ANNUAL REPORT 2019/20

LOLC

imagine
the possibilities

ANNUAL REPORT 2019/20

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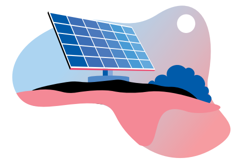
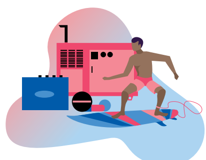
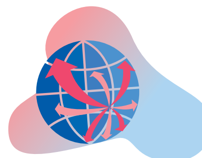






About Us

20,000++
Financial Professionals

1.8 Mn
Customers

USD 1.2 Bn
Customer Deposits

USD 2.1 Bn
Loan Book Value

100++
Funding Partners

The LOLC Group has rapidly evolved into being the biggest Non-Banking Financial Institution and one of the biggest and most diversified conglomerates in the country. Besides a range of financial products and services, our portfolio includes leisure, plantations, agri-inputs, renewable energy, construction, manufacturing and trading and other strategic investments.

Our footprint in Sri Lanka spans every district, from the rural hinterlands to major cities and we have enduring business partnerships with a host of financial and developmental organisations across the world. We have significantly successful financial services investments in Cambodia, Myanmar, Pakistan, Indonesia, the Philippines, Nigeria and Zambia; business operations in Maldives and Sierra Leone as well as corporate offices in Singapore, UAE and Mauritius and we continue to expand our international presence by actively seeking new opportunities in the region.

As a leading player in Sri Lanka's SME and microfinance sectors, the LOLC Group has been a catalyst in facilitating financial inclusion. Our role in microfinance has enabled us to benefit many people and communities, whilst striving to maximise environmental benefits through green operations and processes in line with our triple bottom line focus in all we do. The Group's business interests are in key growth areas of the economy and we are confident that LOLC will grow further both in potential and in value creation for the many stakeholders and partners that we serve.

Group Structure

LOLC
imagine the possibilities

LOLC FINANCE

LOLC DEVELOPMENT FINANCE

LOLC SECURITIES

LOLC LIFE ASSURANCE

LOLC GENERAL INSURANCE

LOLC Factors

LOLC Investments

LOLC Technologies

LOLC CAPITALOne

LOLC MOTORS

LOLC ADVANCED TECHNOLOGIES

MYANMAR MICRO FINANCE

LOLC (Cambodia) Plc.

CLC COMMERCIAL LEASING & FINANCE

LOLC FINANCE ZAMBIA

LOLC VENTURA (INDONESIA)

Fina Trust Microfinance Bank (NIGERIA)

Pak Oman Microfinance Bank Limited (PAKISTAN)

LOLC ASKI FINANCE Inc. (PHILIPPINES)

LOLC BANK PHILIPPINES
A Thrift Bank

Cambodia, Myanmar, Pakistan, Indonesia, Philippines, Zambia & Nigeria Strategic Foreign Investments (In the Microfinance Sector)

AL-FALAAH
ALTERNATE FINANCIAL SERVICES

SEYLAN BANK PLC
The bank with a heart

Ceylon Graphene Technologies

Browns
A Heritage of Trust

Browns
Browns Automotive & Hardware

Browns
Browns Agri & Heavy Equipment

Browns
Browns Pharma, Comsumer & Integrated Engineering Solutions

Browns
A Heritage of Trust
ប្រោន ម៉ាស៊ីនើរី (ខេមបូឌា) ឯ.ក
Browns Machinery (Cambodia) Co. Ltd.

Browns
Investments

Gal-Oya Plantations (Pvt) Limited

AgStar

sierra

AJAX

MATURATA

SAGASOLAR POWER (PRIVATE) LIMITED
SGP
Towards Green Energy

Browns
Commodities & Logistics

SIERRA LEONE

SUNBIRD

Browns
Engineering & Construction

Browns
HOTELS & RESORTS

THE EDEN RESORT & SPA

THE Paradise RESORT & SPA

SHERATON
Kosgoda Turtle Beach Resort

THE CALM RESORT & SPA

DICKWELLA RESORT & SPA

Riverina Resorts

EXCEL WORLD

Ceylon Roots

Browns Tours

Maldives

nasandhura

Bodufarufinolhu

Bodufinolhu

Three Island
North Male

Awards and Certifications

> This year, LOLC achieved numerous awards and accolades for the Company's efforts, as we continued to uplift communities and realign our business goals and strategies in order to improve our service standards. As our motivated team journeys along a pathway to achieve far more in the years to come, we are confident that the trust and faith of our stakeholders will ensure business continuity.

For the fourth consecutive year, LOLC won the Financial Service Provider of the Year award at the SLIM-Nielsen People's Awards 2020.

LOLC was named one of Sri Lanka's Most Admired Companies

LOLC Placed at number 3 in the Business Today Top 30

LankaPay
Technnovation Awards

LOLC Finance was awarded the Gold Award for Non-Banking Financial Institution of the year for Customer Convenience.

International Business
Magazine Awards

iPay was recognised as the Best Payment Platform, Sri Lanka for 2019 by the International Business Magazine Awards.

LankaPay
Technnovation Awards

LOLC Finance secured the Overall Gold Award for Excellence in Inter-Bank Payments amongst Non-Banking Financial Institutions.

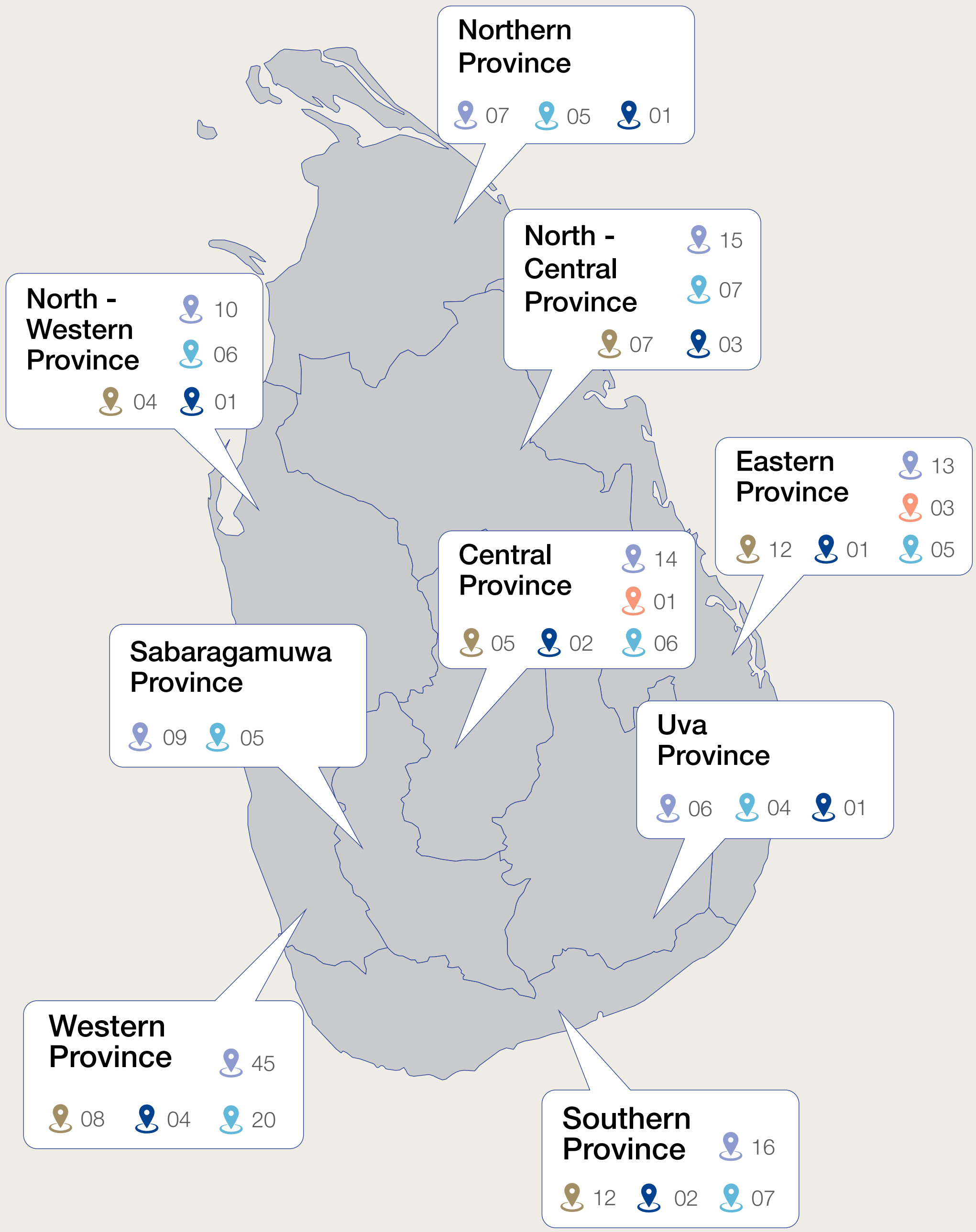
IFN Best Islamic Bank
Sri Lanka Award

IFN Best Islamic Provider
Global Award

Funding Partners

LOLC's achievement as a partner in uplifting communities was made possible by its longstanding international funding agencies which have extended the financial support the Group needed to achieve its developmental goals. Today, LOLC has forged partnerships with over 100 funding partners worldwide, whose commitment has sustained our sustainable inclusive financing approach to empower lives.

Our Local Presence



as at 31st March

- LOLC Finance Footprint
- Browns
- LOLC Finance, Al-Falaah Centres
  LOLC Finance, Al-Falaah Service Centres
- LOLC Development Finance, Branches and Service Centres
- Commercial Leasing & Finance (CLC) Branches

Our Global Presence

Financial Highlights

For the year ended	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
Group										
Performance Indicators - Rs. Mn										
Net profit before tax	8,282	7,068	3,706	4,436	8,169	11,858	24,379	24,655	26,818	**27,125**
Net profit after tax	7,023	5,704	2,552	3,069	6,299	9,331	20,921	19,190	19,636	**19,792**
Total assets	113,070	145,204	162,982	167,175	244,917	379,595	640,925	822,239	1,043,747	**1,335,919**
New executions	47,392	58,233	48,119	65,299	113,048	191,135	152,558	172,673	129,588	**129,099**
Gross portfolio (Rentals receivable)	70,077	105,932	107,038	112,747	172,784	216,763	427,365	560,845	723,822	**923,594**
Deposits from customers	17,899	26,233	35,397	49,615	50,587	74,166	211,128	307,529	452,075	**563,942**
Outstanding borrowings	49,256	65,425	72,946	68,368	119,232	215,076	294,115	341,549	387,934	**503,824**
Non-performing portfolio	1,159	1,702	3,071	3,354	4,014	5,054	7,736	10,187	16,791	**27,140**
Return on equity (%)	25.88	14.62	5.90	7.05	13.16	25.84	35.54	15.05	14.43	**12.20**
Key Indicators - Rs. per share										
Net asset value per share (adjusted)	27.53	41.22	43.96	47.64	59.41	79.33	123.84	148.28	181.09	**194.72**
Earnings per share (adjusted)	8.08	12.00	5.37	3.19	11.37	17.93	36.11	20.47	23.76	**22.93**
Company										
Performance Indicators - Rs. Mn										
Net profit before tax	1,898	3,072	68	689	458	835	10,149	4,763	(3,106)	**(9,094)**
Net profit after tax	1,523	2,977	34	694	504	689	9,777	4,699	(3,184)	**(9,213)**
Total assets	54,213	58,028	53,239	49,254	62,609	75,494	102,007	110,723	124,996	**146,241**
New executions	5,036	3,926	271	-	-	-	-	-	-	**-**
Gross portfolio (rentals receivable)	11,897	7,704	3,881	2,134	1,378	1,848	850	2,414	2,535	**5,565**
Outstanding borrowings	22,379	23,807	19,738	14,254	25,016	38,369	52,698	54,241	69,895	**95,413**
Non-performing portfolio	545	500	357	178	168	168	153	149	151	**151**
Key Indicators - Rs. per share										
Dividends per share	-	-	0.50	-	-	-	-	-	-	**-**
Market price per share	119.60	54.00	60.70	75.00	76.60	72.00	61.00	118.00	88.90	**88.90**
Net asset value per share	15.67	69.97	68.86	71.82	73.44	74.71	98.89	108.85	101.49	**98.97**
Debt to equity ratio - Times	3.00	0.72	0.60	0.42	0.72	1.08	1.12	1.05	1.52	**2.05**
Interest cover - Times	1.80	2.19	1.02	1.25	1.27	1.26	2.93	1.78	0.61	**0.15**
Dividend cover - Times	-	-	0.14	-	-	-	-	-	-	**-**

Deputy Chairman's Message

> The reason for my optimism is that even with some of the premature investments in the portfolio, 80% of our Profit Before Tax is derived from overseas investments, which assures our partners and shareholders that our diversified business interests will always enable the Group to achieve growth regardless of challenges in Sri Lankan operations.

Dear Stakeholder,

The 41st Annual General Meeting of LOLC Holdings PLC for the financial year 2019/20 is an apt occasion to announce the good news to our shareholders and stakeholders that LOLC, as a diversified conglomerate, has achieved the distinction of being the most profitable listed entity in Sri Lanka for two years in a row, with USD 7.083 Bn in total assets and a considerable footprint overseas. Reflecting this strength, the Audited Financial Statements I place before you for the year under review mirror the resilience of the Group, which was able to record a marginal increase in Profit After Tax to reach Rs. 19.8 Bn compared to Rs. 19.64 Bn in the previous year, notwithstanding the dismal economic and political climate that prevailed during the period. The reason for my optimism is that even with some of the premature investments in the portfolio, 80% of our Profit Before Tax is derived from overseas investments, which assures our partners and shareholders that our diversified business interests will always enable the Group to achieve growth regardless of challenges in Sri Lankan operations.

FINANCIAL SERVICES SECTOR

LOLC's local operations performed to the best of their ability against a backdrop of multiple shocks to the economy, consisting of the Easter Sunday attacks in April 2019, followed by the Presidential Elections end of 2019 and then the outbreak of the COVID-19 pandemic in March 2020, which fortunately did not impact the year under review in any significant manner although it will cast a shadow on how the local and global economy will recover in the next financial year.

The damage wreaked by the then government's debt waiver in 2018 had already caused irrevocable damage to Sri Lanka's microfinance sector; the concession was only granted to arrears clients discouraging the regular clients. This adversely affected the healthy recovery ratios of over 90% maintained until that point, one of the main reasons for us having the attention of many development financial institutions. The shock to the system and the trickledown negativity is evident to date even after 18 months. The industry will take even longer to recover because it has effectively pushed customers back into the clutches of the informal lending market, since the formal sector was reluctant to increase exposure under these circumstances.

Deputy Chairman's Message

Nevertheless, LOLC Finance remained the highest asset-based company by far in the industry with a total asset value in excess of Rs. 192 billion. During the year ended 31st March 2020, LOLC Finance reported a strong profit signature while maintaining its deposit book. The company was bestowed with several accolades such as the 'Financial Institution of the Year for Customer Convenience' and 'Overall Gold Award for Excellence in Interbank Payments' at the 2019 Technnovation Awards. Its Alternate Finance arm, Al-Falaah bagged some of the topmost awards at the IFN Best Banks Global Awards, namely, the 'Best Islamic Leasing Provider' in the International category and 'Best Islamic Bank in Sri Lanka' for the second successive year, competing against global industry giants. LOFC's rating remained strong at 'A' stable with ICRA Sri Lanka.

Commercial Leasing & Finance PLC (CLC) demonstrated resilience and ended FY 2019/20 with a strong profit signature, while the gross six-month NPL ratio was far below the industry average. CLC experienced a rise in customer deposits which truly reflects the public perception of the company as a reliable and trustworthy financial services partner. It also sustained its rating of 'A' stable with ICRA Lanka.

Similarly, LOLC Development Finance (LODF)'s strong balance sheet was further affirmed by ICRA Lanka, improving its ratings to A- stable on the basis of its adequate capital structure and asset liability maturity profile. Despite experiencing volatile conditions in the Microfinance sector during the 2019/20 financial year, LOLC Development Finance was able to surmount prevailing challenges to deliver improved profitability in the year under review, which reflects the financial prudence and expertise that underscores its operations.

LOLC's aggressive focus on the digitalisation of its businesses and expansion of its digital platforms has positioned it as a major fin-tech player. The digital payment platform, iPay, is enabling the Group to aggregate all its financial services. iPay was also launched in Cambodia this year, with implementation plans in place for launch in Myanmar, Pakistan and Indonesia. The digital payment platform has helped LOLC in customer acquisition and to gain transaction volumes. As a tech-savvy global player, LOLC will continuously invest in technology and technology-enabled services to become a predominantly 'phygital' financial service provider.

During the year under review, LOLC's two Insurance companies performed well, growing both captive and non-captive business, which demonstrates that the two entities are on the right path in a fiercely contested sector. Both Life and General Insurance businesses achieved regional expansion through Direct and Personal line channels, Broker Unit, Bancassurance and strategic partnerships as well as through LOLC's branch network.

Meanwhile, our associate company, Seylan Bank, recorded positive growth, crossing Rs. 500 Bn in total assets. Despite a subdued economy, the Bank achieved Net Profit growth of 15%. Seylan Bank maintained a CASA Ratio of 28% despite difficult conditions and increased competition.

NON-FINANCIAL SERVICES SECTOR

Our leisure footprint now extends to the Maldives in partnership with The Barceló Hotel Group, a world-renowned hotel chain, which has signed on to manage five leisure properties of Browns Hotels & Resorts in Sri Lanka and the Maldives. This historic venture marks Barceló Hotel Group's maiden venture into the Asian region, where they will join Browns Investments in developing three five-star hotels with a total of 470 keys in North Male Atoll under Bodhufaru, with a value of USD 150 Mn. Barceló will operate these properties along with a 100-roomed resort in Bodufinolhu in the South Ari Atoll, and a mix development - Nasandhura Palace, the most sought-after real estate in Male. In Sri Lanka, Barceló will be the operator for the five-star property on the Southern coast, The Eden Resort & Spa with 158 keys and The Paradise Resort & Spa holding 67 Eco-villas in Dambulla. Marking another strong relationship LOLC has with international leisure operators, the Sheraton Kosgoda Turtle Beach resort, the five-star property managed by Sheraton Group, was commissioned for commercial operations in Q4 2019/20.

Furthermore, the year under consideration saw us exiting the healthcare business while Gal Oya and Maturata plantations and the Browns Group of Companies performed well. Overall, the Group's strong foothold in the plantation sector through Brown & Company PLC continues to yield extended benefits along the value chain through its contributions in social stewardship.

GLOBAL FOOTPRINT

On the other side of the coin, for our financial services business, it was also a year of expansion into new overseas markets, namely, Philippines, Nigeria and Zambia. Revenue from overseas operations is the major contributor to Group profitability. I am proud to state that LOLC Cambodia has grown to become the fourth-largest microfinance institution in terms of portfolio size, recording an impressive performance with a 57% YoY growth of its earnings to conclude the year under review.

LOLC Myanmar, a Greenfield operation and the first investment of its kind from Sri Lanka in Myanmar, has now become the fourth-largest microfinance institution among 174 market players in the country in just over five years of operation. Our entry into Indonesia has seen the company grow to 20 branches in the regions of Java and Sumatra Islands. With a population of over 265 million and more than 40% of households classified as 'very poor', LOLC Indonesia is transforming lives of customers at the bottom of the pyramid.

Likewise, our microfinance operations in Philippines with LOLC ASKI Finance and Inter Asia Development Bank are creating a sustainable social impact. Our success in global markets inspires us to enter new markets and we have exciting plans, to make forays into new countries in 2020/21.

Our financial services footprint now stretches across Cambodia, Myanmar, Pakistan, Philippines, Indonesia, Nigeria and Zambia. Our continuous stride to create an impact on the bottom of the pyramid in local and global markets to bring financial inclusion to those who are usually excluded from mainstream banking is evident in how we uplift them from micro entrepreneurs to SME status through focused microfinance solutions.

The year under review also witnessed LOLC's expansion into Sierra Leone with its investment in Sunbird Bio Energy Sierra Leone Ltd, the largest bio massed power generating company in the world with over 23,500 hectares of an integrated farm that also generates sugar and bioethanol. It has massive potential in generating sugar and bioethanol and provides green electricity to the national grid of Sierra Leone.

FOCUSED ON INNOVATION

As a firm believer of using advanced technologies for sustainable development, the Group has actively engaged with innovation-driven, high-tech projects through its strategic partnership with SLINTEC. The graphite-to-graphene conversion technology developed by LOLC's subsidiary Ceylon Graphene Technology Ltd is expected to accrue enormous value creation while ensuring utmost economic and environmental sustainability in the long run.

LOLC's Research Hub supports farmers and scientists with technical assistance that provides solutions for scientific and engineering initiatives. Environmentally-friendly projects such as tree planting and timber forestry are attempts at leaving behind a greener planet for the next generation.

A POSITIVE OUTLOOK

As a group we have tried to seek opportunity amidst adversity, investing in emerging markets that are still up and coming. LOLC has always been bold and has never shied away from taking calculated risks given our pioneering and adventurous spirit, always tempered by due diligence, taking the LOLC brand to global markets.

Given our propensity to enter and exit businesses at oppurtune moments, we continue to build our profit base and remain hopeful that the new government will provide a conducive atmosphere to bring about economic recovery in Sri Lanka whilst the global economy too will hopefully bounce back sooner than predicted.

ACKNOWLEDGEMENTS

I would like to thank the Directors on the Board for their guidance and support through the year. The Heads of all LOLC group companies in Sri Lanka and overseas should be proud of their exemplary efforts through the year under review. However, we have much more ground to cover and many more milestones to achieve as we expand our global network of companies. My heartfelt appreciation to our shareholders, funding partners, stakeholders, investors, customers and regulatory authorities for their confidence in our operations.

Ishara Nanayakkara
Deputy Chairman

Group Managing Director/CEO's Review

> Considering the global nature of LOLC Holdings, the Group is fortunately not reliant on macro factors in any one country. Much like the previous year, the lack of opportunity for stronger growth in the domestic market was offset by an exceptional performance by LOLC's international operations.

The financial year 2019/20 was a test of LOLC Holdings PLC's resilience as despite a massive downturn of the economy the Group went on to record a Profit Before Tax (PBT) of Rs. 27.1 Bn (including results from assets held for sale – PRASAC Micro Finance Institution in Cambodia) as compared to Rs. 26.8 Bn in 2018/19. A satisfactory growth in deposits was recorded with the deposit book reaching Rs. 221 Bn in the year under review, in contrast with Rs. 193 Bn (excluding PRASAC results) recorded in the prior year, despite challenging macro-economic conditions. Total Assets grew to Rs. 1.34 Tn as compared to Rs. 1.04 Tn in the previous year. Equity attributable to shareholders soared from Rs. 86.05 Bn in the previous year to reach Rs. 92.53 Bn in the year under consideration. These solid numbers were a rare occurrence in a year that saw profitability eroding for many entities.

OPERATING CONDITIONS

Sri Lanka's economy contracted during the year to record GDP growth of 2.3% in 2019, compared to a growth of 3.3% in 2018. The Easter Sunday attacks in April 2019 had a severe impact on the tourism sector and their adverse spill over effects were felt across the economy, worsening the sluggish growth of the economy and further dampening business confidence.

Growth of credit to the private sector decelerated sharply, driven by subdued economic activity and weak business confidence, affecting the performance of the financial sector.

PERFORMANCE OF LOLC'S LOCAL OPERATIONS

Considering the global nature of LOLC Holdings, the Group is fortunately not reliant on macro factors in any single country. Much like the previous year, the lack of opportunity for stronger growth in the domestic market was offset by an exceptional performance by LOLC's international operations.

While LOLC's financial services arm recorded growth despite the gloom in the rest of the industry, witnessing an increase in Non-Performing Loans, we performed better than peers to end the year under review as the most profitable listed entity. Diversification into overseas markets sustained profitability levels as 80% of the group's top line and bottom line is accrued from global operations.

The only dark cloud on the horizon for LOLC was its leisure arm which could not perform as expected due to the terrorist attacks, political uncertainty in the lead up to the presidential elections and the outbreak of the global pandemic thereafter, which has brought tourism to a halt globally. The Group's leisure portfolio in Sri Lanka is now made up of 5 operational resort hotels with the commissioning of 172 roomed Sheraton Kosgoda Turtle Beach Resort during 4Q of FY19/20. The Riverina Hotel development project in Beruwala is currently underway, which once completed will be one of the largest five-star resorts in the country.

The Group made a bold move to tap into the Maldives leisure sector over the last few years, securing some of the most sought-after properties in Male as well as other atolls in the Maldives, assuring an even more diversified leisure portfolio. The Nasandhura Mixed Development project in Male is expected to be operational soon and will be the largest mixed development project in the Maldives. The resort hotel with 100 keys in Bodufinolhu atoll is planned to be opened by early 2021.

During the year under consideration, the Group remained agile and leveraged on lower interest rates seen in the latter part of the year to manage treasury operations astutely with calculated risk in short-term borrowing and lending for longer tenors. On the deposit side, innovative products were launched to grow the deposit base, strongly backed by the trusted LOLC credentials.

The Group's insurance arm continued to perform strongly through the year under review, carving out substantial new business outside of the group, which reflects that the positioning and value proposition are well aligned to the needs of the market. LOLC Life Assurance and LOLC General Insurance demonstrated an impressive performance during the year by recording Rs. 1.5 Bn PBT in comparison to a loss of Rs. 175 Mn recorded in the preceding year.

Apart from being the most profitable entity, LOLC is also leading Sri Lankan corporates when it comes to technology and innovation as we have launched several digital initiatives in our financial services business creating significant value to our customers, bringing them closer in all transactions. Improved resource efficiency is achieved through digital solutions that facilitate remote operations.

In the non-financial services segment, the Browns Group of Companies underwent digitalisation to improve delivery channels and customer service.

In spite of the challenging and unexpected external shocks, LOLC Finance PLC (LOFC) sustained its market leadership position amongst the Non-Banking Financial Institutions (NBFIs) with an asset base of Rs. 192 Bn, a portfolio of Rs. 134 Bn and deposits of Rs. 99 Bn. The company posted Rs. 3.8 Bn Profit After Tax (PAT) in the year under review. As the leading impact lender, LOFC holds the largest pool of Development Finance Institutions (DFIs), guiding their respective development goals for Sri Lanka. The funding lines and the wide array of technical assistance provided by these DFIs through LOFC have transformed the grassroots of the economy. Continuing the Group's legacy of expanding strategic international alliances, LOFC signed a loan agreement with Swedfund, the Swedish Government's Development Finance Institution to promote financial inclusion and gender equality. Attesting the Group's good business practices, LOLC Micro Credit Limited (now merged with LOFC) became the 1st Sri Lankan MFI to be awarded the Client Protection Principles Certification from the SMART Campaign (a global initiative which exists to ensure strong client protection practices in the microfinance industry).

Commercial Leasing and Finance PLC (CLC) has been instrumental in driving the Group's vision of financial inclusion in the country as a leading credit supplier. The company has also established strong relationships with a wide range of FDIs to promote their development missions in the country. In the year under review, CLC managed to protect its portfolio and the profit signature by recording a PAT growth of 29% YoY to Rs. 1.5 Bn despite challenging macro-economic situations. The company holds a Rs. 69.6 Bn asset base and Rs. 24.9 Bn deposits as at FY2019/20.

LOLC Development Finance PLC, formerly known as BRAC Lanka PLC, made a strong recovery in the year under review by recording Rs. 176 Mn PBT from a loss of Rs. 140 Mn in the last year following the alignment of its business strategies on restructuring the inherited SME portfolio. The company has been able to reduce its credit loss provisioning by 35% through the implementation of prudent strategies to improve collection and recoveries. The company holds a Rs. 18.4 Bn asset base and Rs. 2.6 Bn deposits as at FY2019/20.

Seylan Bank, an associate of the LOLC Group, also contributed Rs. 1.3 Bn to the Group's profits.

The Group holds its footprint in the local plantation sector through Maturata and Gal Oya plantations, where the business focus lies in the value addition of cinnamon products and sugarcane cultivation. LOLC could also reap the benefits of having market leaders like Agstar Fertilisers and Browns with agricultural supplies and equipment to complement the value chain.

The Group exited from its healthcare assets due to the challenging regulatory environment of the sector by disposing Browns Hospital in Ragama for a consideration of Rs. 1.6 Bn.

PERFORMANCE OF GLOBAL GROUP OPERATIONS

As for our performance in global markets, LOLC achieved the privileged position of having its group company, LOLC Cambodia PLC, achieve billion dollars in assets within a mere six years of entering the Cambodian market. LOLC is making a difference in the Micro and SME landscape by deploying best practices in customer protection, customer experience, risk management and the application of digital technology. Our spirit of entrepreneurship continues to define our growth as we make forays into Africa and explore investment opportunities in India - emerging markets with large populations which provide fertile ground for our microfinance services.

In the last quarter of 2019/20, LOLC received regulatory approval from the National Bank of Cambodia and the Financial Services Commission of Korea to sell the company's 70% shareholding in PRASAC Micro Finance Institution in Cambodia for USD 603 Mn. This is a landmark transaction not only for LOLC, but also for the country as it surpasses any private sector foreign transaction carried out in the history of Sri Lanka.

FUTURE OUTLOOK

As a Group, we remain confident about local business growth and expansion no sooner economic and political stability is achieved in the country. The short to medium term prospects for the leisure business will remain under pressure due to the challenges posed by the pandemic. Our foray into new markets such as Malaysia, India, Africa, Vietnam and South America are in their embryonic stages. The Group will continue to focus on the SME and Micro lending sectors and look to harness the dividends from its overseas investments and continue to empower more entrepreneurs in Sri Lanka and across the shores through our unique microfinance model.

The COVID-19 fallout which will be seen in 2020 and beyond will be the biggest challenge for the management but we have charted turbulent waters in the past and are confident of navigating the year ahead.

APPRECIATION

I would like to place on record my gratitude to the Deputy Chairman and the Board of Directors for their unstinted support. I would also like to thank the regulators, shareholders, funding partners, business associates and customers for standing by the LOLC Group. The staff across the Group has demonstrated their commitment and loyalty by working towards making LOLC the most profitable entity.

W D K Jayawardena
Group Managing Director/Chief Executive Officer

The Board of Directors

Mr. I C Nanayakkara

Mr. W D K Jayawardena

Mrs. K U Amarasinghe

Mr. Conrad Dias

Dr. R A Fernando

Deshamanya M D D Pieris

The Board of Directors

Mr. Ishara Nanayakkara

Deputy Chairman

Mr. Ishara Nanayakkara is a prominent entrepreneur serving on the Boards of many corporates and conglomerates internationally. Coming from a strong business background, involved in their family enterprises, he ventured into the arena of financial services with a strategic investment in LOLC Holdings PLC and was appointed to the Board in 2002. In less than two decades, Nanayakkara has navigated LOLC to become not only a financial conglomerate but the most profitable conglomerate in the country making a significant impact in the global financial arena as the first Sri Lankan company with a dynamic MSME platform in the Afro-Asian regions.

Over the years, reputed financial institutions in Sri Lanka, Cambodia, Myanmar, Pakistan, Indonesia, Philippines, Singapore, Zambia, and Nigeria has reaped benefits from his extensive knowledge in the Micro Finance business and MSME markets. He was also instrumental in setting up Life and General Insurance businesses in the Group and pioneered the concept of Micro Insurance in Sri Lanka and Cambodia. His business acumen extends to the growth sectors of developing economies with notable investments in Leisure, holding one of the largest hotel portfolios in Sri Lanka and Maldives in addition to other key investments in construction, plantation, trading, manufacturing and more recently in uniquely innovative scientific initiatives.

Nanayakkara continues to spearhead all strategic decisions of the LOLC group, both in financial and non-financial sector investments, with his vision for LOLC, being well executed with precision and commitment to create long term value for all stakeholders.

He holds many prestigious positions including the Chairmanship of the Sri Lanka Institute of Nano-technology, the national arm for advanced technological solutions based on Nano technology. Known for his innovative spirit, the Group has ventured into many bio-tech businesses, including conversion of pure graphite to graphene, incorporating technological advancements, creating value to the Group's plantation portfolio of cinnamon, tea, sugarcane, rubber, and bi-products. Investments in renewable energy in both, Sri Lanka and in Sierra Leone, with the largest sugar-based bio ethanol and power plant in Africa, has added multi-dimensional know how to his versatile business portfolio.

Nanayakkara is a featured businessman in the international community, recognised for his invaluable contribution to Micro Finance in particular, by independent international platforms such as INSEAD business school including winning the prestigious 'Young Entrepreneur of the Year' Award at the Asia Pacific Entrepreneurship Awards (APEA) back in 2012. He holds a diploma in Business Accounting from Australia.

He is the Executive Deputy Chairman of LOLC Holdings PLC, Executive Chairman of Browns Investments PLC, Brown & Company PLC and the Chairman of Sri Lanka Institute of Nanotechnology (Pvt) Ltd. He also sits on several other boards of Group companies both locally and overseas.

Mr. W D K Jayawardena

Group Managing Director/Chief Executive Officer

Mr. Kapila Jayawardena holds a MBA in Financial Management and is a fellow member of the Institute of Bankers and an Associate Member of the Institute of Cost and Executive Accountants, London. He served as Country Head and CEO (Sri Lanka and Maldives) of Citibank NA from 1998 to 2007.

He has varied experience in the fields of Investment Banking, Banking Operations, Audit, Relationship Management, Corporate Finance, Corporate Banking and Treasury Management.

Mr. Jayawardena served in the following Boards/Committees:

- Chairman of the Sri Lanka Banks' Association (SLBA) in 2003/04
- President of the American Chamber of Commerce in Sri Lanka in 2006/2007
- Member of the Financial Sector Reforms Committee (FSRC)
- Member of the National Council of Economic Development (NCED)
- Board Member of the United States - Sri Lanka Fulbright Commission.

Mr. Kapila Jayawardena joined LOLC in the year 2007 as the Group Managing Director/CEO and is the Chairman/Director of the following companies and is also on the Boards of the subsidiaries of the LOLC Group.

Chairman

Eden Hotel Lanka PLC
LOLC General Insurance Ltd
LOLC Securities Limited
Palm Garden Hotels PLC

Director

Seylan Bank PLC
LOLC Development Finance PLC
Brown & Company PLC
Riverina Resorts (Private) Limited
LOLC International (Private) Limited
Browns Investments PLC
LOLC Advanced Technologies (Private) Limited
LOLC Asia (Private) Limited
LOLC Private Limited
Ceylon Graphene Technologies (Private) Limited
LOLC Africa Holdings (Private) Limited
Leapstitch Technologies (Private) Limited

Mrs. K U Amarasinghe

Executive Director

Mrs. Kalsha Amarasinghe holds an Honours Degree in Economics and has an outstanding vision for investments. She serves on the Boards of subsidiaries of Browns Group of Companies and LOLC Holdings PLC.

Other key appointments: Executive Director – LOLC Holdings PLC, LOLC Finance PLC and Director of LOLC Life Assurance Limited, Palm Garden Hotels PLC, Riverina Resorts (Pvt) Ltd, Eden Hotel Lanka PLC, Brown & Co. PLC, Browns Investments PLC, Green Paradise (Pvt) Ltd, Browns Holdings Ltd, Danya Capital (Pvt) Ltd, Melana Capital (Private) Limited, and Ultimate Sports (Pvt) Ltd.

Mr. F K C P N Dias

Non-Executive Director

Mr. Conrad Dias was appointed to the Board on 4th September 2019. He holds Masters in Business Administration (MBA) from the University of Leicester UK, Fellow Member of Chartered Management Accountants UK (FCMA), Chartered Global Management Accountant (CGMA -USA), He is also a Fellow of Certified Management Accountants of Sri Lanka (FCMA) and British Computer Society (FBCS).

His experience spans over 3 decades as a visionary thought leader in business technology and his C-Level experience spans over 20+ years. He is seasoned veteran in Business Management, Information Technology Management, Software Engineering, Project Management, Strategic and Investment Planning, Finance Management, Corporate Restructuring and Unit Trust & Fund Management. He has the domain expertise in sectors such as Information Technology, Trading, Banking and Finance, Insurance, Portfolio/Asset Management and Manufacturing Sectors.

Fintech enthusiast who innovated many financial technology products and solutions and he is the Founder of iPay a revolutionary platform beyond payments and Founder of OYES another fintech platform making everyday a payday.

His thought leadership on technology and contribution in the field of ICT to the industry, society and in LOLC Group was recognised by many local and international awards including prestige's Computer Society of Sri Lanka CIO of the year 2016. He was also award and Chartered Management Institute of Sri Lanka Professional Excellence Award 2017. Further he was inducted to Global CIO Hall of Fame 2020 of IDG CIO100 and only Sri Lankan to get this accolade.

He was the former Group CIO and currently functions as the Director/CEO of LOLC Finance PLC and Chairmen LOLC Technologies Ltd. He is also a founding board member Digital Mobility Pvt Ltd popularly known as PickMe. Director ODoc Pvt Ltd again a successful start-up telemedicine platform and holds other directorships of overseas subsidiary companies.

Dr. R A Fernando

Independent Director

Dr. Ravi Fernando is a Blue Ocean Strategist with a sustainability mind set. He is an Alumni of the University of Cambridge having completed the Climate Leadership Programme in 2007, a Post Graduate Certificate in Sustainable Business at Cambridge University in 2008 and a Master of Studies in Sustainability Leadership at Cambridge University in 2014. He was a Wolfson College alumni at Cambridge University. He holds a Doctor of Business Administration Degree from the European University in Geneva 2016.

He also holds a MBA from the University of Colombo and is a Fellow of the Chartered Institute of Marketing (UK), He holds a Diploma in International Management and completed the Advanced Management Program at the INSEAD Business School in (France).

He was the United Nations Global Compact Focal point for Sri Lanka 2003-2010 and was the founder of the UN Global Compact Sri Lanka network in 2010 and is a Director of UNGC Sri Lanka Board. He is Chairman/ CEO of Global Strategic Corporate Sustainability Pvt.Ltd which currently operates in Vietnam, Sri Lanka and China. He also serves as a Director on the Boards of Aitken Spence Plantations Limited, Ceylon Asset Management Ltd and Habitat for Humanity.

His career with Multi-nationals spanned 1981-2003, Unilever, Sterling Health International, Smithkline Beecham International covering Africa, Middle East and Asia in CEO/Managing Director, Business Development and Marketing Management positions between 1981-2007. He was the first CEO SLINTEC (Sri Lanka Institute of Nanotechnology) 2008-2010 and was a member of the National Task Force on Development of the 5year Science and Technology strategy 2010.

In Academia, He was a visiting faculty member of the INSEAD Advanced Management Program from 2005-2010 teaching the subject 'Strategic Corporate Sustainability'. He is an Executive in Residence at the INSEAD Social Innovation centre since September 2010 to date. He is also on the visiting faculty of the Deusto Business School (Bilbao) and Univiersitat of Pompeu Fabra (Barcelona) in Spain and University of Colombo MBA teaching 'Strategic Corporate Sustainability'. BABSON College published three Case studies on his work experiences in Kenya and Vietnam in the GVV series in 2012-14 and was involved in over 7-8 Case studies at the INSEAD business school between 2006-2010.

In November 2015 he published 'Strategic Corporate Sustainability – 7 Imperatives for Sustainable business' (Partridge: Penguin Random House), based on his work at Cambridge University.

In September 2007 he won a "Global Strategy Leadership award" at the World Strategy Summit for his work on Ethical branding in the Apparel and Tea sectors receiving the award from Prof Renee Mauborgne of INSEAD business school.

The Board of Directors

Deshamanya M D D Pieris

Independent Director

Deshamanya M.D.D. Pieris is a graduate of the University of Ceylon (Peradeniya); Fellow of the Chartered Management Institute, UK and has been conferred the Degree of Doctor of Letters (Honoris Causa) by the University of Colombo. Doctor of Letters (Honoris CAUSA) by the University of Westminster (UK) and the title of Honorary Senior Fellow by the Post Graduate Institute of Medicine. He is also "A Distinguished Fellow" of the institute of National Security Studies - Sri Lanka.

His career was in the then Ceylon Civil Service and later, on the abolition of that service in the Sri Lanka Administrative Service.

He had a distinguished career in the public service and held several important posts, including that of the Secretary to the Prime Minister; Secretary, Ministry of Public Administration, Provincial Councils and Home Affairs; Secretary, Ministry of Agriculture, Food and Cooperatives & Secretary, Ministry of Education and Higher Education.

He has also acted on several occasions in addition to his duties, in the post of Secretary to the Ministry of Defence and External Affairs and Secretary to the Ministry of Trade and Shipping.

He has at various times been the Chairman of the National Institute of Education; Chairman, Board of Management of the Sri Lanka Institute of Development Administration; Chairman of the - Agrarian Research and Training Institute; Chairman of the Public Sector Infrastructure Development Company; Chairman of the National Development Trust Fund, Chairman and Director General of Broadcasting; The Executive Vice Chairman - Sri Lanka National Commission for U. N. E. S. C. O. and Chairman of The National Eisenhower Award Nomination Committee on the Invitation of the Ambassador for the United States of America and Chairman S. W. R. D. Bandaranaike National Memorial Foundation Board which governs the B. M. I. C. H., the B. C. I. S. and The Sirimavo Bandaranaike Convention Hall.

He has also served on the Governing Councils or Boards of Management in several Universities and Post Graduate Institutes, including the council of the University of Colombo; the Board of Management of the Post Graduate Institute of Medicine; the University of Colombo School of Computing; the Council of the Buddhist and Pali University; The Board of Management of the Arthur C. Clarke Centre of the University of Moratuwa; the Post Graduate Institute of Archaeology of the University of Kelaniya and The Post Graduate Institute of Management of the University of Sri Jayawardanapura.

He has been a Director at People's Bank, the People's Merchant Bank, Merc Bank and a Member of the Rural Credit Advisory Committee of the Central bank.

He has also from time to time served on the Governing Boards of the National Institute of Plantation management; of The National Human Resource Development Council; The Ceylon Shipping Corporation; The Cooperative wholesale establishment, Sri Lanka film corporation; National Education commission; The Sri Lanka Foundation Institute; The National Committee on Women; The National Council for Elders; Mahapola Higher Education Scholarship Trust; The National Institute of Social Development; Member Board of Trustees of the Tower Hall Foundation; member - Advisory Committee on Regional Cooperation in Education in Asia and the Pacific appointed by the Secretary General of U. N. E. S. C. O; Governor for Sri Lanka on the Governing Board of the S. A. A. R. C. Centre for Human Resource Development - Islamabad Pakistan. He led the Sri Lanka Delegation to the 51st E. S. C. A. P. meeting of ministers held in Bangkok, Thailand in 1995 and was elected a Vice President of the meeting in which role he chaired the ministerial meeting on occasion and was also elected as a member of the Credentials Committee.

He has also lead the Sri Lanka delegation to the Annual sessions of U. N. E. S. C. O. in Paris and been a Senior member of delegations to the Non aligned conference in Colombo and to ministerial meetings of agriculture at F. A. O. in Rome and of Commonwealth Education ministers in Barbados and Islamabad.

He has also been either leader or Senior member of various official delegations on the subjects of food; agriculture; trade; Education; and public administration and Governance for meetings held in the U. S. A., Britain, France, Germany, Sweden, Norway, Switzerland, Australia, India, Pakistan, China, Malaysia, Singapore, Thailand, Indonesia, Burma, The Philippians, Japan, Egypt, The Soviet Union, South Korea, Libya, Italy, Mexico, Barbados & Canada.

He has served as a Member of the National Salaries Commission; a Member of the Presidential Commission on Finance and Banking and has chaired three presidential Committees - one to examine and report on the proposed mechanised gem mining in the KALU GANGA; the other on the Functioning of the Survey Department, and the third on the Sri Lanka Foreign Service. He was a member of a Presidential committee tasked "To identify and study the problems of the university system and to make recommendations". He was a member of a senior officials committee appointed by the Cabinet and Chaired by the Governor of the Central Bank tasked with producing a report on the overall subject of poverty alleviation. This report was termed the Janasaviya report and formed the basis for setting up the Janasaviya Trust. He was a member and later Chairman of the Panel of Legal/ Constitutional experts appointed by the President to serve the National All Party

Conference on constitutional reform. He had severed from time to time as Senior Adviser in the Ministry of Foreign Affairs; Science and Technology; Tourism; and Justice.

Currently, he functions as the Chairman of the Board of Management of the Institute of Information Technology and serves on the Board of Directors of LOLC Holdings PLC; the Governing Board of the Regional Centre for Strategic Studies; and on the Board of Management of the Institute of Indigenous Medicine of the University of Colombo. He is also a member of the Academic Affairs Board for Post Graduate Studies of the Sri Lanka Institute of Development Administration (S.L.I.D.A); the Board of Management of the SANASA Campus; a Director of the Mercantile Merchant Bank / Pathfinder Group and a member of the Board of Governors of VIDYODAYA PIRIVENA - Maligakanda

Desamanya Pieris also lectures from time to time on invitation, at S.L.LD.A.; the Defence Services Command and Staff College at Sapugaskanda; the Bandaranaike International Diplomatic Training Institute and the Kotelawala Defence University and at senior level training courses at various institutions.

He has delivered four convocation addresses, at the University of Colombo; Sri Jayawardenapura; Ruhuna and the Open University. He has, also on invitation delivered four Memorial Orations - the Lalith Athulathmudali Memorial Oration; the Sir Ponnambalam Arunachalam Memorial Oration: the Vidyajothi Professor V. K. Samaranayake Memorial Oration; and the Senator Dr. A. M. A. Azeez Memorial Oration, He has also been conferred the high National Honor of “DESHAMANYA” for “Distinguished Service of a highly meritorious nature to the Nation”.

He has written the foreword to several books authored by distinguished professionals in various fields and contributed articles to several commemoration publications including the 50th Anniversary commemoration volume of the University of Peradeniya and the Prime Minister Sirimavo Bandaranaika commemoration volume.

He has published his memoirs of his experience in the public service of Sri Lanka in a book titled “In the pursuit of governance”.

Management Discussion & Analysis

Financial Review

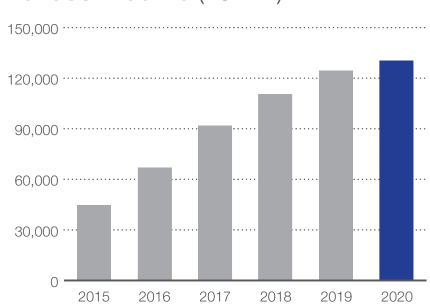
The year under review was a challenging year for all businesses in general, due to emerging new threats and other unfavourable economic conditions. Despite these adverse outcome, the Group was able to maintain resilience to negative economic impacts maintaining strong bottom-line performance in several businesses as well as good pattern of business expansion in line with its expansion strategy. The Group recorded a Top line of Rs.130 Bn and Profit After Tax (PAT) of Rs.19.8 Bn. The steady performance of the overall the Group conforms the decision to diversify and expand its operations in foreign markets which yield stronger bottom line results.

The commitment to deliver exceptional results has been a consistent long term goal of the Group with all strategies of businesses being focused on this goal and this has triggered focused efforts being made to enhance business growth in all sectors. In line with these decisions the announcement of the plan to dispose its major investment, PRASAC Microfinance Institution Limited, a 70% owned subsidiary of the Group was made at the end of the financial year. PRASAC, the maiden foreign investment of LOLC contributes strong positive results at all levels and was significant and very important.

Due to the imminent disposal decision for PRASAC, the financial results of PRASAC has been classified under discontinued operation in the financial statements presented and all the reviews pertaining to continued operations have been presented, excluding the results of PRASAC. Previous year results too have been adjusted in order to make a comparison with the current year results. Financial results of PRASAC is given under discontinued operations and is included in arriving at Group's PBT. Since disposal of the investment came into effect subsequent to the financial year-end and hence the disposal results are not reflected in the current year financial performance.

The Group consists of Financial Services, Insurance, Leisure, Plantation, Construction, Manufacturing and Trading. The gross income of the Group reached Rs.130 Bn, recording a growth of 5% compared to the previous year's Rs.124 Bn. A significant contribution came from the financial services sector for the increase in interest income representing 80% of the Group's top line. The growth in interest income from financial services after charging interest expenses recorded a net interest of Rs. 55 Bn for the financial year. The insurance segment which reflect the performance of LOLC Insurance, both General and Life insurance, has shown a remarkable increase in premium income and profitability. The Gross income of the insurance sector increased to Rs. 7.8 Bn from Rs. 6.8 Bn recorded in the previous year due strong growth in business volumes. The other key contributor to the Group top line is from the trading and manufacturing segment with a contribution of Rs. 25 Bn to the top line which mainly comes from the sales revenue of Brown & Company PLC. Group revenue which comprises of revenue from trading, leisure, plantation and renewable energy increased marginally by 1% compared with the previous period. Plantation sector recorded a slight increase in revenue compared with the last year

Gross Income (Rs. Mn.)



The Cost of funds of the Group increased by 13% arising mainly from the foreign subsidiaries with a 77% increase, in line with business growth. The local companies' borrowing costs saw a 1% decline due to the reduction in the portfolios.

The Total overheads of the Group increased by 23% to Rs. 62 Bn from Rs. 50 Bn in the previous year.

Personal cost increased by 17% mainly due to the increased activities of financial services sector companies in foreign countries. The drop-in assets quality due to adverse economic conditions in the country led to slow collections increasing impairment losses by 50% to Rs. 17 Bn from Rs 11 Bn in the previous year. In response to increasing impairment charges due to rising NPAs, the Group strengthened its recovery operations by focussing and monitoring on collections efforts. The charge on depreciation and amortisation increased to Rs. 4.1 Bn from Rs. 2.1 Bn due to depreciation of new assets added to the Group from Sunbird Bio-energy Sierra Leone Ltd, a subsidiary of the Group engages in plantation of sugar cane, amounting to Rs. 1.1 Bn. Further, the amortisation expense of Right to used assets under SLFRS 16 had an impact of Rs. 638 Mn

The Group recorded PBT from continuing operation of Rs. 3.4 Bn from Rs. 9.5 Bn recorded in the previous year. Group PBT includes Rs. 1 Bn share of profits of equity accounted investees mainly with profit attributable from Seylan Bank PLC. PBT also includes a negative goodwill amounting to Rs. 6 Bn, recognised in the acquisition of Sunbird Bio-energy Sierra Leone Ltd during the year. Among the top contributors to the Group PAT was the financial service sector contributing Rs. 24.8 Bn representing 91% to the overall profitability of the Group, inclusive of contribution from PRASAC which accounted for Rs. 19 Bn.

The total asset base of the Group increased to Rs. 1,336 Bn from Rs. 1,044 Bn from the previous year. The lending portfolio of the Group increased to Rs. 331 Bn. The continuous expansion of financial services in to international markets resulted in a strong growth momentum and the LOLC Group's footprint kept expanding across the region. The equity attributable to shareholders of the company increased to Rs. 94 Bn and Net asset per share increased to Rs. 197 per share from Rs. 181.

LOLC HOLDINGS PLC

LOLC Holdings PLC the ultimate holding company of the Group carry out investment activities in subsidiaries. The parent company sets strategic direction to the companies within the Group. It also acts as the central hub in supporting group companies providing various services. LOLC Holdings PLC have shown remarkable growth in terms of building its asset base. Having originated as a leasing company in 1980 the company has evolved as an investment holding company and recorded total asset base of Rs. 146 Bn recording a growth of 17%. The investment in subsidiary portfolio grew by 4% to Rs. 91 Bn depicting a strong investment base which demonstrates the strength of its financial position.

The Company engage in providing financial assistance to the investee companies which is reflected in the related party balances amounting to Rs. 32 Bn. An income of Rs. 4 Bn was earned from these companies and recorded an increase of 37% during the year under review. The total borrowing cost of the company increased to Rs. 10.7 Bn in line with the increase in borrowings to facilitate the investment activities and the Group. The total borrowing base of the company reached Rs. 96 Bn as a result of increased activities within the company.

LOLC's shared services operations offered to its group companies, generated an income of Rs. 3.7 Bn. The overhead attributed to the company remained unchanged as there were no major expenses incurred on expanding the operations at parent company level.

The company recorded a loss of Rs 9.2 Bn mainly due to the reduced level of activity in realising investments, by way of disposals. Despite the losses recorded during the year, the total equity which shows the strength of an investment company was maintained at Rs. 47 Bn together with an asset base of Rs 146 Bn.

FINANCIAL SERVICES SECTOR

Financial services sector is the predominant sector which contributes the major portion of the profitability as well as the asset base of the Group. The total PBT of the Segment reported of Rs. 25.7 Bn during the year. The financial sector performed well, despite challenges of the business environment resulting subdued macro-economic conditions. Furthermore, the year-end recovery efforts were hampered by the lockdown arising from theCOVID-19 pandemic, resulting in financial sector companies making higher provisions on a conservative basis.

