting date was Rs. 69.7 Mn.

41.2. Deferred tax liabilities

As at 31 March In LKR	Group 2021	Group 2020	Company 2021	Company 2020
At the beginning of the year	-	1,142,056	-	-
Charge/release - income statement	3,098,450	(1,142,056)	-	-
Charge/release - other comprehensive income	-	-	-	-
At the end of the year	3,098,450	-	-	-
The closing deferred tax liability balance relates to the following;				
Accelerated depreciation for tax purposes	6,244,558	-	-	-
Employee benefit liabilities	(3,146,108)	-	-	-
Losses available for offset against future taxable income	-	-	-	-
	3,098,450	-		

42. COMMITMENTS AND CONTINGENCIES

42.1. Capital Commitments

As at 31 March In LKR	Group 2021	Group 2020
Approved and contracted for	251,219,433	39,971,339

42.2. Guarantees issued and in-force, and commitments for unutilised facilities

As at 31 March In LKR	Group 2021	Group 2020	Company 2021	Company 2020
Guarantees issued and in force	77,500,000	86,550,000	75,000,000	75,000,000
Commitment for unutilised facilities	772,189,810	549,808,346	-	-

42.3. Contingent Liabilities

Softlogic Life Insurance PLC (SLI)

a) Assessment in respect of Value Added Tax (VAT)

i SLI has been issued with VAT assessments by the Department of Inland Revenue for the taxable period 2010 and was determined by the Tax Appeal Commissions on 22nd August 2019. Out of total 11 assessments, 08 assessments were determined in favour of Commissioner General of Inland Revenue amounting to Rs. 46.5 Mn including the penalty and 03 assessments were determined in favour of Softlogic Life Insurance PLC amounting to Rs. 24.8 Mn 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 Mn 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 Mn 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 ending 31 March 2014 for Rs. 57.4 Mn.

SLI has filed an appeal to the Commissioner General of Inland Revenue on 08 April 2016 for the VAT assessment issued for the quarter ending 31 March 2014 on the basis that the underlying computation includes items which are exempt /out of scope of the VAT Act. The Company is awaiting the CGIR determination.

42. COMMITMENTS AND CONTINGENCIES (Contd.)

42.3. Contingent Liabilities (Contd.)

b) Assessment in respect of Value Added Tax on Financial Services (VAT on FS)

i The Commissioner General of Inland Revenue issued it's determination on the appeal filed by the Company relating to the assessment raised for Y/A 2014/15 amounting to Rs. 68.7 Mn , in favour of the Commissioner General of Inland Revenue and SLI is in the process of hearing the appeals with Tax Appeals Commission.

ii SLI has been issued with assessments by the Department of Inland Revenue on 06 August 2019 and 03 February 2020 under the Value Added Tax Act, in relation to the taxable period ending 31 December 2016 and 31 December 2017 amounting to Rs. 28 Mn and Rs.102.4 Mn respectively.

SLI has filed an appeal to the Commissioner General of Inland Revenue on 27 September 2019 and 25 February 2020 respectively 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 30 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 Mn and Rs. 13.7 Mn 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. The Company is awaiting the CGIR determination.

d) Assessment in Respect of Economic Service Charge (ESC)

i SLI has been issued with an assessment by the Department of Inland Revenue on 27 August 2020 under the Economic Service Charge Act, in relation to the taxable period ending 31 December 2017 amounting to Rs. 7.3 Mn.

SLI has filed an appeal to the Commissioner General of Inland Revenue on 16 October 2020 on the basis that the underlying computation includes items which are out of scope of the ESC Act. The Company is awaiting the CGIR determination.

e) Assessment in Respect of Life Insurance Taxation

i The Tax Appeals Commission issued it's determination on the appeal filed by the Company 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 Tax Appeals Commission issued it's determination on the appeal filed by the Company relating to the assessment raised for Y/A 2012/13 amounting to Rs. 12.4 Mn , in favour of CGIR and SLI 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.

iii The Commissioner General of Inland Revenue issued it's determination on the appeal filed by the Company relating to the assessment raised for Y/A 2011/12, 2014/15 and 2015/16 amounting to Rs. 336.4 Mn, in favour of the Commissioner General of Inland Revenue and SLI is in the process of hearing the appeals with Tax Appeals Commission.

iv The Department of Inland Revenue has raised assessments on Softlogic Life Insurance PLC for the year of assessment 2013/14, 2016/17 and 2017/18, assessing the life insurance business to pay an income tax liability of 691.3 Mn along with penalty (before deducting the available Tax credits) and the Company has lodged a valid appeal against the said assessments. SLI is awaiting the CGIR determination.

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.

42.4.1 Pending Litigation

Group

In the opinion of the Directors, and in consultation with the Company Lawyers, litigation currently pending against the Group would not have a material impact on the reported financial results of the Group.

Softlogic Finance PLC

i) The court case has been filed against Softlogic Finance PLC in the District Court of Colombo under case No. DMR 3743/19, by one 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.

42.4.2 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.

43. 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 43.1.

43.1. Right Issue of Softlogic Finance PLC

Board of Directors of Softlogic Finance PLC has resolved on 10th May 2021, to increase the Company' s Stated Capital by infusing fresh capital in a sum of Rs. 2,239,667,740/- by way of a Rights Issue to the shareholders of the Company in the proportion of 5 new Ordinary shares for each 6 existing ordinary shares held by the shareholders in the Register of Shareholders as at end of trading on the Date of entitlement at a consideration of Rs. 10/- per share.

44. SEGMENT INFORMATION

For management purposes, the Group is organized 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 specialized business loans, regular business loans, vehicle and machinery loans, personal financing, leasing and hire purchase and fund mobilization.

- 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 and Softlogic Stockbrokers (Pvt) Ltd and Softlogic Asset Management (Private) Limited which provides stockbroking services and Asset Management Services for Unit Trust Funds & private wealth holders respectively.

44. SEGMENT INFORMATION (Contd.)

	Non-banking financial institutions		Insurance		Others	
For the year ended 31 March In LKR	2021	2020	2021	2020	2021	2020
Total external revenue	2,587,277,924	3,816,976,160	17,870,909,128	13,744,574,330	478,954,373	215,853,660
Inter-segment revenue	-	-	-	-	779,990,662	154,747,512
Total revenue	2,587,277,924	3,816,976,160	17,870,909,128	13,744,574,330	1,258,945,035	370,601,171
Interest income	2,453,650,804	3,607,233,872	1,742,506,676	1,147,617,477	57,562,541	33,693,659
Interest expense	(1,919,366,285)	(2,548,472,751)	(192,281,882)	(61,817,964)	(457,947,823)	(273,021,654)
Impairment of loans and receivables	(491,731,598)	(390,137,065)	-	-	-	-
Change in insurance contract liabilities	-	-	(4,111,060,578)	(2,089,317,200)	-	-
Depreciation	(49,284,400)	(55,223,868)	(146,712,719)	(142,752,708)	(5,206,070)	(2,620,967)
Amortization	(31,058,251)	(19,535,231)	(121,967)	(1,163,344)	-	-
Employee benefits expenses	(13,596,313)	(14,093,139)	(44,229,517)	(36,748,520)	(3,723,907)	(3,581,746)
Tax expense	109,257,073	204,653,631	(822,983,510)	(415,317,212)	191,594,808	8,534,743
Profit after tax for the year	(902,851,106)	(333,959,296)	1,457,866,846	1,917,899,316	483,009,443	(293,788,704)
Total assets	20,870,008,009	21,746,592,088	34,370,486,785	24,809,622,003	8,972,274,842	6,576,605,727
Total liabilities	17,842,118,144	19,705,603,044	25,125,149,160	16,223,434,912	4,757,386,561	3,768,418,123
Other disclosures						
Additions to property, plant and equipment	12,852,092	23,872,671	81,453,388	165,002,869	3,409,446	21,220,560
Additions to intangible assets	5,689,918	142,384,966	107,450	333,500	-	-

Total segments		Adjustments and eliminations		Group total	
2021	2020	2021	2020	2021	2020
20,937,141,425	17,777,404,150	-	-	20,937,141,425	17,777,404,150
779,990,662	154,747,512	(779,990,662)	(154,747,512)	-	-
21,717,132,087	17,932,151,662	(779,990,662)	(154,747,512)	20,937,141,425	17,777,404,150
4,253,720,021	4,788,545,008	(23,082,292)	(8,873,348)	4,230,637,729	4,779,671,660
(2,569,595,990)	(2,883,312,369)	39,892,123	8,873,348	(2,529,703,867)	(2,874,439,021)
(491,731,598)	(390,137,065)	-	-	(491,731,598)	(390,137,065)
(4,111,060,578)	(2,089,317,200)	-	-	(4,111,060,578)	(2,089,317,200)
(201,203,189)	(200,597,543)	-	-	(201,203,189)	(200,597,543)
(31,180,218)	(20,698,576)	(121,959,155)	(121,959,155)	(153,139,373)	(142,657,730)
(61,549,737)	(54,423,405)	-	-	(61,549,737)	(54,423,405)
(522,131,629)	(202,128,838)	-	-	(522,131,629)	(202,128,838)
1,038,025,184	1,290,151,315	(673,390,159)	(121,959,155)	364,635,024	1,168,192,160
64,212,769,636	53,132,819,818	(5,791,395,022)	(3,096,390,947)	58,421,374,614	50,036,428,871
	-				
47,724,653,865	39,697,456,079	(777,090,422)	(187,649,980)	46,947,563,443	39,509,806,099

45. 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 an interest free and settlement occurs in cash. Interest bearing borrowings are on pre-determined interest rates and terms.

45.1. 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 of the Company and its' subsidiaries have been classified as Key Management Personnel.

Compensation to KMP

	Group		Company	
For the year ended 31 March In LKR	**2021**	**2020**	**2021**	**2020**
Short-term employment benefits	79,987,858	101,804,853	24,312,500	37,575,000

45.2. 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, children of the KMP domestic partner and dependents 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	**2021**	**2020**	**2021**	**2020**
Income statement				
Interest expense on public deposits	309,612	6,127,299	-	-
Interest income on lease & loan receivables	605,622	64,199	-	-
Insurance premiums	9,118,522	2,650,432	-	-
Professional charges	1,674,011	656,341	-	-
Statement of financial position				
Public deposits from KMPs	5,882,295	15,153	-	-
Personal loan and lease receivable from KMPs	5,932,295	1,253,547	-	-
Share transactions				
Share purchases exercising right issue entitlement	-	-	3,109,848	-

45.3. Outstanding balances arising from the related party transactions are as follows:

	Group		Company	
As at 31 March In LKR	**2021**	**2020**	**2021**	**2020**
Amount due from related companies				
Softlogic Life Insurance PLC	-	-	19,609,391	33,354,561
Softlogic Finance PLC	-	-	4,322,927	884,958
Softlogic Stockbrokers (Pvt) Ltd	-	-	1,334,917	6,217,282
Softlogic Retail (Pvt) Ltd	5,042,484	1,560,000	3,900,000	1,560,000
Softlogic Asset Management (Pvt) Ltd	-	-	-	87,399
	5,042,484	1,560,000	29,167,235	42,104,200
Amount due to related companies				
Softlogic Holdings PLC	-	5,582,483	-	4,865,665
Softlogic Corporate Services (Pvt) Ltd	329,320	795,045	329,320	227,036
Softlogic Information Technologies (Pvt) Ltd	-	1,943,521	-	-
Softlogic BPO Services (Pvt) Ltd	-	4,150,961	-	262,507
Central Hospitals Ltd	-	73,450	-	-
Nextage (Pvt) Ltd	-	336,884	-	-
Softlogic Stockbrokers (Pvt) Ltd	-	-	335,287	-
Softlogic Asset Management (Pvt) Ltd	-	-	50,365	-
Future Automobiles Pvt Ltd	-	1,410,071	-	-
	329,320	14,292,415	714,972	5,355,208