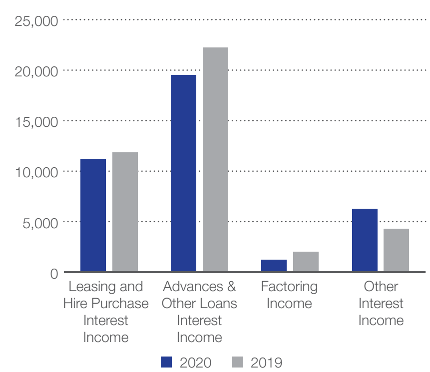
The LOLC's Financial sector comprise of a diversified portfolio of investments starting with its main businesses in Srinagar Lanka and covers Asia including Cambodia, Myanmar, Indonesia, Philippines and Pakistan. Among the financial companies of the Group the top contributors to the performance were LOLC Finance PLC, Commercial Leasing & Finance and LOLC Cambodia Limited in addition to the major contribution made by PRASAC.

LOLC FINANCE PLC

As a leader in the Non-Banking Financial Institution (NBFI) sector, LOLC Finance PLC (LOFC) concluded yet another successful financial amidst many challenges and in the operating environment. The financial year under review posed challenges in terms of the economic environment, with increasing pressure on credit quality. This resulted in significant pressure on the profit margins. To arrest the situation, the management took steps to focus on collections and improving credit quality rather than on portfolio growth. The Company strengthened its credit controls with the implementation of fintech solutions, focussing more on asset backed lending.

LOFC reported Rs. 38 Bn interest income during the year, down by 11% compared to the previous year, due to the reduction in portfolio growth. Interest income from leases constituted 29% (2018/19 - 28%) of the total interest income and showed a decrease of 5% to Rs. 11.2 Bn. Interest income from loans was the biggest revenue generator (51% form interest income) for the Company, at Rs. 19.5 Bn, however, showing a negative growth of 12% compared to last financial year.

Income (Rs. Mn.)



Total interest expense declined by 8% during the financial year. Majority of the portfolio is funded through customer deposits with 69% of the interest expense being attributed to customer deposits. The interest on conventional deposits declined by 4% and the profit share cost on alternative finance deposits declined by 16% keeping in line with the decline in the deposit base. The interest on borrowings showed a decrease of 14% compared to the last financial year.

Other operating income increased by 20% reaching Rs. 4.8 Bn compared to Rs. 4 Bn reported in the previous financial year. This was primarily because of the increase in fair value of investment properties and investment securities.

Total overheads of the Company decreased by 4%, a result of adapting an efficient cost

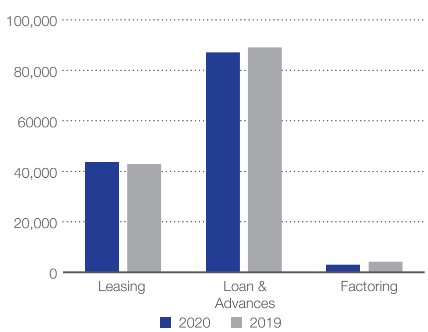
Financial Review

control mechanism over the financial year and the Company was able to maintain the overhead margin at same level as in previous year.

Due to the slowdown of credit growth during the year, lending portfolio stood at Rs. 134 Bn at the year-end with a 2% decline. This was a result of the management decision to focus on collections vs. new executions for all major lending products classes.

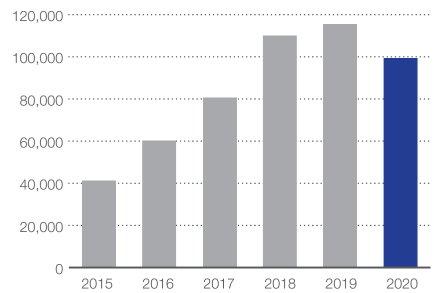
The major part of the portfolio constituted of loans, which includes revolving, term and mortgage loans. Leases were the second largest product constituting 33% of the portfolio and factoring business showed a decline to 2% of the portfolio. Credit card portfolio is one of the high yielding products which was introduced 2 years back, increased by Rs 738 Mn during the current period.

Lending Portfolio (Rs. Mn.)



LOFC customer deposits remained at a strong level Rs. 99 Bn. CBSL continued reduce the maximum deposit rate throughout the year. As a result, the deposit base decreased by Rs. 16 Bn (14% decline). However, the Company retained the title of the largest deposit taking institution in the NBFI sector.

Deposits (Rs. Mn.)



The Company managed the external shocks well and recorded Rs. 3.8 Bn profit after tax (PAT) for the financial year. As a result of the negative growth in PAT and increase in equity in 2019/20, Return on Assets (ROA) and Return on Equity (ROE) reduced to 1.9% and 14.0% respectively, as against 2.8% and 29.9% reported in the previous year.

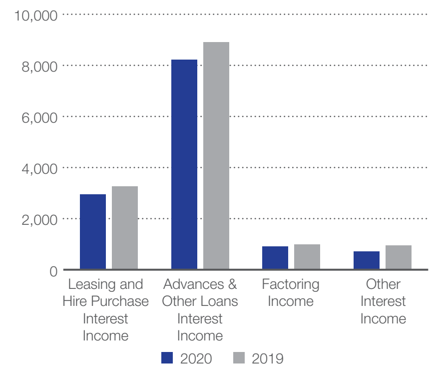
COMMERCIAL LEASING & FINANCE PLC

2019/2020 was a challenging year, however, the Company has achieved a pre-tax profit of Rs. 2.0 Bn, a 2% drop from Rs. 2.04 Bn reported in the FY 2018/19. The decline was due to lower net interest income and higher impairment provisions owing to the increase in non-performing loans. The reversal of Deferred Tax increased post-tax profit by 29% to Rs. 1.5 Bn from Rs. 1.2 Bn.

Interest income of the Company decreased by 9% from Rs. 14.1 Bn to Rs. 12.8 Bn, with a marginal increase in the loan book from Rs. 53.5 Bn to Rs. 54.1 Bn by 31 March 2020. The Company followed a more cautious approach in expanding its lending portfolio in view of the challenging economic conditions.

Interest expense of the Company accounted for 48.1% and 40.2% of the interest income and total income (including other income) respectively. Interest expense decreased by 8% from Rs. 6.7 Bn to Rs. 6.2 Bn with the decrease in borrowing base (including deposits) from Rs. 50. 7 Bn to Rs. 47.5 Bn.

Income (Rs. Mn.)



Fee income relating to the lending portfolio decreased marginally by 3% from Rs. 808 Mn to Rs. 786 Mn. Other income increased due to fair valuation of quoted investments and fair value gain on investment in LOLC Myanmar Micro-Finance Company Limited. As a result, total other income shows a favourable variance of 32%.

Operating expenses of the Company decreased by Rs. 77 Mn, to Rs. 7 Bn. CLC saw a significant increase in allowances for Bad & Doubtful Debts due to increasing non-performing facilities. As at 31st March, Company's gross non- performing loan ratio increased mainly due to lower collection in last two weeks of the financial year due to the Covid pandemic. However, the company managed to reduce the Direct expenses, Personal costs and Other Operating expenses by Rs. 744.2 Mn which softened the negative impact.

Customer deposits reached Rs. 24.94 Bn with a moderated 3% growth from Rs. 24.31 Bn amidst intense competition seen throughout the year. Customer deposits accounted for 52% of the funding mix compared to 48% in the previous year. The funding base of the company further decreased from Rs. 26.46 Bn to Rs. 22.61 Bn due to capital repayments of foreign borrowing and settlement of short-term loans. The Company obtained some securitisation facilities during the year. Foreign borrowings accounted for 18% of the total borrowing including customer deposits.

The shareholder funds of the Company reached Rs. 18.92 Bn from Rs. 17.46 Bn with the earnings from its operations and increase in reserves.

LOLC DEVELOPMENT FINANCE PLC

LOLC Development Finance recorded a profit after tax of Rs. 109 Mn for 2019/20 compared to the loss after tax of Rs. 153 Mn recorded in 2018/19 (171% year-on-year increase). Despite the challenging business environment, the Company managed to recover from the negative performance recorded in the last financial year. Gross income reported a YoY growth of 5.6% to Rs. 4.5 Bn. Sustainable portfolio growth was a key focus during the year and achieved a Rs. 4.1 Bn growth (YoY growth of 34.1%) in total gross portfolio. In addition, the Company succeeded in diversifying its loan portfolio by achieving a major growth in leasing and asset back lending (Rs. 2.6 Bn).

Interest income recorded Rs. 3.9 Bn, an increase of Rs. 149 Mn (4%) compared to last financial year with improved business volumes. The Company has achieved a portfolio growth of Rs. 4.1 Bn during the year. All the major segments contributed to the growth.

Net Interest Margin (NIM) decreased from 18.0% to 16.2%. Year on year yield structure of interest earning assets has been changed with the high volumes of asset back lending. Further, the Company had to rely on high cost interest bearing borrowings and related party borrowings to finance its growth in advances book, due to the relatively small deposit operation of the Company. Further, interest cost of lease liabilities resulting from the first-time adoption of SLFRS 16 also included in the interest expense. With this, the borrowing cost increased by 18%.

Credit related fees and commission income showed a significant increased of 36% due to higher transactions volumes. Further, collections from written off contracts increased by 86% with additional recovery efforts implemented.

The Company's cost to income ratio decreased to 66.2% for 2019/20 (, reflecting lower expenses which indicates the efficient cost management efforts of the Company and higher Total Operating expenses decreased by Rs. 130 Mn (6%) during the year under review. Personnel costs decreased by 12% and Depreciation charge increased by 69% in 2019/20 financial year, due to the amortisation of right to use asset resulted from adoption of SLFRS 16. The Company revisited its cost management strategies and managed to close down and merge 13 branches reducing the number of business places from 76 to 63. As a result, other operating expenses reduced by 6%. Other expenses reflected a similar trend linked to the business growth.

Impairment charges on loans and receivables significantly decreased by Rs. 312Mn (35%) during the year as a result of increased recovery efforts such as setting up a call centre to enhance customer service, deployment of smart collect system for collections to verify information and to drive customer loyalty.

FOREIGN INVESTMENTS IN FINANCIAL SERVICES

LOLC's foreign investments in the region derived strong profit signature, a significant positive to the bottom-line results of the Group. Led by PRASAC Micro Finance Institution in Cambodia followed by LOLC Cambodia and LOLC Myanmar Micro Finance Company and the other investments too are expected to deliver strong results in the medium term to long term.

LOLC Group expanded into the Asian region with its maiden investment in PRASAC and since then expanded into several other countries diversifying its micro finance portfolio broadening the portfolio of investments. The foreign investments in the Asian region has recorded a commendable growth over the recent past and made a significant contribution to the overall profitability of the Group As of now, the Group has investments in Cambodia, Myanmar, Indonesia, Pakistan, Philippines and has also expanded. Its micro finance business into the African region as well. It is expected that the Group's bottom will be continued to grow with these investments reaching maturity and the reliance on domestic companies on generating revenue will reduce overtime with contributions from foreign investments.

INSURANCE SEGMENT

Insurance segment of the Group is represented by the Insurance business carried out by two fully owned insurance companies within the Group, LOLC General Insurance Ltd. and LOLC life Assurance Ltd. including a representative office in Myanmar. The insurance segment was able to maintain its growth momentum during the year by recording strong growth owing to prudent and focused business strategies followed with regular monitoring and evaluation.

The Gross Written Premium from General Insurance increased by 14% to Rs. 4.1 Bn, whilst Life Insurance Gross Written Premium reached Rs. 2.6 Bn during the year. The Combined Gross Premiums crossed the Rs. 6 Bn level during the year. While general insurance claims remained at Rs. 2 Bn level the net claims in Life Assurance was recorded at Rs. 569 Mn. LOLC General Insurance Ltd recorded Rs. 1,018 Mn as PBT while LOLC Life Assurance recorded a profit of Rs. 312 Mn for the year ended.

TRADING SEGMENT

The trading sector of the Group is mainly represented by Brown & Company, providing a variety of trading services. The company recorded an operational profit of Rs. 984 Bn during the year under review. This outstanding performance in the trading sector comes as a results of strategic initiatives implemented during the year which has resulted in remainning operational expenses at previous levels. The maiden overseas trading operation of the Group, Browns Machinery (Cambodia) PLC, too contributed positively to the Group's bottom line.

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LEISURE SEGMENT

The Leisure sector of the Group comprise of 'The Eden Resort & Spa, Beruwala', Dickwella Resort & Spa, Dickwella', The Paradise Resort & Spa, Dambulla' and 'The Calm Resort & Spa, Passikudah, and the latest addition to the leisure portfolio, The Sheraton Turtle Beach Resort Kosgoda which was commissioned for commercial business in the last quarter. The total asset bases of the segment increased to Rs. 67 Bn due to the ongoing construction activities of the Group pertaining to the leisure sector.

Construction activities of the leisure properties in the Group includes Nasandhura apartment complex project at Maldives and Bodufhinalu in the South Ari Atoll nearing completion and expected to be opened in the comping year. .

During the year the loss related to leisure sector increased by Rs. 786 Mn owing to serious loss of business due to a drastic drop in tourist arrivals post April 21st terror attacks. The loss for the year for the period under review recorded at Rs. 2.9 Bn. The evolving challenges in the business environment affecting the leisure business due to COVID pandemic will be evaluated in aligning the strategies to face the new challenges.

PLANTATION SEGMENT

The Group's plantation sector includes the investments made in Maturata Plantations Ltd. For the period under review, the plantation segment recorded a loss of Rs 2.8 Bn. The loss is largely attributable to the adverse weather conditions prevailed within the country and low tea prices which resulted from geopolitical conditions in major buying markets. Apart from that, the country's political dynamics also had a significant impact on wage escalation for labours that caused an increase in operational overheads.

Despite above, the management remain optimistic regarding medium- and long-term prospects of the sector, the strategic investments made into cinnamon plantation and components of them reaching harvesting stage gives new hopes to revive the plantation segment of the Group.

FUTURE OUTLOOK

The Group strategy to diversify into foreign markets has worked well as strong bottom-line results are expected to come in next financial year with the divestiture of its major foreign asset. Owing to this success rate of its overseas investments, the Group will continue to expand its footprint across in selected countries creating valuable businesses in many regions. The financial sector will play a key role in extending LOLC's global presence. the key focus will remain in the financial services sector as the main profit contributor to the Group. LOLC will continue to look out for new business opportunities in selected sectors for long term value creation to all stakeholders.

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> This performance was strongly supported by an experienced management team, commensurate risk management systems and a diverse funding profile from various sources including foreign funding agencies, local banks and public deposits.

LOLC FINANCE PLC

LOLC Finance PLC cemented its leadership position in the non-banking finance market during the year ended 31st March 2020, reporting a net profit of Rs. 3.78 Bn on a total asset base of Rs. 192 Bn as compared to a net profit of Rs. 5.96 Bn on a total asset base of Rs. 211 Bn in the previous financial year. This performance was strongly supported by an experienced management team, commensurate risk management systems and a diverse funding profile from various sources including foreign funding agencies, local banks and public deposits.

During the period under review, the business was re-engineered to improve customer service, improve efficiency and maximise returns while adopting technology with a 'digital first' strategy. Seven branches were relocated to extend better convenience and customer service, expanding its footprint in the Western Province with the opening of one new branch. The branch network that was offering the Gold Loan Service was extended from 58 to 75 during the year with a view to taking the product to a larger customer base.

During the year under consideration, iPay recorded tremendous growth with an unprecedented level of transactions and volume growth in every aspect. The transaction volume grew by 681% with the registered merchant growth at 303% and a user registration growth of 241%.

Further, ICRA Lanka Limited, a Group Company of Moody's Investors Service has reaffirmed the Company's issuer rating of [SL]A with stable outlook and issue ratings of [SL]A- with stable outlook for the Rs. 5,000 Mn Listed Subordinated Unsecured Redeemable Debenture Programme and the Rs. 3,500 Mn (Rs. 2,500 Mn issued) Listed Subordinated Unsecured Redeemable Debenture Programme of the Company.

Earning accolades, LOLC Finance was bestowed with the coveted titles, 'Financial Institution of the Year for Customer Convenience' and 'Overall Award for Excellence in Interbank Payments' among Non Banking Financial Institutions at LankaPay Technnovation Awards 2019.

Lending

The LOLC Group's lending business is primarily managed by its subsidiary, LOLC Finance PLC. The challenging year impacted the company's general and alternate financing segment, as trading activity, which is the main line of business amongst these customers, was severely impacted. In addition, vehicle imports in general declined and imports of unregistered and/or brand new vehicles too kept dropping as per registrations recorded by the Registrar of Motor Vehicles, which is a direct indicator of the negative impact on the leasing side of the business. The company adopted a conservative lending approach in view of the rising tensions in the aftermath of the April attacks.

The revamped Gold Loan operation was able to achieve the ambitious target of Rs. 2 Bn by 31st March 2020, within the first nine months itself. An additional Rs. 1 Bn growth was achieved by 20th March just at the time when lockdown was imposed in Sri Lanka. As a result, the Gold loans operations ended with the year under review with a portfolio of Rs. 5.8 Bn. This sterling performance reflects the company's prowess and expertise in driving the revamped Gold loans product in the market.

Speed Draft remains the main component of lending to SMEs but during the year under review this product was revamped to better align with industry requirements and to meet customer expectations. Fortunately, agro-based SMEs were unaffected as after three poor seasons, the sector achieved a bumper harvest in 2019/20 and cash in hand as a result.

The focus during the year was on maintaining quality, cleansing of the book and managing Non Performing Loan (NPL) portfolios. NPLs rose by 13% but sanitisation of book helped and the company shed bad credit which was giving negative results.

Taking forward our vision to infuse technology into every aspect of company operations, a process-driven financial solution system with more automation and digital interface is being considered to achieve minimal customer interaction. The impact of COVID-19 is expected to further affect operations - with almost 140,000 customers requesting for moratoriums until September 2020, which could be extended further if economic rebound is not seen. The adverse impact on profitability would

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be immense for the sector, but as the largest financial institution in the country, LOLC Finance aims to safeguard depositor wealth and loans receivables.

Deposits

As the largest finance company in the country, LOLC Finance enjoys best-in-class ratings and a solid brand reputation which ensured customer retention was sustained at high levels. Expanding the deposit base through fixed deposits and savings was prioritised during the year under review. Although the entire industry experienced a reduction in new deposits, LOLC Finance maintained its deposit book and focus to sustain granular deposit customers from the bottom of the pyramid. As a reputed and responsible finance company, necessary action was taken to service clients during the lockdown period - servicing them not only to withdraw their funds at necessary times but also facilitating them to invest with us.

A new product was launched during the year under review - LOLC Real-time Corporate Online, a business solution for all corporates for hassle-free payments. Despite the challenges, LOLC Finance continued to service its customers with the savings cash collections facility where appointed field collection agents visit the customer's doorstep to collect cash, thereby providing the customer with the ultimate convenience of depositing cash into their savings account without having to visit the branch. A number of internal process improvements were also made simultaneously in order to enhance overall efficiency and service delivery for all customers.

Microfinance

LOLC Finance's dominant presence in the Microfinance sector is attributable to its vision of enhancing income levels of its micro customers to help improve their standard of living and future prospects. As the premier finance company in the microfinance segment, LOLC Finance offers two main product lines, namely, micro leases against assets and micro loans (including micro group loans) and housing loans and business loans for individuals.

The rise of Non-Performing Loans (NPLs) in the industry influenced the company's risk appetite as it cut back lending to the segment. Despite many setbacks in the segment, the company's focus on supporting the rural economy and the micro entrepreneurs renders it the highest financier of the three-wheelers for the year, financing 34,965 three-wheelers and extending loans to over 2,500 customers for rural housing. The company also accelerated asset-backed lending in 2018/19 with a portfolio of Rs. 29 Bn which grew to Rs. 30 Bn in 2019/20.

As a result of the spill-over effects of the debt relief programme, the company's initial micro loan portfolio of Rs. 29 Bn has dipped to Rs. 28 Bn in the year under review and caused deterioration in the asset quality of the entire microfinance sector. In order to maintain low NPLs, LOLC Finance established a dedicated micro recoveries team for asset-backed and non-asset backed loans during the year under review.

LOLC Finance enjoys a strong presence in financing of agricultural implements and aims to further carve out a greater share in this segment in line with the government's renewed thrust on prioritising the agricultural sector.

LOLC Finance has plans to set up a centre of excellence for Microfinance which will offer training programmes and a platform for trade fairs, competitions and networking for its micro customers, while providing a link to external e-commerce platforms to showcase products and services.

Credit Cards

During the period under review, the credit card portfolio surpassed Rupees One Billion within a short period of a year-and-a-half with card issuance growing by as much as 193% while the portfolio recorded a 195% growth despite macro-economic challenges caused due to the April 2019 attacks. Steps are already being taken to introduce more payments and collection channels to make infuse convenience for cardholders. LOLC plans to introduce co-branded credit cards by partnering group companies and other reputed entities. Empowered with the payment card acquiring license now in our armoury, the company is geared to create a digitally enhanced payment eco-system, facilitating financial inclusion to the bottom layer of the pyramid while gaining a reputation as a true disruptor in the traditional credit card business.

Currently LOLC Finance issues 4 main card types, namely Pulse, Gold, Platinum and World. Within these, there are sub-categories based on existing client types, professions and other identified customer segments to best suit requirements. These verticals allow us to closely monitor the performance and behavioural factors for future product developments and differentiations.

LOLC Credit Cards come with an added Cardholder Protector Insurance Policy as an optional benefit with a nominal annual premium, which secures the cardholder liability in case of demise or permanent disability due to accident/illness, thus allowing the cardholder to use the card freely without being apprehensive on any burden to his/her family or dependants. The LOLC MasterCard is embedded with an EMV Chip, ensuring the cardholder of maximum data security and safeguarding financial interest. The card is NFC enabled, assuring convenience and ease to the cardholder when transacting.

Whilst initiatives were taken to increase issuance, efforts were made to improve customer satisfaction through regular training of Call Centre staff and via periodic quality assurance/monitoring as the Call Centre plays a key role in the card business for both existing and potential customers. Understanding the needs and wants of various customer segments, new card products were introduced during the year. Furthermore, special offers and promotions were organised with regional-level merchant partnerships to offer maximum financial benefits to the cardholder to drive customer loyalty.

Recoveries

The Recoveries unit continued to work tirelessly on improving recoveries. The new call centres were upgraded to fully-fledged status during the year so as to support the recoveries' effort. Staff underwent regular training to enhance their customer relationship skills while teams were also strengthened in the interim. Post-COVID-19, the government has asked finance companies to grant moratoriums to SME and Microfinance customers, which will adversely impact the company's profitability in 2020/21 coupled with the fact that many sectors which our customers are engaged are adversely impacted by COVID-19.

Call Centre

A dedicated 24X7 Customer Care unit was established to respond to customer queries and to educate customers on how to use credit wisely whilst enjoying the benefits to the fullest. As part of our initiative of embracing virtual banking, we introduced the digital payment mobile app 'iPay' to our customers, enabled online banking for customers and extended the services of the Customer Call Centre to offer 24-hour assistance to them. During the height of the COVID -19 pandemic, when the branches had to remain closed due to social distancing restrictions, the Central Contact Centre functioned throughout and it was business as usual as its team of agents was able to work from home 24x7 and provide a seamless service.

Branch Network

LOLC Finance offers an island-wide network of 139 points which serve as primary customer touch points serving thousands of customers, which requires the branches to be strategically located to serve the surrounding region. Strong emphasis is placed on locating branches in key towns and cities across Sri Lanka with a high population density and a higher proportion of SMEs.

During the year under review, one new LOLC Finance branch was opened in Moratuwa, while Wennappuwa, Keselwatta and Kotahena LOLC Finance service centers were upgraded to fully-fledged branches. Also during the year, Akkaraipattu and Kochchikade's service centres were discontinued while operating the main branches in the said locations. Our main goal is to ensure that each LOLC Finance branch maintains the widest possible geographical outreach in order to serve the needs of the people in the area.

COMMERCIAL LEASING & FINANCE PLC (CLC)

CLC ended FY 2019/20 on an impressive note, delivering a consistent Year-on-Year (YoY) performance despite the extremely challenging events that marked the period.

During the challenging year, the company performed well in comparison to its competitors, and also prioritised digital platform expansion, enhanced its portfolio, asset quality, products and funding bases, leveraged digital and social media communications both externally and internally, while improving employee engagement considerably.

CLC concluded the financial year with a portfolio of Rs. 54 Bn, increasing YoY by one billion from previous year's Rs. 53 Bn. Considering the high NPL ratio prevalent in the industry, CLC's portfolio growth is an achievement of note. CLC's sustained performance in the face of challenging times such as the April 2019 Easter Sunday attacks was powered by its quality portfolio, 95% of which consists of Asset Backed Products that serve to absorb any market shocks.

CLC recorded Profit After Tax (PAT) of Rs. 1,547 Mn, recording an increase of 29% from 1,198 Mn in the previous year though revenue declined –but marginally. Cost of funds was reduced by 8% and overheads by 12%.

CLC's equity stands at Rs. 17 Bn in Tier 1 capital, a quantum which is way over the Central Bank's capital adequacy requirements for companies of its nature, making CLC one of the highest capitalised financial institutions in the country.

Non-Performing Loans (NPLs) for the year also was a success: It stood at 7.05%, which is way lower than NPLs of the industry at 11.56%.

Substantial investments have been channeled to digital platforms to bring financial services to customers' fingertips while being observant of cyber security concerns. Digital solutions have positioned CLC to respond quickly to customer needs during the COVID lockdown. One of the key initiatives in this arena in the year under review was CLC's collaboration with mCash for customers to pay via the mobile money platform with ease. With approval from Central Bank, CLC plans to mobilise savings deposits too through mCash in the future.

The overall performance of the Islamic Finance Unit of CLC was also satisfactory especially considering the challenging macro environment. The company experienced a rise in customer deposits which truly reflects the public perception of the company as a reliable and trustworthy financial services partner. CLC was reaffirmed as SL (A) stable by ICRA Lanka Limited, which guarantees trust, security and stability for its customers.

CLC, over the years, has introduced a large number of product lines and services to cater to the demands of its varied and granular customer base that consists of large scale companies as well as SMEs and micro enterprises. Due to the company's commitment to provide products and services to customers that are relevant, affordable and convenient, CLC has continuously been winning in many brand rankings. 'Commercial Leasing' was placed among the top 50 Most Valuable Consumer

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Brands in Brands Annual 2020, compiled by Brand Finance and published by Media Services. In the 2020 edition of Most Respected Entities, CLC features at No. 54. This is rank was performed by the global measurement and data analytics company Nielsen (on behalf of Media Services).

In a year that produced unprecedented nation-wide and sector-wide shocks, CLC's agility and adaptability -backed by its skilled leadership and human resources which propelled the firm untiringly forward- has become key drivers in its sustainability and growth. Supported by CLCs robust financial, compliance, legal, operational and digital infrastructures, CLC is poised to scale the Sri Lankan financial sector landscape and in rankings in an equally (if not more) fitting manner in the years to come.

LOLC DEVELOPMENT FINANCE PLC

Despite experiencing volatile conditions in the Microfinance sector during the 2018/19 financial year, LOLC Development Finance was able to surmount prevailing challenges to deliver improved profitability in the year under review, which reflects the financial prudence and expertise that underscores its operations.

During the year under consideration, the company increased its lending portfolio by 34% from Rs. 12.1 Bn in 2018/19 to reach Rs. 16.2 Bn. In the previous year, the company had consciously reduced its lending portfolio in response to the industry trend of rising Non-Performing Loans in the microfinance sector as a result of a debt relief scheme announced by the government. Realising the unfeasibility of the scheme in the long term, Microfinance customers of LODF reverted to repayments terms agreed upon with the company. As a result, it was able to reverse the decline in profitability experienced in 2018. In the year under review, the company converted the PBT loss of Rs. 140 Mn in 2018/19 to Rs. 176 Mn PBT profit.

LODF's strong balance sheet was further affirmed by ICRA Lanka, improving its ratings to A- stable. ICRA took note of the currently adequate capital structure and asset liability maturity profile of the company as LODF reported a regulatory Tier I ratio and Capital Adequacy Ratio of 12.5% and 13.5% in September 2019 as compared to the regulatory requirement of 6.5% and 10.5%. Against the background of the global pandemic and its repercussions on the economy and weak business activity, when rating agencies are conservative about upgrading standings of companies, this is indeed a reiteration of LODF's strong growth trajectory and robust fundamentals.

The Easter Sunday attacks in April 2019 unfortunately stymied further growth in profitability that could have been achieved. Nevertheless the financial performance in 2019/20 was achieved through a realigned focus on collection and recoveries; reducing portfolio by Rs. 1.8 Bn in 2018/19 and postponing new branch openings. In the year under review, the contribution of leasing rose by 27% as opposed to 15% in the previous year. A concerted effort to diversify the portfolio was made so as not to have an over reliance on microfinance alone. Going forward, contribution of leasing will be increased to about 35-40% of the total portfolio.

After closing down 11 branches which were proving non-profitable in the previous year, the company is now operating with 66 branches across the island. During the year under consideration, we made a focused effort to shift our business more towards individual lending thereby reducing emphasis on group lending models. Having made this paradigm shift before the pandemic struck has benefitted the company as social distancing rues makes it difficult to gather groups of women together for the group lending schemes. We believe more big ticket individual lending products will help female borrowers realise their entrepreneurial dreams. The dynamics in the market are changing and lending is becoming more individualistic, a trend the company is monitoring closely and catering to as well.

Although the company was not impacted adversely due to COVID-19 since it was late March by the time the lockdown was issued, LODF was obliged to make an additional provisioning for adverse economic factors in the future due to the pandemic. Despite this, LODF arrived at Rs. 176 Mn PBT after accounting for provisioning. In the preceding year, the provision of Rs. 896 Mn came down to Rs. 584 Mn during the year under review.

LODF is now pleased to offer an ATM cum Debit Card to customers via the Lanka Clear platform which is an improvement on the ATM card we were aiming to launch last year. Considering the islandwide network of LankaClear ATMS customers will enjoy the convenience of a dual function card for conducting all transactions with ease and convenience.

The call centre launched last year has now evolved into a fully-fledged automated system and is serving as an ideal conduit to build customer relationships, resolve customer complaints and to follow up on recoveries.

Training has been one of the key pillars for improved profitability. Infusing convenience for customers and expanding reach further, LODF entered into an agreement with Mobitel to collect customer rentals through islandwide mCash dealers, which is one of the key technology-backed initiatives in the year under review.

Moreover, during the period under review, LODF successfully fine-tuned systems and processes, increased its leasing portfolio by introducing new products and shifted away from micro leasing. The company is also infusing value addition by aiming to partner key agri input providers for encouraging home gardens and indigenous farming and focusing on more high value commercial vehicles to diversify its portfolio.

The company has already developed micro housing, individual loans and property mortgage loans products. During the year under review, LODF introduced high value loans of up to Rs. 800,000 with property mortgages for individual customers, offering more flexibility on amounts and repayments.

Continuing its journey of enhancing services during 2019/20, LODF established a Product Development Committee to drive innovation and new products that cater to emerging needs of its customer base whilst also leading the market. The aim is to customise products for its base of 150,000 customers according to their specific needs, for which the company is in the process of conducting customer segmentation. Going ahead, LODF will leverage on joint synergies with LOLC Group to explore unique offerings to fulfil aspirations of its customer base.

LOLC SECURITIES (PVT) LTD

LOLC Securities (Pvt) Ltd, is a trading member of the Colombo Stock Exchange (CSE) with a strong retail, institutional and foreign client base. LOLC Securities, the Group's stock broking arm, delivered a lacklustre performance during the first half of the year due to the adverse effects of the Easter Sunday attack in April followed by the political crisis that engulfed the country. In the last quarter of the financial year under consideration, ASPI and S&P20 lost 25% and 33% of their value respectively largely due to global COVID-19 pandemic fears resulting in the flight of foreign capital out of the country. Further, CSE was closed for about two months due to the government enforced curfew covering the entire country to prevent the spread of COVID-19. It must be stressed that 2019 was the year with the lowest GDP growth since 2001. These adverse spill-over effects were felt across the economy, further dampening business confidence, with the CSE recording Net Foreign Outflow of Rs. 10.84 Bn during the year.

Nevertheless, the company achieved a more robust performance during the second half of the year, supported by the optimistic economic environment, following the positive sentiment due to strong political leadership. The second half of the year under review showed improvement partially due to a strong marketing drive which was aimed at educating investors and attracting new clients. Against a challenging socio-economic front, it is noteworthy that the company increased its market share to be positioned sixth overall in terms of market turnover.

LOLC Securities' research team continued to be a yardstick in the industry, providing independent and informative research. The Company's research material attracted overwhelming demand due to its comprehensive insights into economic, industry and equity matters.

LOLC Securities also continued with the customary overseas investment promotion drive, conducting Road Shows in Hong Kong, Japan and Singapore to promote Sri Lanka as a lucrative destination for Capital Market Investments. During the year under review, the company strengthened rapport with a leading Japanese broking giant, an American boutique investment bank and several other foreign private equity funds.

In 2020/21, we expect the Central Bank of Sri Lanka to implement an expansionary monitory policy coupled with the prospect of political stability and historically low market multiples which could bring back investor confidence. Moreover, a prevailing low interest regime will certainly create renewed interest in asset classes such as equities in the coming months. These factors will influence increase in listed securities in CSE. However, the market outlook would also depend on the government's ability to contain COVID-19 successfully and avoid a second wave which could result in a broad-based panic selloff, putting capital market participants under severe pressure. Further, the sentiment among foreign investors has been gloomy due to the pandemic, the slow performance of listed companies and economic upheaval in the US, Europe and China. However, we anticipate local institutional, high Networth and retail investors to snap up stocks at low prices with attractive earning multiples. LOLC Securities will continue to leverage on Group synergies to create value and forge foreign collaborations to seize further opportunities in the nation's capital market.

LOLC CAPITAL ONE LIMITED

LOLC Capital One (LOCAP) is a Group subsidiary and as a boutique investment bank it provides advisory services for Mergers and Acquisitions (M&A), Debt Capital Markets (DCM), Equity Capital Markets (ECM) and alternative investments. LOCAP navigated yet another challenging year, supported by its strong and loyal clientele and the strong backing from its ultimate parent company, LOLC Holdings PLC. The year under review presented much volatility for CSE activities, including prolonged impacts of political instability, April attacks and global COVID-19 fears witnessed in the latter part of 2019 and first quarter of 2020.

The Central Bank of Sri Lanka's prudential macroeconomic policy initiatives to boost subdued business activities due to the pandemic has signalled that the country's economy is moving in the right direction. With its lean business model, the company will continue to focus on widening its reach in investment banking by leveraging on the strengths of the LOLC Group and by collaborating with other leading local and foreign counterparties. We are optimistic about the post-election scenario with improved investor confidence likely to generate opportunities which would certainly benefit LOLC Capital One.

LOLC AL-FALAAH – ALTERNATE FINANCIAL SERVICES

LOLC Al-Falaah remains at the forefront of the Alternate Financial Services industry in the country. It has successfully grown its stakeholder base while diversifying its portfolio to include customers from all walks of life and from all communities. Its innovative and customised product portfolio addresses both business and socio-economic requirements of diverse

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market segments, whilst meeting the specialised needs of individuals. Its portfolio offers products such as profit sharing investment & savings accounts, leasing, trade financing, import financing, property & project financing and working capital financing solutions under alternate concepts to conventional modes of finance. Customers can conveniently access these products and services via dedicated windows within LOLC Finance's extensive network of over 100 branches and service centres island-wide, including dedicated Al-Falaah centres across the country.

Although LOLC Al-Falaah was gearing up for strategic growth and expansion in 2019/20, the unfortunate events that ensued during the period under review disrupted normal business activity. A large proportion of the company's customer base is engaged in trading and tourism related businesses, two sectors which felt the spill-over of the tragic incidents in April 2019, the presidential election later on in 2019, and the outbreak of COVID-19 at the tail end of the financial year. However, its customers who were engaged in agriculture related and export-oriented businesses remained relatively unaffected, lending balance to the company's asset book. The prudent credit guidelines adhered to by the company as a whole and also Al-Falaah's alternate financial services model and the nature of its products by principle are structured to absorb any downturn.

LOLC Al-Falaah's strong credentials as a reliable and a compliant entity with the backing of the LOLC Group gave the depositors extra comfort during times of crises and aptly no major outflow of deposits was seen as is usually the case in times of economic or political volatility, when depositors tend to withdraw savings and deposits. In fact, almost immediately after the tragic events of April 2019, the month of May onwards witnessed a positive inflow of investments which reiterates the trust that the investors and community place in the company. It is evident that LOLC Al-Falaah's deposit portfolio grew significantly during the year under review from Rs. 7.9 billion to Rs. 11.1 billion, a 41% growth in comparison with 2018/19 with Rs. 875 Mn profits being paid to depositors, reflecting a significant growth despite a high pressure banking and finance environment. As a result, the company managed to sustain a favourable balance of deposit portfolio vs asset portfolio through the year under review.

In terms of the Assets book, there was a growth from Rs. 9.6 billion to Rs. 11.8 billion, a growth of 22% in comparison to last financial year. All in all, on assessing the turmoil in the industry during the year under review, the Company managed to come out strongly, recording a significant profit.

On another positive note, with Non-Performing Loans (NPLs) expected to rise against this weak economic backdrop, the Company accelerated its recovery effort to conclude the year with relatively low NPLs in comparison to the industry, restricting its NPL ratio to 4.72%, which is far below the rest of the financial services industry and even banks.

Profitability witnessed a slight dip, from Rs. 452 million to Rs. 331 million. Although there is a value-wise drop in profitability, some of the main causes were lower policy rates, significant deposit base growth during the year and prudent investment in overheads, especially in the areas of infusing technology, digitisation, training and also expanding the recoveries effort.

In line with LOLC Al-Falaah's corporate social responsibility commitment, its alternate financing business model ensures it reaches out to the community, offering reliable access to funds whilst also fulfilling its portfolio cleansing responsibility. During 2019/20, the company allocated over Rs. 22 Mn for new and on-going charity projects which encompass medical care, education and social upliftment.

As the year progressed, business recovery was swift for LOLC Al-Falaah, because in an uncertain economic environment, alternate financing offered by the company proved to be a more viable and safer option. Over the years, LOLC Al-Falaah has invested substantial resources to educate people on its alternate financing products and services, which are not relegated to any one community and in fact are a sustainable choice for people who want true financial security.

LOLC Al-Falaah's deliberations in the alternate financial services sphere have not only delivered quantifiable results, but also qualitative outcomes by winning the trust of the community at large, which is reflected in winning the 'Best Islamic Bank in Sri Lanka' and also the 'Best Leasing Company Globally' by IFN's Best Banks polls 2019 for the third consecutive year. Moreover, for the 13th consecutive year, the company held an annual compliance audit of the financial services unit which was concluded successfully.

Looking Ahead

The Company has brought about technological improvements during the year under review such as compliance monitoring reports, customer communication tools, communication and automation of savings statements and so on. It is also in the process of introducing an e-platform for cost-effective and real-time notifications as well as e-learning for staff. LOLC Al-Falaah's website was also revamped during the year with a more user-friendly outlook for customers to quickly access product and service information. The website has been updated in compliance with Central Bank of Sri Lanka's new guidelines.

Although the future of alternate financing and specifically LOLC Al-Falaah's products and services hold much promise, the outbreak of the COVID-19 pandemic and resulting lockdown has impacted the economy adversely. Nevertheless, the Company will continue to strive to build on its successful performance in 2019/20 to launch the Gold-Storage facility which is also an indirect alternative for the popular Gold Loans and pawning offerings in the market. This product was developed keeping in mind the urgent needs of the lower income micro segment. LOLC Al-Falaah remains ahead of the curve in terms of market leadership, innovation and compliance.

LOLC LIFE ASSURANCE LIMITED (LOLC LIFE) AND LOLC GENERAL INSURANCE LIMITED (LOLC GENERAL)

Industry Performance

During the financial year under review, Sri Lanka's Insurance industry reported a total Gross Written Premium (GWP) of Rs. 189,577 Mn compared to Rs. 175,911 Mn reported in 2018. The industry grew at a moderate pace of 7.77% in nominal terms in 2019 compared to 10.03% recorded in 2018. Motor Insurance remained the major contributor to GWP in the General Insurance sector, although the industry grew at a slow pace of 5.47% compared to the 7.87% growth reported in 2018. The Life Insurance industry managed to record a premium income of Rs. 88,709 Mn in 2019 with a 10.51% growth reported in 2019.

Performance of Life and General Insurance business

As fully-owned subsidiaries of the LOLC Group, LOLC Life Assurance and LOLC General Insurance avail joint group synergies such as brand strength, loyal customer base and island-wide distribution reach. In addition, prudent underwriting, focused claims management, sound investment policies and astute marketing strategies have further led to the strong performance of both entities in the face of challenging market conditions over the years.

Both Life and General Insurance businesses achieved impressive growth during the year, supported by regional expansion through Direct and Personal line channels, Broker Unit, Bancassurance and strategic partnerships as well as through LOLC's branch network. Three new branches in Chilaw, Medawachchiya and Anuradhapura were inaugurated by LOLC Life Assurance, while LOLC General Insurance opened a new branch in Kurunegala, expanding geographical reach.

LOLC General and LOLC Life recorded growth above the industry growth rates during the year under review. Despite being established a mere nine years ago, the two entities have maintained a steady growth momentum as a result of prudent and focused business strategies which are regularly evaluated and strengthened.

GWP from General Insurance increased by 17% and surpassed Rs. 5.3 Bn, whilst Life Insurance GWP reached Rs. 2.7 Bn during the year. The combined GWP reached the Rs. 8 Bn mark, a considerable performance achieved by a mid-sized Insurance company in a relatively short span of time. Increase in operational activities also resulted in an increase in general claims expenses by Rs. 54 Mn over the previous year, whilst net claims in Life Assurance increased over the previous year by Rs. 110 Mn. The increase in business required additional reserves for Life businesses. Hence, funds reached approximately Rs. 3.6 Bn and Rs. 4.0 Bn in General and Life businesses respectively.

LOLC Life Assurance Limited

LOLC Life Assurance has adopted a unique service delivery model across Personal Line Channel, Bancassurance and Broker and Partnerships. The Company's value proposition offers Pure Life Protection, living benefits, Hospital cash, Investment, Child Protection and policies offering a number of Critical Illness covers in the healthcare sector, retirement solutions, Mortgage Insurance Plans and Group Insurance Plans.

The LOLC Group subsidiaries, agents, banks, brokers and other tie-ups are key capital input providers and work as distribution channels. The company continues to focus on quality and consistent delivery in the agency channel and aiming to further grow the bancassurance channel by investing in strategic partnerships because of the deeper penetration of the bank branch network in the country. Significance of customer relationships to LOLC Life is evidenced by its wide geographic presence consisting of 140 LOLC Finance branches, 1,200 Agency force and 150 bancassurance officers.

LOLC Life Assurance drives a performance-based culture and invests in its people to ensure their career development. Recruiting Agents with the required skills is critical, especially in the agency channel. A special Training Department has been established for Insurance staff, which conducts continuous training for marketing and underwriting to educate staff about the technical aspects of the business which empowers them to service customers better and identify valuable new business for the Company, while giving specialised training for top advisors to enable them to sell more using different platforms.

In addition, the company ensures focused training for low performing advisors to improve quality, productivity and persistency; MDRT achievers and high performing Advisors to enhance their decision-making capabilities; and conducting focused training programs on Mission MDRT and annual award achievements.

The company always motivates the staff in different ways to gain marketing industry recognition and delivering superior customer service. LOLC Life strives to deliver high quality service to existing as well as new customers. From the inception of a policy right to the maturity or claim, it delivers the best service because it believes that customers look for a partnership with an Insurance company which provides them convenience and transparency and greater value in every engagement. LOLC Life Assurance customers can access the call centre to make claim inquiries, product inquiries or provide feedback. This

Financial Services

personalised interaction helps develop real and enduring relationships with customers. Multiple payment channels are available, keeping customer's convenience in mind, by partnering with multiple service providers to provide a wide array of payment channels to customers such as ipay/ mCash/Easy cash/Online Payments and credit cards.

Going ahead, the Company's priority will be developing innovative products, strong brand building and strategic agency branch expansion into new regions. The company has started the 'Online Banca Day' concept where we sell policies through Zoom, Skype and Whatsapp groups.

LOLC Life Assurance is driving the Mobile App-based payment channel to leverage mobile phone penetration in Sri Lanka. Further steps have been taken to increase standing order payments. A product development team was set up of members from different functional areas of the business such as Actuarial, Life operations, IT, Finance and Marketing to generate new ideas on product development. This team will lead the product development initiatives of the company to meet health, retirement, investment and saving needs of the customers. During the year under review, the company introduced Fund Builder plan to enhance value proposition to customers.

LOLC Life Assurance has planned to move into digital platform considering the current innovations and initiatives in the IT sector. By Q1 2021, fully automated Insurance system platform with a paperless operational environment has been planned. The company also aims to leverage distribution capabilities, operational excellence and strong brand presence to capitalise on the attractive market opportunity in the Life Insurance industry, with a focus on consistent service delivery of all channels - since these collectively make up its engine of growth.

LOLC General Insurance Limited

Although external operating conditions remained challenging through the year under review, the General Insurance business performed steadily despite the weak economic climate. LOLC General Insurance is forging towards its goal of achieving a turnover of Rs. 6 Bn by the year 2021. The company was the first to achieve the first two billion rupee landmark within 3 years - the fastest compared to even the larger players who took almost a decade to reach the same `turnover.

In light of the bleak economic outlook in the year under review, LOLC General Insurance developed products and services sensitive to short term returns with guaranteed investment returns higher than the market to lure customers with high net worth or excess cash. Apart from leveraging on Group synergies, the company invests heavily on building brand awareness across various media platforms and sponsoring popular racing events such as the Foxhill Supercross, Gunners Supercross, Gajaba Supercross, Rotherham Katukurunda Race, Walawa Supercross and Colombo Supercross in the past.

LOLC General Insurance operates across Direct Channel, Bancassurance and Broker channels. In terms of Gross Written Premium (GWP), the company sustained the 7th position amongst the top 10 players. On the bancassurance side, the company recorded robust growth while a slew of business promotions were held through the year for customers of partner banks.

The performance-based culture at LOLC General Insurance continues with substantial budgetary allocation for training and development purposes. Greater investment is being directed towards e-learning programmes so that staff can engage in learning at their own convenience. Promoting an optimal work-life balance, a recreational evening was held for staff of both companies to enjoy themselves and network.

Customers remain a top priority at LOLC General Insurance and can always access its 24x7 call centre at their convenience. Delivering claim settlements speedily coupled with the facilities of a repairing centre within the LOLC Group offers greater convenience to customers. Multiple payment channels are designed keeping customer's convenience in mind.

By locating branches strategically, the company is enhancing customer convenience and its focus on accomplishing full automation remains strong – with the entire process automated end-to-end, from meeting the customer to the point of delivery while policy servicing is achieved via technology platforms. Anticipating greater need for virtual selling against the outbreak of COVID-19 in the last month of the financial year under review, the Insurance arm is directing greater energies towards this.

LOLC FLEET MANAGEMENT

The year under review proved challenging for LOLC Fleet Management which primarily services corporate clients and noteworthy SME and high net worth individuals. Prevailing high interest rates coupled with the fallout of the April 2020 attacks and the November elections all contributed to weaken growth. The market remained largely stagnant as many corporates opted to hold on to their budgets for a better outlook after the elections. Unfortunately, just as the market was looking up thereafter, the outbreak of the COVID-19 pandemic further dampened prospects for recovery by end of the financial year under consideration. Corporates will remain wary of spending on their fleets until such time that there is economic stability.

In operation for 20 years, the fleet management business unit of the LOLC Group is equipped with a fleet of approximately 600 vehicles given out for daily hires. The business unit derives a steady income from clients who have already signed long term contracts. LOLC Fleet Management is exploring a new business line in keeping with the hiring background. Going ahead, the unit proposes focusing on clients with strong repayment capabilities.

LOLC MOTORS

LOLC Motors, a subsidiary of LOLC Holdings, was well-poised to expand its footprint and improve profitability at the start of FY2019/20, However the sequence of external events during the year resulted in unfavourable operation conditions. Going ahead, economic resurgence and restoration of normal economic activities will generate revenues for the company and increase demand for its services.

LOLC Motors is a workshop for automobile maintenance, servicing and repairs for a range of vehicles, mainly dedicated to body shop or accident services. Insurance repair is one of the significant contributors to the product line. The workshop attends to the fleet management section and internal company vehicles. While mainly catering to group company vehicles, the company has successfully expanded its customer portfolio to include a small percentage of clients outside the group as well. The advantage that LOLC Motors offers is that it can service all brands of vehicles while its turnaround time is faster. Located at IDH, the workshop is manned by 50 skilled workers with extensive mechanical and technical expertise.

The company has been a reliable employee generator for a percentage of Germantech trained technicians who are further trained in-house. Key technical staff members are sent abroad for training. While the company recorded significant improvement, it is yet to achieve anticipated growth due to adverse market conditions. On the whole, the company has its future growth trajectory well mapped out to take the company to its desired profitability levels.

Agriculture & Plantation

The outlook for Browns agriculture remains positive, given the sector's widening product portfolio, expanding regional presence and innovation-led growth strategy. The sector will continue to add value to agricultural communities across the island through widening its farmer networks and investing in farmer development and capacity building.

THE BROWNS AGRICULTURE DIVISION

The Browns agriculture division is the market leader for all agricultural machinery requirements in Sri Lankan farmer communities. The division recorded its highest ever turnover during the year under review. Underpinned by our strong brands and innovative product range with an unmatched service levels, the division managed to cater to all the requirements in the farming demographic. Introduction of the most sophisticated and expensive tractor model in the Sri Lankan agriculture industry was a key milestone for the year. The division was able to continue the market leader position of the Japanese combine harvester segment with the "Yanmar" brand, where the "WORLD" brand was able to capture a considerable share from the Chinese segment of combine harvesters. Emerging industries such as sugarcane was an opportunity for the division, where "TAFE" and "Massey Ferguson" high horse power tractors could grab a significant share of the high horse power segment with the suitable implements.

The outlook for Browns agriculture remains positive, given the sector's widening product portfolio, expanding regional presence and innovation-led growth strategy. The sector will continue to add value to agricultural communities across the island through widening its farmer networks and investing in farmer development and capacity building.

BROWNS AGRI SOLUTIONS

Browns Agri Solutions division comprises of two main sub business units namely the Crop solutions sub division and the Seeds sub division. It was a good year for the crop solutions sub division as we registered 12 products under registrar of Pesticides and developed relationships with suppliers such as Zagro - Singapore, Nufarm – Malaysia and many more. In the seeds sub division, as an initiation of the business we registered 16 F1 Hybrids (including 11 F1 Vegetables, three Fodder hybrids, One F1 Maize hybrid and one F1 Water Melon variety.)

Further to this developed good business relationships with suppliers such as Chia Tai Seeds - Thailand, Phu Nong Seeds – Vietnam, Emerald Seeds – USA and many more.

On the other hand, it was a challenging part as government changed the policy on Fertiliser Subsidy which affected us badly on financials, and the due from government kept on dragging due to political changes which took place within the year.

The outlook for the Browns Agri Solutions division is positive with number of products in the pipeline as new product development. In order to capture a significant market share, the division operates tirelessly to introduce many new products in organic and non-organic terms.

AGSTAR PLC

AgStar PLC has established its credentials as one of the market leaders in the importing, blending and marketing of fertiliser products. The company offers a range of organic and chemical fertilisers for use in agriculture, horticulture, floriculture, home gardens and green houses, having also forayed into agri machinery and agri tech recently. The Group operates warehousing facilities, which provide warehousing services, and also owns a land bank of approximately 1,540 perches in Ekala. AgStar PLC has subsidiaries in the Fertiliser, Cropcare, Properties, Exports and Seeds sectors.

The fertiliser business has always been a challenging one as it is a highly regulated industry and historically subject to ad hoc policy-making. Despite these constraints, the segment performed reasonably well during the year under review. Greater government subsidies coupled with restriction of imports impacted the sector.

Cropcare operations recorded significant sales growth in 2019/20, as sales rose by 41% in the year under review, while revenue percentage growth was significant compared to rest of the industry. Overall, the cropcare segment reflected a significant increase in gross profit and operating profits for a company in the agro chemical industry. Innovative sales and marketing strategies were critical factors in this performance and strategic alignment of leadership contributed to product development and played a pivotal role in driving sales.

AgStar vegetable seeds launched a new product, Carrot Kuroda, during the year. Chillies and Carrot Kuroda played an important role in achieving targets during the year. However, sales of Beans dropped as government restricted imports of bean seeds during the year. Due to supply constraints faced by maize suppliers from Indonesia, this segment of the business too declined.

Future outlook

Going ahead, the company will continue its focus on expanding contribution of each segment in tune with emerging needs and regulations. To enhance crop yield and improved profitability, farmers need more support in making the right decisions and AgStar PLC is ideally positioned to be the one-stop shop for the farming community in Sri Lanka. Sri Lanka's agricultural sector lags far behind the region in automation of infusion of technology and AgStar PLC is gearing up to equip the nation's farmers with the necessary knowhow and tools to bring back past glory to the agri sector.

MATURATA PLANTATIONS LTD

Economic embargos imposed on Iran by USA affected our low grown sale prices. Iran was one of the largest buyers of our low grown teas in the recent past. Recent reduction in world oil prices affected the Russian Ruble very badly (from January to March 2020 – the drop is approximately 20%). Therefore, most of our exporters to CIS countries are discounting the current tea market prices to recover the losses on past sales made to CIS countries in rubles on delayed D/A terms. COVID-19 outbreak in unprecedented proportions has resulted in postponing the tea auctions, seen reduced demand for tea at the auctions and delay in transporting teas for cataloguing. These factors may affect the market conditions and prices of tea.

Maturata Plantations Ltd (MPL) has manufactured and sold additional 283,331 kgs and 500,870 kgs of tea respectively in the current year against the last financial year respectively. However, NSA drop of Rs 48.92 Per kg against last year has affected the bottom line. The company has continued to invest in cinnamon and timber planting and so far has invested more than Rs. 150 Mn for the year.

Conventionally, the tea auction market prices were expected to rise after a wage increase. Even though in February 2019 the basic wage of the workers increased from Rs. 500/- to 700/- (40%), the Auction Tea Market prices reacted inversely and the market showed a drop of Rs. 37/37 in 2019 (December) against 2018 (December) auction average. This drop has severely affected our bottom line which is reflected through the decline in elevation averages.

MPL will become the single-largest cinnamon grower by end of 2020 with its 891 acres of cinnamon. The company was able to acquire the Rainforest Alliance Certificate for 4 Estates and 3 factories and ETP Certificate for 4 Estates in High Grown region.

Future outlook

The socio-economic and political scenario within our own borders is equally distressing. In this operating backdrop, our industry, which is already battered, has an arduous task ahead. Depressed prices, climate change and productivity issues with ad-hoc wage policies will only worsen industry woes. From the operations standpoint in the short to medium term we will stay focused on optimising our yields in the fields across both elevations. We will continue to rely and reinforce quality management with sustainable agriculture and manufacturing practices to sustain our market positioning for finest quality teas. It will be imperative to optimise costs whilst prioritising and investing in strategic capex, digitalisation of processes, team building and on key and dedicated social and environmental initiatives. We will continue to give precedence to risk management and good governance–highly warranted, given the complexities in today's context. There is, however, much hope for recovery, particularly, in the medium to long-term if stakeholders rally and work together – finding pragmatic solutions to the pressing issues within the industry to clear and lead the way forward towards sustainability.

GAL OYA PLANTATIONS

Gal Oya Plantations produces sugar since 2012 after a complete revitalisation of the Hingurana Sugar Factory. Sugar is sold under the brand name of "HIngurana Sugar" for the 8th consecutive year. Galoya Plantations commenced the Extra Neutral Alcohol (ENA) sales on 2018 and the produced ENA is sold mainly to the local liquor manufactures and other pharmaceutical & perfume manufacturers. Bio Compost is produced since 2017/18 with the waste entirely from the Sugar Factory and the distillery operations.

Total cultivation at the end of financial year was 5,311.89 ha by involving 6,344 farmers and total of 254,244.64 MT of cane was harvested during the year. During the year under review, we were able to crush 226,016.62 MT of cane and produced 16,004.45 MT of sugar. A total of 4,686,000 Lts of ENA was produced by using 16,724 MT of Molasses. Further 1,000 MT of compost was produced during the financial year.

The power generation project was launched with an investment of Rs. 4.9 billion. This is an important sector and we plan to generate 10 MW of power by 2021. CO2 extraction project will also be completed in the latter part of 2020.

Future outlook

Improving productivity and adopting advanced technologies in improving the harvest will be a key focus area while enhancing its footprint in the modern trade. Export options are also being evaluated.

Leisure

> Browns Hotels & Resorts managed to surge in the market with innovative package/bank promotions and booking options using promo codes for individual bookings and also offering value additions for larger cooperate groups in providing coach services.

SRI LANKA TOURISM INDUSTRY IN 2019

The tourism industry, which was severely affected by the Easter Sunday attacks, managed to achieve a modest 2.3% growth in 2019 compared to 4.6% in 2018. A notable decline was observed in tourist arrivals following the issuance of travel advisories by main countries of tourist origins following the Easter Sunday attacks. Tourist arrivals from all major regions, declined in 2019. Europe continued to be the largest tourist origin for Sri Lanka with 887,572 arrivals, accounting for 46.4% of total tourist arrivals. However, tourist arrivals from Europe declined by 12.8% in 2019 in comparison to 2018, despite the increase recorded in arrivals from Central and Eastern Europe, with an impressive growth of arrivals from Russia. In terms of tourist arrivals by countries, India remained the leading country of origin with 355,002 arrivals, followed by the UK, China, Germany and Australia. However, remedial measures taken on the policy front, improvement in security conditions, financial support for businesses in the tourism sector, tourism promotion and softening of travel advisories by mid-2019 helped revive tourist arrivals at a faster than anticipated pace by the end of the year. Accordingly, tourist arrivals gradually recovered, recording only a 4.5% decline on a year-on-year basis in December 2019 from the decline of 70.8% in May.

An economic relief package including a debt moratorium was introduced covering both capital and interest on loans taken by registered businesses in the tourism industry. It is likely that with the on-going COVID-19 pandemic, which will have a devastating impact on tourism, such relief measures would be expanded further. Schemes were also introduced to grant working capital loans at concessionary rates to registered businesses under the Enterprise Sri Lanka initiative. Further, Value Added Tax (VAT) on registered hotels and tour operators was reduced to 7% in June 2019 and eliminated in December 2019. Measures were also taken to improve the security situation in the country in order to build confidence among tourists. According to the estimates of the Sri Lanka Tourism Development Authority (SLTDA), direct and indirect employment in the tourism sector is 4.6% of the total labour force in Sri Lanka. The industry will need support from the government in the form of various incentives to surmount this crisis.

BROWNS HOTELS & RESORTS

Performance Review

The leisure and entertainment industry is considered as one of the main industries affected by the COVID-19 outbreak. The sector is experiencing a rapid and sharp drop in demand at global level. With the closing down of airports and the quick spread of the virus across countries, both domestic and foreign demand reached zero level. The lockdown effects within the country has hampered the interim businesses from the local market and recovery will largely depend on how fast economic activity picks up internally and reopening of borders and the recovery of key market segments. With the assistance of Sri Lanka Tourism Development Authority (SLTDA), the government has formulated short term and long-term plans to rebuild the industry.

India, United Kingdom, China, Germany, and Australia were Sri Lanka's top five international tourist generating markets from January to December this year. India was the largest source of tourist traffic to Sri Lanka, with 19% of the total traffic received from January to December 2019. The UK accounted for 10% of the total traffic, while China, Germany, and Australia accounted for 9%, 7% and 5%. However, declining of arrivals from China and European markets recorded from the beginning from Jan 2020 onwards.

The total number of international tourist arrivals to Sri Lanka from January to March 2020 was 507,311. No tourist arrivals have been recorded for the month of April 2020 due to the termination of all passenger flights & ship arrivals into Sri Lanka from 18th March 2020. Total arrivals recorded from January to April 2019 were 907,757. In comparison to January to March last year (2019), a decline of 31.5 % has been recorded for the same period in 2020. The largest source markets recorded for the period from January to March was India, followed by the United Kingdom and Russian Federation. During this period, almost 95% of tourists travelled by air to Sri Lanka.

Browns Hotels & Resorts utilised the 3 months' period after the April 19 Easter attacks to upgrade all booking systems and channels and also permanent system integration, which connect to all booking channels, respectively.

With the price competition faced from all major hotel brands in Sri Lanka with the business downturn, Browns Hotels & Resorts managed to surge in the market with innovative package/bank promotions and booking options using promo codes for individual bookings and also offering value additions for larger cooperate groups in providing coach services.

Eden Resorts & Spa - By the end of the financial year, 28 % occupancy declined YOY and ended the financial year revenue of Rs. 614 million which is 27% revenue dropped from the year 2018/2019. In addition to April Easter attacks and COVID 19 impact, Eden Hotel completed refurbishment work renovating of 27 deluxe (27 Deluxe Rooms (ground floor) Bathroom refurbishment and soft refurbishment of the rooms and also the Swimming Pool Deck from July – Nov 19, which has resulted in considerable impact on the revenue and marketability during the renovation period.

Awards won during the year under review includes, National Business Excellence Award 2019 – “Merit” (Large category – Hospitality & Tourism sector) (Dec ‘19), Presidential Environment Award 2019 – “Certificate of Commendation” (Hotels category) (Nov’19), National Sustainable Tourism Certificate – “Bronze” Winner 2019 (Aug’19), Holiday Check Award 2019, Recommended Hotel “Holiday Check Award” 2019 and Booking.com “Traveler Review Awards” 2020.

The Paradise Resorts & Spa - The year-end average occupancy recorded 33% and compared to previous year occupancy drop of 41% YOY. The total revenue recorded Rs. 128 million which translate to 37% revenue drop YOY. Specially Dec 19 – March 2020 revenues dropped drastically due to COVID 19 impact.

Calm Resorts & Spa - The year-end average occupancy recorded as 28%, which is a drop of 17% YOY. Year-end revenue recorded as Rs.118 million which translates to 28 % revenue drop YOY.

Dickwella Resorts & Spa - The year-end average occupancy recorded as 56 %, which is a definite increase of 14% occupancy increase YOY. The final revenue recorded as Rs. 258 million which is a 10% increase YOY.

Samudra Beach Resort Ltd - The 172 keys five-star property of Samudra Beach Resort Ltd., Sheraton Kosgoda Turtle Beach Resort was commissioned for commercial operations on the 29 January 2020. This property will be managed by Sheraton as the operator and the first formal function was held from the 29 February to 3 March 2020. This international five-star property is located with a unique view of the Indian ocean and adjoining broad water stream which joins the sea along the property. The swimming pool is the largest pool in a resort property. The hotel is well equipped as an international five-star property with several categories of star class accommodation options.

Due to the COVID - 19 pandemic all the above-mentioned hotels are being operated as repatriation centers.

Maldives Operations

“In Nov 2014, LOLC group obtained the leasehold rights of Bodufaru island in the Raa Atoll and in 2015 further expand its wings while obtaining the Bodufinolu island in South Ari Atoll and Plots of Lagoon in Male Atoll. Subsequently, Bodufinolu island which is in South Ari Atoll was transferred to Browns Ari Resort (Pvt) Limited and Bodufaru island which is located in the Raa Atoll was transferred to Browns Raa Resort (Pvt) Limited”

Hotel construction of Bodufinolu island is in progress and 70% of the construction work is completed and commercial operations are expected to commence from the 2021 winter season. The hotel consists of 100 rooms which includes 30 water villas, 63 beach villas and 7 beach suits. The total value of the development is estimated at USD 18 Mn

With the view of catering to discerning high end customers, in 2017, group commenced the construction of an ultra-modern mixed development project comprising a 136-room hotel, a high-end retail shopping mall and 118 apartments on the location of Nasandhura Palace. The Complex located in close proximity to the Velana (Hulhule) International Airport. The project is nearing completion with finishes being done.

Browns Investments PLC signed an agreement with the Barceló Hotel Group, in the year under review to develop a complex of three hotels in North Malé Atoll, Maldives. Barceló will join Browns Investments in developing three 5-star hotels with 470 keys in North Malé Atoll, with an investment of USD 30 Mn for a stake of 33.33% shares of Bodufaru Beach Resorts Ltd. The total value of the development is expected at be USD 150 Mn.

Apart from the shareholder agreement, Barceló Group signed five management contracts to manage 3 leisure properties in Maldives and 2 properties Sri Lanka. Barceló will be the operator for Bodufaru which consists of 470 keys in North Male Atoll, the property currently under construction Bodufinolhu with 100 rooms in the South Ari Atoll, and Nasandhura Palace.

In Sri Lanka, Barceló will operate the five-star property in the southern coast, The Eden Resort & Spa with 158 keys and The Paradise Resort & Spa holding 67 Eco-villas in Dambulla. Barceló Group is the 2nd largest hotel chain in Spain and the 29th largest in the world operating in 22 countries. With the signing of the agreement with Browns Investments, Barceló Group made its maiden entry into Asia through Sri Lanka and Maldives.

Future outlook

Most of our properties remain temporarily closed due to global travel restrictions but are ready to open with the required safety

Leisure

protocols in place as soon as it is deemed safe to open by the relevant authorities. Meanwhile we are closely monitoring our cost structures and have put in place several cost-management measures to reduce the impact on cash reserves. We also continue to closely engage with our business partners and other industry stakeholders and are committed to working together to put in motion a sustainable recovery plan for the tourism sector.

EXCEL WORLD ENTERTAINMENT PARK

Performance Review

Excel World Entertainment Park – located in the heart of Colombo - continues to offer the whole family, a 'one-stop' location for wholesome entertainment. The Pub and the Restaurant based within the Park is one of the Colombo's loveliest venues – serving elegant cocktails, variety of spirits & beverages and all kinds of food to suit anyone's taste-buds, and its newly renovated banquet hall has the with a seating capacity available for 450 guests.

Last year, Excel Restaurants Pvt Ltd – which is a Group of Companies under Browns Investments PLC - has been granted franchise rights of Floor by 'O' and Shore by 'O' – 2 leading pub and restaurant brands in Colombo.

This year, the company also further expanded by getting the franchise rights for 4 more variety restaurants which are extremely popular, namely – Loon Tao Chinese Seafood Restaurant (Mt Lavinia), Tsing Tao Authentic Seafood Restaurant, Il Cielo Authentic Italian Restaurant and Berlin Sky Lounge. The agreement was signed in November 2019 and the operations commenced towards the end January and beginning of February 2020.

This strategic move by Excel Restaurants is expected to gain a substantial opportunity to increase its presence in the entertainment and food sector in the city.

The company, also having realised the potential value of food & beverage and MICE market requirements in the city, decided to invest in the fully upgradation of several facilities at Excel World.

The former "Park Premier" conference facility was not available for several years but is now under renovation – looking forward to catering to a particular segment of clientele that generates a significant demand in this sector.

Moreover, the renovation of the banquet facility will not only cater to conferences, training and various other corporate functions, including cocktails, but also will also provide a right ambience for wedding functions for the specific category of clientele who look for great value for money.

Also, the Legacy food studio is another unit that is fully renovated in order to meet the existing food court standards of the city.

Further, Pub N Restaurant, the popular entertainment venue is another area that is completed and running under the name "Darley Road" at present. The Pub and the Restaurant caters to the present-day requirements of those 'live entertainment' enthusiasts in the city.

All in all the Excel World will be presented as a total new experience in the area of Food/Beverage, events and entertainment and will be the most sought after place for those who seek new experiences in this area.

Future outlook

The company plans to expand its presence in the entertainment sector by expanding the food and beverage facilities into Excel World itself and by adding more restaurants in strategic locations in the country while creating bigger value with the Excel World property.

CEYLON ROOTS (PVT) LTD. – INBOUND OPERATION

The Inbound operations of Ceylon Roots & Browns Tours reported revenues of Rs. 995 million for the year 2019/20, recording a decline of 28% revenue year on year. The 2019 financial year has been considered more effected and devastated annual financial year with two major setbacks which directly impacted for travel and tourism industry (Inbound sector) due to the Easter attacks in April 2019 and COVID impact the latter part of the financial year where arrivals declined due to closure of the boarders/restrictions for countries due to containment spread of COVID - 19 virus.

Though Sri Lanka has been ranked as the Destination of the year by most of the world-leading travel magazines (Lonely Planet), the SLTB statistics reflect both impacts evidently (April 19 – December 19 with average drop of 27 % due to Easter attacks) and 31 % drop from January 20 – March 20 due to COVID impact compared to YOY figures.

Despite the significant setbacks faced during this annual year beginning and the end, Ceylon Roots' inbound operation has shown the resilience of quick recovery, reporting only 28 % impact overall year-on-year compared to the approximate declined of 50 % by large competitors in the industry.

The company's key strategy has been the diversified market portfolio, which has helped the company recover quickly as possible with the Personalised Engagement offering Multi-destination policy where the Maldives has been offered as the secondary Destination offline and online b2b channel.

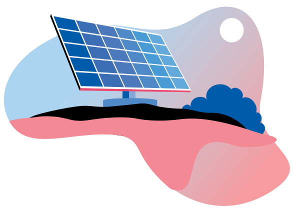
Consecutively, European and UK sectors/ Arrivals have shown a 30 % contribution to the revenue, and Arrivals from China/ India/Russia and Middle East markets have contributed to balance 70 % of the revenue respectfully.

In addition to traditional marketing campaigns such as participating in travel and trade shows with SLTB, the company has already invested considerable investments to target online/Web presence to increase the direct FIT market.

The company also successfully launched Tourist Coach operation covering major touristic sites, signing a definitive agreement with an international coach operator-based South East Asia to target FIT direct clients who book through OTA platforms. Though the operating environment has been challenging with local suppliers in some parts of the tourist destinations, certain anticipation could be expected with the government's health and safety protocol due to Post COVID operational guidelines for tourists in the future.

The company/Ceylon Roots hopes to expand the fleet management portfolio handling all logistic arrangements of all major hotels island wide under strict operating guidelines imposed by the government to maintain health & safety measures.

Despite current challenges faced by the travel and tourism industry post-COVID, the future developments would include DMC rate contracting with hotel partners through Channel manager development where Ceylon Roots will have access to the most dynamic rate structures including the inventory and also distribute products (Sri Lanka & Maldives) through B2B channel to all worldwide partners. This is a more cost-effective way of operating a tourism business to Sri Lanka & Maldives with Ceylon Roots Sri Lanka.



> The company will proceed prudently and will continue to seek and evaluate new opportunities in non-conventional renewable energy sources in Sri Lanka.

Renewable Energy

SAGASOLAR POWER (PVT) LTD

Sagasolar Power (Pvt) Limited is the first utility scale solar plant to be developed in Sri Lanka. The Plant is scaled at 10 MW. At time the plant was commissioned, the largest plant in the country was approximately 1 MW. The Plant which was commissioned in October 2016 has been in operation for over 3 years. The plant supplies power to the Hambantota CEB sub-grid from its location in Baruthankanda, Hambantota. The plant produces approximately 19 million Kwh per year and thereby powers approximately 15,000 homes and reduces the nations carbon dioxide emission by 11,000 tons.

Future outlook

The company will proceed prudently, and will continue to seek and evaluate new opportunities in nonconventional renewable energy sources in Sri Lanka.

SUNBIRD BIO ENERGY SIERRA LEONE

In June 2019, BI acquired 66.67% of the holding company, Grey Reach Investments Ltd through BI's subsidiary, B Commodities ME(FZE). GRI is the holder of a 75.1% stake of Sunbird Bioenergy (SL) Limited is an Agro-based company incorporated in Sierra Leone. It produces Extra Neutral Alcohol (ENA) as per the global industrial standards using sugar cane as the raw material and generate power and export to the national grid with a power generation capacity of 32MWh. Addax Bioenergy holds the balance 24.9% shareholding in Sunbird Bioenergy (SL) Limited.

Sunbird Bioenergy (Sierra Leone) Limited holds 23,500 Hectares of land for sugarcane plantation and a factory with a production capacity of 85 million liters of bio fuel per annum and operates a renewable energy power plant is one of the primary electricity producers of the country. The company's factory and renewable energy power plant together with its plantation and the mechanised irrigation system is one of the largest agriculture projects in the African continent. Sunbird Bioenergy (Sierra Leone) Limited is also one of the largest economic opportunity providers in the country with over 5,000 employees

With the acquisition, the management techniques relating to agriculture practices were changed by the new management. A team of consultants that specialised in sugarcane cultivation, were contracted in 2019 who has extensive experience in the industry. Due to these key strategies, already the company is experiencing a tremendous improvement in the sugarcane yield.

Further, there has been improvement in the operations and the basic operating levels, for eg. the sugarcane yield increased from 75t/ha in 2018/19, and to 90t/ha in 2019/20 season. This increase in yield led to increase bio ethanol production as well as power production from the bagasse. Not only that but it also led to significantly increase the power export to the national grid which intern increase the revenue generation of the company.

With the changes made by the new management, Sunbird Bioenergy (Sierra Leone) Limited started its first fully fledged harvesting operations in December, 2019 and the company enjoyed a full season of crushing.

As a first goal, the company achieved a record of 4,300 hectares of sugarcane being planted, and the harvesting commenced during the 2019/20 production season. This is the first time the company achieved that much new planting since its incorporation. With this new planting, the total sugarcane extent was extended to 4,826 hectares of which the company expecting to harvest 285,000 tons of sugarcane in 2019/20 production season. The company managed to crush 175,529 tons by mid of April 2020 of sugarcane leaving over 100,000 tons in the field due to the lockdown & the restriction on inter-district movements as a result of the COVID-19 pandemic. Accordingly, the company had to stop the sugar production cycle short of few weeks.

During the production season of 2019/20, the company managed to produce 10.5 million (Cane to RS ratio- 61 liters) liters of RS. Consuming 9 million liters of RS, 8.5 million liters of ENA was produced (RS to ENA ratio- 95%). This was the highest production ever achieved by the company from its incorporation.

The company is in the process of establishing sales channels to establish a strong selling structure which then will signal the comprehensive achievements of the BI group since the investment date.

Future Outlook

We believe the economic actives in Sierra Leone will be predicted at much lower level for the rest of the year since two pandemic attacks during the past 08 years' period (Ebola in 2014/15 and COVID-19 in 2020). However, on recovery there is serious potential in the investment and the company expects to generate higher returns to the shareholders in the medium to long term.

Construction

> Browns Engineering aims to improve its market share in the telecommunication industry in Sri Lanka to be the turnkey solution provider for operators while venturing into new overseas markets. Further, Browns Engineering plans to expand its operations towards infrastructure development projects in roads and bridges, water and sewerage, and electrical and piling work in Sri Lanka and the Maldives.

BROWNS ENGINEERING & CONSTRUCTION (PVT) LTD

Browns Engineering & Construction (Pvt) Ltd is a Subsidiary of Browns Investments, established with the key intention of serving as the engineering and construction arm of the group. Browns Engineering is currently engaged in three major sectors namely, Telecommunication, Civil construction management and MEP design and construction services, with dedicated employees to spearhead & drive the growth of the organisation.

Browns Engineering is currently improving their market share in telecommunication industry & have become one of the major players in the telecommunication market within a period of one year. Browns Engineering is a strategic partner of Huawei Technologies and ZTE Lanka, while providing services to the telecom operators of Sri Lanka including Sri Lanka Telecom PLC, Dialog Axiata PLC, Airtel and Hutch. Browns Engineering provides services in laying of fibre cables, construction of telecommunication towers, optimisation of networks, site maintenance and related civil works. Browns Engineering is a brand which is distinguished for its fully fledged Outside Plant services for Fibre networks.

Future outlook

Browns Engineering aims to improve its market share in the telecommunication industry in Sri Lanka to be the turnkey solution provider for operators while venturing into new overseas markets. Further, Browns Engineering plans to expand its operations towards infrastructure development projects in roads and bridges, water and sewerage, and electrical and piling work in Sri Lanka and the Maldives.

SIERRA CONSTRUCTION

The construction sector grew by 4.0% in 2019 mainly supported by government infrastructure development projects, compared to the contraction of 2.5% recorded by the sector in 2018. During the year under review, several road construction, rehabilitation and maintenance projects were continued with financial support from foreign and local sources. Institutions such as ADB, JBIC, World Bank and other financial institutions funded infrastructure development during the year under review. Investments in large scale infrastructure by the government such as improvements in the road network, water supply projects and telecommunication activities continued through the year. On a positive note, domestic preference was given for execution of many of the projects.

Sierra Construction's highly diversified and balanced portfolio includes expertise in construction of Water and Telecom projects, Roads and Bridges, Electrical, Civil and Piling. In an effort to control a great extent of its value chain, the company has strengthened its vertical integration by setting up crusher plants, ready-mix concrete supply plants and asphalt plants to lower raw material costs and bring down final cost of construction. Technologically advanced piling machines have also been introduced to accelerate the piling stage.

Sector-wise Financial Performance of Sectors in 2019/20

a) Total Revenue- sector-wise (from drafted SCL-company F/S)

- Water	- Rs. 3,082 Mn
- Telecom	- Rs. 2,291 Mn
- Road	- Rs. 4,181 Mn
- Civil	- Rs. 3,377 Mn
- Electrical	- Rs. 336 Mn
- Piling	- Rs. 11 Mn
- System Engineering	- Rs. 15 Mn

The Sierra Construction brand has become synonymous with high quality, which is why the company is the preferred choice for high profile infrastructure and construction projects across the country. The longstanding engineering and technical resources in the company enjoy prequalification in all sectors, strongly supported by greater mechanisation and advanced technology. The entire range of machinery used in construction is available with the company ranging from light to heavy contraction machinery and equipment. In addition, the company's ISO 14001 and ISO 9001 certifications add to its impeccable credentials.

Apart from its reputation for superior construction quality in any kind of construction work with any size of project in sectors such as water, telecommunication, roads, civil, electrical and piling, the company is also engaged in supply of fertilisers, concrete ready mix and asphalt premix; manufacture and supply of all types of cables; IT solutions; property development including apartments;

operating the Elephant corridor hotel in the leisure sector; network installation and maintenance services; site acquisition for tower sites and architectural and designing services.

Sierra Construction is a joint operation with Toda Corporation, Shapoorji Company and LOLC in order to be more competitive with foreign contractors in Sri Lanka. Widening its regional presence, its subsidiary in India, Sierra India, explores opportunities in the Indian telecommunication infrastructure market. Further, its subsidiary in Qatar is tapping into the local telecommunication infrastructure market. Going further afield, the company is engaged in the construction of roads and infrastructure facilities in the Maldives. It has established two new subsidiaries in Myanmar exploring the telecommunication infrastructure market in Myanmar. Sierra Construction (Fiji) PTE LTD and Sierra Construction (PNG) Ltd were established with the aim of expanding telecommunication networking over Fiji Island. Sierra Construction envisions the sector to strengthen further with the return of political stability as post-Covid recovery takes place.

Major projects in 2019/20

Civil Projects

- New Bridge Construction Project Over the Kelani River
- Kandy Lakeside Walkability Improvement Project Stage 1
- Municipal Car Park Project in Kandy
- Construction of Proposed Training Center, Hostel Building & Canteen at Thelawala
- Development of Bio - Diversity Park at Kotte Rampart

Water Projects

- Towns East of Colombo District Water Supply Project - Package 3
- (Supply & Laying of HDPE / DI Pipes for Distribution Network in Kaduwela, Homagama, Padukka and Seethawaka DA Areas)
- Replacing of Transmission and Distribution Mains form Orugodawatta to Kaduwela
- Hemmathagama Water Supply Project
- Jaffna Killinochchi Water Supply Project
- (Supply and laying of water district Networks in Palai,Kodikamam, Poonakary,Puttur,Nawatkuli, Karainagar, Pungudutivu, Vaddukkodai, Kattudai, Nallur Zones, JMC Transmission Pipeline and construction of PEIC/JKWSSP/ Network/2014/02)
- Attanagalla Water Supply Project
- (Laying of DI/PVC Pipes Fittings specials DI Valves Manhole Covers and Surface Boxes for transmission and Distribution Mains in Attanagalla Area)
- Construction of Siyambalanduwa Water Supply Scheme
- Construction of Galigamuwa Water Supply Scheme
- Katana Water Supply Project (Tender for Subcontract of pipe laying works operation & Maintenance)

Telecom Projects

- Defence Tower Project - Package I & II

  Design & Build Five Numbers of Self-Supporting Communication Towers with Equipment Cabins – Package I & II
- New Data Center at Piliyandala

  (Construction Completion & Maintenance of Propose Development of Dialog Axiata PLC Data Center)
- Provisioning of Mega Line New Connections though UR Contractors
- Accelerated Expansion of Fiber Access – Network
- Sri Lanka Dialog IDC Maintenance (AMC Dialog IDC Project)
- Preventive and Corrective Maintenance of Optical Fiber Network (OFN). – Island Wide
- Unit Rate Contract - 2019
- Supply ,Delivery, Installation, Testing & maintenance of Value regulated Lead Acid (VRLA) Battery Bank
- ZTE Receiving Bill of Engineering Outsourcing
- Implementation services purchase for Dialog FTK with Ericssion
- Master frame work agreement for the supply delivery Construction Installation Testing & commission of Street Light Lamp Poles along with Site & Power acquisitions

Road Projects

- Central Expressway Project (CEP-2) Package-B. (RDA/CEP-2/PK-B)
- Rehabilitation and Improvement to Jaffna ponnalai point pedro road (AB 21) from Chainage 1+830 km to 14+600km (SCDP/WB/JF/WK/07)
- Rehabilitation / Improvement and Maintenance of 71.81Km Rural Road in Jaffna District in the Northern Province – Package 3
- Rehabilitation/ Improvement and Maintenance of 100.31km Rural Roads in Vavuniya District in the Northern Province - Package 4

Awarded Projects commencing as at 31st March 2020

Water Projects

- Supplying & Laying of Water Distribution Networks in Jaffna City Area
- Construction of 10,000 cum Capacity Ground Reservoir at Nikahetikanda

Construction

System Engineering Projects

- Supply & Installation of Electro Mechanical Equipment & Accessories for Waste Water Treatment Plant at Koggala Export Processing Zone
- Supply of Spares for Dehiattakandiya Intake Vertical Turbine Pump
- Construction of a Pump House and Supply & Installation of Wet Well Pumps for Wastewater Treatment System at Koggala Export Processing Zone
- Supply, delivery and installation of multi stage horizontal split casing centrifugal pumps for Madana for Hiriwadunna wss

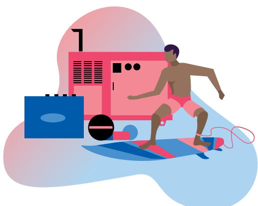
Projects in the Pipeline to be awarded in 2020/21

Water Projects

- Pyi Gyi Tagon Water Supply Project, Mandalay – Myanmar

Road Projects

- Rehabilitation/ improvement and maintenance of 69km rural roads in Colombo District in the Western province -package 01
- Rehabilitation/ improvement and maintenance of 82.79km rural roads in Kaluthara District in the Western province -package 04
- Rehabilitation/ improvement and maintenance of 87.87km rural roads in Kaluthara District in the Western province -package 05
- Rehabilitation/ improvement and maintenance of National Road (A018: Pelmadulla to Padalangala Road section Ch: 0+000 to 66+000)



Manufacturing & Trading

> Browns battery division will add new batteries to its portfolio in order to serve its customers in the best possible manner. Opening of new hybrid centers in strategic locations is planned, while Industrial batteries for telecommunication sector and tyre segment has been earmarked as growth areas which will further support the healthy performance of the division.

BATTERY DIVISION

BATTERY DIVISION

The registration of vehicles, excluding three wheelers, Quadricycles and Motor homes decreased by 45% from 120,317 vehicles to 66,193 vehicles during the year. Browns battery division has recorded the highest bottom line in the 94-year history of the division in the year under review. Through its extensive exclusive and non-exclusive dealer network, Browns has been dominating the automotive battery segment. Since the Automotive battery market is in a stagnated situation as mentioned above, the division focused on new ventures. With the introduction of motorcycle batteries under Lucas brand, the division was able to increase the sales by 58% in the motorcycle batteries compared to the 2018/19 financial year. Browns hybrid care performed well in terms of top and bottom lines, increasing the top line by 127% compared to 2018/19. During the year under review, the division introduced several automotive battery products including ISS batteries to cater the new car and SUV market. Further, it expanded the services provided by Browns Hybrid care by adding electric vehicle charging facilities.

Browns battery division will add new batteries to its portfolio in order to serve its customers in the best possible manner. Opening new hybrid centers in strategic locations is planned while Industrial batteries for telecommunication sector and tyre segment has been earmarked as growth areas which will further support the healthy performance of the division.

The world's first ever graphene-applied lead-acid battery is set to come into mass production in Sri Lanka with the commissioning of Ceylon Graphene Technologies' (CGT) latest plant to convert locally mined vein graphite into graphene.

GENERAL TRADING DIVISION

Browns General Trading division offers an exclusive range of construction related tools and accessories of utmost quality from an array of world renowned brands. State-of-the art technology, innovation, functionality and durability are the key factors of our offering to the customer coupled with the highest level of after sales service.

The division's contribution to the construction industry continues to evolve as it offers a high level of understanding, knowledge, creativity and expertise whilst delivering sustainable solutions for the key players in the construction, woodworking and the DIY industry.

Be it a power tool, cutting wheel, pressure washer, power generator or even a simple garden tool, Browns GTD is today geared with well-over a century of engineering expertise. Browns is highly reputed for importing and marketing superior quality, acclaimed brands of power tools, engineering tools and related equipment.

The division is positive about the future with many additions planned underway to further enhance the product portfolio. New product development and channel development have been earmarked as key growth areas for the division.

VETERINARY PHARMACEUTICALS DIVISION

It has been a very challenging year for Sri Lanka's Poultry industry. Hard hit by the Easter Sunday attacks in April 2019, the industry lost over 40% of demand overnight largely due to the slowdown in tourism in the aftermath of the attacks. Furthermore, the disruption to the typical demand patterns resulted in overproduction of chicken causing a higher than normal stock build up, leading to oversupply and consequently to the collapse of prices for live birds by around 30% in mid-2019. Just as market conditions were normalising, the COVID-19 pandemic struck with travel bans, lockdowns and curfews once again derailing the industry, thrusting it into crisis mode in March 2020.

Veterinary Industry average growth rate was around 6-8% in last financial year and we were able to manage 9% growth during last financial year. Key milestones for the year under review included, the introduction of the competitive tick and flea protection product "Bravecto" and the introduction of the new Pet range "Vetina". However from January 2020 onwards, Raw Material was insufficient to cater the market demand and as a result most of the product cost were increased. Providing the required technical support related to veterinary industry through our technical team has been a key to success along with a 24 x 7 hot line to facilitate our customers.

The division plans to introduce new items based on the customer requirements to

Manufacturing & Trading

cater to the anticipated rebound in the poultry and related industries.

HOME & OFFICE SOLUTIONS DIVISION

Home & Office Solutions division comprises of A/C solutions division and the Browns Deals division. The A/C solutions division, as a medium-sized player for air conditioning solutions in the market, has penetrated into many new sectors during the last financial year. This was mainly achieved with a focused sales approach and by strengthening the service network where the customer confidence improved to a considerable level - making Browns one of the preferred suppliers for all their air conditioning requirements.

As a brand, BG air conditioners have reached a satisfaction level in the customers' mindset as a complete solution provider for air conditioning in the commercial and light commercial sector. With this leverage, most of the leading corporates are tied up with Browns for the supply & maintenance of air conditioners for their existing locations and for all new requirements.

Our products and solutions are well proven as the best 'Value for Money', especially in the government sector with superior quality at an affordable cost where the number of tenders awarded during this period has increased compared to previous years. Tie-up with IGNIS is one of the key milestones for the division where IGNIS is a luxurious brand targeted at the top of the range in the industry for domestic air conditioning solutions.

The Browns Deals division has seen a severe drop in retail sector due to reduced footfall in the showroom business. However, an increase in corporate and key accounts sales and online sales was witnessed.

In order to face the challenging market which is on a growing platform, we are currently exploring new possibilities to import high quality air conditioners and solutions manufactured in India which will enable us to enter different market segments which are price sensitive.

This will enable us to cater the segment mainly in VRF and chiller solutions where customers are looking at comparatively low cost operations. It also identified that BG air conditioners should reach the domestic market to secure market presence and be in the top 5 brands in the Sri Lankan air conditioning solutions market in the near future.

POWER SYSTEMS DIVISION

Power Systems division is engaged in the business of providing power generation solutions to the market. This includes the supply of branded diesel power generator sets for industrial and upper domestic markets, service and maintenance of generator sets and emergency breakdown services Island wide. The division faced a challenging year in securing more projects due to the economic situation of the country. Delayed payments from the main contractors particularly affected the cash flow of the division. Further, depreciation of the SL Rupee against the US Dollar created a severe competition with the non-branded product suppliers from China and India, making thin margins to conclude a sale. However, with the strategic decisions of the division we managed to record a significant growth during the last 11 months of the year where the last month of the year was a complete contrast due to the global health crisis.

Having realised the market potential in the times to come, we are well prepared with new strategies that would drive the division in to greater heights while maintaining the market share and penetrating into other untouched market segments with a different strategic direction where competitors would not be able to enter without the required resources and knowhow. We managed the division with limited resources which was available within the division/company and have already put in place new resources to face tomorrow's challenges efficiently and effectively.

HEAVY MACHINERY DIVISION

The division continued to perform and with the positive relationship it has with its valued suppliers and it further expanded to new business areas such as Backhoe loaders, Self-Loading Concrete mixtures. The existing products were further developed and diversified to operate at different levels.

The division represents world-leading brands with a higher market share and has plans to introduce new products to achieve the concept of a Total Machinery solution for the Construction Industry.

Outlook for the construction industry is promising with number of projects and investments lined up. We hope the transformation in the industry will happen soon in order to capitalise on the product range we have and also to add new products in a timely manner whenever required.

BROWNS THERMAL ENGINEERING

Browns Thermal Engineering division which is the pioneer in brass and copper radiators in Sri Lanka holds the market leader position for its segment. The division is ISO and SLS certified and is situated in Makandura Industrial estate. The division is into copper brass radiator manufacturing for Automotive, industrial, CGR heat exchangers and oil coolers. Further, we operate a full capacity injection molding plastic component manufacturing section which is mainly manufacturing automotive battery cases. Browns Thermal is the local dealer for BOSCH products, RADCO brake liners and brake shoes. BANCO, one of the world largest aluminum plastic radiator manufacturer tied up with Browns Thermal to sell BANCO products in Sri Lanka.

Browns Thermal Engineering division will focus on reducing the cost of production by optimising the usage of the resources. New product development will be key for the division in order to capture the growing market needs. A manufacturing line to assemble plastic aluminum radiators in Sri Lanka is planned in order to cater to the growing demand in the sector.

BOILER DIVISION

The boiler division markets world-renowned boilers from the UK, South Korea and India. The division identified Indian-made boilers as one of the key growth areas in Sri Lanka due to its pricing and the quality as opposed to other boilers. This was initiated in order to capture the market share of the Indian-made boilers and to offer customers an entire range of boilers with a mix of quality and pricing.

Boiler division plans to expand service agreements with its customers and also with the new Indian-made boilers. The division looks forward to capture a significant market share in the boiler industry.

MARINE & LEISURE DIVISION

Browns has been a leader in the marine engines solutions sector for nearly half a century.

Together with Yanmar and Parsun, Browns provides a comprehensive range of engines to fisheries, commercial, recreational and coastal security markets. All types of boats (fishing boats, classic motorboats, yachts, and inshore naval vessels) are fitted with engines marketed by Browns. Over the years, Browns Marine has expanded its portfolio to Fiber Glass raw materials as well.

Future outlook

Market is open for higher horse power engines and in the Northern Region there are many opportunities to explore with untapped areas.

BROWNS INDUSTRIAL PARK

As the company's main warehouse and manufacturing and assembling facility, Browns Industrial Park Ltd has played a vital role in the performance of the Browns Group. Located in Makandura, the Industrial Park has done well by taking advantage of the increasing demand for office space and warehousing - a result of the general growth of business and industry in Sri Lanka.

Future outlook

Browns Industrial Park Ltd will continue to expand business opportunities by developing an area of the property that is currently under-utilised.

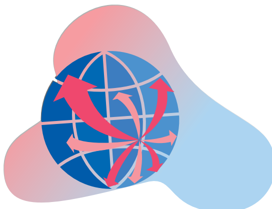
AJAX ENGINEERS (PVT) LTD

Despite the very negative market conditions post-Easter attacks in Sri Lanka which lead to a standstill in the construction industry for almost for the rest of the year, Ajax has recorded a profit after Tax of Rs. 105 Mn for the year.

Some land mark Projects were carried out by the company last year, making Ajax the No. 1 player in the Aluminium Façade industry in Sri Lanka. Sampath Bank head office, Colombo Medical Faculty, Colombo Intercontinental Hotel, Unawatuna Araliya Hotel a 305 Roomed five star hotel are some of the projects carried out last year.

Gurind Accor Private Limited since it was taken over in September 2018, has shown a good potential as a business unit. Being one of the pioneering glass processing company in the country, Gurind has built its reputation as a reliable and quality processing Company. Maintaining margins in a severely price competitive industry, and upgrading the machinery to meet the future demand remain the biggest challenges in the company.

Creations Furniture being the latest addition to the setup has shown a tremendous potential for the future. Creations turned around their fortunes this year to become a profitable venture. Changes in their product strategy from a custom made furniture house to a large scale B2B player who imports and sell reputed modular furniture has paid them off immensely.



Overseas Expansion

"During 2019/20, LOLC (Cambodia) achieved many major milestones such as the successful launch of its mobile banking app, iPay and reaching USD 1 billion in assets. The company became an ATM Card Share switch member via Cambodia Share Switch (CSS) which is managed by National Bank of Cambodia for issuing ATM Cards."

PRASAC

The largest microfinance institution in Cambodia, PRASAC, continued on its growth trajectory during the 2019 financial year, successfully maintaining a major share of the market by leveraging on the largest branch network and the largest loan portfolio in local industry in Cambodia. PRASAC's branch network in Cambodia covers all 25 provinces and cities through 180 outlets and 135 ATMs, operating in 14,053 villages, which amounts to 86% of total villages. The Company has a staff of 9,091 to service its valued clients.

Financial Performance

The Company delivered a strong financial performance in the year under review. Total assets grew by 30.2% over 2018 to reach USD 3.1 Bn as at year-end. Total loan portfolio increased by 27.5% to USD 2.5 Bn, with a portfolio of 417,000 clients. PRASAC also achieved the lowest NPL ratio in the sector; well supported by the capacities of its team and the strong relationships it has established with clients. The Company continued to maintain its leading position in loan portfolio quality in the sector with its Non-Performing Loan (PAR 30) ratio at 0.36%. Further, the deposit outstanding balance reached USD 1,79 Bn with a total deposit base of 600,000 clients. Meanwhile, After-tax net profit increased by 31.6% to USD 101. Mn from USD 78.6 Mn in 2018. Return on Equity (RoE) was 28.2% and Return on Assets (RoA) was 3.7% during the year under review.

High productivity, strong client relationships and a prudential risk management policy, combined with the knowledge and experience of its able staff helped the Company achieve a commendable performance despite increasing competition and regulatory changes. The entry of large banks into the Microfinance sector further intensified competition during the year.

Growth Strategies

Cambodia's strong pace of economic growth combined with the country's political stability and low levels of inflation were factors which supported PRASAC's performance and which augur well for the years ahead, despite the impact of COVID-19. The country's strong banking and finance regulatory framework also provides an excellent platform for sustained growth. However, climate change and its impact on agriculture will continue to be an area of concern whilst Cambodia's agri sector is also burdened by a scenario of low demand and low prices for its produce. The Company will maintain market leadership whilst growing its middle income market and maintaining its market share in the low income segment. It will also continue to focus on the SME market in Cambodia.

Technology is today the preferred channel of delivery in the financial service industry and will accordingly be a key driver of the Company's growth strategy through channels such as mobile and internet banking and Visa and Master transfers. PRASAC will also look to diversify its product portfolio and offer a broader range of innovative banking products and services through digital channels.

The Company's culture of strong commitment to the highest standards of integrity and ethics and the pride it takes in its impeccable reputation has also been a key competitive advantage and a vital element of its brand equity. PRASAC's ability to harness the large scale of its operations, excellent customer service and flexible solutions, combined with the governance structure and strong internal control systems, find it well poised to enhance the value it creates in a growing economy and thus to be a key contributor to LOLC Group and its stakeholders.

LOLC (CAMBODIA) PLC

Market Overview

Cambodia recorded GDP growth of 7.1% 2019 during 2019. The nation's economy is composed of three main sectors: industries (38.3%) including construction, textile and garment and mining; services (38.1%), including tourism, trade and finance; and agriculture (16.10%). GDP per capita has grown to around USD 1,650, making Cambodia a lower-middle-income country, above the World Bank's threshold of USD 1,045 per capita.

As per Cambodia Microfinance Association data, the Cambodian microfinance industry enjoyed 29% portfolio growth, reaching USD 7.4 billion in March 2020. There are almost 2.2 million borrowers in the country. Cambodia also has large microfinance deposit-taking institutions licensed to collect deposits. As of March 2020, there were more than 2.8 million depositors and more than USD 3.6 billion deposit balance. Microfinance providers in Cambodia are quite inclusive, with countrywide operations and innovative products both in terms of digital access and product diversification. The top 6 MDIs took up 87% of the portfolio market size. Moreover, Fin-tech is also popular in the industry, such as mobile banking, payment, and digital lending.

Company Performance

LOLC (Cambodia) is licensed to offer credit and deposit, regulated by the National Bank of Cambodia (NBC). Its wide range of product and services are unsecured loans, secured loans, leasing, asset-backed loans, savings account, fix-term deposit, money transfer and mobile banking. LOLC (Cambodia) achieved 49% growth year-on-year in its portfolio as of March 2020 and increased its total assets above USD 1 billion. The company is the third-largest company in term of borrowers and the fourth-largest in term of portfolio, depositors and deposit balance. During 2019/20, LOLC Cambodia grew its portfolio to USD 844M, marking 49% growth from last year, and reached a deposit balance of USD 487M, with a 73% growth from the previous year. The company is recognised as one of the most efficient companies among the top 6 microfinance deposit-taking institutions.

During 2019/20, LOLC (Cambodia) achieved many major milestones such as the successful launch of its mobile banking app, iPay and reaching USD 1 billion in assets. The company became an ATM Card Share switch member via Cambodia Share Switch (CSS) which is managed by National Bank of Cambodia for issuing ATM Cards. The company also attained ISO/IEC 27001 Information Security Management System Certificate, while gaining Financial Rating Grade A and social Rating Grade BB+ from Microfinanza. Consistent implementation of the directive on credit risk grading, expected credit loss, credit operating manual, and data analytics reporting are the tools to ensure that there is growth with quality.

The company also prides itself on empowering its grassroots clients by holdings financial management training classes for 532 beneficiaries of One Village One Product (OVOP) in 8 provinces and 294 students from the Preah Sihamoniraja Buddhist University. LOLC (Cambodia) also has a radio programme, Idea for growth, broadcast weekly and co-produced by Cambodia Microfinance Association, LOLC (Cambodia) Plc, and Credit Bureau of Cambodia sponsored by Blue Orchard Finance aimed to deliver financial literacy messages, consumer protection, self-motivation and small-business management mindset.

Future outlook

LOLC (Cambodia) PLC is looking forward to implement strategies to expand its book through potential products and services. Its main credit products to increase market share are Asset-Back Lending/leasing, Microbusiness Loan, Small and Medium Enterprise (SME) saving products, along with ATM Card, VISA, Mobile Banking Application, Plan Saving and Kids Saving.

The company's long-term strategy is to lower its operational costs by using technology to improve staff performance, efficiency and productivity and lower cost of funds and payment facilities to increase savings.

Some technologies it leverages on are the Tablet Project to speed up credit processing and reduce paperwork; HR System to better manage personnel information, performance analysis, and capacity building; Customer Relation Management to help line managers, analysts and front line staff to better their services, thereby retaining client loyalty.

LOLC (Cambodia) PLC also plans to focus on preserving healthy liquidity levels as measured by its Liquidity Coverage Ratio and adequate Capital Adequacy Ratio to maintain compliance to requirements as well as to support growth.

LOLC MYANMAR MICROFINANCE COMPANY LIMITED

Amongst the top five microfinance institutions in Myanmar, LOLC Myanmar recorded a year-on-year portfolio growth of 77% as at 31st March 2020 and increased its total asset to USD 106.5 million. In 2019/20, LOLC Myanmar achieved a major milestone by being SMART Campaign Certified, making it only the second Microfinance Institution in Myanmar to obtain this certification. This year also saw the company reaching over 200,000 borrowers and its asset base exceeding USD 100 million.

During 2019/20, LOLC Myanmar's loan portfolio reached USD 76 million, reflecting a 77% growth from last year and deposit balance reached USD 13.5 million, growing by 79% year-on-year.

The Company has maintained a very high level of Credit Risk Management with the Portfolio-at-Risk over 30 days being maintained well below 0.5% of the total loan portfolio. A conservative approach has been adopted in maintaining Liquidity Risk to accommodate the inordinate delays in approval for foreign loans. Foreign Exchange Risks are being managed with a combination of off-shore and on-shore SWAPS and back-to-back transactions with banks operating in Myanmar where foreign currency is placed in deposit to raise Myanmar currency.

LOLC Myanmar is a licensed deposit taking microfinance institution, regulated by Finance Regulatory Department of the Ministry of Finance in Myanmar. The company offers a wide range of credit facilities including Group Loans with fortnightly and four weekly payments and Micro Loans with monthly repayments of capital and interest designed for the Micro Sector; Enterprise Loans with monthly repayment of capital and interest for the SME Sector; Employee Loans for wage earners with monthly repayments

Overseas Expansion

and; Agricultural Loans for the farming community with repayment of capital and interest structured to meet the seasonal requirements of crops.

Future outlook

The onset of the COVID-19 pandemic at the end of March 2020 and the measures taken to curtail its spread had an adverse effect on economic activities. This resulted in a total breakdown of MFI business activities in April and May 2020. The effectiveness of the measures taken has seen a fast return to normal in June 2020 and a quick recovery is expected baring the sectors related to tourism and manufacturing sector catering to exports. Myanmar's economy, which was just opening up to the world but not globalised could prove fortuitous for its post pandemic recovery.

PAK OMAN MICROFINANCE BANK LIMITED

Pak Oman Microfinance Bank Limited (POMBL) is a Public Limited, unlisted Pakistani Company which was incorporated in 2006. POMBL's major shareholders include the Ministry of Finance - Sultanate of Oman and Pak Oman Investment Company Limited with a 66.67% and 33.33% holding respectively. In 2017, LOLC was invited to infuse its internationally recognised expertise to turnaround the bank. During the year under review, the mission of the management was to set in place the systems and processes that have been proven successes in its other markets such as Indonesia, Cambodia etc.

A sophisticated IT system was installed with real-time lending modules which will enable mobile collections and customer on-boarding. During the year under review, POMBL worked closely with a digital platform of UBL titles OMNI which is one of the local mobile wallets in Pakistan in partnering the loan disbursement. Some processes which are still paper-based are steadily being automated for better service and faster processing times.

The company further increased its branch and service center network from 49 in 2018/19 to 65 during the year under review, while the customer base too expanded from 40,145 to 59,703, reflecting the positive acceptance of the company's offerings. The total portfolio grew from USD 7.5 Mn in the preceding year to reach USD 11.9 Mn in the year under review.

The Microfinance Bank also unveiled some unique products for the local population during 2019/20, including three-wheeler leasing and other products in the pipeline which can be expanded to other income generating assets. Further, Pak Oman Microfinance Bank plans to scale up the value of loans from PKR 150,000 currently to PKR 500,000 by focusing on garnering more micro SME customers. Since 50% of the nation's economy is agro-based, POMBL has plans to support customers to lease agri equipment. Towards this, POMBL has identified certain crops such as cotton, maize etc. for agricultural financing - not as an equated monthly instalment but as a bullet loan to be paid back after the harvest.

During the year under consideration, Pak Oman Microfinance Bank was restructured such that Karachi, Lahore and Islamabad are designated as three separate profit centres to enhance efficiency. Although POMBL already holds a deposit-taking license, it has yet to embark on offering liability products and intends to focus on this in the upcoming financial year by extending savings and fixed deposit products and loans from the State Bank of Pakistan.

PT SARANA SUMUT VENTURA (SSV)

Sarana Sumut Ventura (SSV) strengthened its footprint in Indonesia's Microfinance market in the year under review by growing from 6 branches in 2018 to 22 in 2019/20. A strategic decision was taken to penetrate deeper into the Java island considering the population density, income pattern and resource availability. By 31st March 2020, 22 branches were established of which 21 are located in Banten and Bandung regions. Consequently, the total customer base also increased three-fold from 10,200 in 2018/19 to 36,600 in 2019/20 while the portfolio increased by 126% from USD 1.5 Mn to USD 3.4 Mn.

While the Group lending methodology remains key to its success thus far, the eventual aim is to establish a 'hub and spoke' model to optimise resources and bring down operating costs. However, due to the outbreak of COVID-19, the implementation has been postponed until conditions are more favourable. The hub and spoke model is expected to be more cost-effective while also garnering a wider customer base.