45. RELATED PARTY TRANSACTIONS (Contd.)

45.4. Transactions with group companies

Nature of the Transaction	Company	Relationship	2021	2020
Interest income	Softlogic Holdings PLC	Parent company	44,934,457	12,228,822
	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	5,691,245	129,700
Consultancy and professional fees Income	Softlogic Finance PLC	Subsidiary	4,305,000	900,000
	Softlogic Life Insurance PLC	Subsidiary	136,233,164	102,942,254
	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	30,992,305	41,281,910
	Softlogic Retail (Pvt) Ltd	Group company	4,680,000	1,560,000
Corporate guarantee fees	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	750,000	750,000
Dividend income	Softlogic Life Insurance PLC	Subsidiary	484,551,900	-
	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	100,076,000	-
Consultancy and professional fees expense	Softlogic Holdings PLC	Parent company	95,301,954	79,492,672
Secretarial fee	Softlogic Corporate Services (Pvt) Ltd.	Group company	2,449,440	2,478,126
Insurance premium expense	Softlogic Life Insurance PLC	Subsidiary	932,948	531,539
Brokerage fee and placement fee expense	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	513,794	41,428
Network support charges	Softlogic BPO Services (Pvt) Ltd.	Group company	3,420,019	3,303,212
Corporate guarantee fee expense	Softlogic Holdings PLC	Parent company	4,865,665	18,703,125
Purchase of fixed assets	Softlogic Information Technologies (Pvt) Ltd	Group company	-	628,230
Purchase of mobile vouchers	Softlogic Retail (Pvt) Ltd	Group company	30,000	130,000
Corporate debenture borrowings	Softlogic Life Insurance PLC	Subsidiary	104,155,528	104,163,008
Corporate guarantees given to	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	75,000,000	75,000,000
	Sofftlogic Holdings PLC	Parent company	1,631,002,210	1,631,002,210
Purchase of equity instruments classified at FVOCI	Softlogic Finance PLC	Subsidiary	78,995,000	-
Investment in commercial papers	Softlogic Holdings PLC	Parent company	323,291,134	600,000,000
	Softlogic Stockbrokers (Private) Limited	Subsidiary	228,608,726	15,086,301

45.5. 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 2020 audited financial statements, which required additional disclosures in the 2020/21 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 Holdings PLC	Parent company	600,000,000	16%	8%	13.67% Interest per annum will be charged from 30th March to 30th April with option to rollover monthly.*	To invest funds on a short term basis which provides higher returns as per the Company's Investment decision

This commercial paper was rolled over throughout the year 2020/21 on monthly basis and as at the end of reporting period the closing balance of this investment is Rs. 323,291,134/- and applicable closing interest rate was 9%.

(b) Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Company as per 31 March 2020 audited financial Statements, which required additional disclosures in the 2020/21 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.

46. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non controlling interest (NCI) is given below.

46.1. Summarized income statement

	Softlogic Finance PLC		Softlogic Life Insurance PLC	
For the year ended 31 March In LKR	**2021**	**2020**	**2021**	**2020**
Total operating income	2,587,277,924	3,816,976,160	17,870,909,128	13,744,574,330
Direct expenses	(2,411,097,883)	(2,938,609,818)	(7,736,177,879)	(6,178,968,429)
Net operating income	176,180,041	878,366,342	10,134,731,249	7,565,605,901
Admin, selling and other operating expenses	(1,188,288,219)	(1,416,979,269)	(3,742,820,315)	(3,143,072,174)
Change in insurance contract liabilities	-	-	(4,111,060,578)	(2,089,317,200)
Profit before tax for the year	(1,012,108,178)	(538,612,927)	2,280,850,356	2,333,216,527
Tax expense	109,257,073	204,653,631	(822,983,510)	(415,317,212)
Profit after tax for the year	(902,851,105)	(333,959,296)	1,457,866,846	1,917,899,315
Other comprehensive income	(12,242,825)	15,755,707	138,783,689	95,795,855
Total Comprehensive Income	(915,093,931)	(318,203,589)	1,596,650,535	2,013,695,170
Profit / (loss) attributable to material NCI	(188,285,935)	(76,898,038)	771,413,148	926,622,774
Dividend paid to NCI	-	-	(452,948,100)	-

46.2. Summarized statement of financial position

Total assets	20,870,008,009	21,746,592,088	34,370,486,785	24,809,622,003
Total liabilities	17,842,118,144	19,705,603,044	25,125,149,160	16,223,434,912
Accumulated balance of material NCI	360,560,515	490,618,970	4,820,378,788	4,560,837,653

46.3. Summarized cash flow information

Net cash generated from / (used in) operations	(2,099,831,759)	459,346,930	772,197,454	5,984,999,000
Net cash used in investing activities	(23,665,701)	(159,207,636)	(865,203,168)	(6,398,117,000)
Net cash generated from / (used in) financing activities	2,381,079,076	133,176,511	158,657,311	(131,095,000)
	257,581,616	433,315,805	65,651,597	(544,213,000)

46.4. The above information is based on amounts before inter-company eliminations and consolidated adjustments .

Notes to the Financial Statements

47 . 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.

47.1. Group

As at 31 March	2021			2020		
In LKR	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Cash and cash equivalents	1,353,198,128	-	1,353,198,128	686,481,769	-	686,481,769
Inventories	185,478,715	-	185,478,715	195,483,009	-	195,483,009
Amounts due from related companies	5,042,484	-	5,042,484	1,560,000	-	1,560,000
Other assets	1,487,389,469	-	1,487,389,469	1,503,319,503	-	1,503,319,503
Income tax receivable	254,134,779	-	254,134,779	259,806,702	-	259,806,702
Financial assets recognized through profit or loss	5,438,836,478	230,225,552	5,669,062,030	3,274,413,553	2,105,955,258	5,380,368,811
Financial assets measured at fair value through other comprehensive income	-	3,692,685,241	3,692,685,241	-	3,959,034,637	3,959,034,637
Financial assets at amortized cost	20,091,014,642	14,750,334,433	34,841,349,075	19,993,621,077	9,254,144,115	29,247,765,192
Lease and hire purchase receivables	611,350,805	4,651,353,286	5,262,704,091	835,044,721	1,325,239,669	2,160,284,390
Deferred tax asset	-	1,889,693,055	1,889,693,055	-	2,389,799,880	2,389,799,880
Right of use assets	-	809,387,751	809,387,751	-	1,044,972,493	1,044,972,493
Property, plant and equipment	-	1,134,547,682	1,134,547,682	-	1,223,508,366	1,223,508,366
Intangible assets	-	1,836,702,114	1,836,702,114	-	1,984,044,119	1,984,044,119
Total Assets	29,426,445,500	28,994,929,114	58,421,374,614	26,749,730,334	23,286,698,537	50,036,428,871
Liabilities						
Bank overdraft	321,559,040	-	321,559,040	856,363,831	-	856,363,831
Trade and other payables	3,525,173,597	-	3,525,173,597	2,276,441,480	-	2,276,441,480
Amounts due to related companies	329,320	-	329,320	14,292,415	-	14,292,415
Other non financial liabilities	139,199,160	-	139,199,160	55,377,265	-	55,377,265
Income tax liability	15,830,486	-	15,830,486	-	-	-
Put option liability	-	154,609,366	154,609,366	-	168,344,531	168,344,531
Interest bearing borrowings	3,168,437,056	6,826,319,124	9,994,756,180	1,950,126,212	3,799,363,222	5,749,489,434
Public deposits	11,341,132,155	3,241,184,088	14,582,316,243	12,175,140,384	4,860,255,767	17,035,396,151
Insurance contract liability	-	17,947,993,820	17,947,993,820	-	13,133,911,336	13,133,911,336
Employee benefit liabilities	-	262,697,781	262,697,781	-	220,189,656	220,189,656
Deferred tax liabilities	-	3,098,450	3,098,450	-	-	-
Total Liabilities	18,511,660,814	28,435,902,629	46,947,563,443	17,327,741,587	22,182,064,512	39,509,806,099