During the year under review, SSV started a mobile collection service to collect customer rentals in the field via mobile devices online and in real-time which helped the company to monitor performance and prevent fraudulent activities in the field. When it comes to innovating products, SSV is planning to extend products from Micro Group Loan presently to start Micro Individual products with the existing customer base for high value transactions. As the company implements its ambitious plans, the core banking system is supporting all these endeavours. The global pandemic has tampered our ambition to be a USD 40 Mn company by 2021, with the forecast being revised downward to USD 24 Mn by 2021 from USD 5.6 Mn presently. The 270 million Indonesian population offers a promising market when macro conditions improve.

Many of SSV's customers in Indonesia suffered due to disruption of supply chains out of China on which they depend for raw materials for their small businesses. The company has been able to support customers with warmth and compassion to tide over the crisis which gives us great pride. The staff has been trained stringently in prevention and hygiene measures.

LOLC Management Indonesia is the Holding Company through which the company invested in SSV (formerly a venture capital business), which is now being remodelled to cater to the Microfinance segment.

PHILIPPINES

LOLC ASKI FINANCE INC.

Considering its largely unbanked and under-banked population, Philippines offers strong potential in the Micro, Small and Medium Enterprise (MSME) sector. LOLC has leveraged on this opportunity to expand its operations in serving the bottom of the pyramid population with financial products developed specifically to cater to their requirements, supported by strident economic growth during the year under review. Philippines recorded a GDP growth of 5.9%, ending the year with a GDP of USD 376 Bn for the year 2019. The GDP per capita income increased from USD 3,190 in 2018 to USD 3,337 in 2019.

Company Performance

Against the backdrop of favourable operating conditions and the efficient cost structure and the centralised processing mechanism of LOLC ASKi Finance, along with the know-how of LOLC Holdings PLC, the company was able to break even by September 2019. In the process, LOLC ASKI Finance increased its portfolio from to USD 3.7 Mn by March 2020.

LOLC ASKI Finance Inc is a partnership between LOLC Holdings PLC Sri Lanka and ASKI Group of companies in the Philippines. ASKI is a highly-recognised and respected group of companies in Philippines with a variety of products including micro insurance and microfinance. The roots of LOLC ASKI Finance can be traced back to April 2017, when the original company, Alaylayasa Kaunlaran Lending Investors, was formed under the ASKI Group of Companies to cater to the MSME sector. The ASKI Group of Companies partnered with LOLC Holdings in early 2019 and duly converted Alaylayasa Kaulnaran Lending Investors to LOLC ASKI Finance Inc. With the investment by LOLC Holdings, the equity of the company was increased from USD 100,000 to USD 3.3 Mn.

Looking ahead, despite the negative impacts of COVID-19 on the global economy, strong resilience is expected from the ‘bottom of the pyramid’ customers that the company caters to. Coupled with the strong foundation laid during the initial year, LOLC ASKI Finance is looking forward to a bright future. While continuing to improve on its cost-effective, centralised processing mechanism, LOLC ASKI Finance will also look to add new products that cater to the specific needs of its clients.

INTER-ASIA DEVELOPMENT BANK (PHILIPPINES)

The country’s real gross domestic product (GDP) experienced a decline of 0.2% year-on-year (y-o-y) in the first quarter of 2020, which is a significant drop from the 6.7% growth achieved in the last quarter of 2019, due to the Taal volcano eruption and coronavirus (COVID-19) outbreak. Household consumption and capital formulation too experienced a significant reduction due to the implementation of enhanced community quarantine (ECQ) in Luzon (the country’s largest and most populous island) and other parts of the country by the National Government (NG).

Despite of these uncertainties, the banking system remained sound and stable with well-capitalised banks, manageable loan exposure and coverage to absorb the unexpected losses relating to the pandemic. Asset quality remained stable, with net non-performing loan (NNPL) ratio at 1.2% and gross NPL ratio at 2.2%, as of end-March 2020.

Inter-Asia Development Bank (IADB) achieved its Y-O-Y 56% growth of portfolio as of December 2019 with an asset base of above USD 12 Million, and deposit balance of USD 5.5 Million (18% growth from last year).

IADB’s products include deposits, different loan products for Micro, Small and Medium Enterprises (MSMEs) and other services such as remittance services and bills payments.

In 2019/20, IADB attains major milestones such as:

- Approval of the BSP for three (3) additional branches;
- CAMELS (Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to Market) composite rating of 3. This is an international rating system used by regulatory banking authorities to rate financial institutions; and
- Approval of six (6) branch-lite units (BLUs) in different areas in Luzon.

IADB is looking forward to effectively achieve its strategic objectives and business plans in terms of the Bank’s mission and vision and the country’s economic and financial thrust. IADB’s plan to expand is to bring more and better financial services at lower cost to MSMEs and offer them a varied and widened range of products in consistent with the BSP policy on financial inclusion by extending financial system closer to the Filipino, especially to the financially underserved and unserved.

LOLC FINANCE ZAMBIA LIMITED

The LOLC Group’s Microfinance arm entered the Zambian Microfinance industry to serve the bottom of the pyramid which holds much potential for growth in the African nation. LOLC Finance Zambia Limited is currently awaiting final approval from the regulator, Bank of Zambia, to commence its operation. Microfinance Institutions (MFIs) in Zambia are seen as an opportunity for micro-entrepreneurs to expand their businesses and enhance economic development. Increasing access to MFIs can be viewed as an important step towards building the foundation for other livelihood improvements, including proper

Overseas Expansion

nutrition, increasing access to education and employment, and decreasing the risk of transgenerational poverty.

The Zambian economy is largely dependent on the copper industry as it is the second-largest copper producer in Africa. The nation's GDP has expanded at a healthy rate over the past five years due to copper exports and a strong services sector, but the incomes of about two-thirds of the population remains below the poverty line. According to International Monetary Fund (IMF) forecasts, due to the outbreak of COVID-19, GDP growth is expected to fall to -3.5% in 2020 and pick up to 2.3% in 2021, subject to the post-pandemic global economic recovery.

LOLC Finance Zambia is a deposit-taking non-banking financial institution and will provide finance products such as home loans, motor vehicle finance, business loans, and consumer loans, among other products, thus helping to narrow the access to financial services gap locating its services close to the industrial mining areas. Leveraging on it advanced technological platforms and digital solutions, LOLC Zambia will use a variety of channels for distribution of its products and services. The Bank of Zambia is encouraging use of alternative distribution channels such as contactless mobile banking aimed at minimising in-person contact, reducing physical cash and decongesting banking halls while at the same time advancing financial inclusion among vulnerable communities during the pandemic. LOLC Finance Zambia is confident of replicating its successes in its other overseas markets and plans to leverage on its knowledge of Africa's Microfinance industry with its thriving operation in Nigeria.

FINA TRUST MICRO FINANCE BANK

Fina Trust Microfinance Bank obtained its licence in September 2009 from the Central Bank of Nigeria and commenced its operations in October 2009 in the state of Lagos.

The Company is amongst the top microfinance institutions in Nigeria, providing microfinance services of loans, savings and customised products to cater salary employees, micro and small medium businesses.

In the last few years, the Bank has attracted patronage from Small & Medium Scale subsector of the economy, carving a niche as a supportive Bank for Retail businesses and empowering Micro businesses through distinctive services. The Bank's commitment to value creation for all its stakeholders has earned it a solid reputation as a responsible corporate citizen and an employer of choice.

During 2019/20, Fina Trust Microfinance Bank's loan portfolio reached Naira 3.51million, a 26% growth from last year, and increased its total asset to Naira 5.59 million.

The onset of the COVID-19 pandemic at the end of March 2020 and the measures taken to curtail its spread had an adverse effect on economic activities. Given the nature of the portfolios and the activities of clients; financial institutions were affected by the ongoing crisis. The portfolios of banks often have a significant share of the informal sector, a predominance of trade/commerce activities and vulnerable clients who have few resources to "cushion" the impacts of the crisis. Due to the diminished earning capacity of clients, it threatens to undermine the strong repayment culture on which microfinance depends. The government of Nigeria are taking measures to cushion the impact on financial institution; such as, granting of regulatory forbearance to banks to restructure terms of facilities in affected sectors

The economy of Nigeria advanced 1.87% year-on-year in the first quarter of 2020 compared to the 2.55% growth in the previous period, against the backdrop of significant global disruptions resulting from the COVID-19 public health crisis, a sharp fall in oil prices and restricted international trade. It was the slowest pace of economic expansion since the third quarter of 2018. However, the country's economy is expected to grow by 2.4% in 2021.

Other Strategic Investments

> The LOLC Group has gained impressive momentum with regard to greater automation, digitalisation and adoption of advanced emerging technologies to facilitate customers and streamline operations for greater efficiency and lower cost of operations. Through the year the company pursued a 'data first' strategy with greater emphasis on Business Intelligence.

LOLC GROUP

LOLC Technologies comprises mainly of Two verticals, namely, Group ICT Shared Services, and Partnered Solutions. LOLC Group IT Shared Services play a critical role as providers of efficient and effective IT solutions to all business sectors of the Group locally & globally, which encompasses Financial Services, Insurance, Plantation, Healthcare, Hospitality & Leisure and Manufacturing & Trading.

The LOLC Group has gained impressive momentum with regard to greater automation, digitalisation and adoption of advanced emerging technologies to facilitate customers and streamline operations for greater efficiency and lower cost of operations. Through the year the company pursued a 'data first' strategy with greater emphasis on Business Intelligence.

Review of Operations

Internal Business

The recent Business Process Reengineering BPR embarked on promises to be a transformative initiative because once it has been completed, it will bring about a sea-change in the group's back-office operations, infusing efficiency in process & technology and would eliminate of repetitive tasks and improve front-end services.

Suitable investments have been made in robotic automation which lead to efficiency improvements and cost savings and which can be operated with less human interaction especially on aspects such as accounts and bank reconciliation which used to be time-consuming tasks earlier. The 'mobile first' strategy is part of the first phase with most of the process reengineering using advance mobile technologies, especially amongst the field force who can work remotely from anywhere which will be a game-changer.

Furthermore, based on the requirements of group businesses, the BPR will also facilitate end to end process automation such as recovery, yard management and legal processes. The rolling out of the entire BPR strategy is divided into many phases. with the first phase now complete, we expect the other two phases to be completed by end-2020.

The group's adoption of latest technologies is evidenced by the preparedness of group companies when COVID-19 struck, as LOLC was one of most prepared companies to enable work from home from day one. Further, call centres were operated through work from home, a long-term strategy that we had already worked out while preparing contingency plans in case disaster struck.

iPay

LOLC Technologies' unique fintech initiative – iPay - an online payment platform is gaining traction amongst LOLC and non-LOLC customers, sparking even greater adoption during the lockdown period as merchants and customers both sought a reliable online payment partner. Almost 80% of iPay customers are non-LOLC customers. iPay became the NO. 1 most downloaded app on LankaPay's platform.

iPay is also being swiftly adopted in Cambodia where it was launched in 2018. Plans are being drawn up to infuse more features into iPay that enable customers to click a button to fulfil their insurance premiums and even for three-wheel customer base of the micro finance business unit to pay their dues and avail of mobile reload etc. iPay aims to become second nature for consumers and to use it for every aspect of their lives to make it easier.

OVERSEAS BUSINESS

Pakistan

LOLC Technologies is infusing a fresh outlook in the Pak Oman Micro Finance Bank by imposing the latest technology to modernise the operation. During the year under review, major parts of the Lending stack were successfully introduced in PAKOMAN which enabled business to go to market in large scale. New Individual Loan Module, Micro Group loan Module and Leasing Modules were rolled out to a live environment. Major improvements were carried out on Group Loan implementation in order to monitor and comply with the regulator. As the first step, daily General Ledger processes were implemented and this was a major change operation process and technology adoption, giving greater flexibility for business to measure the daily performance rather than month-end. Going one step further, the new technology is enabling Inter Branch General Ledger entries to measure branch performance which adds further value to the business. While enabling all these features, a

Other Strategic Investments

dedicated Group Loan module was rolled out to a live environment. Moreover, major data migration was completed from PIBAS to FUSION to transfer the business from the old system to the new system in a way that ensured minimum interruption of business continuation for the team. A Business Intelligence Module was implemented live and reports are a major part of decision-making and similar to rest of the locations.

Philippines

Similar to other entities, in Philippines, LOLC Technologies introduced the Loan module live implementation with four new products successfully. Multiple other implementations, such as the moratorium process, ODI waive-off and cheque return change waive-off were some key developments that were completed successfully.

Indonesia

Further entrenching its footprint in Indonesia with its successful microfinance expertise, greater IT enhancements were introduced with an eye on long-term growth. During the year under review, a process for Credit Information report development was launched along with introduction of Micro Individual loan and Group Loan top-up product developments to enable market differentiation.

Other initiatives

As part of the new initiatives the Phase I of the Anti-Money Laundering package was launched successfully, which is developed in-house to suit the business requirements. It is cloud-based, cost effective and tailor-made system ideal for financial institutes compared to the expensive off the shelf packages.

A credit score based digital lending solution was developed during the year under review while new technologies such as Machine Learning and Algorithms were adopted to provide more accurate, futuristic customer evaluations in terms of maintaining healthy lending portfolio.

One of the prime focus areas going ahead is becoming paperless. Towards this end, one of the key developments is efficient and fast file approvals which address inherited issues of transferring manual files. As a part of a blue chip conglomerate, LOLC Technologies is focused on disruptive innovation and has heavily invested in disruptive technologies, the best example being the core banking revamping project called FusionX. Presently, this a Cloud enabled, Data First, Mobile enabled and Micro Service based architectural product is being developed. Through the year under review, LOLC Technologies sustained a culture of innovation in product design, delivery and IT systems.

SEYLAN BANK

Operating Environment

During the year under review, Seylan Bank delivered a performance which could be termed commendable given the trying market conditions. The fall-out from the political upheavals in the latter quarter of 2018 flowed through to the beginning of 2019 affecting business activity and consequently portfolio quality. The Easter Sunday attacks in the second quarter of 2019 and the events and uncertainty that followed in its aftermath was a huge set back to all activity in the country. The recovery has been slow and the presidential elections towards the end of the year in its run up created yet another diversion from the much-needed focus on reviving the economy. Low GDP growth, reduced investments and low to non-existent new projects combined with slow settlement of dues owed by the Government to contractors and service providers led to weak levels of commercial activity throughout the country resulting in severe stress on businesses and the portfolio quality of the Banks.

Financial Performance

Overall, the Bank reported a moderate year on year growth in most of its key financial indicators, despite the challenging economic environment that limited the opportunities. Whilst being prudent in managing risks the Bank continued to pursue opportunities to support financial requirements of the customers. This resulted in the Bank recording positive growth and in the process crossing Rs. 500 Bn. in total assets. A lack of business activity in the first few months of the year meant that the Bank achieved a profit after tax of Rs. 3.7 Bn. in 2019, a growth of 15% compared to the previous year. Total Assets grew by almost Rs. 50 Bn. to Rs. 516 Bn. Deposits increased by 12% and Advances rose by 16%. The CASA Ratio stood at 28% which the Bank was able to maintain despite difficult conditions and increased competition.

Loans and Advances showed a healthy increase of 16% and due to close monitoring of the loan book the Non-Performing Loan (NPL) Ratio came down during the year despite the not so conducive economic climate. The successful and oversubscribed Debenture and the Rights Issue generated Rs. 9.3 Bn. of additional capital to further strengthen the capital adequacy of the Bank. This was an endorsement of the confidence placed in our Bank by the investors and shareholders.

Strategic Progress

Seylan Bank made strides in advancing the use of IT and related platforms which led to increased customer convenience and greater usage of our products and services. Its journey towards integrating new technologies to serve customers better continued to gain pace. The increased focus on attracting new clients and upselling to the existing base through our enthusiastic and energetic relationship resulted in Seylan Bank being seen as the leading bank in customer service in the banking sector, through an independent survey conducted by LMD.

During the year, Seylan myplan, the Seylan Senior Citizens Personal Loan Scheme and the Seylan Housing Loan Specialist were launched to focus on retail business while enhancing existing products with additional features. A High Net Worth proposition to focus on serving the high networth segment of our customers, both existing and new, through a team of highly skilled relationship managers with an array of distinctive products and services designed to provide total convenience and improve returns on their portfolio of deposits and investments called Seylan Red was launched.

The Bank has always wanted to be the growth partner of choice for its SME customers and the SME Banking Unit works closely with SME clients to assist with improvements in their businesses. The Bank has conducted island-wide programmes relating to 'better management of finance', 'how to market products' and 'managerial skills development' as value added services. It has established 13 regional credit hubs to improve the interaction with and speed of delivery to SME clientele. The Bank is fully committed to engage with this important segment of our economy and nurture their growth. The Bank has also introduced Regional Risk Officers to maintain high credit quality. Improvements made to the current risk rating model provide added comfort to the Bank in operating within its risk appetite.

Planning and preparation for the year 2020, improvements for the infrastructure and uplifting of existing processes were key priorities except for the main KPIs. All the business units including the extensive branch network is aligned to the Bank's strategic plan, short term and long term objectives of the Bank. The Bank is envisioning being the growth partner for Sri Lankan entrepreneurs while improving its market share in retail, SME and corporate sectors. Seylan Bank's key business units were able to deliver the anticipated results despite economic downturn in 2019.

SLINTEC

Sri Lanka Institute of Nanotechnology (SLINTEC) is a pioneer in nano and advanced technology research in Sri Lanka and operates as public-private partnership under the Ministry of Technology and Innovations and seven private sector enterprises including Brandix, Dialog Axiata, Hayleys, Loadstar, MAS, Lankem, LOLC and Browns. SLINTEC's mission is to build a world-class research and development centre specialising in nanotechnology and advanced material sciences, with the objective of making products more competitive using such technologies and also to add value to Sri Lanka's mineral resources. It also aims to build a nanotechnology and science park for research, development, and the commercialisation of innovations in Sri Lanka.

SLINTEC's research is primarily focused on Textile and Apparel, Sustainable Agriculture, Coatings and Composites, Medical Diagnosis and Preventive Medicine, Printable and Electronic sensors as well as Energy Research.

Equipped with the latest advanced equipment, SLINTEC conducts contract research, analytical services for the private and public sector stakeholders to find innovative solutions. The SLINTEC Startup Engine help entrepreneurs start and boost their business by providing free incubation space, free use of analytical equipment, mentoring services, assistance in developing a business proposal and guidance for technology valuation and IP management.

During the year under review, SLINTEC was instrumental in disseminating knowledge and training of Sri Lanka Police's Special Task Force in explosives identification and detection in the aftermath of the Easter Sunday Bombings in April 2019. Also in 2019, together with partners, SLINTEC launched T-hues, a natural tea-waste-based dye. A nanotech-based DNA extraction kit co-developed with Maggenome was also launched in January 2020.

A University Grants Commission-approved institution set up under SLINTEC, the SLINTEC Academy aims to build research capacity in the country by offering postgraduate degree programmes in nanotechnology and other advanced technologies.

CEYLON GRAPHENE TECHNOLOGIES LIMITED

Ceylon Graphene Technologies Limited (CGTL), the joint venture between the LOLC Group and the Sri Lanka Institute of Nanotechnology (SLINTEC), is Sri Lanka's first graphene and advanced material company. During 2019, Ceylon Graphene Technologies launched the first-ever Graphene applied Lead Acid Battery Technology together with Associated Battery Manufacturers (Cey) Ltd. This technology is applied in the mass production and will be available in the market by 2020 under the Lead Acid Battery range of Exide.

With the aim of unlocking future opportunities and opening new partnerships in the global graphene industry, the company was represented at some leading exhibitions in 2019 such as the 18th Asian Battery Conference & Exhibition, Bali, Indonesia; The Battery Show in Michigan, North America's largest advanced battery technology event where you can source the latest design, production and manufacturing solutions from the complete battery supply chain, including components, materials, testing, recycling and battery systems; the IDTechEx Show in California which is a large-scale technical conference and exhibition for Energy Storage Innovations, Electric Vehicles, Graphene & 2D Materials, Internet of Things Applications, Sensors, Printed Electronics and Wearables.

Other Strategic Investments

CGTL is on the Advisory Board of The National Graphene2D Association (NGA2D), the leading organisation in the US advocating and promoting the commercialisation of graphene and graphene-like materials, which has assembled an unrivalled advisory board of thought leaders and experts from commercial and industrial segments, advanced material and technology companies and corporations, national labs, government agencies, investment firms, standard bodies and academic and research institutions in the world. CGTL is taking tremendous efforts to project this unique mineral source of Sri Lanka to the world by working closely with the government, the Geological Survey and Mines Bureau and other local institutions.

CGTL also became a member of a Consortium for Battery Innovation, the only global pre-competitive research organisation promoting innovation in lead batteries for energy storage, motive and automotive applications.

Amongst its ambitious goals, the company plans to be the High-Quality Graphene and Graphene Derivative manufacturer in the market while improving research and acquiring commercial advantages in the energy storage industry for high performance graphene additives for battery manufacturers worldwide. Driven by its innovative spirit, CGTL aims to cater to worldwide demand for increasing superior energy storage systems driven by innovation.

LOLC ADVANCED TECHNOLOGIES (PVT) LTD.

During 2019/20, LOLC Advanced Technologies (Pvt) Ltd continued providing advanced technological consultation support to companies under the LOLC umbrella in the fields of precision agriculture, process improvements for cinnamon agronomy and value addition, new product development in plant nutrition and agro-chemistry. LOLC Advanced Technologies (Pvt) Ltd. was set up to explore sustainable business opportunities in the market with augmentation of Science and Technology. It is a wholly-owned subsidiary of LOLC PLC.

The innovative new projects undertaken in the year under review are:

- Rice Fortification Project: This invention relates to a process and a system for preparing fortified rice infused with different fortificants which opens up many possibilities to cater to specific market demands. The plant design and fabrication is completed and the location is awaiting finalisation for the plant to be installed and commissioned.
- Charcoal, Steam and Power project in Philippines: This project consists of constructing and operating a plant which manufactures coconut shell based charcoal and power and production of steam from the byproduct of the conversion process. A Memorandum of Understanding (MoU) was signed with a desiccated coconut manufacturing company in Philippines and currently a legal and technical feasibility study is being carried out to establish a company in the Philippines. The investment plan and joint venture agreement is about to be signed however the project is delayed due to the COVOD-19 situation.
- Waste Plastic to Pyrolysis oil: This project is aimed at processing and recycling waste plastic collected through municipal and industrial waste in Sri Lanka to produce usable pyrolysis oil. This fuel may be used directly in burners for providing thermal energy for industrial boilers, dryers, bakeries, etc. However, the liquid fuel obtained may not be directly used as fuel for motor vehicles due to the possible presence of a small quantity of impurities, ash and wax from the feedstock. The company has achieved several milestones during the year in this project. It has processed the material available at Kerawalapitiya using the bench top pilot to establish exact operating parameter for optimal operation.

A plant capable of processing 4,000 kg per day of plastic waste to pilot operation is being installed and the unit will be operated on a semi commercial scale to tweak the plant to form the basis of the design of a commercial plant to handle 150 MT per day of feed.

Future plans include the design, construction, commissioning and operation of a full scale such plant. In due course, LOLC Advanced Technologies would like to earmark appropriately designed plants for other sites where such waste material is collected.

Sustainability at LOLC

HUMAN CAPITAL

Human Resources (HR) plays the role of a strategic partner in building LOLC Group's businesses by maximising value creation through human capital and aligning it with company values, strategies and the needs of all stakeholders. A unique centralised Human Resource management framework enables effective management of an extensive and diversified group of employees in both its domestic and overseas operations. HR thus plays a leadership role and is a catalyst that enables all LOLC Group's employees to contribute at optimum levels toward organisational success and to stand ahead of other competitors in their respective industries.

Structure

The LOLC Group has a unique HR shared service delivery model, centralised for greater control and service. This allows the Group to optimise a cadre of 8,000 resources (excluding foreign operations) whilst being supported by strong automation and digitalised systems and processes. As a highly diversified conglomerate, the Group derives its competitiveness from its talented and dedicated employees operating within a unique working culture.

Rewards and Recognition

LOLC asserts a highly performance-driven work ethos which is backed by a unique rewards and recognition framework. This framework is designed with a clear intention of boosting employee morale, attracting and retaining key talent whilst maintaining healthy attrition levels, thus elevating overall productivity. Our state-of-the-art performance evaluation system helps in identifying and assessing individual contributions to the overall company achievements. The performance evaluation mechanism categorises employees into different categories based on which employee reward and recognition is decided upon. Employees at LOLC record high productivity, perform well in their roles and contribute to bring in profits knowing that their efforts will be recognised and rewarded in a fair and just manner, whilst those who do not meet minimum performance criteria undergo rigorous training and development.

Building Future Leaders

Strengthening of the leadership pipeline through succession planning has been pivotal to LOLC Groups' success story of optimising talent. As a part of the overall Group HR strategy a talent pipeline of experienced and capable employees that are prepared and ready to assume leadership roles are identified and developed. We believe that our employees are motivated and engaged when they can see a career path for their continuous growth and development. Promoting from within not only provides a clear path to greater compensation and responsibility, it also helps employees feel that they are valued and a crucial part of the Company's success. The Group has tremendous talent, experience, and skill amongst its resources and in order to retain and motivate this talent, clear career progression has been charted, supported by investment in their further training and development.

Training and Development

The LOLC Group has adopted a training framework which effectively identifies skill/knowledge gaps through a comprehensive annual training needs gathering exercise which is formulated taking into consideration employee performance and annual business goals for each group entity. Training needs are structured into the three pillars: technical/job related capability development, professional/soft skills development and leadership development to ensure employees are 'job ready' and that their skills and knowledge is consistently upgraded for better performance outcomes. The Group HR strategy also focuses on including the employees from overseas ventures to be part of the overall talent mapping and leadership training plan of the Group to ensure the strengthening of the overseas talent pool.

Safety and Well-being

Employee well-being and safety is an ongoing priority for the group. The LOLC Group is one of the very few corporates offering unlimited OPD facilities for staff members and a wide array of other related benefits such as critical illness cover, paid leave for special ailments, financial assistance through dedicated company funds for prolonged sickness etc. The available club membership benefit is widely hailed by employees which has given them the opportunity to maintain their physique weekly amidst the hectic lifestyle. A fully operational grievance handling policy ensures all staff concerns and grievances are independently handled and addressed, thus assuring employees of the peace of mind needed to be fully productive in their job roles.

LOLC values the diversity of its extensive staff cadre which reflects the diverse ethnic and socio-economic backgrounds and has ensured the welfare of these diverse groups within the organisation by maintaining policies and procedures regarding the same.

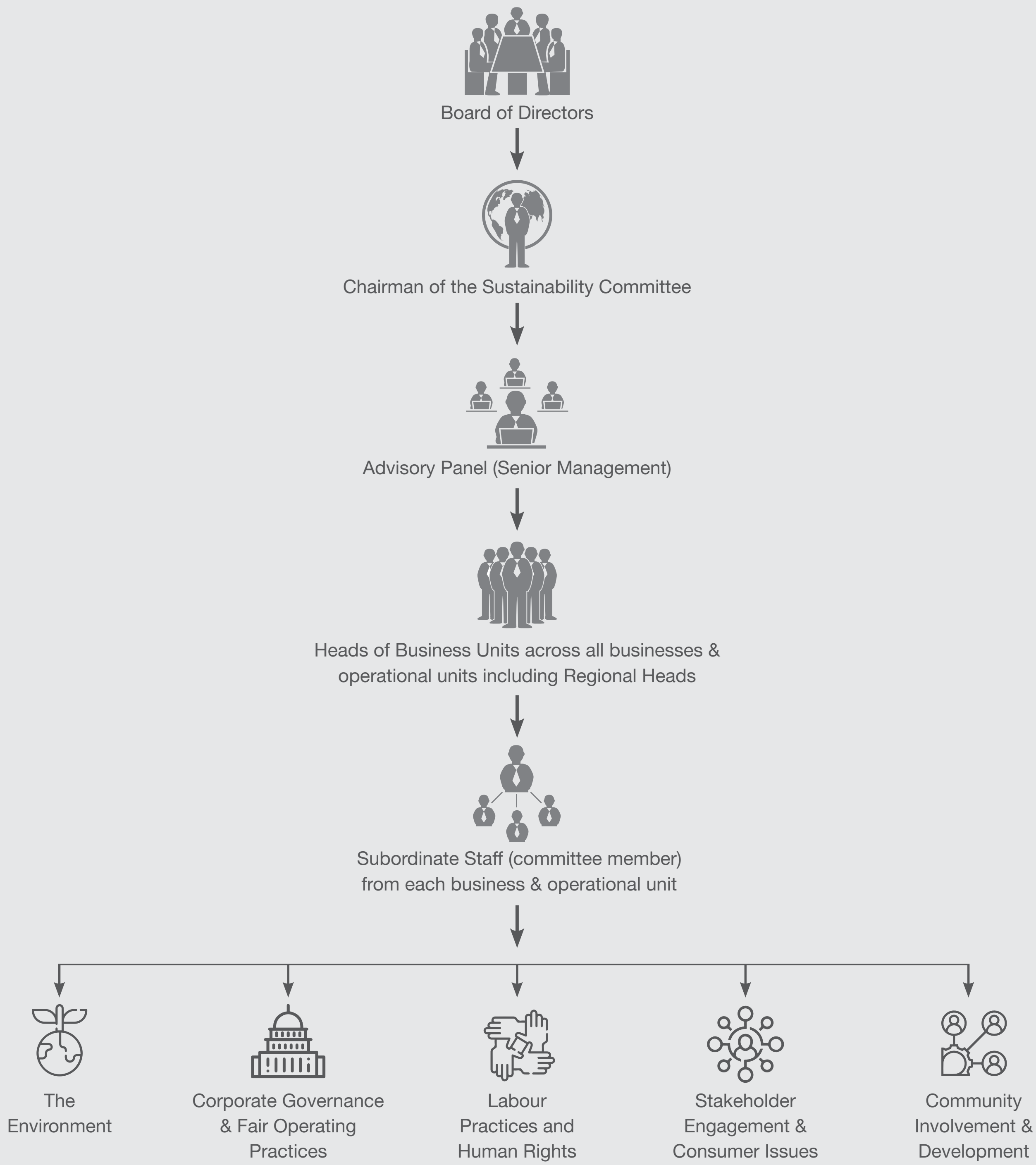
Gender equality and zero tolerance policies on sexual harassment guarantee that female employees across the group feel secure and respected.

No. of Training Programmes	No. of Associates Trained	Mandays	Investment (Rs.)
386	4,969	12,406	40,529,278

Quarter	No. of Training Programmes	No. of Associates Trained	Mandays	Investment (Rs.)
Q1	125	2,209	2,827	9,766,212
Q2	128	2,820	5,230	18,287,655
Q3	102	1,825	2,942	9,008,684
Q4	54	1,064	1,410	3,466,727

Type of Training	No. of Training Programs	No. of Associates Trained	Mandays	Investment (Rs.)
Leadership	71	307	1,309	11,466,914
Technical	242	3,948	7,545	18,846,647
Professional	74	2,143	3,552	10,215,718

STRUCTURE OF THE SUSTAINABILITY COMMITTEE



The LOLC Group's commitment to its environmental and social responsibilities is evidenced in its proactive Sustainability Committee. A member of the Board of Directors heads the Sustainability Committee that reports to the Board once every three months. The Committee comprises of one member each of senior management of each Business Unit of the company to ensure wider representation. The sustainability strategy, projects and efforts of this Committee are strongly backed by the top management in order to implement change across group-wide operations. Unfortunately, the Easter attacks in 2019 and the pandemic at the end of the year and resultant high security conditions and social distancing measures made it difficult to implement all planned projects for the year.

Apart from Group level projects, individual branches locally conduct socially and environmentally impactful projects that benefit their immediate community, ranging from supporting local places of worship or schools to enhancing infrastructure and conducting cultural events.

LOLC GROUP'S COMMITMENT TO THE UNGC PRINCIPLES

LOLC Group is a signatory to the United Nations' Global Compact (UNGC) strategic policy initiative and its established code of principles that promotes sustainable and responsible business practices among corporate and non-corporates alike around the world.

The Ten UNGC Principles

Human Rights

Principal 1: Businesses should support and respect the protection of internationally-proclaimed human rights.
Principal 2: Businesses should ensure that they are not complicit in human rights abuses.

Labour

Principal 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
Principal 4: The elimination of all forms of forced and compulsory labour.
Principal 5: The effective abolition of child labour.
Principal 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principal 7: Businesses should support a precautionary approach to environmental challenges.
Principal 8: Undertake initiatives to promote greater environmental responsibility.
Principal 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principal 10: Businesses should work against corruption in all its forms, including extortion and bribery.

SOCIAL CAPITAL

LOLC's footprint in Sri Lanka spans diverse sectors such as leisure, agriculture & plantations, agri-inputs, renewable energy, construction, manufacturing and trading and strategic investments. After establishing its Sri Lankan operations 40 years ago as a Centre of Excellence, the LOLC Group has ventured out further afield into emerging markets in the Asia-Pacific and African regions to great success. Armed with its tried and tested business models, technological solutions, shared services and expertise in microfinance, the Group has rapidly entrenched its footprint in the markets of Cambodia, Myanmar, Indonesia, Pakistan, Philippines, Sierra Leone, Nigeria, Zambia and the Maldives. As the only Sri Lankan financial institution operating in these markets, the LOLC Group has successfully exported its local microfinance expertise overseas to benefit customers at the bottom of the pyramid, reflecting its profound impact on the triple bottom line – people, planet, profits - in local as well as global markets.

The Group is revolutionising microfinance at the grassroots by supporting communities and building whole communities of small scale entrepreneurs to fulfil their aspirations. Amidst a global trend of economic uncertainty, the Group's strategic investments overseas have infused formidable financial stability and resilience. Financial inclusion, women's empowerment, economic contribution to building the Sri Lanka brand in overseas markets and sustainable environmental and social impact are some of the undeniably powerful impacts LOLC is courageously spearheading:

LOLC Care

Ahead of its time, LOLC Care in 2009 constructed the 'Madiwela Special Education and Home for Boys' by way of generous donations as well as personal and voluntary contributions from staff members and customers. Proceeds from the LOLC Care fund are channelled towards the welfare of these children and towards the maintenance and upkeep of the home which provides shelter to orphans.

Powering Education for the Underprivileged

LOLC prioritised serving education sector and searched for the most deserving schools in remote areas with the support and guidance of the island-wide Browns Dealer network. Located in Sivalakulama in Galenbindunuwewa off Anuradhapura, the students of Thodamaduwa Vidyalaya hailed from the hardworking farming community and labour groups who work for a daily wage. When the 'Browns Shakthi' team initiated the renovation project in Thodamaduwa Vidyalaya, the school library was a dilapidated room with a limited number of books and chairs, whereas children mostly read under the tamarind trees. They practiced for volleyball matches in the harsh grounds or paddy fields.
The Principal made note of a spacious library and playground as the immediate needs of the school. Brown & Company PLC collaborated the CSR activities and established 'Browns Shakthi', an integrated

CSR brand for the Browns Group. The maiden project under the 'Browns Shakthi' initiative refurbished Thodamaduwa Vidyalaya in Galenbindunuwewa. Within four months, the dilapidated room was refurbished into a spacious building with book cupboards, a recommended list of books, chairs and tables while the thorny area in the school premises was cleared, levelled and renovated into a capacious playground. Separate areas in the ground were marked as a volleyball court and running tracks. 'Browns Shakthi' donated football, cricket, netball and athletic equipment to the school as a support to develop the sporting skills of current and future students of the school. The'Browns Shakthi' CSR initiative has unique features as it promotes social integration to enhance socio-economic values and involves all the stakeholders of Browns, such as the Management, Employees, Dealer Network, Suppliers and other Stakeholders in their missions to uplift and empower the marginalised and underprivileged communities. With the head start taken at remote Anuradhapura, 'Browns Shakthi' aspires to be a strength to many more deprived groups across the island through upcoming community development initiatives and contribute to uplift the socio-economic values of Sri Lanka. Browns is committed to creating a better future for every Sri Lankan and pledges to oblige their social responsibility through 'Browns Shakthi.

Technical Assistance Programme

CLC Diwibala is a series of "Technical Assistance programmes" to provide the required technical knowledge/ skills for the CLC Wasana clientele island wide. Under the key objectives of this project, CLC Diwibala will act as a succession of comprehensive workshops to educate our micro finance clients about the potential occupational opportunities while providing them with the required technical knowledge, assistance and real-time training prospects. This project is also aimed at promoting and empowering female entrepreneurship. These workshops will encourage them to start their own businesses, to further improve or even to expand their ongoing businesses. CLC has designed this programme with the expectation of conducting at least one programme within one geographical location. Accordingly, CLC has been able to successfully cover almost 31 selected locations with multiple diverse expertise programs conducted with the collaboration of industrial experts related to each of the specialised fields. The project is now moving forward with utmost success island wide. CLC employees engage in community engagement programs and philanthropic activities regionally. Branches are encouraged to celebrate their anniversaries with a local CSR project.

Supporting partners

- Moreover, we have been continuously educating our vehicle dealer's related to the actual interest rates, commissions paid and product features of our asset back loans, and provide finance for short term working capital requirement. We have created new permanent income to over 9,800 clients by providing three-wheeler financing. By cooperating with the main agent in the country provides technical support on how to maintain the three wheeler. The Financial Service Advisor (FSA) will educate all clients about the interest, fees, charges etc. and provides a repayment schedule to the clients.

As the largest NBFI in Sri Lanka, LOLC contributes far more than mere financing to the poorest of the poor in the country as the following instances show:

- LOLC supports industries such as choir based manufacturing, turning choir into brushes, mats, mattresses with over 1000 families engaged in this cottage industry in the Northern Province. Some of these customers manufacture for the local market and even accept sub contracts for choir exporters to Japan. The customers in this region also manufacture palmyrah based products such as hats, bags and baskets. LOLC adds value by linking them with designers who advise them on trendy designs and colours for greater market acceptance. LOLC strictly adheres to an exclusion list of harmful products it does not finance.
- In the agricultural sector, LOLC supports a large number of customers using deep wells and encourages them to use sprinkler systems to better manage water consumption in the dry regions.
- Training customers on greenhouse, compost, drip irrigation by partnering with experts from government institutions or from agriculture faculty from the Jaffna University.
- LOLC provided training to customers in growing special shrub on their fences which is a sustainable material to be harvested and given to collectors for sustainable firewood, providing them with a simple way to earn extra income
- LOLC routinely partners with government institutions such as the Export Development Board, Vidhaata Madhastanaya and NLDB to expand the impact of its intervention.
- In Diwulapitiya, close to 200 families are engaged in handloom manufacturing under LOLC's group lending model. Although, these granular customers possess the skills, they work on orders with low margins. With LOLC's financial support, they are now self-employed. Once again, LOLC linked them with the designers to train them for better designs and colours. Today, Madampella has a thriving handloom industry powered by LOLC.
- LOLC also holds training programmes on green and organic cultivation and how to compost for a circular economy.
- LOLC is sharing the benefits of its advanced technological platform with 300,000 microfinance customers – sending them receipts via SMS and accepting loan appraisals via tab

thereby reducing paper consumption. With less customers physically visiting branches, LOLC can reduce the size of its branches, thereby reducing overall carbon footprint for its stakeholder as well.

- LOLC maintains the pradhyashalawa in many villages where the villagers congregate for all daily community initiatives. Painting and repairs are done on a monthly basis by the company.
- LOLC partners with Sumithrayo and ADIC to address social issues on addiction and also works with the Child Protection Authority and experts to raise awareness on drugs and child abuse. Suicides rates in North and East are high and youth are counselled and seminars organised seminars along with hotlines for suicidal and depressed patients to reach out.
- Community-based training to teach vocations such as mushroom and aloe vera cultivation. LOLC also provides market linkages and even has their businesses inspected by health inspectors so that they can benchmark their businesses.
- LOLC has developed a catalogue of customers' small businesses which serves as a ready reckoner for prospective buyers to connect with them. Most micro based customers are women and are partnered with LOLC. They are fuelling innovation and in turn generating employment amongst their communities.
- Micro housing loan of short tenor with flexible interest rates are also being offered to granular customers to enhance their standard of living.
- LOLC continuously trains staff and encourages them to acquire more qualifications and even reimburses the cost of recognised technical courses and provides opportunity to pursue further studies in banking and finance at the Colombo University.
- LOLC introduced iPay to micro customers and partnered with mCash to collect rentals through mobile wallets. As a result, customers living miles away from the city centres do not have to travel to its branches to make payments.
- In Sri Lanka we have funded vast spectrum of industries like brass, pottery, choir, handloom industries and provide technical knowledge and support
- We are also encouraging customers to practice home gardens amongst granular customers at the micro level for commodities like turmeric and ginger which have a high demand.
- Staff volunteerism is prominent in LOLC, with staff raising funds on their own initiative for the Cancer Hospital
- Average loans were 50,000 few years ago but has now gone up to 100,000 which reflects that customers have grown and are taking bigger loans. 160,000 female customers are borrowing from us and fuelling the growth of their small businesses. These small businesses would in turn generate indirect employment. Reputed management institution INSEAD conducted a strategic level study of how our granular customers have enhanced their lifestyles over a period of time.

LOLC CSR projects in Overseas Markets

Pakistan

- Promoted liquid milk production by financing 13,500 farmers in Pakistan to achieve the government's vision to enhance liquid milk production in the country. LOLC customers there have now diversified into producing dairy products like cheese, curd etc.
- Financed local traditional export crafts in Sind and Hyderabad
- Supported handmade footballs and cricket balls for exports in Sialkot
- Supported Punjab customers with organic farming techniques in wheat and maize

Indonesia

- In Indonesia support customers engaged selling foods which is lucrative.
- We also support these societies in their social projects for customers along with the support of staff.

Cambodia

- LOLC financial literacy modules on savings & investment, income & expense, debt management, cash management, and mind set development module to increase the client's awareness and understanding on financial literacy. Various methods were designed to deliver such awareness like in-class training, brochure, radio program, video clips, and campaigns. From January to December 2019, there are 532 beneficiaries of One Village One Product (OVOP) in 8 provinces (Kampong Cham, Prey Veng, Siem Reap, Kampong Thom, Pursat, Kampong Chhang, Kampot and Takeo Province) and 294 students from the Preah Sihamoniraja Buddhist University were trained in Financial Management.

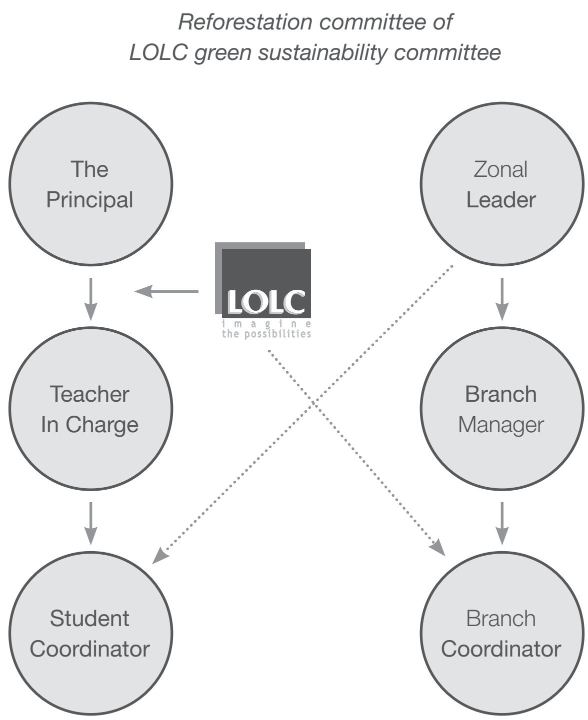
NATURAL CAPITAL

Advocating corporate stewardship, we are concerned and conscious of caring for our living environment. It is essentially linked to our work culture and well in line with the LOLC Group policy on environmental responsibility. The LOLC Group believes in partnering with customers and suppliers and other organisations that mirror our concern for the environment, particularly those who help us maintain high standards in terms of environmental protection and product quality.

LOLC Green Tree-Planting

As part of the LOLC Green initiative, the Group is engaged in promoting tree planting under the project 'Engaging Young Minds in Nature for Future Sustainability', which engages with schools and creates a greener Sri Lanka by engaging students and raising awareness on the need for greening and its impact to the environment and climate change. The programme is an effective in connecting children with nature. Key members from the LOLC Sustainability Committee have been appointed to overlook and drive this project forward. By 31st March 2020, fruit bearing trees were planted across 300 schools island-wide. Each branch office and its staff members were entrusted to work closely with the administrators and the students of the selected schools to monitor and record the growth of the plants. The branches organise frequent orientation sessions with the schools in order to create awareness on the importance of planting and nurturing trees to mitigate the effects of climate change. The programme is led by a project committee at every school comprising of the school Principal, Teacher in charge, student coordinator and LOLC Green coordinators. Certificates and rewards were handed over during the 2019/20 financial year in recognition for the students who demonstrated exceptional engagement in the project and who have contributed immensely for future sustainability. Rewards were given only after a 6-month evaluation period.

The structure of the LOLC Green Island-wide Schools Tree Planting project



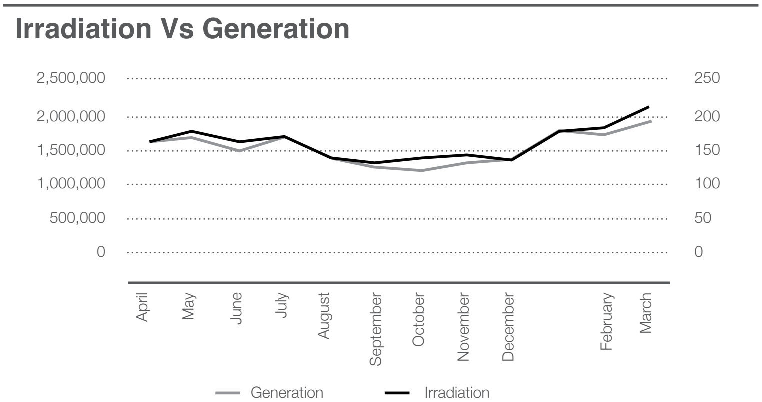
Solar Power Projects

The Group's solar power initiative was launched as an internally driven project focussing primarily on identifying and converting some of the Group's properties into solar power generation buildings. Under this project, the Group made significant progress by completing three of its main solar panel installation projects at the LOLC head office premises in Rajagiriya, LOLC Motors workshop at Kolonnawa as well as the Office located at Shady Grove Avenue. With these three projects plus Gal Oya and Saga Solar which is Sri Lanka's first privately-owned solar power plant with a capacity of 10 MW, all put together, today LOLC is able to produce 70% of its total annual energy requirement to the national grid. All these projects generate 1.4 million units per month. With two new solar panel installation projects in the pipeline, at the Eden Resort & Spa in Beruwela and the Browns Industrial Park in Pannala, the Group hopes to reach the 100% mark very soon. The solar installation project at the Browns Industrial Park in Pannala is envisaged to be Sri Lanka's largest roof top installation project.

LOLC Group company, Saga Solar Power (Private) Limited opened the first-ever utility scale Solar Power plant in Sri Lanka based in Baruthankanda, Hambantota, producing 10 MW of power to the National Grid. The development of this landmark plant is in line with Sri Lanka's National Energy policy, which has the key focus of converting fossil fuel used in Electricity Generation to Sustainable Renewable Sources. The 10 MW Solar plant, has been built on 45 acres of land within the Energy Development Area declared by Gazette notice 1720/5 on the 23rd of August 2011 under the Sri Lanka Sustainable Energy Authority Act. The Saga Solar project, the first of its kind by the Private sector, is over seven times the size of the largest Solar project in Sri Lanka at present; which is the 1.3MW pilot project owned and operated by the Sustainable Energy Authority, located in Hambantota.

Hambantota is known to have one of the highest levels of Annual Global Horizontal Irradiation (GHI) in Sri Lanka. The project supplies approximately 20 GWh, which is sufficient to provide the annual electricity needs of approximately 15,000 typical Sri Lankan homes. The project reduces the nations carbon dioxide emission by 11,000 tons.

Irradiation vs Generation chart for the FY 2019/2020 – Saga Solar



Based on the above, it is evident that the generation has been in sync with irradiation levels in the area.

The Saga Solar Project was awarded the Mahaweli Entrepreneurship Presidential Award in 2019, illustrating the positive impact and contribution made to the nation in renewable energy by LOLC's leading solar project.

The Group also operates a Dendro power plant at Gal Oya. During the year LOLC added 3 new projects currently producing the following MWs: 30,000mw, 4000mw and 15000mw respectively. LOLC Group consumes 2 million units of energy per month, spending approximately Rs. 492 million rupees per annum. LOLC is now producing Rs. 32.5 million (per month) through solar energy which constitutes about 70% of our total energy requirement per month. A total of 1.4 million units are generated, which proves that LOLC is close to achieving 100% self-sufficiency.

Concessionary loan for solar installation

Under this programme, a pre-approved loan scheme at a concessionary interest rate is offered for Assistant General Manager and above grade employees by collaborating with a reputable commercial bank in Sri Lanka. The loan scheme is offered for them to install solar panels at their residences. Already, a total of 18 top officials have obtained this loan facility and the projects have been completed. LOLC not only contributes to the community and environment through the financing of projects, but each of our employees get fully involved in the Group wide sustainability initiatives.

Leveraging on Digital Platforms to reduce impact on the Environment

Extending this platform, LOLC Group launched iPay – a platform beyond payments. iPay allows both LOLC and non-LOLC customers to use their respective bank accounts to make payments to a variety of merchants including utility, insurance, health care service providers. These initiatives had a direct, positive impact on the environment as the use of paper for statements, forms and other communications was drastically reduced. With users no longer having to be physically present to carry out their transactions, indirect benefits such as reduced travelling (and the resulting pollution) could also be attributed to our initiatives. Further, time spent by staff in office has also reduced (due to reduced customer interactions) which also benefits in terms of energy consumption.

LOLC recorded tremendous growth in the digital platform, iPay with an unprecedented level of transactions and volume growth in every aspect. The transaction volume grew by 681% with the registered merchant growth at 303% and a user registration growth of 241%.

Loan Collection App

LOLC Group, which has a considerable presence in the microfinance sector, also launched its internal loan collection app to ease the recovery process of loans. In rural areas, where many have limited access to the internet, monthly visits to the branch are a must in order to settle their dues. LOLC Group successfully reversed this process – instead of customers visiting branches, a single collection agent visits the customer premises and carries out the loan installment collection, via a mobile app. Whilst direct benefits can be seen in the reduced use of paper, less travelling by customers also contributes towards reducing the carbon footprint.

The LOLC Finance officer visiting the customer at his/her doorstep will accept the cash, which will be credited instantly to the customer's savings account through a point-of-sale machine. The account holder then receives an instant SMS alert confirming the fund transfer.

E-Learning

LOLC Group's latest initiative towards a greener planet is the launch of an e-learning platform. Users can now participate in corporate trainings (and even evaluations) from the comfort of their own offices. This means employees no longer need to travel to the head office to attend training sessions. This offers the greatest benefits for outstation branches as travelling and accommodation costs (and the resulting carbon footprint) have been greatly reduced.

Energy Saving Measures

From an infrastructure perspective, LOLC virtualised their Enterprise Data Centre (which serves the IT requirements of all LOLC Group companies) and its Disaster Recovery site in 2009. Between the years 2012 to 2014, a total saving in power consumption amounting to Rs. 15,500,000 was noted. This roughly translates to 583,000 KWh (estimated 800 KWh per day). With the Group's rapid expansion in the following years, where even overseas entities are served through the Sri Lanka data centre, this energy saving is now greater than before.

Around this time period, LOLC took a decision to replace all desktop computers with laptops. Whilst laptops consume less power, the need for additional wiring and UPS devices was almost eliminated. Based on calculations carried out at the time, an estimated 11.5 KWh per day per computer was saved as a result of this change over. This does not include the power savings incurred through the discontinuation of UPS devices. Further, heat dissipation in laptops is much lower when compared with desktop computers. Again, an estimated reduction of 64 BTU per hour per site was achieved. We believe all these initiatives have, in their own special way, contributed towards a greener environment.

Paperless Project

This project was introduced to improve the service levels of our valued customers while bringing the operational efficiencies within the organisation. This project will pave the road to many digital initiatives that are being implemented. With this project, retaining and circulation of physical documents will be replaced with digital documents where accessing of such digital documents are possible across the branch network instantly at any time. With this implementation, relevant authorities can take business decisions quickly as they can view digital documents no sooner they are uploaded to the system as opposed to the traditional method of waiting until documents reach them. As the company does not keep physical documents, the requirement of having large filing rooms and costs associated with such operations will also be drastically reduced. As a result of this proposal, 80% of operation related documents will be minimised. In 2019/2020, the paperless solution was implemented at 55 branches out of 300 branches island-wide with 10 already completed during the year.

Reducing GHG emissions

One of the main initiatives is using natural building materials for the relocation use of Bio UAFF waste water treatment which does not use energy from the national grid. Bio UAFF is a combination of anaerobic floating filter technology and advanced facultative bacterial technology. Bio UAFF technology includes a cultured special Bacteria Growing Media (BGM - made out of treated coconut coir fiber which is having high specific surface area) to increase the efficiency of bacteria. There are no pumps used in this system, therefore, it runs with gravity flow system that is not connected to the national grid.

Reduce Energy Consumption

- Energy saving LED light systems are now in place at all Group locations and air conditioners maintained at low temperatures at night in leisure properties, bringing savings on the energy bill.
- Scheduled maintenance of hotel air conditioning and refrigeration system at least twice a year, clean permanent filters, condenser coils of dust and lint, inspect and repair economisers on AC system, select and enable electrical equipment with energy saving features, install timers on hood fans, exhaust systems, and hood lights to optimise electrical items.
- Replacing company fleet with electric and eco-friendly vehicles. A special rental scheme is offered to employees to switch to eco-friendly vehicles thereby reducing the organisational carbon footprint.
- E-waste is recycled responsibly through a third party certified company to dispose of e-waste to ensure that the electronics do not find their way to landfills.

Adopting Renewable Sources of Energy

- The Agri-input sector uses one of its key by-products of rice milling - the paddy husk - as a source of energy to fire its boiler during the process of rice steaming, thus eliminating the need to dispose of the husk and reducing what is sent to landfills. Further, it is also exploring ways to produce organic fertiliser using the large quantity of ash generated during the husk-burning process.
- A group plantation company generates 20% of its energy requirement within the factory through the use of steam-fired boilers, which are powered by Bagasse, the fibrous matter that remains after the crushing of sugarcane to extract juice.

Optimising Water Consumption

LOLC demonstrated its focus on water usage by introducing tap aerators and shower regulators to guest rooms to regulate the flow rates of basin taps and showers which substantially brought down water consumption in the leisure properties during the year. Other initiatives include:

- In its extent of using waste as raw material, treated waste water is used in the irrigation of the garden while purchasing mulch, soil amendments and compost made of plant trimmings, or green waste.
- Coastal wash material is used for decorations in the hotel while non-chemical use policy has been adopted in hotel detergent and pest control use by replacing harmful products with safer alternatives
- The Eden Resort & Spa in Beruwela fulfils the requirements for a Green Building, such as waste water treatment plant in-house and usage of daylight during day time within the hotel coupled with natural ventilation.

Driving Sustainable Innovation

- Sri Lanka is rich in the natural resource of graphite which sells at low prices in the global market as a raw material. In 2010 when Graphene won the Nobel Prize, LOLC took note and worked on devising a new technique to convert locally available graphite into graphene through value addition, thereby increasing foreign exchange earnings over 1000 times. Armed with a US patent, LOLC has set up a factory and now operates a sustainable method. The company also manufactured batteries with graphene and exports under the Exide brand as cascaded 100% value addition. LOLC is a Board Member of the US Association of Graphene; and part of the Consortium of Battery Innovation, one of the biggest organisations in the world which invited LOLC to come on board.

- LOLC is also one of the key partners at SLINTEC, the first local research entity of this scale of public private partnership. It has pioneered conversion of non-recyclable plastic into industrial fuel which is better in quality than furnace oil with the process giving a remarkable 80% yield, one of the highest in the world. More importantly it is a continuous process as opposed to a batch process. In keeping with LOLC's approach, it is an eco-friendly process as there is no emission, since we use resulting hydro carbon emissions as fuel for our operations. This project addresses two major problems - solid waste and importation of industrial oils thereby driving self-sufficiency. The first plant will be established in Kerawalapitiya.

- LOLC addresses health and nutritional needs of the nation through pioneering Rice Fortification technology patented to introduce nutraceuticals to solve nutritional needs. The technology enables rice to be used as a nutraceutical carrier to infuse turmeric, cinnamon etc. as a carrier for end user at a low price. Further, the Group is the largest cinnamon grower and also produces green tea, so raw materials can be sourced in-house. Thus, the nutraceutical material is produced locally by LOLC. We are currently working on new technology to extract valuable phytochemicals from plant and a patent is pending in this regard.

- LOLC's Research Hub supports farmers and scientists with technical assistance by setting up a science hub that resolves any scientific or engineering problems for Group companies. LOLC's thirst for new knowledge and scientific innovation remains insatiable. More importantly, the Group provides opportunities for local scientists to work on exciting projects and encourages a spirit of discovery and innovation not abundantly available in Sri Lanka.

The LOLC Sustainability Committee has commissioned an independent consultant to perform a comprehensive Carbon Footprint Analysis covering the LOLC Group subsidiaries (Sri Lanka only) and the Carbon Footprint report is scheduled to be completed and submitted in 2021. However, LOLC already contributes 70% of its total energy bill to the National grid and aims to reach 100% (Net Zero) in 2025.

Report of the Board of Directors

The Board of Directors of LOLC Holdings PLC takes pleasure in presenting their Annual Report together with the Audited Financial Statements for the year ended 31st March 2020.

PRINCIPAL ACTIVITIES

The Company's principal activities are now monitoring and managing the Groups' investments and providing centralised services to its subsidiaries and associates.

THE BOARD OF DIRECTORS

The Board of Directors for the year under review comprise the following :

Ishara Chinthaka Nanayakkara - *Executive Deputy Chairman*

Waduthantri Dharshan Kapila Jayawardena - *Group Managing Director / CEO*

Mrs. Kalsha Upeka Amarasinghe - *Executive Director*

Francisco Kankanamalage Conrad Prasad Niroshan Dias - *Non Executive/ Non Independent Director*

Deshamanya Minuwanpitiyage Dharmasiri Dayananda Pieris - *Independent Director*

Dr. Ravindra Ajith Fernando - *Independent Director*

The Board welcomes Mr. Conrad Dias, who has been appointed as a Non Executive Director of the Company during the year.

Miss Keshya Melana Amarasinghe has been appointed as alternate director to Mrs K U Amarasinghe with effect from 12th May 2020.

The Directors profiles can be found on pages 20 to 23.

BOARD SUB COMMITTEES

The Board has appointed the following sub committees:

The Audit Committee

The Talent Development and Remuneration Committee

The Related Party Transactions Review Committee

The Integrated Risk Management Committee

The Corporate Governance Committee

The mandate of each of these sub committees is provided by their regulatory guideline or Board approved Terms of Reference. The composition of these committees is as prescribed by the relevant regulation (where applicable) or as deemed most appropriate for effective functioning of the Committee. The reports of the respective Committees are included in this Report on pages 75 to 79.

The Board sub committees are empowered to call for additional information, and also to invite key management personnel to provide further details, or to facilitate a dialogue. This enables the Board to ensure that proposed initiatives, changes to procedures or enhancing of controls are practical and also clearly communicated to the senior management.

Committee Meeting minutes are tabled at Board meetings. Thus, while the entire Board is aware of Committee deliberations and decisions, they have the assurance of knowing that matters receive the focused attention of sub committees.

DIRECTORS INTERESTS IN CONTRACTS

The Directors have made the declarations required by the Companies Act No. 7 of 2007. These have been noted by the Board, recorded in the Minutes and entered into the Interest Register which is maintained by the Company.

DIRECTORS REMUNERATION

The remuneration is disclosed on pages 150 and 266 under note 12 and 51.1.1. The Company has a Board approved Remuneration Policy. This policy stipulates that remuneration should be linked to competence and contribution, while serving to incentivise and motivate. This policy has been taken into account when determining remuneration for both staff and directors.

The Report of the Talent Development & Remuneration Committee is on page 76.

APPRAISAL OF BOARD PERFORMANCE

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

Report of the Board of Directors

DIRECTORS SHAREHOLDINGS

Directors shareholdings are as given below.

As at 31st March	2020		2019	
	No. of Shares	%	No. of Shares	%
I C Nanayakkara (in his name)	**91,613,792**	**19.28%**	91,613,792	19.28%
I C Nanayakkara (Commercial Bank of Ceylon PLC/ I C Nanayakkara)	**79,000,000**	**16.63%**	79,000,000	16.63%
I C Nanayakkara (Sampath Bank PLC/ I C Nanayakkara)	**61,774,000**	**13.00%**	61,774,000	13.00%
W D K Jayawardena	**-**	**-**	-	-
Mrs. K U Amarasinghe	**23,760,000**	**5.00%**	23,760,000	5.00%
F K C P N Dias	**-**	**-**	-	-
Deshamannya M D D Pieris	**-**	**-**	-	-
Dr. R A Fernando	**12,600**	**0.003%**	12,600	0.003%

RE-ELECTION OF DIRECTORS

In accordance with Article 88 (i) of the Company's Articles of Association, Mrs. K U Amarasinghe retires by rotation and being eligible seek re-election as a director. The Board recommends her re-election.

Mr. F K C P N Dias appointed as Non-executive director to the Board on 4th September 2019 retires in terms of Article 95 of the Company's Articles of Association and being eligible, seek re-election as a Director. The Board recommends his re-election.

Deshamanya Dharmasiri Pieris is over the age of 70 years and will be retiring, as required. The Company has received a letter from a shareholder, communicating his intention to move a resolution at the Annual General Meeting for the re-appointment of Mr Pieris, as provided for in the Companies Act No. 7 of 2007. The Board recommends his re-election.

Deshamannya M D D Pieris and Dr R A Fernando have served as Directors of the Company for more than nine years. Deshamannya Pieris' experience and expertise in governance and administration are of great value in board deliberation and decision making. Dr Fernando's expertise on sustainable business is especially valuable to the LOLC Group as it focuses on sustainable development and environmental responsibility.

The Board is satisfied that the ability of these two gentlemen to function as independent Directors is not affected by their years of service. Both of them have conducted themselves in a manner which has established their independence. Accordingly, the Board is of the opinion that both Deshamannya M D D Pieris and Dr R A Fernando should be considered independent directors. Both Directors meet all other qualifying criteria necessary to be viewed as independent directors.

CAPITAL STRUCTURE AND DEBENTURES

The stated capital of the Company is Rs. 475,200,000/- divided into 475,200,000 shares.

The shareholding structure is given on pages 337 to 338 together with the 20 largest shareholders. During the year, the share price ranged from Rs. 86/00 to Rs. 194/90. As at the end of trading on 20th March, 2020, the share price was Rs. 90/80.

The details of the Debentures in issue as at 31st March 2020 are set out in Note 38 of the Financial Statements on pages 244, 245 and 250.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activity that contravenes any applicable law or regulation, and to the best of the knowledge of the Directors, the Company has been in compliance with all prudential requirements, regulations and laws.

The Company is fully compliant with the Listing Rules of the Colombo Stock Exchange, including the rules relating to Corporate Governance.

CORPORATE GOVERNANCE

The Report of the Corporate Governance Committee can be found on page 79. Your Board of Directors is committed towards maintaining an effective corporate governance framework by effectively implementing systems and structures required to ensuring best practices in corporate governance. The table on pages 80 to 84 shows the manner in which the Company has complied with Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance.

TRANSACTIONS WITH RELATED PARTIES

The Directors declare that the Company is in compliance with Section 9.3.2 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2020.

In terms of LKAS 24, the Directors have disclosed transactions which are classified as related party transactions under Note

51.1.1 on pages 265 and 266 of the Financial Statements.

HUMAN RESOURCES

Human Capital Strategies of the Company are based on respected HR practices to attract and retain right people. Policies are in place to develop and motivate the workforce for current and future business needs of the Company.

The number of persons employed by the Company and Group as at 31 March 2020 was 905 and 11,141 respectively.

Disciplinary matters are dealt according to the board approved policies in compliance with labour regulations. There was no occurrence of any issue detrimental to the harmonious industrial relations of the Company during the year under review which required disclosure under Rule 7.6 (Vii) of the Listing Rules of the CSE.

REVIEW OF BUSINESS AND MARKETS SERVED

The Company's performance and that of its subsidiaries are reviewed in detail in the other sections of this Annual Report.

ENTERPRISE RISK MANAGEMENT AND INTERNAL CONTROLS

The Enterprise Risk Management Division regularly reviews procedures, practices and policies and submits reports to the Audit Committee or the Integrated Risk Management Committee as appropriate. Any deficiencies or weaknesses detected are discussed with the relevant operational staff to ensure that the gravity of the position is understood by all and to expedite remedial action. Decisions made are followed up at subsequent Committee or Board meetings. The Risk Management Report is on pages 85 to 88.

GOING CONCERN

During the year, the Directors reviewed the interim financials and the year-end financials. They have also regularly reviewed operations, and the environment within which the Company is operating, including the macro environment, potential risks and resource allocation. In determining the basis of preparing the financial statements for the year ended 31 March 2020, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis.

The Board has evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, cash reserves and potential sources of financing facilities, and the ability to continue providing services to ensure businesses continue as least impacted as possible.

Having reviewed the outlook for each sector and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the Company, its subsidiaries and associates have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

FINANCIAL STATEMENTS

The Financial statements together with the Notes thereon, found on pages 98 to 315 are in compliance with Sri Lanka Accounting Standards and the requirements of the Companies Act No. 7 of 2007.

AUDITORS

The Auditors, M/s Ernst and Young retire, and offer themselves for re-appointment. The Board recommends their re-appointment for the year 2020/21 at a fee to be decided upon by the Board.

The fees paid to the auditors are disclosed in the notes to the Accounts on page 151.

As far as the Directors are aware, the Auditors do not have any other relationship with the Company or any of its subsidiaries nor do they have any interest in contracts with the Company or any of its subsidiaries.

In accordance with good governance initiatives, audit partner rotation is practiced.

The Report of the Auditors is given on pages 93 to 97.

RESPONSIBILITY STATEMENTS

The Chief Executive Officer's and Chief Financial Officer's responsibility statement appears on page 91. The Directors' statement on responsibility for financial reporting appears on page 92.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted when preparing these financial statements and any changes thereof if applicable are given on pages 114 to 144.

STATUTORY PAYMENTS

For the year under review, all known statutory payments have been made and all retirement gratuities have been provided for. Further, all management fees and payments to related parties for the year under review have been reflected in the accounts. Details are given in note nos. 7 and 8 of pages 148 and 149.

POST BALANCE SHEET EVENTS

On 13th April 2020 LOLC International Private Limited a subsidiary of the Company incorporated in Singapore to facilitate Company's investments in foreign countries, received USD 422 Mn from Kookmin Bank of South Korea as the first tranche for the sale of its 70% stake in PRASAC Micro Finance Institution, Cambodia. The second tranche for the balance USD 181 Mn was expected in the year 2022.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Pursuant to the issuance of guidelines by the Colombo Stock Exchange due to the COVID-19 pandemic situation of the country and in the interest of protecting public health and facilitating compliance with the Health and Safety Guidelines issued by the Government of Sri Lanka, your Board of Directors propose to hold an on-line audio-visual Annual General Meeting. Hence shareholder approval will be sought to pass a Special Resolution to amend the Articles of Association as set out in the Notice of Meeting, for such purpose.

NOTICE OF MEETING

The Annual General Meeting of the Company will be held on 27th November 2020 at 10.30 a.m. as an on-line audio-visual meeting with arrangements for the on-line meeting platform made at the registered office of the Company at No.100/1, Sri Jayawardenapura Mawatha, Rajagiriya,.

On behalf of the board of Directors
LOLC Holdings PLC

Ishara Nanayakkara
Deputy Chairman

Kapila Jayawardene
Managing Director/Group CEO

30th October 2020

Report of the Audit Committee

COMPOSITION

The Audit Committee comprises the following Directors:

- **Deshamanya M D D Pieris -** *Committee Chairman (Independent Non-executive Director)*
- **Dr R A Fernando -** (Independent Non-executive Director)
- **F K C P N Dias -** (Non-executive Director - appointed to the Board and Audit Committee on 4th September 2019)

ATTENDEES

Following officers are permanent invitees to Audit Committee Meeting;

- Managing Director
- Executive Director
- Chief Finance Officer
- Chief Risk Officer
- Chief Human Resources Officer
- Chief Information Officer
- Head of Information Security & Compliance

The Committee is governed by its Board approved Terms of Reference. One of its key functions is to assist the Board with oversight of the financial reporting system of the Company, and of the Group of which it is the ultimate holding company. To facilitate carrying out this role, the Committee reviews the internal processes and procedures, verifies that controls are adequate and appropriate and seeks confirmation that the compilation and reporting of financial information is comprehensive, accurate and within prescribed timelines. The Committee Charter is periodically reviewed and revised to ensure that new developments relating to the function of the Committee and the Internal Audit process are adopted and practiced. The last review was carried out in February 2019.

The Committee has discharged its duties during 2019/20 within the scope of the charter as stated below. During the year the Committee assisted the Board of Directors to discharge its responsibility for the preparation of the quarterly and annual Financial Statements to reflect true and fair view of the affairs of the Company in conformity with the Sri Lanka Accounting Standards, the Sri Lanka Financial Reporting Standards, the Companies Act No.7 of 2007, Sri Lanka Accounting & Auditing Standards Monitoring Board Act no.15 of 1995, rules and regulations of CSE and SEC . The Committee obtained a confirmation from the management that the Company is in compliance with applicable accounting standards and other regulatory requirements.

The Committee, reviewed the circulars, directions and guidelines issued by the CSE and the CA – Sri Lanka in relation to COVID -19 pandemic and evaluated the forecast presented by the management on Liquidity, Profitability and the continuity of the business operations of the Company and its Group.

The Committee reviewed the Company's interim and annual financial statements prior to submission to the Board and recommended its release to shareholders.

The External Auditor's Management Letter including key audit matters and Management's responses thereto were also reviewed.

The Committee also reviewed internal audit reports submitted by the Enterprise Risk Management Division. These reports cover operational issues, processes and controls, including IT issues. Relevant Senior Management officers are invited to attend the meetings at which any above issue is discussed, so that the identified risk or control weakness and its mitigation can be discussed and agreed on in a manner that is meaningful, relevant and has the commitment of the management. The Committee ensured that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.

Minutes of the Meetings of the Audit Committee are tabled at the meetings of the Board. This facilitates a flow of information to the Board, and enables further discussion, if thought necessary on any issue or proposed solution.

The External Auditors were invited for all its quarterly meetings, which enabled the Committee to hear their views, and discuss their insights on regulatory and compliance requirements and control or procedural weaknesses if any.

In accordance with good governance initiatives, audit partner rotation is practiced and the need for auditor rotation is considered every 7 years .

The Committee has reviewed and recommended to the Board the fees to be paid to the External Auditors.

Having given consideration to the independence of the External Auditors, the Audit Committee was satisfied that the Auditors, M/s Ernst and Young are independent. This determination was based on the following:

a. period of service - Ernst and Young were appointed Auditors, with shareholder approval, in June, 2008 and Audit partner was changed on 31st March 2016;
b. other services provided by the External Auditors to the group is reviewed to ensure independence as Auditors has not been compromised.
c. fees and services - neither the fees paid nor the non-audit services rendered are of sufficient quantum to impair their independence.

Accordingly, the Audit Committee has recommended to the Board of Directors that Messrs Ernst and Young be reappointed as Auditors for the financial year ending 31st March, 2021. The reappointment of the Audit Firm and the authorising of the Board to negotiate its fee will be subject to the approval of the shareholders at the Annual General Meeting to be held on 27th November, 2020.

The Committee met four times during the financial year 2019/20.

Deshamanya M D D Pieris
Chairman - Audit Committee

30th October 2020

Report of the Talent Development and Remuneration Committee

The Talent Development and Remuneration Committee comprises the following Independent Directors:

- **Dr R A Fernando** *Committee Chairman/ (Independent Director)*
- **Deshamanya M D D Pieris**

Following officers are permanent invitees to its committee meetings:

- The Group Managing Director/CEO
- Chief Human Resources Officer
- Senior Manager Human Resources

The Committee is governed by a Policy which has vested it with powers to evaluate, assess and recommend to the Board for approval any fee, remuneration and ex gratia to be paid out to its directors including the Chief Executive Officer based on: the need of the Company to be competitive; the need to attract, motivate and retain talent; and the need to encourage and reward high levels of performance and achievement of corporate goals and objectives.

The composition and scope of the Committee meets the requirements set out in the Listing Rules of the Colombo Stock Exchange.

During the year under review the Committee focused on the following areas:

- Training and development of the key corporate players and international staff cadres under its international ventures ;
- Business Model for Board Leadership in the 21st Century patented by Dr R A Fernando;
- Positioning of the Group as an International Employer;
- Adoption of sustainable HR policies (sustainable transportation and homes for employees).

The Committee met four times during the year under review. The activities and views of the Committee have been communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee's meetings.

Dr R A Fernando
Chairman - Talent Development and Remuneration Committee

30th October 2020

Report of the Related Party Transaction Review Committee

The Related Party Transaction Review Committee comprises the following Members:

- **Deshamanya M D D Pieris -** *Committee Chairman (Independent Director)*
- **W D K Jayawardena** *(Group Managing Director/CEO)*
- **F K C P N Dias** *(Non-Executive Director)*

Following officers are permanent invitees to its meetings

- Chief Financial Officer
- Deputy General Manager - Compliance

The Committee has adopted the Code of Best Practice on Related Party Transactions of the Securities and Exchange Commission of Sri Lanka as its Terms of Reference. In conformance of the Code, policies and procedures have been established to ensure that such transactions are consistent with the Code and Section 9 of Listing Rules of the Colombo Stock Exchange.

As a policy the Committee has set a threshold for facilities that must be reviewed by it prior to Board approval. When reviewing such RPT facilities the Committee considers the nature of the transaction, terms, conditions, value and monitors if such transactions will be carried out on normal commercial terms while maintaining fairness and transparency. Where necessary the Committee will obtain professional and expert advice from qualified persons to assess proposed related party transactions.

The Committee meets quarterly to review all recurrent and non recurrent RPTs of the Company. The Company has implemented a system that enables the Company to capture and retrieve data on RPTs. This system generates comprehensive reports for management review and for quarterly review of the Committee reflecting all related party transactions including expenses, income, lending and amounts outstanding.

When reviewing facilities the Committee also considers the level of approval, reporting and disclosure requirements of all recurrent and non recurrent related party transactions in consultation with the Group Chief Financial Officer and the Deputy General Manager – Compliance to determine whether the transactions have been carried out in conformance with the requirements of the aforesaid Section 9 of the Listing Rules and the Sri Lanka Accounting Standards.

Reviewing and approval of RPTs are either at its quarterly meetings with a majority of the members present to form a quorum or by circulation consented to by a majority. Where a member of the Board has an interest in the proposed transaction, he/she will refrain from participating in the decision.

A declaration by the Board of Directors as an affirmative statement of the Compliance with the Listing Rules pertaining to related party transactions is given on page 72 of this report.

The Committee met four times during the year under review. The activities and views of the Committee have been communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee's meetings.

Deshamanya M D D Pieris
Chairman - Related Party Transactions Review Committee

30th October 2020

Report of the Integrated Risk Management Committee

The Committee comprises the following Members:

Deshamanya M D D Pieris - *Committee Chairman/Independent Director*

W D K Jayewardene - *Chief Executive Officer/Group Managing Director*

the Chief Risk Officer

the Chief Financial Officer

the Chief Credit Officer

the GM Treasury

the CEO Recoveries

the Chief Information Officer

the Head of IT Security and Compliance

the Chief Legal Officer

the Chief Human Resources Officer

The following attend by invitation:

Mrs K U Amarasinghe - Executive Director

This Committee was first set up when the Company was engaged in leasing and was licensed by the Central Bank of Sri Lanka. While this is no longer a requirement, the Committee is being retained voluntarily by the Board which believes that this sub-committee has an important role to play in ensuring compliance and contributing to good governance.

The primary responsibility of the Committee is to assist the board of directors in understanding and exercising regular oversight on risk identification and management, adopted by the management in operating the Group's business sectors: to ensure that each sector has overall risk guidelines and risk management procedures which are monitored regularly; to review management's assessment of all risk types, including but not limited to credit, market, liquidity, operational, Information and communication technology related risk and strategic risks through appropriate risk indicators and management information; review the risk under stress scenarios and the capacity to withstand such risks; and ensure that the board of directors is continuously informed of the group's risk exposures and risk indicators.

Risks monitored by Business Unit/Sector heads were reported to the Chief Risk Officer, to perform an independent and selective scrutiny of relevant matters and issues. These risks were then reviewed and summarised reports were submitted to the Committee for concurrence and/or specific directions in order to ensure that the risks were managed appropriately. The reviews were wide ranging and take into consideration both micro and macro environments, and both local and global trends and implications. Mitigation methods were discussed to ensure that a healthy balance is achieved between risk mitigation and operational efficiency.

The Committee met once during the year. Minutes of this meeting were tabled at a Board Meeting, thereby enabling the Board as a whole to be kept informed.

Deshamanya M D D Pieris
Chairman - Integrated Risk Management Committee

30th October 2020

Report of the Corporate Governance Committee

The Committee comprises the following:

Deshamanya M D D Pieris - *Committee Chairman)*

W D K Jayawardena

Mrs K U Amarasinghe

This Committee is not a statutory committee, but was established in 2007 as part of a stated intention to strengthen corporate governance. While complying with statutory and regulatory requirements, the Policy in place mandates the Committee to adopt best practices in ensuring that the Company maintains highest standard of ethics while building value for all stakeholders.

To this end, a pre-approved agenda has been agreed on, which ensures that the following matters are discussed:

- Review of Compliance with applicable laws on corporate governance and regulatory guidelines.
- Review of the Company's activities and stand on significant Corporate Sustainability and Public Policy issues that impact its employees, investors, customers and communities.
- Evaluation of possible Conflicts of Interest of Board Members and of Senior Management and recommendations for the Board.

While also broadly reviewing related issues impacting Group entities, detailed discussion and implementation of necessary strategies takes place during the Audit and Risk Management Committee meetings.

The Committee met once during the year. Minutes of this meeting were tabled at the next Board Meeting, thereby enabling the Board as a whole to be kept informed.

Deshamanya M D D Pieris
Chairman - Corporate Governance Committee

30th October 2020

Corporate Governance Report

Given below is the level of compliance against the respective governance requirements;

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10	**Corporate Governance**	
7.10	Statement confirming that as at the date of the annual report the Company is in compliance with these rules.	The Company is in compliance with the listing rules of the Colombo Stock Exchange, as explained below.
7.10.1	**Non-executive Directors** **a.** The Board of Directors of a listed entity shall include at least: - two non-executive directors; or - such number of non-executive directors equivalent to one third of the total number of directors whichever is higher.	Three of the six Directors are Non-Executive Directors. The names of the non-executive directors are set out in the Report of the Directors on page 71.
7.10.2	**Independent Directors** **a.** Where the constitution of the Board of Directors includes only two non-executive directors in terms of 7.10.1, both such non-executive directors shall be 'independent'. In all other instances two or 1/3rd of non-executive directors appointed to the Board, whichever is higher shall be 'independent'.	Of the three non executive Directors, two (1/3 of the Board) are Independent Directors.
	b. The Board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	The three Non-Executive Directors have submitted their declarations of independence/non independence for the financial year ended 31/3/2020.
7.10.3	**Directors disclosures** **a.** The Board shall make a determination annually as to the independence or non-independence of each director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent'.	Deshamanya M D D Pieris and Dr. R A Fernando have declared their status as independent directors. The Board has determined that by virtue of their professionalism, skill and expertise, these two directors are independent.
	b. In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the board shall specify the criteria not met and the basis of its determination in the annual report.	Deshamanya M D D Pieris and Dr. R A Fernando have served as Directors for over 9 years. However, they meet all the other criteria of independent directors.
	c. In addition to disclosures relating to the independence of a director set out above, the board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas.	The profiles of the Directors can be found on pages 20 to 23.
	d. Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemised in paragraphs (a), (b) and (c) above.	The Company complies with this requirement, in the event a new director is appointed to the Board. The appointment of Mr F K C P N Dias was announced the Exchange on 04.09.2019 including the requirements set out in this section.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10.5	**Remuneration Committee**	
	a. Composition The remuneration committee shall comprise; - of a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its Board); or - of non-executive directors a majority of whom shall be independent, whichever shall be higher. - One non-executive shall be appointed as Chairman of the committee by the board of directors.	The Talent Development and Remuneration Committee comprises two non-executive independent directors, one of whom is the Committee Chairman.
	b. Functions The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of the Listed Entity which will make the final determination upon consideration of such recommendations.	The Committee periodically reviews Board remuneration and makes recommendations to the Board. The Committee report is on page 76.
	c. Disclosure in the Annual Report The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	The Committee comprises the Independent Directors Deshamanya M D D Pieris and Dr. R A Fernando. The Committee is also guided by the Board approved Remuneration Policy. The aggregate remuneration paid to executive and non-executive directors is disclosed in the notes to the financials.
7.10.6	**Audit Committee**	
	a. Composition The audit committee shall comprise; - of a minimum of two independent non-executive directors (in instances where the Entity has only two directors on its board); or - of non-executive directors a majority of whom shall be independent, whichever shall be higher. - One non-executive shall be appointed as Chairman of the committee by the board of directors.	The Committee comprises three non-executive Directors, two of whom are independent. The Committee is chaired by one independent director.
	- The Chairman or one member of the committee should be a Member of a recognised professional accounting body.	Non-executive director. Mr. F K C P N Dias is a member of a recognised professional accounting body.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
	b. Functions Shall include, (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii) Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards. (iv) Assessment of the independence and performance of the Entity's external auditors. (v) To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	The Committee is guided by a board approved Audit Committee Charter which includes the functions of those listed here.
	c. Disclosure in the Annual Report The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report. The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report. The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	The Committee comprises the Independent Directors Deshamanya M D D Pieris (Committee Chairman) Dr. R A Fernando and Non-executive Director Mr. F K C P N Dias. The Committee has made this determination. Please refer the Committee report on page 75.

Board and Board Sub Committees Composition

Name of Director	Executive	Non-Executive	Independent	Non-independent	Board	Audit Committee	Talent Development and Remuneration Committee	Related Party Transaction Review Committee	Integrated Risk Management Committee	Corporate Governance Committee
Mr. I C Nanayakkara	√				√					
Mr. W D K Jayawardena	√				√			√	√	√
Mrs. K U Amarasinghe	√				√					√
Mr. F K C P N Dias (a.w.e.f. 04/09/2019)		√		√	√	√		√		
Deshamanya M.D.D.Peiris		√	√		√	√*	√	√*	√*	√*
Dr. R A Fernando		√	√		√	√	√*			

* Committee Chairman

Board Meeting Attendance

Name of Director	31.05.2019	15.08.2019	15.11.2019	14.02.2020
Mr. I.C.Nanayakkara *Deputy Chairman*	√	√	-	√
Mr. W D K Jayawardena *Managing Director/Group CEO*	√	√	√	√
Mrs. K U Amarasinghe	√	√	√	√
Mr. F K C P N Dias (a.w.e.f. 04/09/2019)			√	√
Deshamanya M D D Pieris	√	√	√	√
Dr. R A Fernando	-	√	√	-

Audit Committee Meeting Attendance

Name of Director	31.05.2019	15.08.2019	15.11.2019	14.02.2020
Deshamanya M D D Pieris *Committee Chairman*	√	√	√	√
Dr. R A Fernando	-	√	√	-
Mr. F K C P N Dias *(a.w.e.f. 04/09/2019)*			√	√

Talent Development and Remuneration Committee Attendance

Name of Director	22.04.2019	26.07.2019	17.10.2019	11.02.2019
Dr. R A Fernando *Committee Chairman*	√	√	√	√
Deshamanya M D D Peiris	√	√	√	√

Related Party Transaction Review Committee Meeting Attendance

Name of Director	31.05.2019	15.08.2019	15.11.2019	14.02.2020
Deshamanya M D D Peiris *Committee Chairman*	√	√	√	√
Mr. W D K Jayawardena	√	√	√	√
Mrs. K U Amarasinghe *(stepped down w.e.f. 14/02/2020)*	√	√	√	
Mr. F K C P N Dias *(a.w.e.f. 14/02/2020)*				√

Integrated Risk Management Committee Meeting Attendance

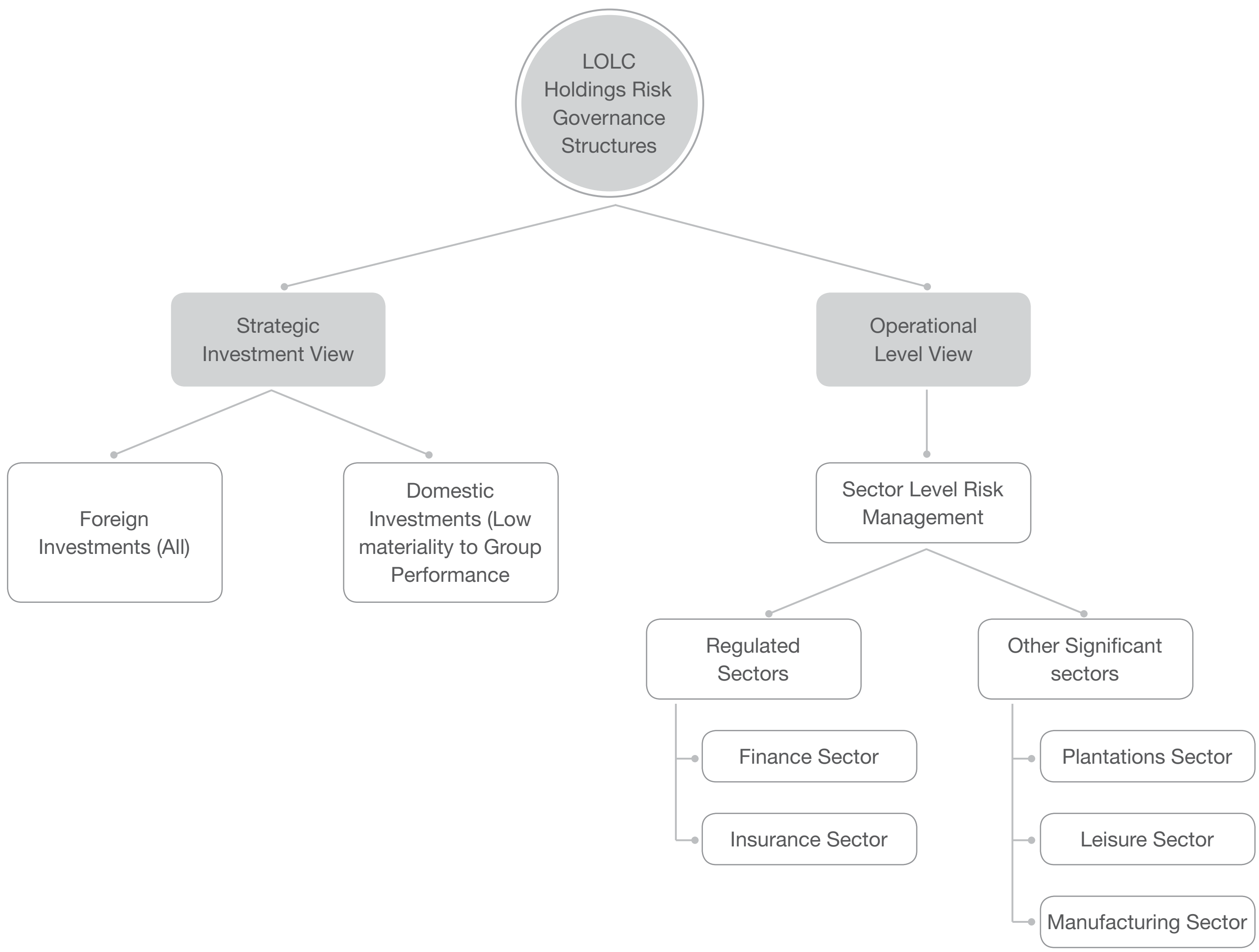
Name of Director	11.09.2019
Deshamanya M D D Peiris *Committee Chairman*	√
Mr. W D K Jayawardena	√

Corporate Governance Committee Meeting Attendance

Name of Director	11.09.2019
Deshamanya M D D Peiris *Committee Chairman*	√
Mr. W D K Jayawardena	√
Mrs. K U Amarasinghe	√

Enterprise Risk Management

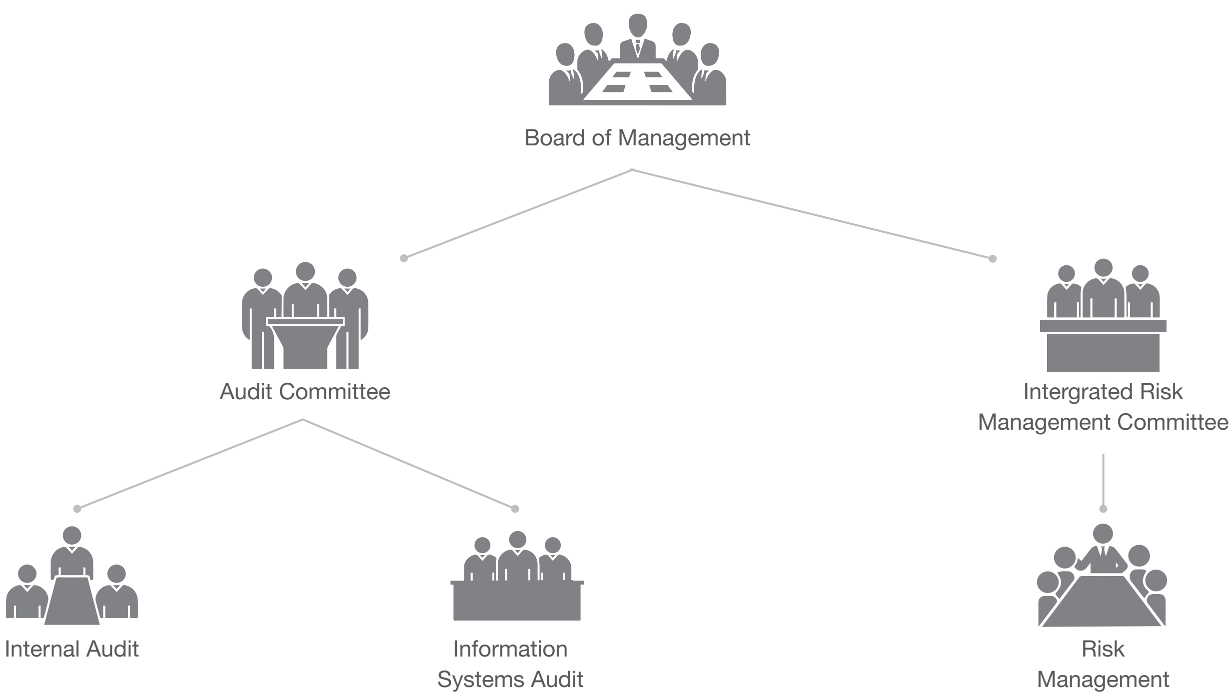
LOLC Holdings PLC (LOLC) is a diversified conglomerate consisting of companies which are incorporated overseas as well as in Sri Lanka. Operation of these entities span different sectors with core competency in financial sector. Overseas operations mainly consists of Finance, Plantation and Leisure sectors while the local operations are more diversified and consists of Finance, Insurance, Leisure, Plantation, Manufacturing, Construction and Renewable energy and FMCG (Fast moving consumer goods). The exposures to different economies and sectors with its unique regulatory, business & organisation cultures require a unique risk governance framework which is adoptable and practical. In addition to different regulatory structures & legal jurisdictions, it creates a challenging environment for group level risk management. Therefore, the high-level risk governance structures adopt an investment risk centered view for all overseas operations while the domestics operations are viewed based on significance/impact to holding company performance. The domestic operations are further segregated in to industrial sectors they are operating and significant operations are viewed from a tactical level risk governance angle while the less significant operations are again looked at from a strategic investment angle. The below depicted Risk Governance Structure is adopted covering companies which LOLC holdings PLC has a direct controlling interest.



Enterprise Risk Management

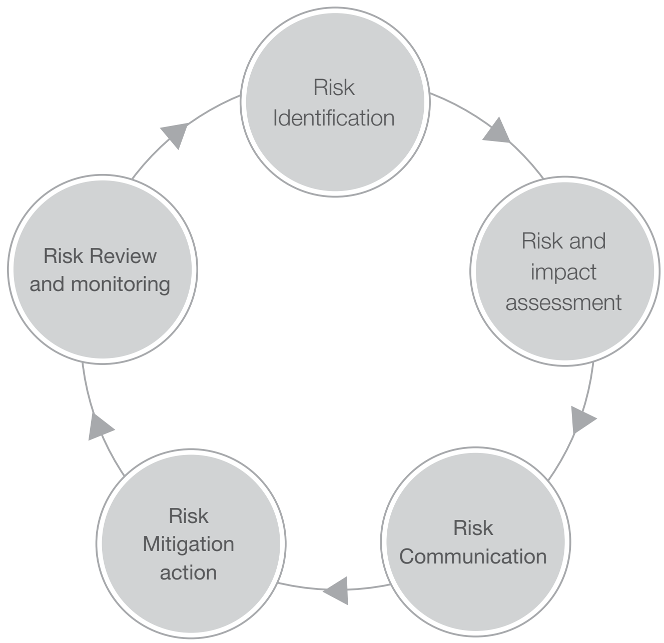
The domestic regulated sectors have to comply with specific risk governance directives issued by the respective regulators while sectors /entities are driven by business and corporate governance requirements and standards. Therefore in addition to the group level risk management structures the regulated sectors have their own risk management structures at entity/ company level while the other sectors have its risk management structures at sector level except the plantation sector which has company level risk management structures. The entity level structures are operationally independent while the other sector level risk management structures are managed at the (Holding company Level.) While catering to the specific requirements of the regulated industries relevant Risk indicator level information flow is facilitated with the group risk management for periodic evaluation of the group level risk stemming from the sector exposures.

Enterprise Risk Management (ERM) at LOLC group is an independent function spearheaded by the board of management via the integrated risk management committee (IRMC) and the audit committee. This independent reporting lines of ERM function sans any executive management interference ensures uninfluenced and un-bias reporting of all risk related and audit related matters to the board of management. This operational structure is adopted at organisational level as well as sector level. In entities where there is no separate integrated risk management committee the risk related functions are handled by the audit committee. The operational level risk & audit functions are managed by the risk officers appointed for each sector or entity as relevant. This structure is uniform across all group companies and it ensures that the processes adopted too are uniform which in turn gives comfort to the Board of management on the reliability of risk and audit functions of the group. At LOLC group Enterprise Risk Management (ERM) consists of the Risk Management, Audit and Information Systems Audit functions. This collaboration extracts the synergies between Risk and Audit functions and ensure that the risks are identified on time and the mitigation action too is reviewed for the adequacy, reliability and consistency ensuring that the internal control systems / risk mitigation mechanisms are functioning as intended.



The above risk governance structure is replicated for all sectors and entities as required and appropriate including the holding company level.

RISK MANAGEMENT PROCESS



Risk identification is a multilayer process which includes self-assessments by risk/process owners, reviews by risk management function and risks identified by internal /IS audit in their reviews. The group level risk assessment focuses on risks which has an impact at group level due to operations of LOLC entities in identified & predefined sectors and are reported to the Integrated risk management committee along with the proposed risk mitigation controls/ actions. The integrated risk management committee in consultation with the risk owners decide on the action plans for the effective mitigation of risks identified. The identified risks are monitored, and adverse movement of risk indicators are periodically reported to the IRMC for necessary action.

INTERNAL AUDIT

The internal audit reviews the effectiveness of the risk mitigation strategies and internal control framework. Reviews are conducted to have a reasonable assurance that the entities with significant impact to the group have adequate internal controls and Process controls at LOLC holding PLC level are functioning reliably. In addition all regulated entities within the group and identified sectors have their own dedicated internal audit units and regularly report to respective Audit committees.

The corporate whistle blower hotlines and a customer feedback hot line are operated by ERM in all entities where operational units of ERM are located. All information received via these lines are treated confidentially and are resolved. This provides a platform for both employees and customers to give feedback on exceptions or any irregularities observed. All internal audit units of the group work on an annual audit cycle and progress is monitored by the respective audit committees. IS audit conducts reviews on information systems and related functions and engages with other auditors for necessary consultation and reviews.

FUTURE

Enterprise Risk Management at LOLC revolves around " Building an organisational Culture where Protection, Assurance, Reliability, Accountability, Transparency and Confidentiality are treasured and lasting values", which is our vision in risk management and we strive to inculcate the controlled culture among employees by way of constant and continues engagements via training and awareness sessions. This empowers employees to identify risks and initiate appropriate risk response in a timely manner. This continuous engagement of Enterprise Risk Management department with other stake holders in consultative capacity and in trainings ensures formulation of adequately controlled processes, products and service offerings where risks are managed at acceptable levels.

The COVID - 19 pandemic at the latter part of the year under review impacted all sectors. Although most sectors show some resilience and shows signs of recovery, the Leisure sector impact globally is very high and yet to show signs of revival and the full impact will be felt next year in all sectors. Despite the setbacks which is a global systemic issue it highlighted the importance of the risk management practices as organisations with sound risk management practices were more stable and quick to recover . This make us more determined to improve and strengthen our practices to ensure smooth operations during turbulent times.

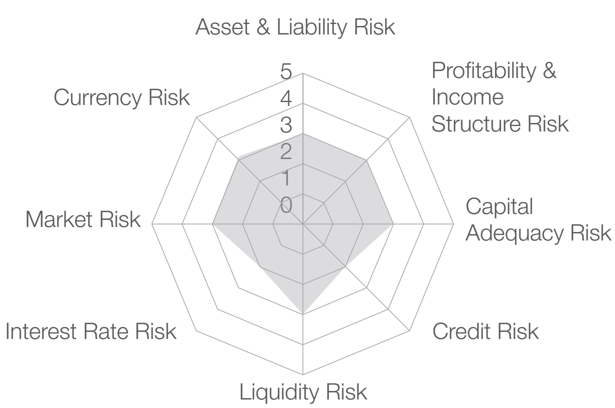
A diversified conglomerate like the LOLC group requires the risk management initiatives to have the capability to identify and respond to risks in a timely manner and we firmly believe that updating and maintaining a diverse skills and knowledge profile covering all sectors is a pre-requisite of an effective risk management strategy. Therefore, continuous training both internal and external are provided to enhance the knowledge and skills of the ERM staff. This enhance the confidence levels and our ability to identify emerging risks and respond adequately.

RISK PROFILE

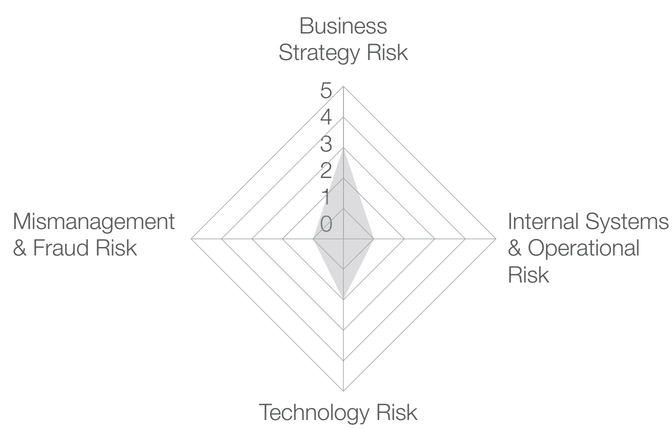
The following is based on the perceived risk at holding company level .It is a high level categorisation of risks used only for the illustration purposes of this report.

Risk Levels	Risk Score
Very High	5
High	4
Medium	3
Low	2
Very Low	1

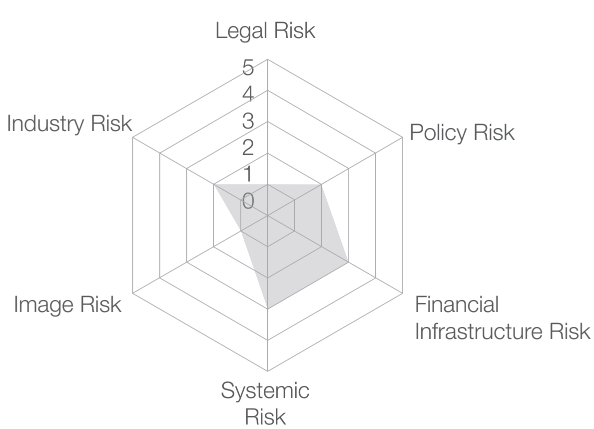
Financial Risks



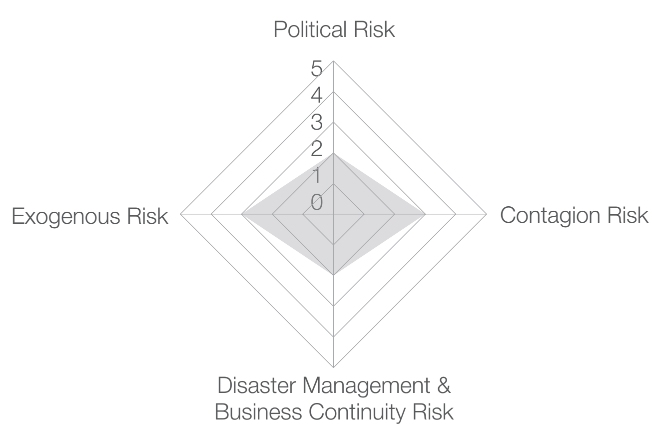
Operational Risks



Business Risks



Event Risk



FINANCIAL STATEMENTS

Financial Calendar

1st Quarter Results 2019/2020 released on	15th August 2019
2nd Quarter Results 2019/2020 released on	15th November 2019
3rd Quarter Results 2019/2020 released on	14th February 2020
4th Quarter Results 2019/2020 released on	10th August 2020
Annual Report for 2019/2020 released in	November 2020
41st Annual General Meeting in	November 2020

PROPOSED FINANCIAL CALENDAR 2019/20

1st Quarter Results 2020/2021 released on	26th August 2020
2nd Quarter Results 2020/2021 will be released on	13th November 2020
3rd Quarter Results 2020/2021 will be released on	15th February 2021
4th Quarter Results 2020/2021 will be released on	31st May 2021
Annual Report for 2020/2021 will be released in	August 2021
42nd Annual General Meeting in	September 2021

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007 and any other applicable statutes to the extent applicable to the Company.

All the significant accounting policies adopted by the Company and Group are mentioned in the Notes to the Financial Statements. There have been no changes in the accounting policies adopted by the Group during the year under review except for SLFRS 16 Leases standard adopted with effect from 1 April 2019. For all periods up to and including the year ended 31 March 2020, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

There are no departures from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied.

The Board of Directors and the management of your Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements were audited by Ernst & Young, Chartered Accountants, the Company's External Auditors. The Audit Committee of your Company meets periodically with the Internal Auditors and the External Auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

It is also declared and confirmed that the Company has complied with and ensured compliance by the Auditor with the guidelines for the audit of listed companies where mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with.

Mr. Kapila Jayawardena
Group Managing Director/CEO

Mrs. Sunjeevani Kotakadeniya
Chief Financial Officer - LOLC Group

30th October 2020

Directors' Responsibility for Financial Reporting

The Directors confirm that the Company's Financial Statements for the year ended 31 March 2020 are prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards, the Regulations and Directions of the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange, the Finance Leasing Act No. 56 of 2000 and the Companies Act No. 07 of 2007.

They believe that the Financial Statements present a true and fair view of the state of the affairs of the Company and of the Group as at the end of the financial year.

The Directors also accept responsibility for the integrity and accuracy of the Financial Statements presented and confirm that appropriate accounting policies have been selected and applied consistently and reasonable and prudent judgement has been exercised so as to accurately report transactions.

The Directors have taken reasonable steps to safeguard the assets of the Company, to prevent, deter and detect fraud, and to ensure the integrity, accuracy and safeguarding of operational and financial records.

The Directors confirm that to the best of their knowledge, all statutory payments due in respect of the Company and its subsidiaries as at the Balance Sheet date have been paid for, or where relevant, provided for.

The Directors believe that the Company is in a position to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared on the basis that the Company is a going concern.

The External Auditors, Ernst & Young, were provided with the opportunity to make appropriate inspections of financial records, minutes and other documents to enable them to form an opinion of the Financial Statements. The Independent Auditor's Report is set out on page 93.