47.2. Company

As at 31 March	2021			2020		
In LKR	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Cash and cash equivalents	180,279,363	-	180,279,363	109,466,200	-	109,466,200
Amounts due from related companies	29,167,235	-	29,167,235	42,104,200	-	42,104,200
Other assets	13,037,861	-	13,037,861	12,021,010	-	12,021,010
Financial assets measured at fair value through other comprehensive income	-	187,047,679	187,047,679	-	109,656,045	109,656,045
Financial assets measured at amortized cost	557,050,701	-	557,050,701	619,813,445	-	619,813,445
Investment in subsidiaries	-	6,547,153,490	6,547,153,490	-	4,769,770,556	4,769,770,556
Deferred tax asset	-	223,977,946	223,977,946	-	-	-
Right of use assets	-	344,555,635	344,555,635	-	439,614,446	439,614,446
Property, plant and equipment	-	4,723,329	4,723,329	-	6,075,504	6,075,504
Total Assets	779,535,160	7,307,458,079	8,086,993,239	783,404,855	5,325,116,551	6,108,521,406
Liabilities						
Bank overdraft	405,588	-	405,588	130,125,750	-	130,125,750
Trade and other payables	34,608,722	-	34,608,722	46,305,004	-	46,305,004
Amounts due to related companies	714,972	-	714,972	5,355,208	-	5,355,208
Other non financial liabilities	567,410	-	567,410	567,156	-	567,156
Put option liability	-	154,609,366	154,609,366	-	168,344,531	168,344,531
Interest bearing borrowings	1,084,803,604	2,833,660,275	3,918,463,879	331,761,742	2,848,929,289	3,180,691,031
Employee benefit obligations	-	70,145	70,145	-	2,230,890	2,230,890
Total Liabilities	1,121,100,296	2,988,339,786	4,109,440,082	514,114,860	3,019,504,710	3,533,619,570

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.

The details relating to the performance of shares are given below.

a) Market value

	2020/21		2019/20	
	Price (Rs.)	Date	Price (Rs.)	Date
Highest during the period	5.60	07-Jan-2021	5.90	14-Feb-2020
Lowest during the period	3.00	11-May-2020	4.00	20-Mar-2020
Last traded price	4.00		4.00	

b) Trading statistics

	2020/21	2019/20
Days traded	215	206
Share volume	116,493,046	6,875,206
Turnover (Rs.)	527,499,194	35,987,154
Market Capitalization (Rs.)	3,908,748,800	2,752,640,000
Percentage of total market capitalization	0.13%	0.13%

c) Ratios and market price information

	Group		Company	
	2020/21	2019/20	2020/21	2019/20
Number of shares as at 31st March	977,187,200	688,160,000	977,187,200	688,160,000
Basic earnings per share (Rs.)	(0.12)	0.55	0.48	(0.39)
Net Assets per share (Rs.)	6.47	7.90	4.07	3.74
Dividend per share (Rs.)	-	-	-	-
Dividend payout ratio (%)	-	-	-	-

Distribution of shareholders

As at 31 March	2021			2020		
No of shares	No of shareholders	No of shares	% of total	No of shareholders	No of shares	% of total
1 – 1,000	1,001	307,863	0.03	800	219,441	0.03
1001 – 10,000	735	3,216,602	0.33	409	1,703,181	0.25
10,001 – 100,000	500	19,174,272	1.96	278	10,961,678	1.59
100,001 – 1,000,000	122	33,648,705	3.44	63	16,004,629	2.33
Over 1,000,000	19	920,839,758	94.23	11	659,271,071	95.80
Total	2,377	977,187,200	100.00	1561	688,160,000	100.00

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	999	307,277	0.03	2	586	0.00
1001 – 10,000	729	3,183,744	0.33	6	32,858	0.00
10,001 – 100,000	490	18,715,457	1.92	10	458,815	0.05
100,001 – 1,000,000	116	31,635,063	3.24	6	2,013,642	0.21
Over 1,000,000	18	916,559,758	93.80	1	4,280,000	0.44
Total	2,352	970,401,299	99.31	25	6,785,901	0.69

Composition of shareholders

a) Resident/non-resident distribution

As at 31 March	2021			2020		
No of shares	No of shareholders	No of shares	% of total	No of shareholders	No of shares	% of total
Resident	2,352	970,401,299	99.31	1,539	680,793,528	98.93
Non-resident	25	6,785,901	0.69	22	7,366,472	1.07
Total	2,377	977,187,200	100.00	1,561	688,160,000	100.00

b) Individual/institutional distribution

As at 31 March	2021			2020		
No of shares	No of shareholders	No of shares	% of total	No of shareholders	No of shares	% of total
Individual	2,223	53,149,043	5.44	1,446	25,477,940	3.70
Institutional	154	924,038,157	94.56	115	662,682,060	96.30
Total	2,377	977,187,200	100.00	1,561	688,160,000	

c) Public shareholding

As at 31 March	2021		2020	
No of shares	No of shareholders	%	No of shareholders	%
Public holding	2,371	22.76%	1,555	24.72%

According to the Section 7.6.iv in Listing Rules, the SCAP Public float is 22.76% (2019/20 – 24.72%).

As at 31 March 2021 the Float Adjusted Market Capitalization of SCAP is Rs. 889,631,227/-

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.

Investor Relations

d) Directors' shareholding

As at 31 March	2021		2020	
No of shares	No of shareholders	%	No of shareholders	%
Mr. A.K. Pathirage	2,847,872	0.29	2,005,544	0.29
Mr. T.M.I. Ahamed	-	-	-	-
Mr. R.J. Perera	-	-	-	-
Mr. L. Wijewardena	142,000	0.01	100,000	0.01
Mr. A. Pasqual	14,200	0.001	10,000	0.001
Mr. H. Premaratne	-	-	-	-
Mr. A. Russell-Davison	-	-	-	-
Mr. S. Somasunderam	1,000,000	0.10	-	-
Mr. A.C.M. Lafir	-	-	-	-

e) Top twenty shareholders

	As at 31 March 2021	
Name	No. of shares	%
Softlogic Holdings PLC	750,760,543	76.83
ARRC Capital (Pvt) Limited	81,956,490	8.39
Melstacorp PLC	40,000,000	4.09
Rosewood (Pvt) Limited	23,384,331	2.39
Striders Corporation	4,280,000	0.44
Mr. Dinesh Nagendra Sellamuttu	3,000,142	0.31
Mr. Asoka Kariyawasam Pathirage	2,847,872	0.29
Mr. Amarakoon Mudiyanselage Weerasinghe	2,512,056	0.26
Mr. Lintotage Kevin Marc Fernando & Mr. L. U. D. Fernando	2,057,572	0.21
Mr. R. Kannan	1,610,000	0.16
Mr. Kulappu Arachchige Don Anurada Perera	1,529,393	0.16
M Investments Lanka (Pvt) Ltd	1,400,000	0.14
Mr. Lokukankawange Rehanyadesh Waidyaratne	1,300,000	0.13
Mr. Kavin Kannan Karunamoorthy	1,118,500	0.11
Vanik Incorporation Limited	1,050,000	0.11
Mr. Dueleep Fairlie George Dalpethado & Mrs. H. F. A. K. D. Fonseka	1,032,759	0.11
Ms. Sonali Senaratna	1,000,100	0.10
Mr. Dickowita Kankanamge Athula Kithsiri Weerathunga	1,000,000	0.10
Mr. Shanker Varadananda Somasunderam	1,000,000	0.10
Mr. Subramaniam Mohanadas	830,436	0.08
Mr. Ruwan Prasanna Sugathadasa	771,445	0.08
	924,441,639	94.60
Other Shareholders	52,745,561	5.40
Total	977,187,200	100.00

Name	As at 31 March 2020 No. of shares	%
Softlogic Holdings PLC	515,952,743	74.98
ARRC Capital (Pvt) Limited	70,329,246	10.22
Melstacorp PLC	40,000,000	5.81
Rosewood (Pvt) Limited-	23,127,505	3.36
Striders Corporation	4,280,000	0.62
Mr. Asoka Kariyawasam Pathirage	2,005,544	0.29
Mr. Lintotage Kevin Marc Fernando & Mr. L. U. D. Fernando	1,448,995	0.21
Mr. Kulappu Arachchige Don Anurada Perera	1,077,038	0.16
Vanik Incorporation Limited	1,050,000	0.15
Mr. Damian Amal Cabraal	750,000	0.11
Mr. Ravindra Earl Rambukwella	735,000	0.11
Mr. Dueleep Fairlie George Dalpethado & Mrs. H. F. A. K. D. Fonseka	712,637	0.10
Mr. Rahul Gautam	665,998	0.10
Dr. Sena Yaddehige	575,000	0.08
Mr. Gerald Dave Michael Ranasinghe & Mrs. O. R. K. Ranasinghe	500,000	0.07
Mr. Hiran Anthony Cabraal	500,000	0.07
Mr. Sri Dhaman Rajendram Arudpragasam	500,000	0.07
Mr. Udena Dhananjaya Wickremesooriya & Mrs. S. F. Wickremesooriya	500,000	0.07
Miss. Mayanathi Shelani Withanachchi Gunawardana	456,218	0.07
Seylan Bank Limited/Ruwan Prasanna Sugathadasa	419,469	0.06
Mr. C. W. Vandort	400,300	0.06
Weerasinghe Property Development (Pvt) Ltd	400,000	0.06
Mr. Premarajah Pranavan	350,000	0.05
	665,985,693	96.89
Other Shareholders	21,424,307	3.11
Total	688,160,000	100.00

The details relating to the performance of debentures are given below.

Rated, Senior, Unsecured, Redeemable Debentures of the Company are listed in the Colombo Stock Exchange.

Debenture categories	CSE listing	Interest payable frequency	Market values for the year ended 31.03.2021 Highest	Lowest	Period end	Interest rates Coupon rate %	Effective annual yield %	Interest rate of comparable government security
Fixed Rate	SCAP-BD-19/12/23-C2437-14.75	Semi annually	Not traded during the current period		100.00	14.75%	14.47%	7.08%
Fixed Rate	SCAP-BD-19/12/24-C2440-14.5	Monthly	106.00	92.12	106.00	14.50%	14.59%	7.08%
Fixed Rate	SCAP-BD-19/12/24-C2439-15	Semi annually	103.35	93.81	102.00	15.00%	14.66%	7.08%
Floating Rate	SCAP-BD-19/12/24-C2438	Semi annually	Not traded during the current period		100.00	9.20%	8.42%	7.08%

Ratios

	Company 2020/21	2019/20
Debt/equity ratio	0.99	1.29
Interest cover	1.38	0.01
Quick asset ratio	1.97	1.52

Credit Rating

The issue rating of [SL]BBB+ (pronounced SL triple B plus) on watch with developing implications has been assigned for the Senior, Unsecured, Listed, Redeemable debentures of Softlogic Capital PLC amounting to LKR 1,500Mn.

The Company presently has an issuer rating of [SL]BBB+ (pronounced SL triple B plus) on watch with developing implications.