Mr. Kapila Jayawardena
Group Managing Director/CEO

30th October 2020

Independent Auditor's Report

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

Report on the audit of the financial statements

Opinion

We have audited the financial statements of LOLC Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter	How our audit addressed the key audit matter
Impairment allowance for advances and other loans and finance lease receivables, hire purchases and operating leases: We considered the impairment allowance for advances and other loans and finance lease receivables, hire purchase and operating leases as a key audit matter.	Our audit procedures (among others) were designed to obtain sufficient and appropriate audit evidences, to assess the reasonableness of the impairment allowance and included the following. • We evaluated the design effectiveness of key internal controls over estimation of impairment allowance advances and other loans and finance lease receivables, hire purchases and operating leases which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee and management. • We test-checked the underlying calculations and data used in such calculations. • We involved the component auditors of the subsidiary companies to perform the audit procedures to assess the reasonableness of the assumptions and test the controls on sample basis over the process of estimating the impairment allowance. • In addition to the above, following focused procedures were performed:

Key Audit Matter	How our audit addressed the key audit matter
Significant judgments and assumptions were used by the management to determine the impairment allowance and complex calculations were involved in its estimation. Also, probable impacts of COVID -19 outbreak on the economically impacted customers and related government relief measures on the key assumptions, the higher level of estimation uncertainty involved, and materiality of the amounts reported in the Group's financial statements, underpinned our basis for considering it as a Key Audit Matter. As at 31 March 2020, 29% of total assets of the Group consisted of advances and other loans and finance lease receivables, hire purchase and operating leases, net of impairment allowance amounting to LKR. 389,460 Mn (Note 20 and 21). The Note 3.4.3 of the financial statements describes the basis of impairment allowance and assumptions used by the management in its calculation.	For those individually assessed for impairment: – We assessed the main criteria used by the management for determining whether an impairment event had occurred; – Where impairment indicators existed, we assessed the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rates and the valuation of collateral held: – We compared the actual recoveries against previously estimated amounts of future recoveries; – We also assessed the impact of overarching economic condition in Sri Lanka and government relief package on future cash flows. For those collectively assessed for impairment: – We tested the completeness of the underlying information used in the impairment calculations by agreeing details to the source documents and information in IT systems; – We also considered the reasonableness of macro-economic factors used by comparing them with publicly available data and information sources. Our considerations included assessing the appropriateness of the weightages assigned to possible economic scenarios; – We also assessed the management application of temporary practical expedients issued by CA Sri Lanka in relation to ECL computation. We assessed the adequacy of the related financial statement disclosures as set out in notes 3.4.3,9,20 and 21 of the financial statements.
Valuation of land and buildings: As at 31 March 2020, Land and Buildings are carried at fair value, classified as Property, Plant & Equipment and Investment Property amounted to LKR. 34,701 Mn and LKR. 31,723 Mn respectively and the fair value gain recognised in Other Comprehensive Income and Profit or Loss amounted to LKR. 1,129 Mn and LKR. 3,915 Mn respectively. The fair value of such property was determined by external valuers engaged by the Group. The valuation of land and buildings was significant to our audit due to the use of significant assumptions disclosed in notes 28 and 35 to the financial statements.	Our audit procedures included the following; • We read the professional valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property. • We also assessed the qualifications and expertise of the valuers and reviewed the terms of their engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. • We involved our internal specialised resources to review the valuation reports for the selected properties and assessed whether the valuation approach and methods used are in accordance with the established standards for valuation of the properties and suitable for use in determining the fair value for the purpose of assessment of fair value gain/loss and disclosure of fair value in the financial statements.

Key Audit Matter	How our audit addressed the key audit matter
	• Our internal specialised resources also assessed the assumptions used by the third-party valuers in the valuation process. • We involved the component auditors of the subsidiary companies to perform the audit procedures to assess the reasonableness of the assumptions used on sample basis over valuation of land and buildings. • We also assessed the adequacy of the disclosures included in the financial statements regarding the key assumptions which have the highest effect in the determination of the fair value of properties as disclosed in notes 28 and 35.
Management's assessment of possible effects of COVID 19 outbreak on the nature and extent of risks arising from financial instruments and related disclosures: Management has assessed the possible impacts of the evolving COVID-19 outbreak on, nature and extent of risks arising from financial instruments and related financial statements disclosures are made considering the best available information up to the date of assessment, as more fully described in Note 58 of the financial statements. We considered such management's assessment and related disclosures as a key audit matter, considering nature of business, use of significant management judgments and estimates considering future events and circumstances.	Our audit procedures included the following; • We gained an understanding of Management's assessment of the possible impacts of the COVID-19 outbreak on the nature and extent of risks arising from financial instruments and developing related disclosures of the Group. • We involved the component auditors of the subsidiary companies to perform the audit procedures to assess the reasonableness of the assumptions used over Management's assessment of the possible impacts of the COVID-19 outbreak. • We assessed the adequacy of qualitative disclosures made in 58 to the financial statements focusing on credit risk and liquidity risk in the light of the objective of SLFRS 7. • In relation to significant judgments and estimates underpinning such disclosures, we assessed the reasonableness of those key assumptions considering related market information and internal decisions made by the Group.
Accounting for Business Combination: During the year, the Group has acquired 66.67% in Grey Reach Investment Limited which is the holding Company of Sunbird Bioenergy (SL) Limited amounting to LKR. 5,300 Mn. The transaction resulted in the Group recognising a gain on bargain purchase of LKR. 5,395 Mn as disclosed in note 14. We focused on this matter because of the significance of this gain reported in the financial statements and significant management's judgments involved.	Our audit procedures included the following; • We read the purchase agreement to obtain an understanding of the transaction and the key agreed terms. • We evaluated the appropriateness and adequacy of the audit procedures performed by component auditors relating to the said acquisition, focusing on the following aspects; – Identification of the assets and liabilities acquired; and – Ascertaining the fair value of acquired assets and liabilities. – Reasonability of the significant management's judgments and estimates. • We traced the information relating to acquired assets and liabilities to audited financial statements of investees. • We assessed the adequacy of the related financial statement disclosures as set out in notes 14 and 31.6.1 of the financial statements

Building a better working world

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the 2020 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

Responsibilities of management and those charged with governance

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. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

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

30 October 2020
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Statement of Financial Position

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Assets					
Cash in hand and favourable bank balances	17.1	56,135,056	76,082,984	1,611,459	945,468
Trading assets - fair value through profit or loss	18	6,639,075	8,269,081	263,429	285,735
Investment securities	19	49,289,886	93,660,551	3,261,861	4,019,075
Assets directly associated with the assets held for sale and discontinued operations	52	630,111,845	-	-	-
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	20	58,101,502	56,231,759	2,440	3,287
Financial assets at amortised cost/ Advances and other loans	21	331,358,634	651,045,840	5,510,840	2,483,657
Insurance premium receivables	22	1,530,695	1,227,507	-	-
Inventories	23	7,208,772	6,233,616	380,379	340,989
Current tax assets	24	2,051,283	1,450,561	198,824	215,920
Trade and other current assets	25	19,147,150	23,030,289	32,995,281	17,590,001
Prepaid lease rentals on leasehold properties	26	-	2,405,735	-	-
Right of use assets	27	8,844,199	-	642,362	-
Investment properties	28	31,723,414	26,383,374	1,017,250	956,125
Biological assets;					
Consumable biological assets	29	3,642,998	3,788,540	-	-
Bearer biological assets	30	2,144,552	1,259,879	-	-
Investments in group of companies;					
Subsidiary companies	31	-	-	90,943,740	87,671,487
Equity accounted investees	32	21,262,046	18,045,834	4,227,113	4,314,001
Deferred tax assets	33.1	1,259,639	2,123,566	-	275
Intangible assets	34	3,741,289	15,828,322	413,539	490,878
Property, plant and equipment	35	101,726,889	56,679,644	4,772,437	5,678,662
Total assets		1,335,918,925	1,043,747,286	146,240,954	124,995,559

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Liabilities and equity					
Liabilities					
Bank overdrafts	17.2	4,022,416	10,508,019	1,039,522	3,629,017
Trading liabilities - fair value through profit or loss	36	114,349	841,492	-	-
Liabilities directly associated with the assets held for sale and discontinued operations	52	533,937,982	-	-	-
Financial liabilities at amortised cost/ Deposits liabilities	37	220,985,129	452,075,041	-	-
Financial liabilities at amortised cost/ Interest bearing borrowings	38	323,027,083	377,426,242	95,412,795	69,895,035
Insurance provision - life	39.1	4,283,247	3,458,728	-	-
Insurance provision - general	39.2	4,358,359	3,718,660	-	-
Current tax payables	40	5,250,922	6,162,630	660,323	733,155
Trade and other payables	41	20,340,533	30,285,764	1,390,049	1,797,418
Deferred tax liabilities	33.3	5,010,253	5,296,333	384,999	367,318
Deferred income	42	161,509	153,655	-	-
Retirement benefit obligations	43	1,850,445	1,600,388	320,392	343,927
Total liabilities		1,123,342,227	891,526,951	99,208,081	76,765,871
Equity					
Stated capital	44	475,200	475,200	475,200	475,200
Reserves	45	28,790,432	20,927,020	10,680,953	2,712,688
Retained earnings	46	63,267,075	64,650,231	35,876,720	45,041,802
Equity attributable to shareholders of the Company		92,532,707	86,052,451	47,032,873	48,229,690
Non-controlling interests		120,043,991	66,167,884	-	-
Total equity		212,576,698	152,220,335	47,032,873	48,229,690
Total liabilities & equity		1,335,918,925	1,043,747,286	146,240,954	124,995,559

The accounting policies and notes as setout in pages 114 to 315 form an integral part of these financial statements.
Figures in brackets indicate deductions.
I certify that these Financial Statements have been prepared and are presented in compliance with the requirements of the Companies Act, No.07 of 2007.

Mrs. S.S. Kotakadeniya
Chief Financial Officer - LOLC Group

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

Mr. I.C. Nanayakkara
Deputy Chairman

Mr. W.D.K. Jayawardena
Group Managing Director / CEO

30th October 2020, Rajagiriya (Greater Colombo)

Statement of Profit or Loss

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000 Reclassified	Company 2020 Rs.'000	Company 2019 Rs.'000
Continuing operations					
Gross income	4	130,441,678	124,313,908	9,243,797	11,650,626
Interest income	4.1	81,852,729	75,606,318	3,904,229	2,839,764
Interest expenses	6	(54,851,694)	(48,640,652)	(10,669,704)	(8,020,071)
Net interest income/ (expenses)		27,001,035	26,965,666	(6,765,475)	(5,180,307)
Revenue	4.2	24,944,735	24,805,609	2,480,478	1,557,044
Cost of sales		(17,139,918)	(17,070,822)	(2,315,799)	(1,416,625)
Gross profit		7,804,817	7,734,787	164,679	140,419
Income	4.3	14,200,638	13,670,357	4,073,060	4,652,006
Other income/(expenses)	5	9,443,576	10,231,624	(1,213,970)	2,601,812
Profit/(loss) before operating expenses		58,450,066	58,602,434	(3,741,706)	2,213,929
Operating expenses					
Direct expenses excluding finance expenses	7	(7,953,138)	(8,466,096)	(4,427)	(59,030)
Personnel expenses	8	(16,795,392)	(14,363,069)	(1,259,400)	(1,666,994)
Net impairment loss on financial assets	9	(17,223,797)	(11,466,502)	(83,268)	3,788
Depreciation and amortisation	10	(4,123,926)	(2,172,690)	(732,379)	(578,707)
Other operating expenses	11	(15,976,699)	(13,693,348)	(3,272,841)	(3,019,168)
Results from operating activities	12	(3,622,886)	8,440,729	(9,094,021)	(3,106,181)
Share of profits of equity accounted investees, net of tax	13.1	1,019,970	1,108,860	-	-
Results on acquisition and divestment of group investments	14	5,979,044	-	-	-
Profit/ (loss) before tax expense from continuing operations		3,376,128	9,549,589	(9,094,021)	(3,106,181)
Income tax expense	15	(2,563,759)	(3,616,665)	(118,834)	(88,015)
Profit/ (loss) for the year from continuing operations		812,369	5,932,924	(9,212,855)	(3,194,196)
Discontinued operations					
Profit/(loss) after tax for the year from discontinued operations and assets held for sale	52	18,979,489	13,703,013	-	-
Profit for the year		19,791,858	19,635,937	(9,212,855)	(3,194,196)
Profit/ (loss) attributable to; (Continuing operations)					
Equity holders of the company		4,127,279	6,050,113	(9,212,855)	(3,194,196)
Non-controlling interests		(3,314,910)	(117,190)	-	-
		812,369	5,932,923	(9,212,855)	(3,194,196)
Profit attributable to; (Discontinued operations)					
Equity holders of the Company		6,766,717	5,240,539	-	-
Non-controlling interests		12,212,772	8,462,474	-	-
		18,979,489	13,703,013	-	-
Profit attributable to;					
Equity holders of the Company		10,893,997	11,290,652	(9,212,855)	(3,194,196)
Non-controlling interests		8,897,861	8,345,285	-	-
		19,791,858	19,635,937	(9,212,855)	(3,194,196)

The accounting policies and notes as setout in pages 114 to 315 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Statement of Comprehensive Income

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Profit/ (loss) for the year		19,791,858	19,635,937	(9,212,855)	(3,194,196)
Other comprehensive income					
Revaluation surplus of property, plant and equipment					
Revaluation of property, plant and equipment		1,129,021	2,160,982	-	-
Transfer on impairment		(679,190)	-	(679,190)	-
Related tax	15.9	-	(363,563)	-	-
Defined benefit plan actuarial gains / (losses)					
Re-measurement of defined benefit liabilities	43	(218,369)	(59,364)	66,351	(4,591)
Related tax	15.9	47,887	(1,323)	(18,578)	(1,286)
Change in fair value on investments in equity instruments at fair value through other comprehensive income					
Change in fair value on investments in equity instruments at fair value through other comprehensive income		41,309	(103,417)	-	(101,931)
Related tax	15.9	(68,501)	(80,796)	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	244,964	27,895	-	-
Net other comprehensive income not to be reclassified to income statement in subsequent periods		497,121	1,580,414	(631,417)	(107,808)
Change in fair value on investments in debt instruments at fair value through other comprehensive income					
Fair value gains/(losses) on debt instruments that arose during the year		64,733	(91,976)	-	-
Related tax	15.9	120	3,018	-	-
Foreign currency translation differences for foreign operations					
Exchange gain/ (losses) from translation of foreign operations		9,399,732	8,455,406	-	-
Fair value differences on cash flow hedges					
Net movement in cash flow hedges		(54,045)	7,458	-	-
Net change in costs of hedging		(53,125)	(45,453)	-	-
Related tax	15.9	30,008	(26,071)	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	504,595	52,977	-	-
Net other comprehensive income to be reclassified to income statement in subsequent periods		9,892,018	8,355,359	-	-
Total other comprehensive income/ (expense) for the year, net of tax		10,389,139	9,935,774	(631,417)	(107,808)
Total comprehensive income for the year, net of tax		30,180,997	29,571,710	(9,844,272)	(3,302,004)
Total comprehensive income attributable to;					
Equity holders of the Company		14,990,891	15,962,775	(9,844,272)	(3,302,004)
Non-controlling interests		15,190,106	13,608,935	-	-
		30,180,997	29,571,710	(9,844,272)	(3,302,004)
Basic earnings/ (loss) per share	16.1				
Basic, profit/ (loss) for the year attributable to ordinary equity holders of the parent		22.93	23.76	(19.39)	(6.72)
Diluted, profit/ (loss) for the year attributable to ordinary equity holders of the parent		22.93	23.76	(19.39)	(6.72)
Earnings/ (loss) per share for continuing operations					
Basic, profit/ (loss) from continuing operations attributable to ordinary equity holders of the parent		8.69	12.73	(19.39)	(6.72)
Diluted, profit/ (loss) from continuing operations attributable to ordinary equity holders of the parent		8.69	12.73	(19.39)	(6.72)

The accounting policies and notes as setout in pages 114 to 315 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Statement of Changes in Equity

Company	Note	Stated Capital Rs.'000	Revaluation Reserve Rs.'000	Fair Value Reserve Rs.'000
Balance as at 31 March 2018		475,200	2,715,503	9,708
Impact of adoption of SLFRS 9				
Recognition of SLFRS 9 ECLs including those measured at FVOCI		-	-	-
Deferred tax on transitional adjustments		-	-	-
Total change in equity due to adopting SLFRS 9 and SLFRS 15		-	-	-
Restated opening balance under SLFRS 9 and SLFRS 15 as at 01 April, 2018		475,200	2,715,503	9,708
Total comprehensive income for the period				
Loss for the year		-	-	-
Other comprehensive income				
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:				
Re-measurement of defined benefit liabilities	43	-	-	-
Related tax	15.9	-	-	-
Change in fair value on investments in equity instruments at fair value through other comprehensive income		-	-	(101,931)
Total comprehensive income/(expense) for the period		-	-	(101,931)
Transactions with owners directly recorded in the Equity				
Other movements of equity				
Amalgamation gain/(loss)		-	-	-
Total contribution by / (distributions to) owners of the Company		-	-	-
Balance as at 31 March 2019		475,200	2,715,503	(92,223)
Balance as at 01 April 2019		475,200	2,715,503	(92,223)

Equity attributable to the shareholders of the Company			
Future Taxation Reserve	Merger/ Amalgamation Reserve	Retained Earnings	Total
Rs.'000	Rs.'000	Rs.'000	Rs.'000
205,000	-	48,229,945	51,635,356
-	-	16,570	16,570
-	-	(4,640)	(4,640)
-	-	11,930	11,930
205,000	-	48,241,875	51,647,286
-		(3,194,196)	(3,194,196)
-		(4,591)	(4,591)
-		(1,286)	(1,286)
-	-	-	(101,931)
-	-	(3,200,073)	(3,302,004)
-	(115,592)	-	(115,592)
-	(115,592)	-	(115,592)
205,000	(115,592)	45,041,802	48,229,690
205,000	(115,592)	45,041,802	48,229,690

Statement of Changes in Equity

Company	Note	Stated Capital Rs.'000	Revaluation Reserve Rs.'000	Fair Value Reserve Rs.'000	
Total comprehensive income for the period					
Loss for the year		-	-	-	-
Other comprehensive income					
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:					
Transfer on Impairment		-	(679,190)	-	
Re-measurement of defined benefit liabilities	43	-	-	-	
Related tax	15.9	-	-	-	
Total other comprehensive income for the period		-	(679,190)	-	
Total comprehensive income for the period		-	(679,190)	-	
Other movements of equity					
Amalgamation Gain/(loss)					
Total other movements		-	-	-	
Balance as at 31 March 2020		475,200	2,036,313	(92,223)	

The accounting policies and notes as setout in pages 114 to 315 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Equity attributable to the shareholders of the Company			
Future Taxation Reserve	Merger/ Amalgamation Reserve	Retained Earnings	Total
Rs.'000	Rs.'000	Rs.'000	Rs.'000
-	-	(9,212,855)	(9,212,855)
-	-	-	(679,190)
			-
-	-	66,351	66,351
-	-	(18,578)	(18,578)
-	-	47,773	(631,417)
-	-	(9,165,082)	(9,844,272)
	8,647,455		8,647,455
-	8,647,455	-	8,647,455
205,000	8,531,863	35,876,720	47,032,873

Statement of Changes in Equity

Group	Note	Stated Capital Rs.' 000	Revaluation Reserve Rs.' 000	Cash Flow Hedge Reserve Rs.' 000
Balance as at 01 April 2018		475,200	7,583,355	(41,026)
Impact of adoption of SLFRS 9 and SLFRS 15				
Recognition of SLFRS 9 ECLs including those measured at FVOCI		-	-	-
Deferred tax on transitional adjustments		-	-	-
Impact of reclassifying financial investment from AFS to FVTPL		-	-	-
Impact for equity accounted investees		-	-	-
Restated opening balance under SLFRS 9 and SLFRS 15 as at 01 April 2018		475,200	7,583,355	(41,026)
Total comprehensive income for the period				
Profit for the period from continuing operations		-	-	-
Profit for the period from discontinued operations		-	-	-
Other comprehensive income				
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:				
Revaluation of property, plant and equipment	35	-	1,870,570	-
Transfer upon disposal		-	(214,965)	-
Related tax	15.9	-	(303,636)	-
Re-measurement of defined benefit liabilities	43	-	-	-
Related tax	15.9	-	-	-
Change in fair value on investments in equity instruments at fair value through other comprehensive income		-	-	-
Related tax	15.9	-	-	-
Share of other comprehensive income of equity accounted investees (net of tax)		-	(20,806)	-
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods:				
Fair value gains/(losses) on debt instruments that arose during the year		-	-	-
Related tax	15.9	-	-	-
Exchange gain/ (losses) from translation of foreign operations		-	-	-
Net movement in cash flow hedges		-	-	7,395
Net change in costs of hedging		-	-	(42,421)
Related tax	15.9	-	-	(26,594)
Share of other comprehensive income of equity accounted investees (net of tax)		-	-	4,519
Total other comprehensive income for the period		-	1,331,163	(57,101)
Total comprehensive income for the period		-	1,331,163	(57,101)

Equity attributable to the shareholders of the Company							
Fair Value Reserve	Translation Reserve	Future Taxation Reserve	Statutory Reserve Fund	Retained Earnings	Total	Non-controlling Interests	Total Equity
Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
171,674	1,101,555	205,000	2,663,011	58,303,245	70,462,014	47,070,541	117,532,555
-	-	-	-	(410,505)	(410,505)	998,697	588,192
-	-	-	-	137,764	137,764	(196,643)	(58,879)
(1,482)	-	-	-	1,482	-	-	-
(526,798)	-	-	-	(43,756)	(570,554)	(19,883)	(590,437)
(356,606)	1,101,555	205,000	2,663,011	57,988,230	69,618,719	47,852,712	117,471,431
-	-	-	-	6,050,113	6,050,113	(117,190)	5,932,923
-	-	-	-	5,240,539	5,240,539	8,462,474	13,703,013
-	-	-	-	-	1,870,570	290,412	2,160,982
-	-	-	-	214,965	-	-	-
-	-	-	-		(303,636)	(59,927)	(363,563)
-	-	-	-	(9,099)	(9,099)	(50,265)	(59,364)
-	-	-	-	(7,971)	(7,971)	6,648	(1,323)
(108,323)	-	-	-		(108,323)	4,906	(103,417)
(70,664)	-	-	-		(70,664)	(10,132)	(80,796)
(457)	-	-	-	26,904	5,641	(7,649)	(2,008)
(89,338)	-	-	-		(89,338)	(2,638)	(91,976)
2,817	-	-	-		2,817	201	3,018
-	3,365,649	-	-	-	3,365,649	5,089,757	8,455,406
-	-	-	-	-	7,395	63	7,458
-	-	-	-	-	(42,421)	(3,032)	(45,453)
-	-	-	-	-	(26,594)	523	(26,071)
84,746	(11,168)	-	-	-	78,097	4,784	82,881
(181,219)	3,354,481	-	-	224,799	4,672,123	5,263,651	9,935,774
(181,219)	3,354,481	-	-	11,515,451	15,962,775	13,608,935	29,571,710

Statement of Changes in Equity

Group	Note	Stated Capital Rs.' 000	Revaluation Reserve Rs.' 000	Cash Flow Hedge Reserve Rs.' 000
Transactions with owners directly recorded in the Equity				
Contributions by and distributions to owners				
Dividend forfeited during the period		-	-	-
Total contribution by / (distributions to) owners of the Company		-	-	-
Transactions due to changes in group holding				
Non-controlling interests recognised on acquisition of subsidiaries	31.6.2.4	-	-	-
NCI contribution for subsidiary share issues		-	-	-
Acquisition of non-controlling interests		-	-	-
Changes in ownership interests that do not result in a change in control		-	-	-
Total transactions due to changes in group holding		-	-	-
Total transactions with owners directly recorded in the Equity		-	-	-
Other movements in equity				
Depreciation transfer on revaluation		-	(803)	-
Net transfers to / (from) statutory reserve fund		-	-	-
Total other movements		-	(803)	-
Balance as at 31 March 2019		475,200	8,913,715	(98,127)
Impact of adoption of SLFRS 16				
Impact of adoption of SLFRS 16		-	(21,888)	-
Deferred tax on transitional adjustments		-	-	-
Restated opening balance under SLFRS 16 as at 01 April, 2019		475,200	8,891,827	(98,127)
Total comprehensive income for the period				
Profit for the period from continuing operations		-	-	-
Profit for the period from discontinued operations		-	-	-
Other comprehensive income				
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:				
Revaluation of property, plant and equipment	35	-	721,932	-
Transfer upon disposal		-	(4,480)	-
Transfer on Impairment		-	(679,190)	-

Equity attributable to the shareholders of the Company							
Fair Value Reserve	Translation Reserve	Future Taxation Reserve	Statutory Reserve Fund	Retained Earnings	Total	Non-controlling Interests	Total Equity
Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
-	-	-	-	-	-	276	276
-	-	-	-	-	-	276	276
-	-	-	-	-	-	(13,799)	(13,799)
-	-	-	-	-	-	4,649,520	4,649,520
-	-	-	-	-	-	(342,229)	(342,229)
-	-	-	-	470,957	470,957	412,469	883,426
-	-	-	-	470,957	470,957	4,705,961	5,176,918
-	-	-	-	470,957	470,957	4,706,237	5,177,194
-	-	-	-	803	-	-	-
-	-	-	5,325,210	(5,325,210)	-	-	-
-	-	-	5,325,210	(5,324,407)	-	-	-
(537,825)	4,456,036	205,000	7,988,221	64,650,231	86,052,451	66,167,884	152,220,335
-	-	-	-	(94,636)	(116,524)	(110,553)	(227,077)
-	-	-	-	3,598	3,598	9,935	13,533
(537,825)	4,456,036	205,000	7,988,221	64,559,193	85,939,525	66,067,266	152,006,791
-	-	-	-	4,127,279	4,127,279	(3,314,910)	812,369
-	-	-	-	6,766,717	6,766,717	12,212,772	18,979,489
-	-	-	-	-	721,932	407,089	1,129,021
-	-	-	-	4,480	-	-	-
-	-	-	-	-	(679,190)	-	(679,190)

Statement of Changes in Equity

Group	Note	Stated Capital Rs.' 000	Revaluation Reserve Rs.' 000	Cash Flow Hedge Reserve Rs.' 000
Re-measurement of defined benefit liabilities		-	-	-
Related tax	15.9	-	-	-
Change in fair value on investments in equity instruments at fair value through other comprehensive income		-	-	-
Related tax	15.9	-	-	-
Share of other comprehensive income of equity accounted investees (net of tax)		-	38,394	-
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods:				
Fair value gains/(losses) on debt instruments that arose during the year		-	-	-
Related tax		-	-	-
Exchange gain/ (losses) from translation of foreign operations		-	-	-
Net movement in cash flow hedges		-	-	(53,591)
Net change in costs of hedging		-	-	(43,345)
Related tax	15.9	-	-	27,142
Share of other comprehensive income of equity accounted investees (net of tax)		-	-	(18,672)
Total other comprehensive income for the period		-	76,656	(88,466)
Total comprehensive income for the period		-	76,656	(88,466)
Transactions with owners directly recorded in the Equity				
NCI contribution for subsidiairy share issues	31.9	-	-	-
Non-controlling interests recognised on acquisition of subsidiaires	31.6.1	-	-	-
Acquisition of non-controlling interests	31.8	-	-	-
Disposal of subsidiaries	31.7	-	-	-
Changes in ownership interests that do not result in a change in control		-	-	-
Total transactions due to changes in group holding		-	-	-
Total transactions with owners directly recorded in the Equity		-	-	-
Other movements in equity				
Net transfers to / (from) statutory reserve fund		-	-	-
Total other movements		-	-	-
Balance as at 31 March 2020		475,200	8,968,483	(186,593)

The accounting policies and notes as setout in pages 114 to 315 form an integral part of these financial statements .
Figures in brackets indicate deductions

Equity attributable to the shareholders of the Company							
Fair Value Reserve Rs.' 000	Translation Reserve Rs.' 000	Future Taxation Reserve Rs.' 000	Statutory Reserve Fund Rs.' 000	Retained Earnings Rs.' 000	Total Rs.' 000	Non-controlling Interests Rs.' 000	Total Equity Rs.' 000
-	-	-	-	(154,610)	(154,610)	(63,759)	(218,369)
-	-	-	-	34,637	34,637	13,250	47,887
15,334	-	-	-	-	15,334	25,975	41,309
(54,132)	-	-	-	-	(54,132)	(14,369)	(68,501)
82,223	-	-	-	66,716	187,333	57,631	244,964
60,720	-	-	-	-	60,720	4,013	64,733
119	-	-	-	-	119	1	120
-	3,559,053	-	-	-	3,559,053	5,840,679	9,399,732
-	-	-	-	-	(53,591)	(454)	(54,045)
-	-	-	-	-	(43,345)	(9,780)	(53,125)
-	-	-	-	-	27,142	2,866	30,008
491,608	2,557	-	-	-	475,493	29,102	504,595
595,872	3,561,610	-	-	(48,777)	4,096,895	6,292,244	10,389,139
595,872	3,561,610	-	-	10,845,219	14,990,891	15,190,106	30,180,997
-	-	-	-	-	-	2,614,250	2,614,250
-	-	-	-	-	-	27,776,879	27,776,879
-	-	-	-	(31,919)	(31,919)	(71,630)	(103,549)
-	-	-	-	-	-	101,330	101,330
-	-	-	-	(8,365,790)	(8,365,790)	8,365,790	-
-	-	-	-	(8,397,709)	(8,397,709)	38,786,619	30,388,910
-	-	-	-	(8,397,709)	(8,397,709)	38,786,619	30,388,910
-	-	-	3,739,628	(3,739,628)	-	-	-
-	-	-	3,739,628	(3,739,628)	-	-	-
58,047	8,017,646	205,000	11,727,849	63,267,075	92,532,707	120,043,991	212,576,698

Statement of Cash Flows

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax expense from continuing operations		3,376,128	9,549,589	(9,094,021)	(3,106,181)
Profit/(loss) before tax from discontinued operations		23,749,036	17,267,972	-	-
Profit before tax		27,125,164	26,817,561	(9,094,021)	(3,106,181)
Adjustments for:					
(Profit)/Loss on sale of property, plant and equipment	5	(98,652)	(172,327)	(30,767)	(50,770)
Depreciation and amortisation	10/52	3,938,939	2,601,687	612,356	578,707
Amortisation of right of use asset	10/52	1,310,535	-	120,023	-
Insurance provision		1,464,218	860,929	-	-
Change in fair value of forward contracts	5	(1,507,651)	(4,682,010)	-	-
Provision for gratuity	43.1	962,098	519,317	69,479	62,773
Net impairment (loss) / reversal on financial assets	9/52	19,348,265	14,061,223	221,260	(3,788)
Provision for fall/(increase) in value of investments	5	(593,994)	(1,194,689)	22,306	55,664
Investment Income	5	(3,934,610)	(5,006,078)	(11,436)	(61,051)
Net finance costs	6/52	86,869,725	71,126,873	6,765,477	8,020,071
(Profit)/loss on sale of quoted and non-quoted shares	5	407,812	-	2,531,552	-
Foreign exchange gain / (loss)	5	1,620,217	5,096,417	-	-
Share of profits of equity accounted investees	13.1	(1,019,970)	(1,108,860)	-	-
Results on acquisition and divestment of group investments	14	(5,979,044)	-	-	-
(Gain)/ Loss on fair value of consumer biological assets	29.1	136,816	(439,076)	-	-
Change in fair value of investment properties	28	(3,915,140)	(4,067,925)	(27,933)	(72,004)
Amortisation of deferred income	42	(7,033)	(32,771)	-	-
Provision/ (reversal) for slow moving inventories	23.1	482,825	(151,135)	-	-
Sale of timber	5	(71,134)	-	-	-
Impairment loss on biological assets	30	110,085	-	-	-
Impairment loss on PPE	35	95,703	-	-	-
Operating profit before working capital changes		126,745,173	104,229,136	1,178,296	5,423,421
Working capital changes					
Increase/(decrease) in trade and other payables		2,028,656	(7,017,873)	(1,374,216)	(3,714,042)
(Increase)/decrease in investment in leases, hire purchase and others		(2,981,687)	4,049,183	847	(399)
(Increase)/decrease in investment in advances and other loans		(204,753,695)	(170,022,216)	(3,034,688)	(137,671)
(Increase)/decrease in premium receivables		(303,188)	(114,541)	-	-
(Increase)/decrease in inventories		128,815	(1,462,804)	(39,390)	(89,113)
(Increase)/decrease in trade and other receivables		3,224,098	2,571,267	(15,439,576)	(1,795,624)
Increase/(decrease) in customer deposits		111,867,426	144,546,441	-	-
Cash generated from operations		35,955,597	76,778,593	(18,708,727)	(313,428)
Finance cost paid		(85,359,280)	(76,659,215)	(9,703,224)	(7,509,459)
Income tax and Economic Service Charge paid		(9,220,755)	(6,300,091)	(174,570)	(116,146)
Defined benefit plan costs paid		(744,841)	(434,046)	(26,663)	(14,130)
Net cash from/(used in) operating activities		(59,369,279)	(6,614,759)	(28,613,184)	(7,953,163)

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
CASH FLOW FROM INVESTING ACTIVITIES					
Investment in subsidiary companies		-	-	(17,594,527)	(16,810,517)
Net cash and cash equivalents on acquisition of subsidiary	31.6.1.5	(4,520,049)	(70,659)	146	10,543
Disposal of associates	32.5	-	-	(713,112)	-
Net cash and cash equivalents received on disposal of subsidiary	31.7.1.4	1,597,438	-	9,987,724	-
Investment in equity accounted investees	32.6	(1,433,295)	(167,426)	-	-
Acquisition of Investment properties	28	(2,272,955)	-	(712,382)	(1,621)
Acquisition of PPE	35	(9,523,433)	(13,288,195)	242,918	(1,170,811)
Acquisition of right of use asset		-	-	(642,361)	-
Acquisition / (Disposal) of intangible assets	34.5	(278,264)	(645,377)	(65,078)	(272,942)
Net additions to trading assets		2,979,685	(3,905,929)	11,043,835	85,774
Net additions to investment securities		69,245,407	(13,805,469)	784,597	11,209,932
Proceeds from the disposal of PPE		450,089	366,275	104,112	345,026
Investment income received		3,561,380	4,977,025	3,904,228	-
Dividend received		93,097	193,546	11,436	61,051
Net additions of biological assets		(612,911)	(143,890)	-	-
Net cash flow from investing activities		59,286,190	(26,490,099)	6,351,536	(6,543,565)
CASH FLOW FROM FINANCING ACTIVITIES					
Net cash proceeds from short term borrowings		67,845,749	(592,779)	26,613,191	15,225,359
Principal repayment under finance lease liabilities	38.2.1	(413,087)	(377,045)	(37,702)	85,798
Proceeds from long term borrowings	38.3	118,584,523	154,041,409	201,021	596,971
Repayments of long term borrowings	38.3	(92,836,408)	(103,292,431)	(1,913,225)	(1,916,329)
Issue / (repayment) of debentures		(5,786,850)	2,750,000	-	-
Net increase/(decrease) Operating Lease Payable on ROU Assets		(1,648,354)	-	653,848	-
Receipt of deferred income	42	14,887	4,002	-	-
NCI contribution to subsidiary share issues	31.9	2,614,250	4,649,520	-	-
Acquisition of non-controlling interests	31.8	(103,549)	(342,229)	-	-
Net cash generated from financing activities		88,271,160	56,840,447	25,517,133	13,991,799
Net increase/(decrease) in cash and cash equivalents during the year		88,188,071	23,735,588	3,255,485	(504,929)
Cash and cash equivalents at the beginning of the year		65,574,965	41,839,377	(2,683,548)	(2,178,619)
		153,763,036	65,574,965	571,937	(2,683,548)
Analysis of cash and cash equivalents at the end of the year	17/52				
Cash in Hand and Favourable Bank Balances		157,785,673	76,082,984	1,611,459	945,468
Unfavourable Bank Balances used for cash management purposes		(4,022,637)	(10,508,019)	(1,039,522)	(3,629,017)
		153,763,036	65,574,965	571,937	(2,683,548)

The accounting policies and notes as setout in pages 114 to 315 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 General

LOLC Holdings PLC ('the Company') is a public quoted company incorporated on 14 March 1980 and domiciled in Sri Lanka. The address of the Company's registered office is No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya, Sri Lanka and the principal place of business is situated at the same place.

The Consolidated Financial Statements of the Group as at and for the year ended 31st March 2020 comprise of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

The Group is primarily involved in providing diversified financial solutions to a wide variety of customer segments and also engaged in diversified activities such as manufacturing, trading, leisure, plantations, real estate development, construction and power & energy etc.

Ordinary shares of the Company are listed on the main board of the Colombo Stock Exchange (CSE).

1.2 Principal Activities and Nature of Operations

LOLC Holdings PLC, the Group's holding Company, manages a portfolio of investments consisting of a range of diverse business operations, which together constitute the LOLC Group, and provides function based services to its subsidiaries, jointly controlled entities and associates.

Description of the nature of operations and principle activities of the subsidiaries, jointly-controlled entities and associates are given on note 31.3 to these Financial Statements. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

All the group companies incorporated and domiciled in Sri Lanka except for subsidiaries and associates which are disclosed to note 31.3 and 32 to these financial statements.

1.3 Parent Entity and Ultimate Parent Entity

LOLC Holdings PLC is the holding company of the Group and therefore, it does not have an identifiable immediate or ultimate parent of its own. LOLC Holdings PLC became the holding company of the Group during the financial year ended 31 March 2011.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company and those consolidated with such are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the Companies Act No. 07 of 2007. These SLFRSs and LKASs are available at www.casrilanka.com.

The presentation of these Financial Statements is also in compliance with the requirements of the Finance Leasing Act No 56 of 2000, Finance Business Act No 42 of 2011 and Insurance Industry Act No 43 of 2000 subsequent amendments thereto and provide appropriate disclosures as required by the Listing Rules of the CSE. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

Details of the Group's Significant Accounting Policies followed during the year are given in Note 3 on pages 119 to 144.

2.2 Presentation of Financial Statements

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in-order to reflect their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in note 56 (Maturity analysis)

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of profit or loss unless required or permitted by an accounting standard or an interpretation, and as specially disclosed in the accounting policies of the Group.

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.3 Basis of Measurement

The Financial Statements of the Group and the Company have been prepared on the historical cost basis, except for the following material items in the statement of financial position.

Items	Basis of measurement	Note No/s	Page/s
Fair value through profit and loss	Fair value	18	160
Derivative financial instruments	Fair value	18.4	163
Fair value through other comprehensive income/ Available for sale	Fair value	19	164
The liability for defined benefit obligations	Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost, and unrecognised actuarial losses	43	257
Lands and buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	35	234
Investment properties	Fair value	28	194
Agricultural produces	Fair value less cost to sell	23	186
Consumable Biological assets	Fair value less cost to sell	29	196

2.4 Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entities of the Group operate (the Functional Currency). The Financial Statements are presented in Sri Lankan Rupee (LKR), which is the functional currency of the Group. All financial information presented in Rupee has been rounded to the nearest Rupees thousands unless stated otherwise.

Each entity in the Group determines its own functional currency and items included in the Financial Statements of these entities are measured using that Functional Currency. There was no change in the Group's Presentation and Functional Currency during the year under review.

The information presented in US Dollars in the Section on "Supplementary Information" on pages 325 and 327 does not form part of the Financial Statements and is made available solely for the information of stakeholders.

2.5 Use of Estimates and Judgment

The preparation of the Financial Statements in conformity with SLFRSs/ LKAS's requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are included in the following notes to these Financial Statements.

Critical accounting estimate/judgment	Disclosure reference Note
Classification of financial assets and liabilities	54
Fair Value of financial instruments	3.3

Critical accounting estimate/judgment	Disclosure reference Note
Financial Instruments – fair value disclosure	54
Impairment of financial investments	19
Revaluation of property, plant and equipment	35.2
Determination in fair value of Investment properties	28.4
Useful lives of intangible assets	3.6.5
Useful lives of property, plant and equipment	3.7.1.7
Useful lives of Bearer biological assets	3.28.7
Determination in fair value of Consumer biological assets	29.7
Goodwill on acquisition	3.1.14
Gain on bargain purchase	3.1.15
Insurance provision – life	3.27.5.6
Insurance provision – general	3.27.4.8
Unearned premium reserve	3.27.4.3
Deferred acquisition cost	3.27.4.6
Deferred tax	3.9.2
Defined benefit obligation	3.13.2

Notes to the Financial Statements

Critical accounting estimate/judgment	Disclosure reference Note
Deferred tax on undistributed profits of equity accounted investees	3.9.2.2
Write-off policy	3.4.3.6
Collective allowance for impairment	3.4.3
Leasehold right to bare land	3.28.9
Impairment of non-financial assets	3.8
Nature of the relationship between the parent and subsidiaries when the parent does not own, more than half of the voting power	31.5
Material NCI	31.10
Provisions for liabilities, commitments and contingencies	3.15

2.6 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

The Group has not restated the comparative information for 2018/19, due to the transition method chosen in applying these standards for financial instruments within the scope of SLFRS 16 - "leases". Therefore, the comparative information for 2018/19 is not restated and is not comparable to the information presented for financial year 2019/20. Differences arise from adoption of SLFRS 16 have been recognised directly in equity as of 1st April 2019 and are disclosed in note 53.1 on pages 275 to 277.

2.7 Materiality, Presentation and Aggregation

As per LKAS – 01 "Presentation of Financial Statements", each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.8 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretations Committee) and as specifically disclosed in the Significant Accounting Policies of the Group.

2.9 Going Concern

The Board of Directors is satisfied that the Group has adequate resources to continue its operations in the foreseeable future and management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, going-concern basis has been adopted in preparing these Financial Statements.

2.10 Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

These Financial Statements include the following components;

- A Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end.
- A Statement of Profit or Loss providing the information on the financial performance of the Group and the Company for the year under review.
- A Statement of Other Comprehensive Income providing the information of the other comprehensive income of the Group and the Company.
- A Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company.

- A Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and the needs of entities to utilise those cash flows, and

- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.11 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Group and the Company for the year ended 31 March 2020 including comparatives) were approved and authorised for issue by the Board of Directors on 30th October 2020.

2.12 Changes in Accounting Policies

The Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated financial statements except for SLFRS 16 – "Leases". The information on the application on the aforementioned standards are prescribed below together with the related impact to the financial statements.

2.12.1 Accounting Standards and amendments adopted for the period

In preparing the financial statements of the group and the separate entities, the group has adopted SLFRS 16 and IFRIC 23 which became effective for the annual reporting periods beginning on or after 1 January 2019.

2.12.2 Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The Group has adopted SLFRS 16 using modified retrospective method from 1 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard.

Lessor accounting under SLFRS 16 is substantially unchanged from under LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

On adoption of SLFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17, 'Leases'.

Leases previously classified as finance leases

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The requirements of SLFRS 16 was applied to these leases from 1 April 2019.

Leases previously accounted for as operating leases

The Group recognised right of use assets and lease liabilities for those leases previously classified as operating leases. The right of use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Right of use assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

Right-of-use assets are recognised at cost comprising the following:

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and

- restoration costs.

The opening adjustment as at 1st April 2019, represents the carrying value of the right-of-use assets relating to ongoing lease contracts measured on a retrospective basis as if the Standard had been applied since the commencement date of the contract.

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. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if 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 re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The opening adjustment as at 1st April 2019, represents the present value of the remaining lease payments, relating to ongoing lease contracts, discounted using the lessee's incremental borrowing rate as of 1st April 2019.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of 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.

Incremental Borrowing Rate

'The rate of interest that a lessee would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.'

In the absence of specific guidance in IFRS, the company will have to apply judgment in determining the incremental borrowing rate. Determining the incremental borrowing rate is more complex than simply determining the weighted rate that an entity pays on its current borrowings. Such borrowings may have economic characteristic entirely dissimilar to the definition of the lessee's incremental borrowing rate as noted above.

Assumption on Extension Option and Cancellation Option

SLFRS 16 specifies that the lessee is required to assess whether it is reasonably expected to extend the lease period. Based on our business model forecast and our past experience, we assumed that the operating leasing agreements will continue for another 3 years. For this purpose, we have exercised this extension option for operating leases which are expiring within next two years. Based on our experience, we believe that, in the event of cancellation of an agreement, the Company will enter into a new rent agreement to continue and ensure its smooth business operation. Therefore, we have not considered the cancellation option in our calculations.

Timing of the lease payments

Based on our past experience, we assumed that the rent payments will occur at the end of the month (paid in arrears). Therefore, discount factors adjusted accordingly.

2.12.3 IFRIC 23 – Uncertainty over income tax treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 – "Income Taxes". It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex environment, it assessed whether the Interpretation had an impact on its Consolidated Financial Statements. The Group determined, based on its tax compliance and transfer pricing study that it is probable that its tax will be accepted by the taxation authorities. The Interpretation did not have an impact on the Financial Statements of the Group.

2.13 New accounting standards issued but not yet effective

2.13.1 Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations are made to help the entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

2.13.2 Amendments to LKAS 1 and IAS 8: Definition of Material

Amendments to LKAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in accounting Estimates and Errors are made to align the definition of "material" across the standard and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are applied prospectively for the annual periods beginning on or after 1 January 2020 with early application permitted.

2.13.3 Amendments to references to the conceptual framework in SLFRS standards

Revisions to the Conceptual Framework were made because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments are effective for annual periods beginning on or after 1 January 2020, with early application is permitted.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements unless otherwise indicated.

These accounting policies have been applied consistently by entities within the Group.

3.1 Basis of Consolidation

3.1.1 Business Combinations

The Group's Financial Statements comprise, Consolidated Financial Statements of the Company and its Subsidiaries in terms of the Sri Lanka Accounting Standard – SLFRS 10 on 'Consolidated Financial Statements' and the proportionate share of the profit or loss and net assets of its Associates in terms of the Sri Lanka Accounting Standard – LKAS 28 on 'Investments in Associates and Joint Ventures'.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in Profit or Loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of an entity so as to obtain benefits from its activities.

Control over an investee 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

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

The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. Acquisition of subsidiaries is accounted for using the acquisition method of accounting.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. If a member of the group uses accounting policies other than those adopted in the consolidated Financial Statements for similar transactions and events in similar circumstances, appropriate adjustments are made to its Financial Statements in preparing the consolidated Financial Statements.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.1.3 Non-Controlling Interests

Non-controlling Interests is the equity in a subsidiary not attributable, directly or indirectly, to the parent are presented in the Statement of Financial Position within Equity, separately from the Equity attributable to Shareholders Holders of the Parent (Company).

Material NCI of the Group disclosed in Note 31.10 and material NCI is determined based on Group threshold contribution to statement of financial position.

3.1.4 Acquisition of Non-Controlling Interests

Subsequent to the acquisition of control, any further acquisition of net assets from non-controlling interest is accounted for as transactions with owners in their capacity as owners. Therefore, no goodwill or gain on bargain purchase is recognised as a result of such transactions.

Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent.

3.1.5 Transactions do not Result a Change in Control

Changes in the Group's interest in a subsidiary that do not result in a loss of control status are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests and parent's equity are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill recognised and no gain or loss is recognised in Profit or Loss.

3.1.6 Common Control Transactions

Common control business combinations are accounted using the guidelines issued under Statement of Recommended Practice (SORP) – Merger accounting for common control business combination issued by Institute of Chartered Accountants of Sri Lanka.

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory.

Accordingly,

- The net assets of the combining entities are consolidated using the existing book values.
- No amount is recognised as goodwill which arises as a result of difference between the consideration and net assets acquired.
- Comparative amounts in the financial statements are restated if the companies had been combined at the previous Balance sheet date.
- In applying book value accounting, no entries are recognised in Profit or Loss; instead, the result of the transaction is recognised in equity as arising from a transaction with shareholders.
- Comparatives as a stand-alone entity as if stood as at 2018/19 has also been given to aid comparability.

3.1.7 Loss of Control

The parent can lose control of a subsidiary with or without a change in absolute or relative ownership levels. Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any minority interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Statement of statement of profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as other financial asset depending on the level of influence retained.

3.1.8 Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating activities. Significant influence is presumed to exist when the Group holds between twenty and fifty percent of the voting power of another entity.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Acquisitions of additional stakes of equity accounted investees, until the control is established, are accounted as goodwill within the equity accounted investment if consideration paid is more than the net asset acquired or taken into to profit or loss as gain on bargain purchase if the net asset acquired is more than the consideration paid.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Associate Companies of the Group which have been accounted for under the equity method of accounting are disclosed under Note 32.3 to these Financial Statements.

3.1.9 Jointly-Controlled Entities

Jointly-controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Jointly-controlled entities are accounted for using equity method, from the date that joint control commences until the date that joint control ceases.

3.1.10 Reporting Date

All the Group's Subsidiaries, Associate Companies and joint venture companies have a common financial year end which ends on 31st March other than Commercial Insurance Brokers Limited, LOLC General Insurance Limited, LOLC Life Assurance Limited, LOLC Asset Holdings Limited, LOLC International (Pvt) Ltd, LOLC (Pvt) Ltd, LOLC Cambodia Plc, PRASAC Micro Finance Institution Limited, LOLC Asia (Pvt) Ltd, NPH Investments (Pvt) Ltd, Pak Oman Microfinance Bank Limited, B Commodities ME (FZE), Browns Machinery (Cambodia) Co., Ltd, LOLC Financial Sector Holdings Private Limited, LOLC MEKONG Holdings Private Limited, Bodufaru Beach Resorts (Private) Limited, Browns Ari Resort (Pvt) Ltd, Browns Kaafu N Resort (Pvt) Ltd, Browns Raa Resort (Pvt) Ltd, PT LOLC Management Indonesia, PT Sarana Sumut Ventura, NPH Development (Pvt) Ltd, Patronus Wealth Holdings Limited, Commercial Insurance Brokers Limited and Seylan Bank PLC whose financial year ends on 31st December. The difference between the reporting date of the above companies and that of the parent does not exceed three months.

However, for the Group financial reporting purposes; the Financial Statements ending 31 March of the above mentioned subsidiaries and associates are considered.

3.1.11 Balances and Transactions Eliminated on Consolidation

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

3.1.12 Business Combinations

All business combinations have been accounted for by applying the acquisition method in accordance with the SLFRS 3 - Business Combinations. Applying this method involves the entity that obtains control over the other entity to recognise the fair value of assets acquired and liabilities and contingent liabilities assumed, including those not previously recognised.

3.1.13 Cost of Acquisition

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. This excludes any transaction costs incurred.

3.1.14 Goodwill on Acquisition

Goodwill represents the excess of the cost of any acquisition of a subsidiary or an associate over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

The Group tests the goodwill for impairment annually and assess for any indication of impairment to ensure that its carrying amount does not exceed the recoverable amount. If an impairment loss is identified, it is recognised immediately to the Statement of statement of profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Carrying amount of the goodwill arising on acquisition of subsidiaries and joint ventures is presented as an intangible and the goodwill on an acquisition of an equity accounted investment is included in the carrying value of the investment.

3.1.15 Gain on Bargain Purchase (negative goodwill)

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition of the entity, the Group will reassess the measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost and recognise the difference immediately in the Consolidated Statement of statement of profit or loss.

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency (Sri Lankan Rupees - LKR) of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items are the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in Statement of profit or loss.

3.2.2 The Net Gain or Loss on Conversion of Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated into Sri Lanka Rupees (LKR) at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Sri Lanka Rupees at spot exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI, and accumulated in the foreign currency translation reserve (Translation reserve), except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to Profit or Loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while relating control, then the relevant proportion of the cumulative amount is attributed to NCI.

If a settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, the foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in OCI, and accumulated in the translation reserve within equity.

3.3 Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and other equity pricing models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in Statement of Financial position.

3.3.1 Valuation of Financial Instruments

The Group measures the 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 of an identical instrument.

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

Level 3 – Valuation techniques use 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.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques

Valuation techniques include comparison of similar instruments for which market observable prices exist, other equity pricing models and other valuation models.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instruments at the reporting date that would have been determined by market participants acting at arm's length.

The Group widely recognised valuation models for determining fair value of common and more simple financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities. Availability of observable market inputs reduces the need for management judgment 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 are is prone to changes based on specific events and general conditions in the financial markets.

3.4 Financial assets and Financial liabilities

3.4.1 Initial recognition

All financial assets and liabilities excluding loans and advances to customers and balances due to customers are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way purchases and sale of financial assets. The group recognises loans and advances, deposits and subordinated liabilities, etc., on the date which they are originated.

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments as described in note 3.4.2.1 and 3.4.2.2 to the financial statements.

All financial instruments are measured initially at their fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Trade receivables are measured at transaction price as per SLFRS 9 which do not have a significant financial component as defined by SLFRS 15. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the 'Day 1' profit or loss, as described below.

3.4.1.1 "Day 1" profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in other income.

In those cases, where fair value is determined based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value deferred and is only recognised in the statement of profit or loss when the inputs become observable, or when the instrument is de-recognised.

3.4.2 Classification and Measurement of Financial assets

From 1st January 2018, the group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

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

The subsequent measurement of financial assets depends on their classification.