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 during the financial year were directors of the Entity	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 45 to 47)	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 64)	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 31st March 2021 is provided on “Investor Relation” information section (refer Page 168)	Complied
7.6 (iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	The details of the public shareholding are available on Page 167.	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 Page 168.	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 84 to 96)	Complied
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the entity	The Company did not encounter any material issue relating to employees and industrial relations during the year 2020/21	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 29 to the Financial Statements on “Property, Plant and Equipment”. (Refer Page 133)	Complied
7.6 (ix)	Number of shares representing the entity’s stated capital	Total number of shares is 977,187,200 which are ordinary shares with voting rights. (Refer Note 31 on Page 138)	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 Pages 166 and 167.	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 169)	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 Group at the end of the financial year. (Refer Note 29 on Page 133)	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 has raised funds to increase its Stated Capital during the year in the form of a right issue. (Refer Note 31 on Page 138)	Complied
7.6 (xiv)	Employee Share Option Schemes and Employee Share Purchase Schemes	There is no any "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 Report (Refer Pages 24 to 36)	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 last 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 45 on Pages 160 to 162.	Complied

Five Year Performance - Group

For the year ended 31 March In LKR	2021	2020	2019	2018 (Restated)	2017 (Restated)
Continuing Operations					
Revenue					
Interest income	4,230,637,729	4,779,671,661	4,651,237,930	4,338,467,021	4,106,283,850
Fee and trading income	15,558,168,011	12,207,716,893	10,243,184,844	8,011,596,325	5,906,350,599
Other income and gains	520,415,775	114,522,104	131,737,820	215,555,788	164,850,672
Net realized gains/(losses)	245,427,071	83,133,984	(17,342,944)	(17,640,913)	(2,572,299)
Net fair value gains/(losses)	306,540,503	480,253,993	(100,321,534)	205,416,929	38,850,582
Dividend income	75,952,336	112,105,515	112,921,877	114,808,545	85,479,401
Total Revenue	**20,937,141,425**	**17,777,404,150**	**15,021,417,993**	**12,868,203,695**	**10,299,242,805**
Direct Expenses					
Interest expenses	(2,529,703,867)	(2,874,439,021)	(2,690,108,292)	(2,752,871,892)	(2,487,157,687)
Other direct expenses	(7,697,926,441)	(6,214,714,335)	(4,839,691,955)	(3,413,750,676)	(2,892,759,469)
Credit loss expense on financial assets and other assets	(491,731,598)	(390,137,065)	(189,681,869)	(258,878,023)	(440,821,511)
Operating profit	**10,217,779,519**	**8,298,113,729**	**7,301,935,877**	**6,442,703,104**	**4,478,504,138**
Administrative expenses	(3,956,830,660)	(3,790,169,636)	(3,902,485,732)	(3,182,079,694)	(2,462,210,724)
Distribution cost	(786,331,204)	(853,645,419)	(883,504,546)	(683,895,179)	(601,500,459)
Change in insurance contract liabilities	(4,111,060,578)	(2,089,317,200)	(1,152,036,877)	(1,474,027,509)	(82,439,974)
Change in contract liability due to transfer of one-off surplus	-	-	-	798,004,000	-
Other operating expenses	(476,790,424)	(194,660,476)	(331,356,548)	(263,359,809)	(236,180,216)
Profit before tax for the year from continuing operations	**886,766,653**	**1,370,320,998**	**1,032,552,174**	**1,637,344,913**	**1,096,172,765**
Taxation	(522,131,629)	(202,128,838)	2,169,047,916	419,202,977	(109,711,397)
Profit after tax for the year from continuing operations	**364,635,024**	**1,168,192,160**	**3,201,600,090**	**2,056,547,890**	**986,461,368**
Discontinued operations					
Profit for the year from discontinued operations (Net of tax)	-	-	-	-	(111,005,995)
Gain on disposal of discontinued operations	-	-	-	-	314,113,601
Profit for the year from discontinuing operations	**-**	**-**	**-**	**-**	**203,107,606**
Profit for the Year	**364,635,024**	**1,168,192,160**	**3,201,600,090**	**2,056,547,890**	**1,189,568,974**
Attributable to :					
Equity holders of the parent	(95,226,898)	377,385,892	1,579,478,202	960,742,149	748,467,215
Non-controlling interests	459,861,922	790,806,268	1,622,121,888	1,095,805,741	441,101,759
Profit for the year	**364,635,024**	**1,168,192,160**	**3,201,600,090**	**2,056,547,890**	**1,189,568,974**

Five Year Performance - Company

For the year ended 31 March In LKR	2021	2020	2019	2018	2017
Revenue					
Interest income	51,547,762	24,676,134	11,258,892	11,505,748	231,551
Fee & trading income	176,210,469	153,983,871	120,269,653	116,880,774	144,043,825
Other income & gains	14,485,272	10,295,208	804,000	242,241,466	941,866
Net realized gains/(losses)	-	-	-	(1,711,674)	-
Dividend income	586,701,808	1,818,589	282,003,751	65,983,268	584,421,541
Total Revenue	**828,945,311**	**190,773,802**	**414,336,296**	**434,899,582**	**729,638,783**
Direct Expenses					
Interest expenses	(444,070,552)	(269,369,077)	(210,403,468)	(184,036,573)	(172,324,026)
Other direct expenses	(25,777,217)	(38,038,205)	(26,427,204)	(4,767,888)	(4,767,888)
Operating Profit	**359,097,542**	**(116,633,480)**	**177,505,624**	**246,095,121**	**552,546,869**
Administrative expenses	(133,612,995)	(129,460,559)	(109,592,146)	(102,606,811)	(74,379,881)
Distribution cost	(15,389,031)	(117,958)	-	-	-
Other operating expenses	(40,731,782)	(21,152,835)	(18,898,135)	(18,817,789)	(2,547,388)
Profit /(loss) before taxation	**169,363,734**	**(267,364,832)**	**49,015,343**	**124,670,521**	**475,619,600**
Taxation	224,010,777	-	-	(16,854,006)	(42,142)
Profit /(loss) for the year	**393,374,511**	**(267,364,832)**	**49,015,343**	**107,816,515**	**475,577,458**

Five Year Financial Position - Group

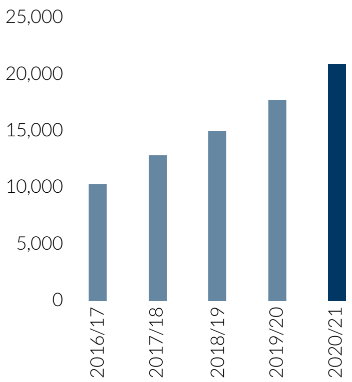
As at 31 March In LKR	2021	2020	2019	2018 (Restated)	2017 (Restated)
ASSETS					
Cash and cash equivalents	1,353,198,128	686,481,769	1,536,697,666	1,475,608,741	1,209,502,700
Inventories	185,478,715	195,483,009	174,242,864	131,740,333	115,944,123
Amounts due from related companies	5,042,484	1,560,000	3,221,687	-	-
Other assets	1,487,389,469	1,503,319,503	1,550,921,551	1,061,570,465	848,683,835
Income tax receivable	254,134,779	259,806,702	244,628,628	158,492,309	115,009,014
Financial assets including Lease and HP	49,465,800,437	40,747,453,030	32,780,765,727	31,110,141,209	29,240,567,671
Deferred tax asset	1,889,693,055	2,389,799,880	2,594,745,545	420,096,960	14,759,960
Right of use assets	809,387,751	1,044,972,493	-	-	-
Property, plant and equipment	1,134,547,682	1,223,508,366	1,158,622,209	1,133,100,848	881,421,605
Intangible assets	1,836,702,114	1,984,044,119	1,983,983,383	2,219,072,203	2,431,365,146
TOTAL ASSETS	**58,421,374,614**	**50,036,428,871**	**42,027,829,261**	**37,709,823,068**	**34,857,254,054**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	3,891,595,200	2,880,000,000	2,880,000,000	2,880,000,000	2,880,000,000
Reserve fund	260,448,732	260,448,732	260,448,732	219,654,894	175,901,761
Fair value reserve	(993,743,319)	(937,358,385)	(996,507,130)	(714,008,817)	(1,010,688,724)
Revaluation reserve	147,984,005	137,539,815	106,179,900	97,629,759	75,190,729
Restricted regulatory reserve	798,004,000	798,004,000	798,004,000	798,004,000	-
Retained earnings	2,218,369,539	2,299,402,012	2,129,952,228	1,022,573,471	855,369,760
Shareholders' funds	6,322,658,157	5,438,036,174	5,178,077,729	4,303,853,307	2,975,773,526
Non-controlling interest	5,151,153,014	5,088,586,598	4,176,614,544	3,608,032,955	1,750,882,088
Total Equity	**11,473,811,171**	**10,526,622,772**	**9,354,692,274**	**7,911,886,262**	**4,726,655,614**
Liabilities					
Bank overdraft	321,559,040	856,363,831	1,287,753,240	675,884,962	1,228,013,221
Trade payables	3,525,173,597	2,276,441,480	1,718,261,224	1,593,239,452	1,285,435,152
Amounts due to related companies	329,320	14,292,415	14,459,706	-	-
Other non financial liabilities	139,199,160	55,377,265	277,005,461	163,540,784	150,107,210
Income tax liability	15,830,486	-		-	-
Put option liability	154,609,366	168,344,531	9,356,708	9,356,708	9,356,708
Interest bearing borrowings	9,994,756,180	5,749,489,434	3,899,015,987	3,717,692,519	4,758,843,537
Public deposits	14,582,316,243	17,035,396,151	17,002,497,953	16,319,290,090	16,048,473,927
Insurance contract liability	17,947,993,820	13,133,911,336	8,309,627,446	7,192,590,569	6,516,567,060
Employee benefit liabilities	262,697,781	220,189,656	154,017,206	125,400,068	99,508,152
Deferred tax liabilities	3,098,450	-	1,142,056	941,654	34,293,473
Total Liabilities	**46,947,563,443**	**39,509,806,099**	**32,673,136,987**	**29,797,936,806**	**30,130,598,440**
TOTAL EQUITY AND LIABILITIES	**58,421,374,614**	**50,036,428,871**	**42,027,829,261**	**37,709,823,068**	**34,857,254,054**

Five Year Financial Position - Company

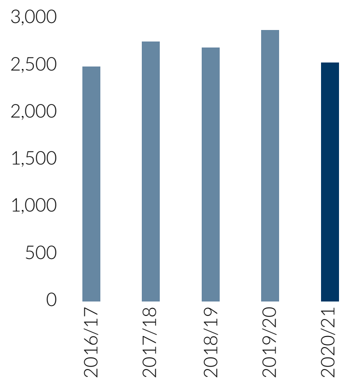
As at 31 March In LKR	2021	2020	2019	2018	2017
ASSETS					
Cash and cash equivalents	180,279,363	109,466,200	316,780,811	137,877,254	40,284,332
Amounts due from related companies	29,167,235	42,104,200	4,851,081	7,073,788	3,906,232
Other non financial assets	13,037,861	12,021,010	5,918,023	9,011,342	4,242,167
Financial assets	744,098,380	729,469,490	25,577,722	87,307,878	12,037,518
Investments in subsidiaries	6,547,153,490	4,769,770,556	4,232,786,320	4,038,717,608	4,379,616,474
Deferred tax asset	223,977,946	-	-	-	14,759,960
Right of use assets	344,555,635	439,614,446	-	-	-
Property, plant and equipment	4,723,329	6,075,504	691,775	-	-
TOTAL ASSETS	**8,086,993,239**	**6,108,521,406**	**4,586,605,732**	**4,279,987,870**	**4,454,846,683**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	3,891,595,200	2,880,000,000	2,880,000,000	2,880,000,000	2,880,000,000
Fair value reserve	(21,442,293)	(18,922,229)	(2,348,680)	1,109,531	(2,860,354)
Retained earnings	107,400,250	(286,175,935)	149,453,746	100,741,146	268,188,631
Shareholders' funds	3,977,553,157	2,574,901,836	3,027,105,066	2,981,850,677	3,145,328,277
Non-controlling interest	-	-	-	-	-
Total Equity	**3,977,553,157**	**2,574,901,836**	**3,027,105,066**	**2,981,850,677**	**3,145,328,277**
Liabilities					
Bank overdraft	405,588	130,125,750	137,515,959	8,863,078	5,917,819
Trade and other payables	34,608,722	46,305,004	24,212,237	-	-
Amounts due to related companies	714,972	5,355,208	6,269,580	-	-
Other non financial liabilities	567,410	567,156	5,735,250	7,917,407	3,943,879
Put option liability	154,609,366	168,344,531	9,356,708	9,356,708	9,356,708
Interest bearing borrowings	3,918,463,879	3,180,691,031	1,375,000,000	1,272,000,000	1,290,300,000
Employee benefit liabilities	70,145	2,230,890	1,410,932	-	-
Total Liabilities	**4,109,440,082**	**3,533,619,570**	**1,559,500,666**	**1,298,137,193**	**1,309,518,406**
TOTAL EQUITY AND LIABILITIES	**8,086,993,239**	**6,108,521,406**	**4,586,605,732**	**4,279,987,870**	**4,454,846,683**