3.4.2.1 Business model assessment

Under SLFRS 9, The group makes an assessment of the objective of a business model in which an asset is held at a portfolio level due to the fact that it best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's Management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3.4.2.2 Assessment of whether Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI)

As second step to the classification process, the group assess the contractual terms of the financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the group considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or contractual cash flows such that it would not meet this condition. In making the assessment the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI met because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

3.4.2.3 Financial assets measured at amortised cost

A financial asset is measured at amortise cost if it meets both of the following conditions and is not designated under FVTPL,

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

Financial assets measure at amortised cost are given in notes 21 and 54.2.

3.4.2.3.1 Rental Receivables on Finance Leases and Hire purchases

Rentals receivable on leased and hire purchase assets are accounted for as finance leases and reflected in the statement of financial position at balance cost recoverable after eliminating unearned income and deducting pre-paid rentals, rental collections and impairment losses.

3.4.2.3.2 Rental Receivables on Operating Leases

Leases where the group as the lessor effectively retains substantially all the risk and rewards incidental to the ownership are classified as operating leases. Lease rentals from operating leases are recognised as income on a straight-line basis over the lease term.

3.4.2.3.3 Advances and Other Loans to Customers

Advances and other loans to customers comprised of revolving loans, loans with fixed installments, factoring and gold loans.

Revolving loans to customers are reflected in the statement of financial position at amounts disbursed less repayments and allowance for impairment losses. Loans to customers with fixed installments are stated in the statement of financial position net of possible loan losses and net of interest, which is not accrued to revenue.

3.4.2.3.4 Gold Loans

The Group provides gold loan facilities with different maturities which are less than one year. The amounts receivables from Gold loans are included in the advances and other loans at the amounts expect to be recovered.

3.4.2.3.5 Trade Receivables

Trade receivables are stated at the amounts they are estimated to realise, net of provisions for impairment. An allowance for impairment losses based on expected credit loss model at the time of origination and when there is a significant increase in credit risk.

3.4.2.3.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, placements with banks and loans at call and at short notice that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

Bank overdrafts that are repayable on demand and form an integral part of the Group cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.4.2.4 Financial assets measure at FVOCI

Financial assets measured at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset's cash flows represent payments of principal and interest.

Upon initial recognition, the group elected to apply irrevocable option for some of its equity investments held for strategic and statutory purposes as equity instruments at FVOCI.

3.4.2.5 Financial assets measure at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortise cost or FVOCI are classified and measure at FVTPL. Financial assets at fair value through profit and loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis.

3.4.3 Identification and measurement of impairment of financial assets

3.4.3.1 Recognition of expected credit loss

The Group recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- lease and other loan receivables;
- financial assets that are debt instruments;
- undrawn credit commitments.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of “investment grade”. The Group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as “Stage 1 financial instruments”.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as “Stage 2 financial instruments”.

3.4.3.2 Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

3.4.3.3 Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

3.4.3.4 Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is past due for a period more than 180 days or classified as non-performing under CBSL Direction No. 03 of 2008 is considered credit-impaired.

3.4.3.5 Presentation of ECL in the statement of financial position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities; – debt instruments measured at FVOCI: no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value.

3.4.3.6 Write off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in "impairment losses on financial instruments" in the Statement of Profit or Loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts

3.4.4 Financial Liabilities

On initial recognition, the Group classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortised cost; and
- Financial liabilities at fair value through profit or loss,

The subsequent measurement of financial liabilities depends on their classification.

3.4.4.1 Financial liabilities at amortised cost

Financial Liabilities issued by the Group that are not designated at fair value through profit or loss are recognised initially at fair value plus any directly attributable transaction costs, by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Deposit liabilities including savings deposits, current deposits, fixed/time deposits, call deposits, certificates of deposit and debentures are classified as financial liabilities measured at amortised cost.

The EIR amortisation is included in "Interest expense" in the income statement. Gains and losses too are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

3.4.4.1.1 Due to banks and other financial institutions

Due to banks and other financial institutions These represents refinance borrowings, called money borrowings, credit balances in Nostro Accounts and borrowings from financial institutions. Subsequent to initial recognition deposits are measured at their amortised cost using the EIR method. Interest paid/payable on these borrowings is recognised in profit or loss.

3.4.4.1.2 Due to customers

Due to customers includes non-interest-bearing deposits, savings deposits, term deposits, deposits payable at call and certificates of deposit. Subsequent to initial recognition deposits are measured at their amortised cost using the EIR method, except where the Bank designates liabilities at fair value through profit or loss. Interest paid/ payable on these deposits is recognised in profit or loss.

3.4.4.2 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes.

3.4.5 Accounting for Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

3.4.5.1 Hedge Accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. On initial designation of derivative as hedge instrument, the Group documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge.

Group treasury is also required to documented assessments, both at hedge inception and on an on-going basis, of whether or not the hedging instruments, primarily forward rate contracts, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

3.4.5.1.1 Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges as recognised in other comprehensive income and presented in the hedging reserve in equity. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the Profit or Loss during that period. The accumulated gains and losses recognised in other comprehensive income are reclassified to the statement of profit or loss in the periods in which the hedged item will affect Profit or Loss.

If the hedge instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. In such a case, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecasted transaction occurs.

3.4.5.1.2 Hedge Effectiveness Testing

To qualify for hedge accounting, at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective and demonstrate actual effectiveness on an on-going basis. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.

For establish effectiveness, the hedging instrument is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness to be achieved, the changes in cash flows must offset each other within the range of 80% to 125%. In evaluating the hedge effectiveness, the entity takes into account the future forward currency contracts and evaluates the effectiveness of the hedge by taking into consideration the total period of the hedged item. The ineffective portion of the derivative portion will be recognised immediately in Statement Comprehensive Income.

3.4.5.1.3 Derivatives that do not qualify for Hedge Accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the Profit or Loss.

3.4.6 Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and other equity pricing models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in Statement of Financial position.

3.4.7 Reclassification of Financial Assets and Liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets. Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

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

If the reclassification takes place out of the fair value through profit or loss category into the amortised cost measurement category, its fair value at the reclassification date becomes the new gross carrying amount.

If the reclassification takes place out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

The Group did not reclassify any of its financial assets or liabilities in 2019 /20.

3.4.8 Derecognition of financial assets and financial liabilities

3.4.8.1 Financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. 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 Bank could be required to repay.

3.4.8.2 Financial liabilities

A financial liability is derecognised 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 derecognition 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.

3.4.9 Modification of Financial assets and Financial Liabilities

3.4.9.1 Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (refer write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

3.4.9.2 Financial Liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by recomputing the effective interest rate on the instrument.

3.4.10 Offsetting financial instruments

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 statement of financial position.

3.5 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

For manufacturing stocks, provision for slow moving inventories are made when the holding period exceeds 365 days, and the sale of the inventories is no longer probable.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula:

Type of Inventory	Method of Valuation
Input Materials	Weighted Average basis
Growing Crop - Nurseries	At the cost of direct materials, direct labour and appropriate proportion of directly attributable overheads less provision for over-grown plants
Harvested Crop	Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is deemed to be the cost at the time of transferring the harvested crop to inventories.
Spares and Consumables	Weighted average basis
Finished goods and work-in-progress	First in First out (FIFO) basis

3.5 Investment Properties

3.5.1 Basis of Recognition

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

3.5.2 Basis of Measurement

3.5.2.1 Fair Value Model

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value are included in the Statement of statement of profit or loss in the year in which they arise.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per LKAS 16- Property, Plant and Equipment.

3.5.2.2 De-recognition

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of statement of profit or loss in the year of retirement or disposal.

3.5.2.3 Subsequent Transfers to/from Investment Property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of statement of profit or loss. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of statement of profit or loss.

3.5.2.4 Determining Fair Value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio as at each reporting date. In financial periods within that period the fair value is determined by the Board of Directors.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

3.6 Intangible Assets

3.6.1 Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably.

3.6.2 Basis of Measurement

Intangible assets acquired separately are measured as initial recognition at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful life are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level.

3.6.3 Subsequent Expenditure

Subsequent expenditure on intangible assets are capitalised only when it increases the future economic benefits embodied these assets. All other expenditure is expensed when incurred.

3.6.4 De-recognition

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset.

3.6.5 Amortisation

Amortisation is recognised in the Statement of statement of profit or loss on a straight-line basis over the estimated useful life of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful life of each intangible asset is as follows;

Computer Software	5 years
License and Fees	20 years
Customer Base	5 years
Brand Name	10 years
Right to generate solar power	20 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and are adjusted as appropriate.

3.7 Property, Plant and Equipment

3.7.1 Freehold Property, Plant & Equipment

3.7.1.1 Basis of Recognition

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

3.7.1.2 Basis of Measurement

Items of property, plant and equipment are measured at cost/revaluation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site at which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised 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 of property, plant and equipment.

3.7.1.3 Cost Model

The Group applies the cost model to all property, plant and equipment except freehold land and buildings; which is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

3.7.1.4 Revaluation Model

The Group revalues its land and buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of lands and buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognised in the Statement of statement of profit or loss. A decrease in value is recognised in the Statement of statement of profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

3.7.1.5 Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group 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, plant and equipment are recognised in Profit or Loss as incurred.

3.7.1.6 Reclassification to Investment Property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised and presented in the revaluation reserve in equity. Any loss is recognised immediately in Profit or Loss.

3.7.1.7 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in Profit or Loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognised.

Depreciation methods, useful life values are assessed at the reporting date. The estimated useful lives for the current year are as follows:

Free-hold and lease-hold Building	40-50 years
Free-hold and lease-hold Motor Vehicles	4-8 years
Furniture and Fittings	5-10 years

Office Equipment	4-8 years
Computer equipment	4-8 years
Plant and Machinery	8-20 years
Water Sanitation	20 years
Roads & Bridges	50 years
Penstock Pipes	20 years
Power/Electricity Supply	04-13 1/3 years
Security fencing	3 years
Cutlery, Crockery & Glassware 5 years	5 years
Linen	3 years
Swimming pool	10 years
Solar power plant	10-20 years

3.7.1.8 De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, recognised net within other income/ other expenses in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.7.2 Leasehold Property, Plant & Equipment (Assets Acquired on Finance Leases)

Leases in terms of which the Group assumes substantially obtained all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of a finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception less accumulated depreciation.

3.7.3 Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of properties.

3.8 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related Cash-Generating Unit (CGU) exceeds its estimated recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in Profit or Loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.9 Tax Expense

Tax expense comprises of current, deferred tax and other statutory taxes. Income tax expense is recognised in Statement of statement of profit or loss except to the extent that it relates to items recognised directly in the Statement of Other Comprehensive Income or Statement of Changes in Equity.

3.9.1 Current Tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the tax on dividend income.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act. No 10 of 2006 and subsequent amendments thereto.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue.

3.9.2 Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable Profit or Loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.
- Taxable temporary differences arising on subsidiaries, associates or joint

ventures who have not distributed their entire profits to the parent or investor.

Deferred tax is measured at the tax rates that are expected to be applied to 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, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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 benefits will be realised.

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognised as deferred tax expense and conversely any net decrease is recognised as reversal to deferred tax expense, in the Statement of statement of profit or loss.

3.9.2.1 Accounting for Deferred Tax for the Companies Enjoying Tax Holidays

Group companies enjoying a tax exemption period shall only recognise deferred tax in their Financial Statements for temporary differences, where reversals of such differences extend beyond the tax exemption period.

Deferred Tax shall not be considered nor provided for assets/liabilities for which tax impacts and reversals take place within the tax exemption period. There will be no tax implications that take place after the expiration of the tax exemption period for such assets.

Where a Company is entitled to claim the total value or any part of expenditure made during the tax holiday period, as deductions for tax purposes after the tax holiday period, such an entity will treat such amount of expenditure as part of the tax base throughout the tax holiday period in the purpose of recognising deferred tax.

3.9.2.2 Deferred Tax on Undistributed Profits of Equity Accounted Investees

The Group does not control its equity accounted investees. It is therefore generally not in a position to control the timing of the reversal of a possible taxable temporary difference relating to the undistributed profits of the equity accounted investees.

The Group calculates deferred tax based on the most likely manner of reversal, taking into account management's intent and the tax jurisdiction applicable to relevant equity accounted investees.

The management intends to recover the carrying amount of the investment primarily through sale of the investment rather than through dividends. The deferred tax implications are evaluated based on the tax consequences on the sale of investments.

Since the carrying amount is expected to be recovered through a sale transaction which has no tax consequences, no temporary difference arises on the equity accounted investees and no deferred tax is provided.

3.9.3 Withholding Tax on Dividends

Dividend distributed out of taxable profit of the local companies attracts a 10% deduction at source and is not available for set off against the tax liability of the Company. Withholding tax that arises from the distribution of dividends by the Company is recognised at the same time as the liability to pay the related dividend is recognised.

3.9.4 Economic Service Charge (ESC)

As per the provisions of Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed amount can be carried forward and set off against the income tax payable in the five subsequent. With the recent amendments, Economic Service Charge (ESC) was abolished w.e.f. 01st January 2020.

3.9.5 Nation Building Tax (NBT)

As per the provisions of the Nation Building Tax Act, No. 9 of 2009 and the subsequent amendments thereto, Nation Building Tax should be payable at the rate of 2% with effect from 1 January 2011 on the liable turnover as per the relevant. With the recent amendments, Nation Building Tax (NBT) was abolished w.e.f. 01st January 2020.

3.9.6 Value Added Tax on Financial Services (VAT on FS)

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 7 of 2003 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees. VAT on financial services is computed on the prescribed rate of 15%.

3.9.7 Sales Taxes (Value Added Tax and Turnover Tax)

Revenues, expenses and assets are recognised net of the amount of sales tax except for the following;

- Sales tax incurred on a purchase of a assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the statement of financial position.

3.10 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for its intended use or sale, are capitalised as part of the assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in Profit or Loss using the effective interest method.

3.11 Deposit Insurance Scheme

In terms of the Finance Companies Direction No 2 of 2010 “Insurance of Deposit Liabilities” issued on 27th September 2010, all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance

Scheme Regulations No 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010.

Deposits to be insured include time and savings deposit liabilities and exclude the following;

- Deposit liabilities to member institutions
- Deposit liabilities to the Government of Sri Lanka
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act Direction No 03 of 2008 on Corporate Governance of Registered Finance Companies.
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to Central Bank of Sri Lanka

Registered Finance Companies are required to pay a premium of 0.15% on eligible deposit liabilities as at each month to be payable within a period of 15 days after the respective month end.

3.12 Grants and Subsidies

3.12.1 Grants related to assets

Grants related to property, plant and equipment are initially deferred and allocated to Statement of statement of profit or loss on a systematic basis over the useful life of the related property, plant and equipment. Grants related to assets, including non-monetary grants at fair value, are deferred in the statement of financial position and credited to the Statement of statement of profit or loss over the useful life of the related asset as given below;

	No. of Years	Rate %
Building	40	2. 5
Plant and Machinery	13 1/3	7. 5
Equipment	8	12. 5
Roads	50	2
Vehicles		20

Relevant assets are presented separately in the Financial Statements without setting off against the respective grants.

3.12.2 Grants related to assets

Grants related to income are recognised in the Statement of statement of profit or loss in the period in which they are receivable.

3.13 Employee Benefits

3.13.1 Defined Contribution Plans

A Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Defined Contribution Plans are recognised as an employee benefit expense in the Statement of statement of profit or loss in the periods during which services are rendered by employees.

3.13.1.1 Employees’ Provident Fund (EPF), Ceylon Plantation Provident Society (CPPS) and Estate Staff Provident Society (ESPS)

The Group and employees contribute 12% and 8% respectively on the salary of each employee to the above mentioned funds.

3.13.1.1.1 Employees’ Trust Fund (ETF)

The Group contributes 3% of the salary of each employee to the Employees’ Trust Fund.

3.13.2 Defined Benefits Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company’s net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs are deducted.

The calculation is performed every three years by a qualified actuary using the projected unit credit method. For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimate provided by the qualified actuary is used.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in Profit or Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in Profit or Loss.

The Group recognises all actuarial gains and losses arising from the defined benefit plan in other comprehensive income (OCI) and all other expenses related to defined benefit plans are recognising as personnel expenses in Statement of statement of profit or loss. The retirement benefit obligation is not externally funded.

3.13.3 Short-term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.14 Accounts Payables and Accrued Expenses

Trade and other payables are stated at amortised cost.

3.15 Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations (legal or constructive) existing as at the reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

STATEMENT OF PROFIT OR LOSS

3.16 Gross Income

Gross income comprises of revenue, income and other income other than those relating to contributions from equity participants.

The following are the main components of the revenue;

Finance & Leasing	Earned income on leases, hire purchases, factoring, margin trading, loans and advances
Insurance	Gross written premium
Manufacturing, industrial Trading & Related Services	Production, sale of consumer, agricultural, motor vehicles and industrial items and providing related services
Leisure and entertainment	Accommodation sales, service charges, food & beverages income outlet sales
Plantation	Sale of perennial crops (Tea, Rubber, Coconut, Timber etc.,)
IT Services	IT service fee
Stock Brokering	Brokerage fees
Power Generation	Sale of electrical energy
Construction	Contract fee
Real Estate	Rental Income

Revenue is income that arises in the course of ordinary activities of group companies. Other Income such as interest on treasury bills, bonds and debentures, gain on disposal of property, plant and equipment, rental income, dividend income, royalty income, foreign exchange gain, franchise fees, gain on disposal of investments securities, gain on marked to market valuation of investments etc. is also included in gross income.

3.16.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, net of sales within the Group.

3.16.2 Goods Sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

3.16.3 Rendering of Services

Revenue from services rendered is recognised in Profit or Loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3.16.4 Interest Income on Leases, Hire Purchases, Loans and Advances

Interest income and expense are recognised in Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees paid are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expenses presented in the Statement of statement of profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis
- interest on available for sale investment securities calculated on an effective interest basis

Interest income and expenses on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through Profit or Loss, are presented in net income from other financial instruments at fair value through Profit or Loss in the Statement of statement of profit or loss.

3.16.5 Fees and Other Income

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

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3.16.6 Net Trading Income

Net trading income comprise of gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

3.16.7 Net income from Other Financial Instruments at Fair Value Through Profit or Loss

Net income from other financial instruments at fair value through Profit or Loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through Profit or Loss, and include all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

3.16.8 Factoring Income

Revenue is derived from two sources, Funding and providing Sales Ledger Related Services.

Funding - Discount income relating to factoring transactions are recognised at the end of a given accounting month. In computing this discount, a fixed rate agreed upon at the commencement of the factoring agreement is applied on the daily balance in the client's current account.

Sales Ledger Related Services - A service charge is levied as stipulated in the factoring agreement.

Income is accounted for on accrual basis and deemed earned on disbursement of advances for invoices factored.

3.16.9 Revenue from Accommodation Sales and Services Charge

Revenue from accommodation sales is recognised for the rooms occupied on a daily basis, together with outlet sales and other income from hotel operations.

90% of Service Charge collected from guests is distributed among the employees, retaining 10% of such service charges collected for recovery of breakages of cutlery, crockery, glassware and stainless steel items. Any balance amount of the retention after recovery of actual breakages is redistributed among employees after the end of each financial year.

3.16.10 IT Service Fee

IT services fee is accounted for on accrual basis.

3.16.11 Turnover from Sale of Solar Systems and Sale of Electricity

The above revenue components are accounted on accrual basis.

3.15.12 Other Income

Rent income, non-operational interest income, royalty income and franchise fees are accounted for on accrual basis.

Dividend income is recognised when the right to receive payment is established.

Gain on disposal of property, plant and equipment and other non-current assets, including investments held by the Group have been accounted for in the Statement of statement of profit or loss, carrying amount of such assets after deducting from the net sales proceeds on disposal.

3.16.13 Rental Income

Rental income from investment property is recognised in Profit or Loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

3.16.14 Amortisation of Government Grants Received

An unconditional government grant related to a biological asset is recognised in the Statement of statement of profit or loss as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in the Statement of statement of profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in the Statement of statement of profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

3.17 Expenses Recognition

Expenses are recognised in the Statement of statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

For the presentation of the statement of profit or loss the Directors are of the opinion that the nature of the expenses method presents fairly the element of the Company's performance, and hence such presentation method is adopted.

Preliminary and pre-operational expenditure is recognised in the statement of profit or loss.

Repairs and renewals are charged to the Statement of Comprehensive Income in the year in which the expenditure is incurred.

3.18 Finance Income and Finance Costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets, fair value gains on financial assets. Interest income is recognised as it accrues in Profit or Loss, using the effective interest method. Dividend income is recognised in Profit or Loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise of interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables), are recognised in the statement of profit or loss.

3.19 Earnings per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the Profit or Loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share 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.

3.20 Statement of Cash Flows

The Cash Flow Statement has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard 7 'Cash Flow Statements.' Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

3.21 Related Party Disclosures

3.21.1 Transactions with Related Parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24.

3.21.2 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 24 "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors), personnel that hold designation of Deputy General Manager and above positions and their immediate family member have been classified as Key Management Personnel of the Company.

The immediate family member is defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Key Management Personnel for more than 50% of his/her financial needs.

3.22 SLFRS 12 - Disclosure of Interests in Other Entities

SLFRS 12 Disclosure of Interests in Other Entities is a consolidated disclosure standard requiring disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

The objective of SLFRS 12 is to require the disclosure of information that enables users of Financial Statements to evaluate the nature of, and risks associated with, its interests in other entities, the effects of those interests on its financial position, financial performance and cash flows.

3.23 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments operating results are reviewed regularly by Group Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Accordingly, the segment comprises of financial services, insurance, IT services, Trading, Leisure, Plantation, Power and Energy and Others are described in Note 57.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Expenses that cannot be directly identified to a particular segment are allocated on bases decided by the management and applied consistently throughout the year.

3.24 Subsequent Events

All material subsequent events have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

3.25 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent Liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

3.26 Capital Management

The Board of Directors monitors the return on capital investment on a month basis. This review is mainly carried out through return on investment analysis prepared on a quarterly basis. The plan forecasts are also reviewed on a monthly basis to ensure that targets are met in order to manage the capital invested in Group Companies.

The Board of Directors also decides and monitors the level of dividends to ordinary shareholders.

The Company does not subject to any externally impose capital requirements. However, companies within the group have such requirement based on the industry in which such company is established. Group companies which require externally imposed capital will monitor such requirement on a regular basis and report to respective legal authority in order to ensure compliance with such regulatory requirement.

ACCOUNTING POLICIES APPLIES TO SPECIFIC INDUSTRY SECTORS

3.27 Insurance Sector

3.27.1 Product Classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

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 expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

3.27.2 Reinsurance Receivable/Payable

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers 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 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 is recorded in the comprehensive statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire.

Liability Adequacy Test

At each reporting date, an assessment is made of whether the recognised long-term business provisions are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the statement of profit or loss by setting up an additional provision in the Statement of Financial Position.

3.27.3 Insurance Premium Receivables

Collectability of premiums and other debts are reviewed on an on-going basis. Policies issued on credit basis and that are known to be uncollectible are cancelled and the respective gross written premium is reversed. A provision for doubtful debts is raised when some doubt as to collection exists.

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the comprehensive statement of profit or loss.

Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

3.27.4 General Insurance Business

3.27.4.1 Gross Written Premium

Premium is accounted as and when cash is received and in the same period as the policy liabilities are created. For single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognised as income in a constant relationship to the insurance in force, for annuities and the amount of expected benefit payments.

3.27.4.2 Reinsurance Premium

Reinsurance premium expense is accrued on active policies on a monthly basis.

3.26.4.3 Unearned Premium Reserve

Unearned premium is the portion of gross written premium and reinsurance premium written in the current year in respect of risk related to subsequent periods. Unearned premium is calculated on the 1/365 basis in accordance with the Rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act, No. 43 of 2000.

3.27.4.4 Unexpired Risks

Provision is made where appropriate for the estimated amount required over and above unearned premium to meet future claims and related expenses on the business in force as at 31st December.

3.27.4.5 Unexpired Risk Reserve

The calculation of premium liability requires a comparison between the company's held unearned premium reserve less DAC provision with actuarial estimate of the unexpired risk for the total general insurance business. The resulting premium liability is the higher of these two. In estimating the unexpired risk liability, assumptions are made on the expected ultimate loss ratio for each class of business and management expenses incurred whilst these policies remain exposed for claims.

3.27.4.6 Deferred Acquisition Costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortised over the period in which the related revenues are earned. All other acquisition costs are recognised as an expense when incurred.

Deferred acquisition expenses represent commission and franchise fees which vary with and are directly related to the production of business. Commission expenses are deferred and charged over the period in which the related premiums are earned, on 1/365 basis.

3.27.4.7 Claims

Claims incurred include provisions for the estimated cost of claims and related handling expenses in respect of incidents up to 31st December. Claims outstanding are assessed by reviewing the individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of claims Incurred But Not Reported (IBNR) is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends. Actuarial valuations are performed on an annual basis. Whilst the Directors consider that the provision for claims related reinsurance recoveries are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such adjustments are reflected in the Financial Statements for that period. The methods used, and the estimates made, are reviewed regularly

3.27.4.8 Valuation of Insurance Provision-General Insurance Reserve for Outstanding Claims Including IBNR

Methodology for Claim Liability

Central Estimate

The Central Estimate of the Net Claim Liability has been determined based upon the gross analysis performed for the Company as at 31st December 2013, whereby a full review of the Loss Development Factors on a gross basis is performed. Various Gross-to-Net ratios are compared, and the Net Claim Liability is determined by applying a factor to the Gross Claim Liability.

Since the net analysis is based on the gross analysis, any change in the gross results will subsequently affect the results in this net valuation.

The Central Estimate is then adjusted by the same provision as the gross analysis to allow for Claims Handling Expenses (CHE) such as fees for loss adjustment, and the annual salary and related overhead costs of the claims department.

75% Confidence Level Estimate

The volatility of the Central Estimate of claims reserves are then projected to secure an overall level of sufficiency of not less than 75% confidence. In determining the Net Claim Liability on 75% confidence level, we have adopted the Prudential Reserve for Adverse Development (PRAD) and Fund Prudential Reserve for Adverse Development (FPRAD) risk margins that were derived in the gross analysis as at 31st December 2013, which were based on a Stochastic Chain Ladder approach.

Calculation of Discounted Claim Liability

The Discounted Claim Liability is calculated as the current value of the projected future claim payments for each class of business.

The Claim Liability is discounted on the same basis as the gross numbers. These are based upon the Government Securities spot rates from the Central Bank of Sri Lanka and the modelled payment patterns.

Methodology for Estimate of Premium Liability

Central Estimate

For the Central Estimate of the Premium Liability, actuary developed a trended Ultimate Loss Ratio for each class to compute the Central Estimate of the Unexpired Risk Reserve (URR). A provision, which is the same value as per the gross analysis, was added to the Central Estimate of the URR to account for CHE and a further provision, based on the Unearned Premium Reserve (UPR), has been retained to cover future Management Expenses. The adjusted loss ratios are finally applied to the UPR that the company currently holds to derive the Central Estimate of the URR.

75% Confidence Level Estimate

The Central Estimates of the URRs are then projected to secure an overall level of sufficiency of not less than 75% confidence. In determining the URR at the 75% confidence level, actuaries multiply the Central Estimate of the URR with an adjustment factor for each line of business. The adjustment factor is determined at a class level as well as at an aggregate level, and takes into account the observed relationship between the current estimate of an Accident Period's ULR and the trended ULR. The diversification is determined by comparing the sum of adjustment factors by line of business and the adjustment factor at the aggregate level.

3.27.5 LIFE INSURANCE BUSINESS

3.27.5.1 Gross Written Premium

Premium is accounted as and when cash is received and in the same period as the policy liabilities are created. For single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognised as income in a constant relationship to the insurance in force, for annuities and the amount of expected benefit payments.

3.27.5.2 Reinsurance Premium

Reinsurance premium expense is accrued on active policies on a monthly basis. Reinsurance recoveries are credited to match the relevant gross claims.

3.27.5.3 Benefits, Losses and Expenses

Expenses relate to the acquisition and maintenance of Long Term insurance business. Claims by death or maturity are charged against revenue on notification of death or on expiry of the term. Claims payable includes direct cost of settlement. Interim payments and surrenders are accounted for at the time of settlement.

3.27.5.4 Actuarial Valuation for Long Term Insurance Provision

The Directors determine the Long term insurance business provisions for the Company on the recommendation of the Actuary, following his annual investigation of the Life insurance business. The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the reporting actuary.

3.27.5.5 Life Insurance Contract Liabilities

Life insurance liabilities are recognised when the contracts are entered into and premiums are charged. These liabilities are calculated via the net premium method for protection products, the unit fund plus sterling reserve method for Unit-linked products and a modified gross premium method for conventional products. For the net premium method, the liability is calculated as the discounted value of the future benefits that are directly related to the contract, less the discounted value of the theoretical premiums that would be required to meet those future benefits based on the valuation assumptions. For the sterling reserve method all contract-related cash flows are projected using best estimate assumptions (but with valuation claim rates) and additional liabilities are set up in the event that contracts are not self-financing. For the modified gross premium method, the investment account is the starting point and in addition to that a liability may be held on account of future cash flows shortfalls. This second component is calculated exactly as per the sterling reserve above.

3.27.5.6 Valuation of Insurance Provision -Life Insurance Contract Liabilities

Methodology

Actuaries have adopted the net premium valuation methodology for calculating the provisions for majority of the products and riders (all except those mentioned below), as required by the extant regulations, by valuing individual policy records.
For regular premiums products, an allowance for recovery of initial expenses through loadings in the renewal premium

has been allowed for in the provisions by using minimum of the Zillmer and Sprague adjustments as prescribed in the regulations. Besides limiting the calculated net premium to be maximum of 90% of the policy premium to ensure a minimum 10% allowance to cover future expenses and commissions at the policy level. Actuaries have checked that this implicit allowance made for expenses and commissions through a reduction in the future premium income in the net premium methodology is sufficient to cover the projected expenses and commissions for regular premium products at the product level. For single premium products, an explicit additional provision has been calculated to cover future maintenance expenses at the policy level.

Statutory provisions have been set equal to the unearned premium reserves (UPR) for the base products Corporate Life & Migrant Workers, and the ADB, TPD due to accident and PPD riders.

For the dividend based fund accumulation products, Life Protect, Life Protect Plus, Pension Plan and Child Plan, provisions have been set equal to the fund value plus an expense provision, where the expenses provision has been set equal to any excess of expected future outgo over future income on the prudent basis calculated at the policy level.

The calculated provisions were floored at zero at the individual policy level, i.e. negative provisions have not been allowed for any policy.

The calculated provisions for each individual policy is note less than the applicable surrender value as on valuation date, as no surrender value is currently applicable for any of the in-force policies. Majority of the products are protection based which do not offer any surrender value. Surrender value on the savings products is payable only after the third policy year with none of the in-force policies having exceeded that duration.

Assumptions

The following reserving assumptions have been used for the purpose of the annual statutory valuation as at December 2019;

- **Mortality rates**

110% of A67/70 (Ultimate) table has been used as the reserving assumptions.

- **Rates for benefits other than mortality**

110% of the applicable reinsurance premium rates provided by reinsurer, made available to actuaries at the time of pricing the various riders attaching to the dividend based fund accumulation products.

- **Lapses**

No lapses have been assumed for prudence, except for dividend based fund accumulation products, where lapses equal to 50% of the best estimate pricing assumption have been used for the calculation of the expense provision. The lapse rates assumed for pricing the dividend based products are tabulated below;

	Policy year
2	30%
2	15%
3	10%
4	5%
5	5%
6-10	5%
11+	2.5%

- **Investment return**

The assumed investment returns are as prescribed by the regulations for life insurers with less than three years of operations. The following table summarises the annual investment returns assumed for different classes of business and premium payment options;

Business class (Premium payment option)	Investment return
Participating (Regular premium)	5.0%
Non-participating (Regular premium)	6.5%
Non-participating (Single premium)	8.0%

- **Expenses inflation**

Real annual investment returns have been assumed to be 1.0%, based on which expense inflation has been set to be 1.0% lower than the assumed annual investment returns tabulated above.

- **Expense assumptions**

The reserving expense assumptions have been set out in the table below. For group products these represent the expense assumption applicable to each policy and not the scheme.

Type of expense	Expense assumption
Fixed per annum	LKR 220
% of provisions	0.275%
% of renewal premium*	2.750%
Regular commission*	Commission rates as per the pricing certificates of respective products
*Applicable only for regular premium products	

- **Loan repayment rate**

Mortgage reduction plan (MRP) and Divisaviya are reducing terms assurance plans to cover the outstanding loan liability of the policyholder. However, the policy data for these products does not contain the loan repayment rate applicable for individual policies. Actuaries have used an average loan repayment rate of 28% of 12% per annum for the MRP and Divisaviya product respectively. These have been estimated based on the original sum assured, sum assured as at valuation date and issue date information present in the policy data.

3.28 PLANTATION SECTOR

3.28.1 Agricultural Activities

The Group considers all the activities that are managed in biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological asset.

3.28.2 Biological Assets

Biological assets are classified as mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, Rubber, Coconut, Timber, Other plantations and nurseries are classified as biological assets.

The biological assets are further classified as bearer biological assets and consumables biological assets. Bearer biological assets includes tea, rubber and coconut trees, those that are not intended to be sold or harvested, however, used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets include managed timber own by the company (Eucalyptus Torariyana, Albezzia, Graveelia, Eucalyptus Grandis, Astonia, Pinus, Toona, Mahogany, Teak, Jak, Rubber, Nadun, Mango, Pellen, Hora, Domba, Lunumidella, Wal Del and Mara on the plantations have been taken into consideration in this valuation of timber trees) those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognises the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.28.3 Bearer Biological Assets

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – "Property, Plant & Equipment".

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

The Group recognises tea, rubber, coconut and mixed crop, at cost in accordance with the new ruling provide the option to measure bearer biological assets using LKAS16 – Property, Plant and Equipment.

3.28.4 Limited Life Land Development Cost on Bearer Biological Assets at Cost (New/Re-Planting)

The total cost of land preparation, rehabilitation, new planting, re-planting, crop diversification, inter-planting and fertilising, incurred between the time of planting and harvesting (When the planted area attains maturity) are recognised as initial cost for capitalisation. These immature plantations are shown at direct costs plus attributed overheads, including interest attributable to long-term loans used for financing immature plantations. Attributable overheads incurred on the plantation are apportioned based on the labour days spent on respective re-planting and new planting and capitalised on the immature areas. The remaining non-attributable overhead is expensed in the accounting period in which it is incurred.

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognised as an expense when incurred.

The expenditure incurred on perennial crop (Tea/Rubber/Coconut) fields, which come into bearing during the year, has been transferred to mature plantations and depreciated over their useful life period. These mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less. No depreciation is provided for immature plantations.

3.28.5 Infilling Costs

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, in accordance with Sri Lanka Accounting Standard - 16 and depreciated over the useful life at rates applicable to mature plantation. These rates are re-evaluated annually.

Infilling cost that are not capitalised have been charged to the statement of profit or loss in the year in which they are incurred.

3.28.6 Growing Crop Nurseries

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

3.28.7 Useful Life of Bearer Biological Assets

The estimated useful lives for the current and comparative years are as follows;

Tea	30-33 1/3 years
Rubber	20 years
Coconut	50 years
Cardamom / Cinnamon	15 years

3.28.8 Consumable Biological Assets

Trees namely teak, mahogany, Nadun, mango, Albezzia, Wal del, and etc. are considered as consumable biological assets and measured in accordance with LKAS 41- Agriculture. The initial costs incurred in planting such trees are capitalised until the market determined prices or values are not available and for which alternative estimates of fair value are to be clearly unreliable. Once the fair value of such a biological asset becomes reliably measurable, the group measures it at its fair value less costs to sell. The change in fair values will be directly identified in statement of profit or loss.

The Group has engaged an Independent Chartered Valuation Surveyor Mr. K.T.D. Tissera in determining the fair value of managed Timber Plantation. The valuer has valued the Timber Plantation per tree valuation basis by using available log prices in city centers less point-of-sale-costs. The timber plants having less than three years old have not been taken in to the valuation and hence, the cost of such plants has been added to the valuation. All other assumptions are given in Note No. 29.7. The Group measures the Timber Plantation at fair value less estimated-point-of-sale-costs as at each date of Statement of Financial Position. The gain or loss on changes in fair value of Timber Plantation is recognised in the statement of profit or loss

- **Growing Crop Nurseries**

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

3.28.9 Permanent Land Development Costs

Permanent land development costs are those costs incurred making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalised and amortised over the remaining lease period.

Right-To-Use of Land on Lease

Lease agreements of all JEDB/SLSPC estates handed over to the Group's Sub Subsidiary Maturata Plantations Limited have been executed to date. All of these leases are retroactive to 15th/22nd June 1992, the dates of formation of the Group's Sub Subsidiary. The leasehold rights to the bare land on all of these estates have been taken into the books of the Group's Sub Subsidiary on 15th/22nd June 1992, immediately after formation of the Group's Sub Subsidiary, in terms of the ruling obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, Board of the Group's Sub Subsidiary decided at its meetings that lease bare land would be revalued at the value established for this land by Valuation Specialist Dr. D. R. Wickramasinghe just prior to the formation of the Group's Sub Subsidiaries. The values as at 22nd June 1992 and 15th June 1992 were taken in to the books of Maturata Plantations Limited.

3.28.10 Amortisation

The Right-to-use of land on lease is amortised over the remaining lease term of such asset or over the useful life of the underlying asset if shorter. Leasehold rights are tested for impairment annually and are written down where applicable.

The impairment loss, if any, is recognised in the statement of profit or loss.

Amortisation rates used for the purpose are as follows:

	No. of Years	Rate %
Bare Land	53	1.89
Improvement to Lands	30	3.33
Mature Plantations	30	3.33
Buildings	25	4.00
Machinery	15	6.67
Crop Diversification	30	3.33
Water and Sanitation	20	5.00
Other Vested Assets	30	3.33
Permanent Land Development	53	1.89

3.28.11 Liability to make lease rentals

The liability to make the rentals to the lessor is recognised on amortised cost using effective interest rate method. The finance cost is recognised in the statement of profit or loss under finance cost using effective interest rate method.

3.29 Impact due to the COVID-19

The outbreak of COVID-19 in the last quarter of the financial year has caused disruption to many local and global business and economic activities. The Group has been closely monitoring the impact of the pandemic on the Group's business operations as at year end and also in the immediate future. Commencing from February 2020 this global health hazard had an adverse impact on many of the Group's operations. Some of the companies in certain sectors operated on a reduced scale, while many of the companies in the tourism sector have temporarily halted operations after the year end. Some companies involved in essential services such as the Financial, Insurance, Agri Inputs, Trading and Plantations segments operated as usual.

Most of the back-office operations of the Group continued to function remotely and/or in the work places as required.

The Group has considered the “Guidance Notes on Accounting Considerations of the COVID-19 Outbreak (updated on 11th May 2020)” and “FREQUENTLY ASKED QUESTIONS (FAQs) on Guidance Notes on Accounting Considerations of the COVID-19 Outbreak (updated on 11th May 2020) “issued by CA Sri Lanka, when preparing these financial statements.

Impact of COVID-19 on our Key Business Sectors

The Management has assessed the impact of COVID-19 on the key business sectors of the Group. The impact of the COVID 19 pandemic has been considered as of reporting date and specific considerations have been disclosed under the relevant notes.

4. Gross income

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Interest income	4.1	**81,852,729**	75,606,318	**3,904,229**	2,839,764
Revenue	4.2	**24,944,735**	24,805,609	**2,480,478**	1,557,044
Income	4.3	**14,200,638**	13,670,357	**4,073,060**	4,652,006
Other income/(expenses)	5	**9,443,576**	10,231,624	**(1,213,970)**	2,601,812
		130,441,678	124,313,908	**9,243,797**	11,650,626

4. 1. Interest income

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Leasing interest income	**14,815,801**	15,176,930	**-**	-
Hire purchases interest income	**-**	186	**-**	-
Interest income on deposits	**552,743**	634,612	**-**	-
Advances and other loans interest income	**59,503,694**	52,558,000	**3,776,980**	2,716,788
Operating lease and hire rental income	**403,237**	486,143	**85,699**	105,168
Overdue interest income	**3,703,324**	3,590,685	**41,550**	17,808
Debt factoring income	**2,873,930**	3,159,762	**-**	-
	81,852,729	75,606,318	**3,904,229**	2,839,764

Interest income on loans and advances includes interest accrued on impaired loans of Rs. 948.25 Mn in 2020. (Rs. 804.58 Mn for 2019).

4.2 Revenue

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Sectorial revenue				
Manufacturing	**301,243**	287,069	**-**	-
Trading	**17,894,451**	15,957,693	**1,491,716**	537,981
Hotelier revenue	**1,273,272**	1,586,692	**-**	-
Health Care	**593,073**	649,661	**-**	-
Real Estate	**197,112**	221,914	**-**	-
IT Services	**501,209**	669,772	**-**	-
Other services	**274,594**	167,808	**-**	-
Plantation	**1,808,214**	1,721,464	**-**	-
Ethanol sales	**41,883**	-	**-**	-
Travel and tours	**55,678**	1,991,521	**988,762**	1,019,063
Construction contract revenue	**1,573,385**	1,112,684	**-**	-
Supply of electricity	**430,621**	439,331	**-**	-
	24,944,735	24,805,609	**2,480,478**	1,557,044

4.3 Income

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Securities trading income	84,029	22,220	-	-
Earned premium on insurance contracts long term	2,610,178	2,261,314	-	-
Earned premium on insurance contracts general	4,060,342	3,581,955	-	-
Rentals & sales proceeds - contracts written off	1,166,278	1,110,852	18,172	22,174
Transfer fees and profit on termination	2,273,312	2,071,247	54	130
Arrangement / documentation fee & other	3,927,592	4,243,298	1	3
Shared service income	-	-	3,709,387	4,322,723
Other operational income	78,907	379,471	345,446	306,976
	14,200,638	13,670,357	4,073,060	4,652,006

5 Other income/(expenses)

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Rental income		114,702	113,860	53,400	1,588
Royalty income		-	-	488,981	962,562
Dividends income		25,430	29,053	11,436	61,051
Franchise fees		21,760	-	566	428
Insurance policy fees		152,488	136,642	-	-
Treasury handling charges		-	-	3,207	1,050,406
Asset hire income		-	-	248,169	248,169
Guarantee fee income		-	-	40,344	36,565
Interest received from government securities & other interest earning assets		3,675,834	3,478,021	70,053	4,391
Debenture interest income		233,346	115,261	12,009	3,048
Gain / (loss) on disposal of quoted and non-quoted shares		(407,812)	-	(55,552)	-
Gain / (loss) on Disposal of Group Investments		-	-	(2,476,000)	-
Gain on disposal of property, plant and equipment		86,813	159,238	30,767	50,770
Change in fair value of investment properties	28	3,915,140	4,067,925	27,933	72,004
Gain/(loss) on change in fair value of consumable biological assets	29.1	(136,816)	439,076	-	-
Gain/ (Loss) on fair valuation of FVTPL Instruments		593,994	1,194,689	(22,306)	(55,664)
Foreign exchange gain / (loss)		(1,620,217)	(5,060,661)	(164,147)	(416,944)
Change in fair value of derivatives - forward contracts		1,507,651	4,682,010	(38)	-
Amortisation of deferred income	42	7,033	32,771	-	-
Penalty and early settlement interests		514,291	-	-	-
Commission income		84,682	-	506	2,563
Sale of timber		990	948	-	-
Sale of refuse tea		71,134	102,015	-	-
Sundry income		603,133	740,777	516,702	580,875
Total		9,443,576	10,231,624	(1,213,970)	2,601,812

Foreign exchange income represents both revaluation gain/(loss) on the Group’s net open position and realised exchange gain/(loss) on foreign currency transactions.

6 Interest expenses

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Financial liabilities at amortised cost				
Customer deposits	21,804,575	19,542,048	-	-
Commercial papers and promissory notes	2,914,097	1,433,466	3,046,871	1,429,268
Overdraft and other short-term borrowings	7,257,330	7,768,560	5,534,700	4,751,709
Long term borrowings	17,913,322	14,977,098	1,009,097	1,003,893
Finance leases	160,295	72,834	15,392	11,829
Debenture interests	2,753,951	2,055,046	980,405	823,500
Finance Cost on RIU Assets	200,293	-	83,239	-
Charges on forward rate contracts	1,847,831	2,791,600	-	(128)
	54,851,694	48,640,652	10,669,704	8,020,071

7 Direct expenses excluding finance expenses

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Value Added Tax (VAT) on leases/general expenses other than VAT on financial services	1,643,224	2,637,841	-	53,913
Nation Building Tax (NBT), debits tax and others	709,820	367,291	1,997	5,113
Insurance benefits, losses and expenses	2,558,830	2,712,704	-	-
Increase in long term insurance fund	703,790	668,916	-	-
Insurance expenses	1,891,437	1,756,213	-	-
Other direct expenses	446,037	323,131	2,430	4
	7,953,931	8,466,096	4,427	59,030

8 Personnel expenses

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Salaries, wages and other benefits		13,117,405	10,008,071	757,700	947,381
Contribution to EPF/CCPS/ESPS		697,827	649,994	109,999	113,620
Contribution to ETF		145,067	137,407	27,490	28,646
Post-employment defined benefit plans cost	43.1	350,140	269,590	69,479	58,182
Amortisation of prepaid staff cost	25.4	59,877	45,177	-	-
Staff bonus		894,163	1,780,821	70,467	289,572
Staff training and development		165,121	167,622	4,268	7,134
Other staff related expenses		1,365,792	1,304,387	219,997	222,459
		16,795,392	14,363,069	1,259,400	1,666,994

9 Net impairment loss on financial assets

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Net impairment loss / (reversal) on;					
Cash in hand and favourable bank balances	17.1	23,374	-	-	-
Investment securities					
Financial assets at amortised cost					
Corporate bonds	19.2.1.1	(204)	204	-	-
Investments in term deposits	19.2.3.1	-	85,730	-	-
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	20				
Finance lease receivables	20.1.4	1,111,414	356,828	-	-
Operating lease receivables	20.20.1	630	(4,358)	630	(4,358)
Financial assets at amortised cost/ Advances and other loans	21				
Advances and loans	21.1.1	5,106,230	3,428,187	2,942	412
Factoring receivables	21.2.1	889,964	2,690,009	-	-
Pawning advances	21.3.1	62,019	27,873	-	-
Premium receivables	22	4,396	10,163	-	-
Trade and other current assets	25.1.1	415,580	102,380	3,932	-
Contingent liabilities and commitments	41.1	(1,397)	3,604	-	-
Bad debts written off net of reversals		9,611,791	4,765,882	75,764	158
		17,223,797	11,466,502	83,268	(3,788)

10 Depreciation and amortisation

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Amortisation of prepaid lease rentals	26	-	2,262	-	-
Amortisation of intangible assets	34.5	220,043	199,456	142,418	138,347
Depreciation of property, plant and equipment	35	2,972,103	1,922,372	469,938	440,360
Amortisation of bearer biological assets	30.1	293,719	48,600	-	-
Amortisation of right of use asset		638,061	-	120,023	-
		4,123,926	2,172,690	732,379	578,707

11 Other operating expenses

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Administration cost	12,365,117	10,432,495	2,591,794	2,459,954
Operating and marketing cost	3,611,582	3,260,853	681,047	559,214
	15,976,699	13,693,348	3,272,841	3,019,168

12 Results from operating activities

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement of profit or loss.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's and Group's financial performance.

Results from operating activities are stated after charging all expenses including following:

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Remuneration to executive Directors	51.1.1	296,500	275,215	33,709	20,783
Auditors' Remuneration	12.1	73,885	49,583	5,380	4,347
Legal expenses		168,150	52,156	26,376	7,066
Secretarial fees		54,795	18,669	44,653	9,014
Professional fees		905,451	613,427	238,941	72,878
Deposit insurance premium		672,443	412,183	47,327	41,926
Advertising related expenses		652,014	1,212,483	1,635	2,349
Donations		50,817	45,900	36,043	38,137

12.1 Auditors' remuneration

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Remuneration for				
Audit related services	67,228	43,055	4,265	3,740
Non-audit related services	5,273	5,122	1,115	607
Non-audit related services	1,384	1,406	-	-
	73,885	49,583	5,380	4,347

13 Results of equity accounted investees

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000

13.1 Share of profits of equity accounted investees, net of tax

Associates	32.6	1,019,970	1,108,860
		1,019,970	1,108,860

13.2 Share of other comprehensive income of equity accounted investees (net of tax)

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:			
Associates	32.6	244,964	27,895
		244,964	27,895
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods :			
Associates	32.6	504,596	52,977
		504,596	52,977
		749,560	80,873

14 Results on acquisition and divestment of group investments

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000
Sunbird Bioenergy (SL) Ltd	31.6.1.4	5,395,369	-
Browns Health Care Group	31.7.1.3	507,918	-
Seylan Bank PLC	32.5.1	75,758	-
		5,979,044	-

15 Income tax expense

Group tax expense is based on the taxable profit of individual companies within the Group. At present the tax laws of Sri Lanka do not provide for Group taxation.

15.1 Major components of income tax expense are as follows:

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Current tax expense	15.3	3,264,286	3,466,686	119,456	49,767
Deferred tax expense	33.5	(700,527)	149,979	(622)	38,248
Income tax expense reported in profit or loss		2,563,759	3,616,665	118,834	88,015

15.2 Numerical Reconciliation of accounting profits to income tax expense

		Group		Company	
For the year ended 31 March		2020	2019	2020	2019
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit/ (loss) before tax expense from continuing operations		3,376,128	9,549,589	(9,094,021)	(3,106,181)
(+)Disallowable expenses		38,007,024	38,629,377	7,820,059	1,685,512
(-)Allowable expenses		(12,909,062)	(16,590,136)	(835,006)	(691,363)
(-) Tax exempt income		(19,051,328)	(20,657,791)	(4,175,412)	(590,326)
(-) Allowable tax credits		(834,463)	(1,152,076)	-	-
(+)Tax losses incurred	15.6	11,464,149	5,513,260	6,284,380	3,034,430
(-)Tax losses utilised	15.6	(1,919,313)	(1,628,162)	-	(332,074)
(-) Others/Consolidation adjustments		2,093,864	(1,603,239)	-	-
Taxable Income		20,226,999	12,060,821	-	-
Income tax @					
31%		27,724	51,729	-	-
28%		1,276,445	2,142,281	-	-
25%		234,395	97,763	-	-
24%		258,809	-	-	-
20%		1,039,128	979,571	-	-
17%		440	-	-	-
14%		6,243	2,554	-	-
Total tax expense		2,843,184	3,273,898	-	-
Average tax rate		14.06%	27.14%	-	-

15.3 Current tax expense

		Group		Company	
For the year ended 31 March		2020	2019	2020	2019
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Tax expense	15.2	2,843,184	3,273,898	-	-
(Over provision)/under provision in respect of previous years		419,846	192,788	119,456	49,767
Irrecoverable economic service charge		1,256	-	-	-
		3,264,286	3,466,686	119,456	49,767

15.4 Effective Tax Rate

For the year ended 31 March	Note	Group 2020 %	Group 2019 %	Company 2020 %	Company 2019 %
		75.94	37.87	(1.31)	(2.83)

15.5 A reconciliation of effective tax rate is as follows;

For the year ended 31 March	Group 2020 Rs.'000	Group 2020 %	Group 2019 Rs.'000	Group 2019 %
Accounting profit/(loss) before income tax	3,376,128		9,549,589	
Income tax expense at the average statutory income tax rate	474,561	14.06%	2,592,227	27.14%
Disallowable expenses	5,342,412	158.24%	10,485,906	109.80%
Allowable expenses	(1,814,547)	(53.75%)	(4,503,376)	(47.16%)
Tax exempt income	(2,677,927)	(79.32%)	(5,607,537)	(58.72%)
Allowable tax credits	(117,295)	(3.47%)	(312,730)	(3.27%)
Tax losses incurred	1,611,444	47.73%	1,496,569	15.67%
Tax losses utilised	(269,786)	(7.99%)	(441,963)	(4.63%)
Consolidation adjustments	295,577	8.78%	(435,198)	(4.56%)
Under / (over) provision in respect of previous years	419,846	12.44%	192,788	2.02%
Deferred tax expense	(700,527)	(20.75%)	149,979	1.57%
Current tax expense	2,563,759	75.94%	3,616,665	37.87%

For the year ended 31 March	Company 2020 Rs.'000	Company 2020 %	Company 2019 Rs.'000	Company 2019 %
Accounting profit before income tax	(9,094,021)		(3,106,181)	
Deferred tax expense	(622)	(0.01%)	38,248	(1.23%)
Under / (Over) provision in respect of previous years	119,456	(1.31%)	49,767	(1.60%)
Current tax expense	118,834	(1.30%)	88,015	(2.83%)

15.6 Tax Losses

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Losses brought forward	21,490,547	16,753,410	3,438,163	774,242
Adjustments for brought forward tax losses	(45,232)	852,040	279,477	(38,435)
Losses incurred	11,464,149	5,513,260	6,284,380	3,034,430
Losses utilised	(1,919,313)	(1,628,162)	-	(332,074)
Acquisition of subsidiaries	23,748	-	-	-
Disposal of subsidiaries	(1,821,575)	-	-	-
Discontinued operations	259,170	-	-	-
Losses carried forward	29,451,494	21,490,547	10,002,020	3,438,163

15.7 Income tax expense

Sri Lankan Operations

The income tax provision for LOLC Holdings PLC, its subsidiaries and equity accounted investees which are resident in Sri Lanka is calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the notice issued by the Department of Inland Revenue on the instructions of the Ministry of Finance on 12 February 2020 (No. PN/IT/2020-03) on the subject "Implementation of Proposed Changes to the Inland Revenue Act, No. 24 of 2017"and further amended by the notice No. PN/IT/2020-03 (Revised) issued by the Department of Inland Revenue dated on 8 April 2020.