Five Year Summary - Graphical Presentation

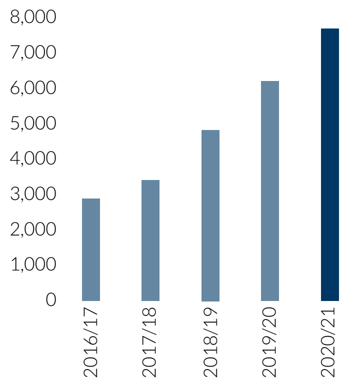
Total Revenue (Rs. Mn)



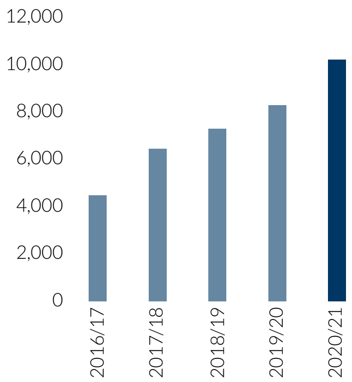
Interest Expenses (Rs. Mn)



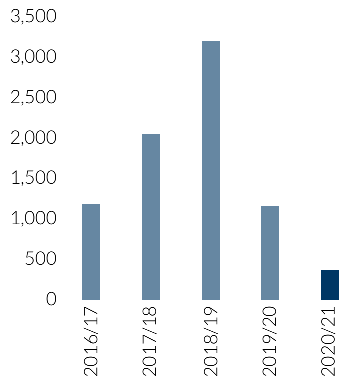
Other Direct Expenses (Rs. Mn)



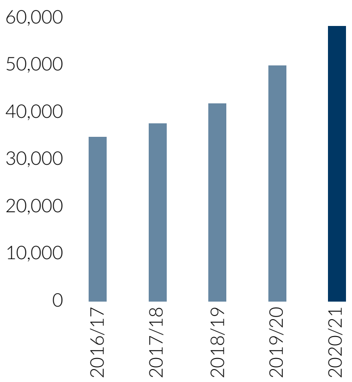
Operating Profit (Rs. Mn)



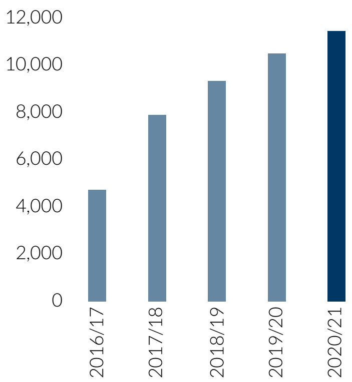
Profit for the Year (Rs. Mn)



Total Assets (Rs. Mn)



Total Equity (Rs. Mn)



Notice of Meeting

NOTICE IS HEREBY GIVEN that the 14th Annual General Meeting of the Company will be held by electronic means on 17th August, 2021 at 10.30 a.m. centred at Level 16, One Galle Face Tower, Colombo 02 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 31st March 2021 together with the Report of the Auditors thereon.

(2) To re-elect Mr. Ranjan Perera 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. Aashiq Lafir who retires by rotation in terms of Articles 88 and 89 of the Articles of Association, as a Director of the Company.

(4) To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

(5) To authorise the Directors to determine and make donations for the year ending 31 March 2022 and up to the date of the next Annual General Meeting.

By Order of the Board,

SOFTLOGIC CAPITAL PLC

(Sgd)
SOFTLOGIC CORPORATE SERVICES (PVT) LTD.
Company Secretaries

Colombo
26th July 2021

Notes

1. A Shareholder who is entitled to participate, speak and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her by electronic means as per the attached guidelines.

2. A proxy need not be a Shareholder of the Company.

3. The Form of Proxy is enclosed for this purpose.

4. Shareholders are advised to follow the Guidelines and Attendance Registration Process for the Annual General Meeting attached hereto.

Notes

Form of Proxy

*I/We .... of

.... being* a member/ members of

SOFTLOGIC CAPITAL PLC, do hereby appoint ....of

.... or failing *him/her

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. A Russell-Davison	of Colombo or failing him
Mr. A C M Lafir	of Colombo or failing him
Mr. V S Somasunderam	of Colombo

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the 14th Annual General Meeting of the Company to be held by electronic means on 17th August, 2021 at 10.30 a.m. 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 2021 together with the Report of the Auditors thereon.		
2.	To re-elect Mr. Ranjan Perera 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. Aashiq Lafir who retires by rotation in terms of Articles 88 and 89 of the Articles of Association, as a Director of the Company.		
4.	To re-appoint retiring Auditors Messrs. Ernst & Young and to authorise the Directors to fix their remuneration.		
5.	To authorise the Directors to determine and make donations for the year ending 31 March 2022 and up to the date of the next Annual General Meeting.		

Signed this .... day of .... Two Thousand and Twenty One.

....

Signature of Shareholder

*Please delete as appropriate

Note :

1. A proxy need not be a shareholder of the Company.
2. Instructions as to completion appear overleaf.

Form of Proxy

INSTRUCTIONS FOR COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The completed Proxy should be forwarded to the Company for deposit at the Registered Office through the Company Secretaries, Softlogic Corporate Services (Pvt) Ltd, No.14, De Fonseka Place, Colombo 05 marked "Softlogic Capital PLC – 14th Annual General Meeting" or email corporateservices@softlogic.lk not later than 48 hours before the time appointed for the Meeting.

   In forwarding the completed and duly signed Proxy to the Company, please follow the Guidelines and Attendance Registration Process for the Annual General Meeting attached to the Notice of Annual General Meeting.

3. The Proxy shall –

   (a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a Company or Corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or Corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)

4. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

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. A. Russell-Davison
Independent Non-Executive Director
Mr. S. Somasunderam
Independent Non-Executive Director
Mr. A. C. M. Lafir
Non-Executive Director

Board Sub Committees

Audit Committee
Mr. W. L. P. Wijewardana - Chairman
Mr. A. M. Pasqual
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	85.07
Softlogic Life Insurance PLC	51.69
Softlogic Stockbrokers (Pvt) Ltd	100
Softlogic Asset Management (Pvt) Ltd.	100

Designed & produced by
emagewise

SOFTLOGIC CAPITAL PLC
Level 16, One Galle Face Tower,
Colombo 02, Sri Lanka.

Tel : +94 11 2018779
www.softlogiccapital.lk