As the proposed changes are effective from 01 January 2020, the Department of Inland Revenue has issued a notice No. PN/IT/2020-06 dated 06 May 2020, providing instructions on the subject "Computation of Income Tax Payable and Payments for the Year of Assessment 2019/2020". As per instructions issued, taxable income computed for the full year needs to be apportioned over the two periods by applying the pro rata basis based on the time (i.e. 9 months and 3 months) and the relevant tax rates for two periods should be applied. Group has computed the current tax based on above instructions and remitted the tax payments on the same basis. The Company and the Group has adopted the above on the basis that formal amendments to the Inland Revenue Act No. 24 of 2017 would be made in the near future.

In terms of above, except for the Companies which are enjoying income tax exemptions or subject to concessionary rates as set out below, the income tax provisions of companies have been calculated on their adjusted profits at the standard rate of 28% up to 31st December 2019 and 24% thereafter.

Companies exempt from income tax are given in note 15.8.1

Companies liable to income tax at concessionary rates are given in note 15.8.2

Companies incorporated in Sri Lanka and operating outside Sri Lanka are given in note 15.8.3

Income tax concessions of off-shore subsidiaries are given in note 15.8.4

Income tax expense for the year includes, taxes arising from the dividend distributions by resident companies of the Group and any adjustment relating to income tax payable or receivable balances in respect of previous years. Dividend distributions made by resident companies of the Group up to 31st December 2019 from its taxable profits are subject withholding tax of 14% as per section 84 of the Inland Revenue Act No. 24 of 2017. From 1st January 2020, withholding tax on dividend distributions has been withdrawn and the companies receiving such dividends would be liable for income tax at 14%.

Economic Service Charge (ESC) payable at 0.5% on the relevant turnover has been abolished from 01st January 2020. ESC paid during the year could be deducted against current income tax liability and any unclaimed amount could be carried forward for a maximum of two years. Any unclaimed amount within the specified period has been adjusted as an income tax expense together with any adjustments relating to income tax payable or receivable balances in respect of previous years.

Deferred tax expense on companies resident in Sri Lanka are calculated based on the tax rates specified in the Inland Revenue Act No. 24 of 2017 that are expected to be applied to the temporary differences when they reverse. As per guideline issued by CA Sri Lanka in 2015 on the "Application of Tax Rates in Measurement of Deferred Tax", substantively enacted rates shall be used in the measurement of deferred tax.

LKAS 12 – "Income Taxes" and LKAS 10 – "Events after the Reporting Period", further state that where changes in tax rates or tax laws are enacted or announced after the reporting period, an entity shall disclose any significant effect of those changes on its current and deferred tax assets and liabilities.

Right-of-use (ROU) assets and operating lease liability

SLFRS 16 requires a company to recognise a right-of-use asset (lease asset) and a lease liability for operating leases. Over the lease term, the company recognises amortisation and interest expense as it uses the lease asset and settles the lease liability.

As per section 10 of the Inland Revenue Act No. 24 of 2017, amortisation and the notional interest charged to income statement would not be allowed for income tax. However, operating lease rentals paid would be a deductible expense for income tax under section 11 of the Inland Revenue Act No. 24 of 2017.

Accordingly, the income tax treatment on operating leases would result in a temporary difference and deferred tax is recognised. In addition, the Group has adopted modified retrospective application for the initial date of application (i.e. 01st April 2019) of SLFRS 16 and any deferred tax arising from such adjustments are accounted in the opening balance of retained earnings.

Tax losses carried forward

As per section 19 of the Inland Revenue Act No. 24 of 2017, any unclaimed tax losses incurred during the year could be carried forward for further six years. In addition, as per the Gazette notification (No. 2064/53) issued on the transitional provisions, any unclaimed loss as at 31st March 2018, is also deemed to be a loss incurred for the year of assessment commencing on or after 1st April 2018 and shall be carried forward up to 6 years. Such losses can be set off against profits without any limitation but subjecting to source of income as provided in the Act. As specified above, some companies in the Group have carried forward tax losses which are available to be set off against the future tax profits of the companies. Adjustment for taxation on the losses from overseas operations are made in accordance with the provisions of the relevant statutes in those countries.

Companies in the Group have evaluated the recoverability of unclaimed losses through taxable profit forecasts and deferred tax assets have been recognised accordingly. In reviewing the recoverability of unclaimed losses, Group has evaluated the impact of COVID-19 pandemic on the future taxable profitability of the companies. Deferred tax assets recognised on tax losses would be reviewed at each reporting date based on the taxable profit forecasts and would be reduced to the extent of recoverable amount.

15.8 Tax exemptions, concessions or holidays that have been granted

The tax liability of resident companies are computed at the standard rate of 28% except for the following companies which enjoy full or partial exemptions and concessions.

15.8.1 Companies exempt from income tax

Companies exempt from income tax under the Board of Investment (BOI) Law

Company	Basis/ Statute	Period
Browns Properties (Pvt) Ltd	Section 17 of BOI Law no. 04 of 1978	7 years ending 2020/21
Sagasolar Power (Pvt) Ltd	Section 17 of BOI Law no. 04 of 1978	10 years ending 2025/2026
Sun & Fun Resorts Ltd	Section 17 of BOI Law no. 04 of 1978	15 years ending 2030/2031

In addition, from 1 January 2020, following new income tax exemptions have been proposed under notice No. PN/IT/2020-03 (Revised) issued by the Department of Inland Revenue, which are available to companies operating in the Group.

The Department of Inland Revenue has issued a notice No. PN/IT/2020-03 (Revised) dated 08th April 2020, proposing to amend the existing Inland Revenue Act, No. 24 of 2017 effective from 01 January 2020. As per notice issued taxable income from the Information technology has been exempted with effect from January 01, 2020.

15.8.2 Income tax concessions of local subsidiaries

Companies exempt from income tax under the Inland Revenue Act No. 10 of 2006 and amendments there to

Company	Concessionary rate and statute	Period
Maturata Plantations Ltd	14% under first schedule, item 4(2)(C.) of the of Inland Revenue Act No.24 of 2017	Predominantly conducting an agricultural business.
Eden Hotel Lanka PLC	14% under first schedule, item 4(2)(f) of the of Inland Revenue Act No.24 of 2017	Predominantly in an undertaking for promotion of tourism.
Green Paradise (Pvt) Ltd	14% under first schedule, item 4(2)(f) of the of Inland Revenue Act No.24 of 2017	-do-
Dickwella Resorts (Pvt) Ltd	14% under first schedule, item 4(2)(f) of the of Inland Revenue Act No.24 of 2017	-do-
Excel Restaurant (Pvt) Ltd	14% under first schedule, item 4(2)(f) of the of Inland Revenue Act No.24 of 2017	-do-

15.8.3 Income tax concessions of off-shore subsidiaries

Companies incorporated and operating outside Sri Lanka are liable for income tax in accordance with the provisions of the foreign jurisdictions applicable to our companies. We set out below the Income tax rates applicable for our companies in the foreign jurisdictions.

It is exempt from Income tax which dividends from and gains on the realisation of shares in a non-resident company where derived by a resident company with respect to a substantial participation in non-resident company. (Holding 10% or more of shares together with control, either directly or indirectly, of 10% or more of the voting power in the company) in non-resident company)

Company	Country of incorporation	Rate
B Commodities MEZ	United Arab Emirates	Nil
Bodufaru Beach Resort (Pvt) Ltd	Republic of Maldives	15%
Browns Ari Resort (Pvt) Ltd	Republic of Maldives	15%
Browns Kaafu N Resort (Pvt) Ltd	Republic of Maldives	15%
Browns Machinery (Cambodia) Co., Ltd	Kingdom of Cambodia	20%
Browns Raa Resort (Pvt) Ltd	Republic of Maldives	15%
Grey Reach Investments Ltd (GRIL)	British Virgin Islands	Nil
LOLC (Pvt) Ltd	Republic of Singapore	17% (Max)
LOLC Africa Holdings (Pvt) Ltd - Singapore	Republic of Singapore	17% (Max)
LOLC Asia (Pvt) Ltd	Republic of Singapore	17% (Max)
LOLC Cambodia Plc	Kingdom of Cambodia	20%
LOLC Finance Zambia Limited	Republic of Zambia	35%
LOLC Financial Sector Holdings Private Limited	Republic of Singapore	17% (Max)
LOLC International (Pvt) Ltd	Republic of Singapore	17% (Max)
LOLC Mauritius Holdings Limited	Republic of Singapore	17% (Max)
LOLC MEKONG Holdings Private Limited	Republic of Singapore	17% (Max)
LOLC Myanmar Micro-Finance Company Limited	Republic of the Union of Myanmar	25%
NPH Investments (Pvt) Ltd	Republic of Maldives	15%
Pak Oman Micro finance Bank Limited	Islamic Republic of Pakistan	31%
PRASAC Micro Finance Institution Limited	Kingdom of Cambodia	20%
PT LOLC Management Indonesia	Republic of Indonesia	25%
PT Sarana Sumut Ventura	Republic of Indonesia	25%
Sunbird Bioenergy (SL) Ltd	Republic of Sierra Leone	25%

Other miscellaneous concessions

Exemption of gains realisation from sale of quoted shares in any official list published by stock exchange licensed by the Securities and Exchange Commission of Sri Lanka.

From 01 April 2018, interest or discount earned by any person on any sovereign bond denominated in foreign currency, including Sri Lanka Development Bonds, issued by or on behalf of the Government of Sri Lanka.

Interest derived in foreign currency on any foreign currency account opened in any commercial bank or in any specialised bank, with the approval of the Central Bank of Sri Lanka with effect from 01 January 2020.

Dividend paid by a resident company to a member to the extent that dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company.

Proposed amendments to the income tax law announced by the Government

As mentioned in note 12.1, the Department of Inland Revenue has issued a notice No. PN/IT/2020-03 (Revised) dated 08 April 2020, proposing to amend the existing Inland Revenue Act, No. 24 of 2017 effective from 01st January 2020. As per notice issued standard rate for corporate income tax has been reduced from 28% to 24%. Proposed notice also provides income tax exemptions and concessionary tax rates, which are detailed in note 15.8.1 and 15.8.2 respectively.

Income tax expense excludes, the Group's share of tax expense of the equity-accounted investees recognised in profit/(loss) of Rs. 1,020million (2018/2019 - Rs. 1,109million) which is included in 'share of profit of equity-accounted investees (net of tax)'.

15.9 Income tax recognised in other comprehensive income

	Group		Company	
For the year ended 31 March	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Tax (benefit) / expense on;				
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:				
Deferred tax charge/(reversal) on revaluation surplus	-	363,563	-	-
Deferred tax charge/(reversal) on actuarial gains/(losses)	(47,887)	1,323	18,578	1,286
Deferred tax charge/(reversal) on change in fair value on investments in equity instruments at fair value through other comprehensive income	68,501	80,796	-	-
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods:				
Deferred tax charge/(reversal) on investment in debt instruments financial assets at fair value through other comprehensive income	(120)	(3,018)	-	-
Deferred tax charge/(reversal) on changes in fair value of cash flow hedge	(30,008)	26,071	-	-
	(9,514)	468,735	18,578	1,286

Tax recognised directly in equity excludes, the Group's share of tax expense of the equity-accounted investees recognised directly in equity.

16 Earnings per share

16.1 Basic earnings per share

The calculation of basic earnings per share for the year is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows;

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Profit attributable to equity holders of the Company					
Continuing operations		4,127,279	6,050,113	(9,212,855)	(3,194,196)
Discontinued operations		6,766,717	5,240,539	-	-
Profit attributable to ordinary equity holders of the parent for basic earnings		10,893,996	11,290,652	(9,212,855)	(3,194,196)
Weighted average number of ordinary shares	16.2	475,200	475,200	475,200	475,200
Earnings per share					
Basic, profit for the year attributable to ordinary equity holders of the parent		22.93	23.76	(19.39)	(6.72)
Diluted, profit for the year attributable to ordinary equity holders of the parent		22.93	23.76	(19.39)	(6.72)
Earnings per share for continuing operations					
Basic, profit for the year attributable to ordinary equity holders of the parent		8.69	12.73	(19.39)	(6.72)
Diluted, profit for the year attributable to ordinary equity holders of the parent		8.69	12.73	(19.39)	(6.72)
Earnings per share for discontinued operations					
Basic, profit from continuing operations attributable to ordinary equity holders of the parent		14.24	11.03	-	-
Diluted, profit from continuing operations attributable to ordinary equity holders of the parent		14.24	11.03	-	-

16.2 Weighted average number of ordinary shares

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance as at 01 April	475,200	475,200	475,200	475,200
Movement during the period	-	-	-	-
Balance as at 31 March	475,200	475,200	475,200	475,200

16.3 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at any time during the year or previous year. Therefore, not presented.

17 Cash and cash equivalents

17.1 Cash in hand and favourable bank balances

As at 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Cash in hand – local currency	575,170	1,645,775	9,540	7,940
Cash in hand – foreign currency	4,971,717	14,675,543	-	-
Balances with local banks	13,665,453	22,466,481	1,601,919	937,529
Balances with foreign banks	35,989,282	36,428,929	-	-
Other instruments which are less than 3 months maturity	958,203	866,257	-	-
Less: Expected credit loss	(24,769)	-	-	-
	56,135,056	76,082,984	1,611,459	945,468

17.2 Unfavourable bank balances used for cash management purposes

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Bank overdrafts	(4,022,416)	(10,508,019)	(1,039,522)	(3,629,017)
Net cash and cash equivalents as in cash flow statement from continuing operations	52,112,640	65,574,965	571,937	(2,683,548)

17.3 Movement in provision for impairment during the year

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Movement in Stage 1 Impairment				
Balance as at April 01,				
Charge/(write back) to the Income Statement	23,374	-	-	-
Exchange Translation Difference	1,395	-	-	-
Balance as at March 31,	24,769	-	-	-

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits and other instruments are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group has pledged a part of its short-term deposits to fulfil collateral requirements. Refer to Note 49 for further details.

18 Trading assets - fair value through profit or loss

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Corporate securities	18.1	4,694,045	5,685,239	-	-
Government securities	18.2	8,043	9,009	-	-
		4,702,088	5,694,248	-	-
Equity securities	18.3	1,556,659	1,694,950	263,429	285,735
Derivative assets held for risk management	18.4	380,328	879,882	-	-
		6,639,075	8,269,081	263,429	285,735

18.1 Corporate securities

As at 31 March	Group 2020 No. of Units	2020 Cost Rs.'000	2020 Fair Value Rs.'000	2019 No. of Units	2019 Cost Rs.'000	2019 Fair Value Rs.'000
Investments in unit trusts	403,923,122	3,568,424	4,210,801	496,697,115	4,655,000	5,225,535
Investment in mutual funds	1,571,015,386	438,101	483,244	1,340,356,803	442,428	459,705
		4,006,525	4,694,045		5,097,428	5,685,239

18.2 Government securities

As at 31 March	Group 2020 Cost Rs.'000	2020 Fair Value Rs.'000	2019 Cost Rs.'000	2019 Fair Value Rs.'000
Investments in treasury bills	6,932	8,043	7,898	9,009
	6,932	8,043	7,898	9,009

18.3 Equity securities

Details of the equity trading portfolio

As at 31 March	Company 2020 No. of Units	2020 Cost Rs.'000	2020 Fair Value Rs.'000	2019 No. of Units	2019 Cost Rs.'000	2019 Fair Value Rs.'000
Manufacturing						
Acme Printing & Packaging PLC	25,876	602	70	25,876	602	91
Chemical & Pharmaceuticals						
Chemanex PLC	604	81	24	604	81	36
Diversified Holding						
Hayleys PLC	1,700,000	667,518	263,330	1,700,000	667,518	285,600
Power & Energy						
Laugfs Gas PLC	500	28	5	500	28	8
		668,229	263,429		668,229	285,735

As at 31 March	Group					
	2020			2019		
	No. of Units	Cost Rs.'000	Fair Value Rs.'000	No. of Units	Cost Rs.'000	Fair Value Rs.'000
Manufacturing						
ACME Printing & Packaging PLC	25,876	602	70	25,876	602	91
Sierra Cables PLC	7,400	22	16	7,400	22	12
Land & Property						
C T Land Development PLC	19,500	470	398	-	-	-
Overseas Realty (Ceylon) PLC	113,680	1,665	1,705	113,680	1,665	1,864
Cargo Boat Development Company PLC	300	10	36	300	10	36
Chemical & Pharmaceuticals						
Chemanex PLC	604	81	24	604	81	36
Construction & Engineering						
Colombo Dockyard PLC	4,315	86	217	4,315	86	229
Banking, Finance & Insurance						
DFCC Bank PLC	3,848	380	234	3,848	375	269
Hatton National Bank PLC	495	62	56	152	7	84
Nation Lanka Finance PLC	181,327	920	127	181,327	920	89
Vallibel Finance PLC	33,900	497	1,817	33,900	497	2,227
Beverage Food & Tobacco						
Raigam Wayamba Salterns PLC	26,200	66	47	26,200	66	50
Diversified Holding						
Expolanka Holdings PLC	1,000,000	18,000	2,000	1,000,000	18,000	4,000
Hayleys PLC	2,462,954	884,373	381,492	2,462,849	895,641	413,759
John Keells Holdings PLC	343	26	39	343	26	41
Power & Energy						
Lanka IOC PLC	27,800	751	439	27,800	751	484
Laugfs Gas PLC	500	28	5	500	28	8
Plantations						
Malwatte Valley Plantations PLC	500	11	2	500	11	5
Hapugastenne Plantations PLC	100	1	1	100	1	2
Motors						
Lanka Ashok Leyland PLC	100	295	70	100	295	63
Investment Trust						
Ambeon Holdings PLC	100	1	1	100	1	1
Designated equity investment at Fair Value						
Transportation						
Digital Mobility (Private) Limited	26,417,846	133,457	1,167,863	26,417,846	133,457	1,269,378
Leisure						
Confifi Trading (Private) Limited		-	-	39	39	2,224
		1,041,804	1,556,659		1,052,579	1,694,950

Quoted equity securities

The COVID 19 pandemic has significantly affected financial markets in the first quarter of the year 2020. Stock markets have declined sharply and volatility has been increased. Significant drop in trade volumes, decline or absence of a market for new issuances, decrease in correlations between asset/liability values and related share price indices and subsequent closure of the Colombo Stock Exchange for trading indicated an inactive stock market as at 31 March 2020. Accordingly, the management determined that 31 December 2019 share prices would more appropriately reflect their fair value as at 31 March 2020, as recommended in the Guidance Notes on Accounting Considerations on the COVID-19 outbreak, issued by the Institute of Chartered Accountants of Sri Lanka.

Government securities

Government securities consist of treasury bills and treasury bonds held for trading purposes which are measured at fair value through profit or loss and Sri Lanka development bonds which are measured at amortised cost using the effective interest rate.

Bank deposits

Bank deposits include fixed and call deposits which are measured at amortised cost using the effective interest rate. These financial assets are expected to be recovered through contractual cash flows.

18.4 Derivative assets held for risk management

	Group		Company	
As at 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Forward rate contracts				
Sales	107,133	311,352	-	-
Purchases	273,195	568,530	-	-
Total	380,328	879,882	-	-

Hedge Accounting

The Group entered in to forward exchange contracts in order to hedge the risk of variability in functional currency equivalent cash flows associated with the foreign currency- denominated loan. The forward contract is designated as a hedge of the changes in the cash flows relating to the changes in foreign currency rates relating to the loans.

Details	Description of the Hedge
Hedge Instruments	Forward foreign exchange contracts
Hedge Items	Foreign currency denominated borrowings

The fair value of derivatives designated as cash flow hedges are as follows:

	Group			
As at 31 March	2020		2019	
	Assets Rs.'000	Liabilities Rs.'000	Assets Rs.'000	Liabilities Rs.'000
Forward rate contracts	380,328	114,349	879,882	841,492
Notional amount	4,563,936	15,669,826	8,328,044	13,246,305

The maturity analysis of cash flows of the hedge item is given below.

	Up to 3 Months Rs.'000	4 to 12 Months Rs.'000	1 to 5 Years Rs.'000	Total Rs.'000
Forecasted payable cash flows				
As at 31 March 2020				
Group	17,041,552	5,476,950	-	22,518,502
As at 31 March 2019				
Group	18,071,670	19,587,283	4,755	37,663,708

Impact of COVID-19 pandemic on derivative financial liability as at 31 March 2020 is elaborated in detail in note 58 - Financial risk management objectives and policies.

19 Investment securities

		Group		Company	
As at 31 March		2020	2019	2020	2019
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets measured at fair value through other comprehensive income	19.1	20,908,173	16,538,650	321,816	294,433
Financial assets at amortised cost	19.2	28,381,713	77,122,105	2,940,045	3,724,642
		49,289,886	93,660,755	3,261,861	4,019,075

19.1 Financial assets measured at fair value through other comprehensive income

		Group		Company	
As at 31 March		2020	2019	2020	2019
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Corporate securities	19.1.1	3,245,240	3,756,210	273	390
Government securities	19.1.2	17,194,717	12,384,716	-	-
Designated FVOCI investment securities	19.1.3	244,938	174,436	98,265	70,765
Equity securities with readily determinable fair values	19.1.4	223,278	223,288	223,278	223,278
		20,908,173	16,538,650	321,816	294,433

19.1.1 Corporate securities

As at 31 March	Group 2020 Cost Rs.'000	Group 2020 Fair Value Rs.'000	Group 2019 Cost Rs.'000	Group 2019 Fair Value Rs.'000
Investments in unit trusts	3,114,604	3,244,967	2,449,999	3,755,820
Investment in mutual funds	273	273	390	390
	3,114,877	3,245,240	2,450,389	3,756,210

As at 31 March	Company 2020 Cost Rs.'000	Company 2020 Fair Value Rs.'000	Company 2019 Cost Rs.'000	Company 2019 Fair Value Rs.'000
Investment in mutual funds	273	273	390	390
	273	273	390	390

19.1.2 Government securities

As at 31 March	Group 2020 Cost Rs.'000	Group 2020 Fair Value Rs.'000	Group 2019 Cost Rs.'000	Group 2019 Fair Value Rs.'000
Investments in treasury bills	10,680,382	11,550,216	8,442,540	9,858,159
Investments in treasury bonds	5,465,829	5,644,501	2,205,151	2,526,557
	16,146,211	17,194,717	10,647,691	12,384,716

19.1.3 Designated FVOCI investment securities

The Group designated certain investments in equity securities as fair value through other comprehensive income as listed below. This designation was chosen as the investments are expected to be held for the long-term for strategic purposes. Fair value of the investments are valued using price to book value market multiples at the reporting date.

As at 31 March	Group					
	2020			2019		
	No. of Shares	Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Fair Value Rs.'000
Sri Lanka Institute of Nanotechnology	9,525,450	137,500	137,500	5,500,000	55,000	55,000
Motor Marvels (Pvt) Ltd	4,800,000	4,800	4,800	4,800,000	4,800	4,800
Credit Information Bureau Limited	385	758	558	385	758	548
Equity Investments Lanka Limited	16,875	173	169	16,875	173	332
Indo Lanka Steel Limited	200,000	6,000	6,000	200,000	6,000	6,000
Lanka Glass Manufacturing Limited	3,000,000	3,000	3,000	3,000,000	3,000	3,000
Magpek Exports Limited	250,000	1,000	1,000	250,000	1,000	1,000
Rain Forest Eco Lodge (Private) Limited	6,483,375	64,834	38,051	6,483,375	64,834	51,083
Ambeon Holdings PLC (Preference Shares)	18,616	37	37	18,616	37	37
Finance Houses Consortium (Private) Limited	20,000	200	200	20,000	200	200
Credit Bureau Investment under CMA	28,167	4,281	2,856	28,167	4,281	1,670
Venture Frontier Lanka	1,575	15,765	15,765	1,575	15,765	15,765
ODOC Private Limited	167,058	50,002	50,002	167,058	50,002	50,002
Provision for impairment 19.1.3.1		(15,000)	(15,000)		(15,000)	(15,000)
		273,350	244,938		190,849	174,436

Movement in provision for impairment during the year

	2020 Rs.'000	2019 Rs.'000
Movement in Stage 1 Impairment	15,000	15,000
Balance as at April 01,		
Charge/(write back) to the Income Statement	-	-
Balance as at March 31,	15,000	15,000

As at 31 March	Company					
	2020			2019		
	No. of Shares	Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Fair Value Rs.'000
Sri Lanka Institute of Nanotechnology	5,500	82,500	82,500	5,500	55,000	55,000
Indo Lanka Steel Limited	200,000	6,000	6,000	200	6,000	6,000
Lanka Glass Manufacturing Limited	3,000,000	3,000	3,000	3,000	3,000	3,000
Magpek Exports Limited	250,000	1,000	1,000	250	1,000	1,000
Venture Frontier Lanka	1,575	15,765	15,765	1,575	15,765	15,765
Provision for impairment 19.1.3.1			(10,000)			(10,000)
		108,265	98,265		80,765	70,765

19.1.3.1 Movement in provision for impairment during the year

	2020 Rs.'000	2019 Rs.'000
Movement in Stage 1 Impairment		
Balance as at April 01,	10,000	10,000
Charge/(write back) to the Income Statement	-	-
Balance as at March 31,	10,000	10,000

19.1.4 Equity securities with readily determinable fair values

As at 31 March	Group					
	2020			2019		
	No. of Shares	Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Fair Value Rs.'000
Banking, Finance & Insurance						
The Housing Development and Finance PLC	9,707,740	451,700	223,278	9,707,740	451,710	223,288
		451,700	223,278		451,710	223,288

As at 31 March	Company					
	2020			2019		
	No. of Shares	Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Fair Value Rs.'000
Banking, Finance & Insurance						
The Housing Development and Finance PLC	9,707,740	451,700	223,278	9,707,740	451,700	223,278
		451,700	223,278		451,700	223,278

19.2 Financial assets at amortised cost

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Corporate bonds	19.2.1	3,503,108	5,181,225	165,779	142,717
Government securities	19.2.2	4,827,561	13,645,398	-	-
Investments in term deposits	19.2.3	20,051,044	58,295,482	2,774,266	3,581,925
		28,381,713	77,122,105	2,940,045	3,724,642

19.2.1 Corporate bonds

	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Investment in debentures		967,716	1,117,455	-	-
Investment in commercial papers		2,553,990	4,082,572	165,779	142,717
Provision for impairment	19.2.1.1	(18,598)	(18,802)	-	-
		3,503,108	5,181,225	165,779	142,717

19.2.1.1 Movement in provision for impairment during the year

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Movement in Stage 1 Impairment				
Balance as at April 01,	18,802	18,598		
Charge/(write back) to the Income Statement	(204)	204	-	-
Balance as at March 31,	18,598	18,802	-	-

19.2.2 Government securities

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Reverse Repo Instruments	4,816,507	13,631,279	-	-
Investments in Treasury Bonds	11,054	14,119	-	-
	4,827,561	13,645,398	-	-

When the group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the group's financial statements.

19.2.3 Investments in term deposits

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Placements		20,136,774	58,381,212	2,774,266	3 ,581,925
Provision for impairment	19.2.3.1	(85,730)	(85,730)	-	-
Net placements		20,051,044	58,295,482	2,774,266	3 ,581,925

19.2.3.1 Movement in provision for impairment during the year

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Movement in Stage 1 Impairment				
Balance as at April 01,	85,730	-	-	-
Charge/(write back) to the Income Statement	-	85,730	-	-
Balance as at March 31,	85,730	85,730	-	-

Quoted securities

The COVID 19 pandemic has significantly affected financial markets in the first quarter of the year 2020. Stock markets have declined sharply and volatility has been increased. Significant drop in trade volumes, decline or absence of a market for new issuances, decrease in correlations between asset/liability values and related share price indices and subsequent closure of the Colombo Stock Exchange for trading indicated an inactive stock market as at 31 March 2020. Accordingly, the management determined that 31 December 2019 share prices would more appropriately reflect their fair value as at 31 March 2020, as recommended in the Guidance Notes on Accounting Considerations on the COVID-19 outbreak, issued by the Institute of Chartered Accountants of Sri Lanka.

Government securities

Government securities consist of treasury bills and treasury bonds held for liquidity management purposes which are measured at fair value through other comprehensive income and Sri Lanka development bonds which are measured at amortised cost using the effective interest rate.

Bank deposits

Bank deposits include fixed and call deposits which are measured at amortised cost using the effective interest rate. These financial assets are expected to be recovered through contractual cash flows.

20 Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases

As at 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Gross Portfolio	60,456,968	57,891,737	12,533	12,750
Stage 1	52,149,531	51,326,059	-	-
Stage 2	4,968,503	3,952,372	-	-
Stage 3	3,338,934	2,613,305	12,533	12,750
Expected credit loss/impairment allowance	2,355,465	1,659,978	10,093	9,463
Stage 1	562,935	396,143	-	-
Stage 2	504,658	337,622	-	-
Stage 3	1,287,872	926,213	10,093	9,463
Net Portfolio	58,101,503	56,231,759	2,440	3,287

Analysis of gross portfolio

By product

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Finance lease receivables	20.1	58,099,062	56,227,521	-	-
Hire purchase receivables		-	950	-	-
Operating lease receivables	20.2	2,440	3,287	2,440	3,287
		58,101,502	56,231,759	2,440	3,287

20.1 Finance lease receivables

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Gross rentals receivable		92,138,207	87,359,612	-	-
Unearned finance income		(25,213,159)	(22,564,465)	-	-
Net investments in finance leases		66,925,048	64,795,147	-	-
Expected credit loss/impairment allowance	20.1.4	(2,345,372)	(1,650,515)	-	-
Prepayments received from lessees		(6,480,614)	(6,917,111)	-	-
Balance as at 31 March		58,099,062	56,227,521	-	-

20.1 Finance lease receivables

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Receivables within one year	20.1.1	17,480,518	22,103,653	-	-
Receivable from one to five years	20.1.2	37,977,162	32,551,925	-	-
Overdue rental receivable	20.1.3	4,986,754	3,222,459	-	-
Expected credit loss	20.1.4	(2,345,372)	(1,650,515)	-	-
		58,099,062	56,227,521	-	-

20.1.1 Receivables within one year

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Gross rentals receivable	30,282,833	34,382,954	-	-
Unearned finance income	(12,802,315)	(12,279,301)	-	-
	17,480,518	22,103,653	-	-

20.1.2 Receivable from one to five years

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Gross rentals receivable	56,868,620	49,754,200	-	-
Unearned finance income	(12,410,844)	(10,285,164)	-	-
Prepayments received from lessees	(6,480,614)	(6,917,111)	-	-
	37,977,162	32,551,925	-	-

20.1.3 Overdue rental receivable

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Gross rentals receivable	4,986,754	3,222,459	-	-
	4,986,754	3,222,459	-	-

20.1.4 Expected credit loss/impairment allowance

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance as at 1 April	1,650,515	1,143,412	-	-
Adjustment on initial application of SLFRS 9	-	551,908	-	-
Adjusted balance as at 1 April	1,650,515	1,695,320	-	-
Net expected credit loss/impairment during the year	1,111,414	356,828	-	-
Net write-off/(recoveries) during the year	(427,144)	(401,778)	-	-
Exchange rate variance on foreign currency provisions	103	-	-	-
Other movements/ Transfers	10,484	145	-	-
Balance as at 31 March	2,345,372	1,650,515	-	-

20.1.4.1 Movements in expected credit loss/ Impairment allowance during the year

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Movement in provision for impairment (under SLFRS 09)				
Stage 1				
Balance as at 1 April	396,143	282,545	-	-
Adjustment on initial application of SLFRS 9	-	210,382	-	-
Adjusted balance as at 1 April	396,143	492,927	-	-
Charge/(Write back) to income statement	165,649	(96,884)	-	-
Exchange rate variance on foreign currency provisions	58	-		
Other movements/ Transfers	1,085	100	-	-
Balance as at 31 March	562,935	396,143	-	-
Stage 2				
Balance as at 1 April	337,622	241,718	-	-
Adjustment on initial application of SLFRS 9	-	97,403	-	-
Adjusted balance as at 1 April	337,622	339,121	-	-
Charge/(Write back) to income statement	167,034	(1,499)	-	-
Exchange rate variance on foreign currency provisions	2	-	-	-
Balance as at 31 March	504,658	337,622	-	-
Stage 3				
Balance as at 1 April	916,750	619,149	-	-
Adjustment on initial application of SLFRS 9	-	244,123	-	-
Adjusted balance as at 1 April	916,750	863,272	-	-
Charge/(Write back) to income statement	778,731	455,211	-	-
Net write-off/(recoveries) during the year	(427,144)	(401,778)	-	-
Exchange rate variance on foreign currency provisions	43	-	-	-
Other movements/ Transfers	9,399	45	-	-
Balance as at 31 March	1,277,779	916,750	-	-

20.2 Operating lease receivables

	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Net investments in finance leases		12,533	12,750	12,533	12,750
Expected credit loss		(10,093)	(9,463)	(10,093)	(9,463)
Balance as at 31 March		2,440	3,287	2,440	3,287
20.2 Operating lease receivables					
Receivables within one year	20.2.1	1,508	1,597	1,508	1,597
Overdue rental receivable	20.2.2	11,025	11,153	11,025	11,153
Expected credit loss	20.2.3	(10,093)	(9,463)	(10,093)	(9,463)
		2,440	3,287	2,440	3,287
20.2.1 Receivables within one year					
Gross rentals receivable		(15,156)	1,597	(15,156)	1,597
Unearned finance income		16,664	-	16,664	-
		1,508	1,597	1,508	1,597
20.2.2 Overdue rental receivable					
Gross rentals receivable		11,025	11,153	11,025	11,153
		11,025	11,153	11,025	11,153

20.20.1 Expected credit loss/impairment allowance

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 April	9,463	9,839	9,463	9,839
Adjustment on initial application of SLFRS 9	-	3,982		3,982
Adjusted balance as at 1 April	9,463	13,821	9,463	13,821
Net expected credit loss	630	-	630	(4,358)
Other movements/ Transfers	-	(4,358)	-	-
Balance as at 31 March	10,093	9,463	10,093	9,463

20.20.1.1 Movements in expected credit loss

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Stage 3				
Balance as at 1 April	9,463	9,839	9,463	9,839
Adjustment on initial application of SLFRS 9	-	3,982	-	3,982
Adjusted balance as at 1 April	9,463	13,821	9,463	13,821
Charge/(Write back) to income statement	630	-	630	(4,358)
Other movements/ Transfers	-	(4,358)	-	-
Balance as at 31 March	10,093	9,463	10,093	9,463

20.4 Total finance lease receivables, hire purchases and operating leases

	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Gross rentals receivable		92,134,076	87,373,313	(4,131)	12,750
Unearned finance income		(25,196,495)	(22,564,465)	16,664	-
Net investments in finance leases		66,937,581	64,808,848	12,533	12,750
Expected credit loss	20.4.4	(2,355,465)	(1,659,978)	(10,093)	(9,463)
Prepayments received from lessees		(6,480,614)	(6,917,111)	-	-
Balance as at 31 March		58,101,502	56,231,759	2,440	3,287

20.4 Total finance lease receivables, hire purchases and operating leases

	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Receivables within one year	20.4.1	17,482,026	22,106,201	1,508	1,597
Receivable from one to five years	20.4.2	37,977,162	32,551,925	-	-
Overdue rental receivable	20.4.3	4,997,779	3,233,612	11,025	11,153
Expected credit loss	20.4.4	(2,355,465)	(1,659,978)	(10,093)	(9,463)
		58,101,502	56,231,759	2,440	3,287

20.4.1 Receivables within one year

	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Gross rentals receivable		30,267,677	34,385,502	(15,156)	1,597
Unearned finance income		(12,785,651)	(12,279,301)	16,664	-
		17,482,026	22,106,201	1,508	1,597

20.4.2 Receivable from one to five years

	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Gross rentals receivable		56,868,620	49,754,200	-	-
Unearned finance income		(12,410,844)	(10,285,164)	-	-
Prepayments received from lessees		(6,480,614)	(6,917,111)	-	-
		37,977,162	32,551,925	-	-

20.4.3 Overdue rental receivable

	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Gross rentals receivable		4,997,779	3,233,612	11,025	11,153
		4,997,779	3,233,612	11,025	11,153

20.4.4 Expected credit loss

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 April	1,659,978	1,155,131	9,463	9,839
Adjustment on initial application of SLFRS 9	-	555,890	-	3,982
Adjusted balance as at 1 April	1,659,978	1,711,021	9,463	13,821
Net expected credit loss	1,112,044	356,828	630	(4,358)
Net write-off/(recoveries) during the year	(427,144)	(403,658)	-	-
Exchange rate variance on foreign currency provisions	103	-	-	-
Other movements/ Transfers	10,484	(4,213)	-	-
Balance as at 31 March	2,355,465	1,659,978	10,093	9,463

20.4.4.1 Movements in expected credit loss

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Movements in expected credit loss				
Stage 1				
Balance as at 1 April	396,143	284,425	-	-
Adjustment on initial application of SLFRS 9	-	210,382	-	-
Adjusted balance as at 1 April	396,143	494,807	-	-
Charge/(Write back) to income statement	165,649	(96,884)	-	-
Net write-off/(recoveries) during the year	-	(1,880)	-	-
Exchange rate variance on foreign currency provisions	58	-	-	-
Other movements/ Transfers	1,085	100	-	-
Balance as at 31 March	562,935	396,143	-	-
Stage 2				
Balance as at 1 April	337,622	241,718	-	-
Adjustment on initial application of SLFRS 9	-	97,403	-	-
Adjusted balance as at 1 April	337,622	339,121	-	-
Charge/(Write back) to income statement	167,034	(1,499)	-	-
Exchange rate variance on foreign currency provisions	2	-	-	-
Balance as at 31 March	504,658	337,622	-	-

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Stage 3				
Balance as at 1 April	926,213	628,988	9,463	9,839
Adjustment on initial application of SLFRS 9	-	248,105	-	3,982
Adjusted balance as at 1 April	926,213	877,093	9,463	13,821
Charge/(Write back) to income statement	779,361	455,211	630	(4,358)
Net write-off/(recoveries) during the year	(427,144)	(401,778)	-	-
Exchange rate variance on foreign currency provisions	43	-	-	-
Other movements/ Transfers	9,399	(4,313)	-	-
Balance as at 31 March	1,287,872	926,213	10,093	9,463

20.5 Analysis of gross portfolio receivables by currency

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lankan Rupee	60,309,052	57,727,573	12,533	12,750
United States Dollar	147,916	164,164	-	-
Gross loans and receivables	60,456,968	57,891,737	12,533	12,750

20.6 Concentration by Sector

20.6.1 Lending portfolio

As at 31 March	2020			2019		
	Finance lease, hire purchases and operating leases	Expected credit loss/ impairment allowance	Total	Finance lease, hire purchases and operating leases	Expected credit loss/ impairment allowance	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group						
Industry category						
Agriculture and fishing	9,886,004	(337,376)	9,548,628	8,973,065	(226,624)	8,746,441
Arts, entertainment and recreation	299	-	299	-	-	-
Construction	4,162,072	(132,466)	4,029,606	4,438,048	(71,013)	4,367,035
Education	4,188	-	4,188	-	-	-
Financial services	47,266	-	47,266	6,317,252	(178,889)	6,138,363
Healthcare, social services and support services	3,189,561	(104,661)	3,084,900	-	-	-
Information technology and communication services	4,749	-	4,749	-	-	-
Infrastructure development	178,634	(7,548)	171,086	1,763	(51)	1,712
Lending to overseas entities	2,149	-	2,149	-	-	-
Manufacturing	3,092,291	(98,225)	2,994,066	3,124,639	(51,690)	3,072,949
Plantation	-	-	-	612,686	-	612,686
Professional, scientific and technical activities	45,390	(745)	44,645	-	-	-
Tourism	496,265	(18,792)	477,473	548,948	(6,038)	542,910
Transport and storage	9,536,757	(358,385)	9,178,372	9,215,031	(202,376)	9,012,655
Wholesale and retail trade	4,847,827	(145,134)	4,702,693	5,541,001	(200,276)	5,340,725
Others	24,963,516	(1,152,133)	23,811,386	19,119,304	(723,021)	18,396,283
	60,456,968	(2,355,465)	58,101,503	57,891,737	(1,659,978)	56,231,759
Company						
Others	12,533	(10,093)	2,440	12,750	(9,463)	3,287
	12,533	(10,093)	2,440	12,750	(9,463)	3,287

21 Financial assets at amortised cost/ Advances and other loans

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Gross Portfolio		346,296,099	665,930,748	5,552,500	2,522,375
Stage 01		305,946,552	637,724,340	-	-
Stage 02		11,309,927	9,440,464	-	-
Stage 03		29,039,620	18,765,945	5,552,500	2,522,375
Expected credit loss		14,937,465	14,884,908	41,660	38,718
Stage 1		1,835,300	3,790,245	-	-
Stage 2		1,380,270	1,139,164	-	-
Stage 3		11,721,896	9,955,500	41,660	38,718
Net Portfolio		331,358,634	651,045,840	5,510,840	2,483,657
Analysis of gross portfolio by product					
Advances and loans	21.1	319,752,014	640,676,197	5,510,840	2,483,657
Factoring receivables	21.2	4,896,713	7,273,787	-	-
Gold loan advances receivables	21.3	6,709,908	3,095,856	-	-
		331,358,634	651,045,840	5,510,840	2,483,657

21.1 Rentals receivable on loans to customers

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Rentals receivable on loans to customers		328,618,463	657,931,300	5,423,226	2,382,562
Capital outstanding of revolving loans		7,081,739	8,796,178	-	-
Gross rental receivables		335,700,202	666,727,478	5,423,226	2,382,562
Future interest		(18,161,226)	(23,947,154)	-	-
Net rental receivables		317,538,976	642,780,324	5,423,226	2,382,562
Overdue loan instalments		12,912,509	9,084,888	129,274	139,813
Expected credit loss	21.1.1	(10,699,471)	(11,189,015)	(41,660)	(38,718)
		319,752,014	640,676,197	5,510,840	2,483,657

21.1.1 Expected credit loss

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 April	11,189,015	8,485,150	38,718	58,857
Adjustment on initial application of SLFRS 9	-	(1,272,037)	-	(20,552)
Adjusted balance as at 1 April	11,189,015	7,213,113	38,718	38,305
Net expected credit loss from continuing operations	5,106,230	3,428,187	2,942	412
Net expected credit loss from discontinued operations	362,829	1,225,828	-	-
Net write-off/(recoveries) during the year	(1,405,740)	(1,003,466)	-	-
Exchange rate variance on foreign currency provisions	560,756	667,037	-	-
Other movements/ Transfers	(534,804)	(341,684)	-	-
Reclassified to discontinued operations	(4,578,815)	-	-	-
Balance as at 31 March	10,699,471	11,189,015	41,660	38,718

21.1.1.1 Movements in expected credit loss

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Movements in expected credit loss				
Stage 1				
Balance as at 1 April	3,218,953	3,423,786	-	-
Adjustment on initial application of SLFRS 9	-	(1,514,554)	-	-
Adjusted balance as at 1 April	3,218,953	1,909,232	-	-
Charge/(Write back) to income statement from continuing operations	900,716	80,214	-	-
Charge/(Write back) to income statement from discontinued operations	921,847	983,113	-	-
Net write-off/(recoveries) during the year	(37,582)	(56,318)	-	-
Exchange rate variance on foreign currency provisions	425,280	464,906	-	-
Other movements/ Transfers	(1,031,025)	(162,194)	-	-
Reclassified to discontinued operations	(2,713,614)	-	-	-
Balance as at 31 March	1,684,575	3,218,953	-	-

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Stage 2				
Balance as at 1 April	1,023,700	311,800	-	-
Adjustment on initial application of SLFRS 9	-	392,168	-	-
Adjusted balance as at 1 April	1,023,700	703,968	-	-
Charge/(Write back) to income statement from continuing operations	470,545	367,536	-	-
Charge/(Write back) to income statement from discontinued operations	124,544	10,559	-	-
Net write-off/(recoveries) during the year	(64,906)	-	-	-
Exchange rate variance on foreign currency provisions	15,051	8,756	-	-
Other movements/ Transfers	9,033	(67,119)	-	-
Reclassified to discontinued operations	(297,902)	-	-	-
Balance as at 31 March	1,280,065	1,023,700	-	-
Stage 3				
Balance as at 1 April	6,946,362	4,749,564	38,718	58,857
Adjustment on initial application of SLFRS 9	-	(149,651)	-	(20,552)
Adjusted balance as at 1 April	6,946,362	4,599,913	38,718	38,305
Charge/(Write back) to income statement from continuing operations	3,734,969	2,980,437	2,942	412
Charge/(Write back) to income statement from discontinued operations	(683,562)	232,156	-	-
Net write-off/(recoveries) during the year	(1,303,252)	(947,148)	-	-
Exchange rate variance on foreign currency provisions	120,425	193,375	-	-
Other movements/ Transfers	487,188	(112,371)	-	-
Reclassified to discontinued operations	(1,567,299)	-	-	-
Balance as at 31 March	7,734,831	6,946,362	41,660	38,718

21.2 Factoring receivables

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Factoring receivables		9,024,558	10,921,550	-	-
Expected credit loss/impairment allowance	21.2.1	(4,127,845)	(3,647,763)	-	-
Balance as at 31 March		4,896,713	7,273,787	-	-

21.2. Expected credit loss

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance as at 1 April	3,647,763	1,190,994	-	-
Adjustment on initial application of SLFRS 9	-	130,357	-	-
Adjusted balance as at 1 April	3,647,763	1,321,351	-	-
Net expected credit loss	889,964	2,690,009	-	-
Net write-off/(recoveries) during the year	(409,882)	(363,596)	-	-
Balance as at 31 March	-	-	-	-

21.2.1.1 Movements in expected credit loss

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Movements in expected credit loss				
Stage 1				
Balance as at 1 April	557,217	133,809	-	-
Adjustment on initial application of SLFRS 9	-	37,046	-	-
Adjusted balance as at 1 April	557,217	170,855	-	-
Charge/(Write back) to income statement	(432,100)	386,362	-	-
Balance as at 31 March	125,117	557,217	-	-
Stage 2				
Balance as at 1 April	92,319	321,031	-	-
Adjustment on initial application of SLFRS 9	-	(34,186)	-	-
Adjusted balance as at 1 April	92,319	286,845	-	-
Charge/(Write back) to income statement	(23,376)	(194,526)	-	-
Balance as at 31 March	68,943	92,319	-	-
Stage 3				
Balance as at 1 April	2,998,228	736,154	-	-
Adjustment on initial application of SLFRS 9	-	127,498	-	-
Adjusted balance as at 1 April	2,998,228	863,652	-	-
Charge/(Write back) to income statement	1,345,440	2,498,172	-	-
Net write-off/(recoveries) during the year	(409,882)	(363,596)	-	-
Balance as at 31 March	3,933,786	2,998,228	-	-

21.3 Gold loan advances receivables

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Gross receivables		6,820,056	3,143,986	-	-
Expected credit loss/impairment allowance	21.3.1	(110,148)	(48,130)	-	-
Balance as at 31 March		6,709,908	3,095,856	-	-

21.3.1 Expected credit loss

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance as at 1 April	48,130	37,824	-	-
Adjustment on initial application of SLFRS 9	-	(2,400)	-	-
Adjusted balance as at 1 April	48,130	35,424	-	-
Net expected credit loss	62,019	27,873	-	-
Other movements/ Transfers	(1)	(15,166)	-	-
Balance as at 31 March	110,148	48,130	-	-

21.3.1.1 Movements in expected credit loss

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Movements in expected credit loss				
Stage 1				
Balance as at 1 April	14,076	8,375	-	
Adjustment on initial application of SLFRS 9	-	(470)	-	-
Adjusted balance as at 1 April	14,076	7,905	-	-
Charge/(Write back) to income statement	18,704	6,171	-	-
Other movements/ Transfers	(7,172)	-	-	-
Balance as at 31 March	25,608	14,076	-	-
Stage 2				
Balance as at 1 April	23,144	22,163	-	
Adjustment on initial application of SLFRS 9	-	(185)	-	-
Adjusted balance as at 1 April	23,144	21,978	-	-
Charge/(Write back) to income statement	14,086	16,332	-	-
Other movements/ Transfers	(5,969)	(15,166)	-	-
Balance as at 31 March	31,261	23,144	-	-

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Stage 3				
Balance as at 1 April	10,910	7,286	-	
Adjustment on initial application of SLFRS 9	-	(1,745)	-	-
Adjusted balance as at 1 April	10,910	5,541	-	-
Charge/(Write back) to income statement	29,229	5,369	-	-
Other movements/ Transfers	13,140	-	-	-
Balance as at 31 March	53,279	10,910	-	-

21.4 Analysis of gross advance and other loans receivables by currency

	Group		Company	
As at 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lankan Rupee	168,001,387	164,249,522	5,552,500	2,522,375
United States Dollar	115,416,007	424,508,755	-	-
Cambodian Riel	35,966,805	49,429,886	-	-
Pakistani Rupee	2,217,097	1,835,481	-	-
Myanmar Kyat	14,673,790	6,949,422	-	-
Indonesian Rupiah	736,839	412,475	-	-
Others	9,284,174	18,545,207	-	-
Gross loans and receivables	346,296,099	665,930,748	5,552,500	2,522,375

21.5 Interest Income on Impaired Financial Assets

Interest income on impaired financial assets accrued during the current financial year amounted to 948.25mn

21.6 Maturities of the total advances and other loans

	Advances and loans	Factoring receivables	Pawning advances	Advances and loans	Factoring receivables	Pawning advances
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Receivables within one year	86,877,850	7,383,264	6,820,056	178,520,633	9,843,972	3,143,679
Receivable from one to five years	230,277,282	974,133	-	435,800,926	1,077,578	-
Receivable later than five years	3,354,364	667,162	-	29,966,872	-	-
Overdue rental receivable	9,941,989	-	-	7,576,783	-	-
Less : Expected credit loss	(10,699,471)	(4,127,845)	(110,148)	(11,189,015)	(3,647,763)	(48,130)
	319,752,014	4,896,713	6,709,908	640,676,199	7,273,787	3,095,549

21.7 Concentration by Sector

	2020			2019		
	Gross amount Rs.'000	Expected credit loss Rs.'000	Carrying amount Rs.'000	Gross amount Rs.'000	Expected credit loss Rs.'000	Carrying amount Rs.'000
Agriculture and fishing	79,294,720	(2,410,163)	76,884,557	110,521,528	(862,634)	109,658,894
Arts, entertainment and recreation	3,366	-	3,366	-	-	-
Construction	27,109,835	(854,893)	26,254,942	14,344,709	(363,502)	13,981,207
Education	50,710	(766)	49,944	6,197	(80)	6,117
Financial services	501,547	(40,075)	461,472	20,921,999	(579,511)	20,342,488
Healthcare, social services and support services	31,954,304	(813,175)	31,141,129	69,401,164	(446,902)	68,954,262
Information technology and communication services	42,509	(7)	42,502	78	(1)	77
Infrastructure development	2,469,067	(105,879)	2,363,188	29,131	(2,581)	26,550
Lending to overseas entities	11,150	-	11,150	-	-	-
Manufacturing	18,821,126	(1,290,097)	17,531,029	18,823,846	(871,466)	17,952,380
Plantation	5,376,718	(652)	5,376,066	11,961,740	(577,239)	11,384,501
Professional, scientific and technical activities	439,956	(2,019)	437,937	9,939	-	9,939
Tourism	3,038,159	(181,585)	2,856,574	2,808,368	(56,558)	2,751,810
Transport and storage	13,979,475	(400,849)	13,578,626	32,230,674	(352,746)	31,877,928
Wholesale and retail trade	75,990,165	(2,641,063)	73,349,102	129,928,410	(3,047,341)	126,881,069
Others	87,213,292	(6,196,242)	81,017,050	254,942,965	(7,724,347)	247,218,618
	346,296,099	(14,937,465)	331,358,634	665,930,748	(14,884,908)	651,045,840

22 Insurance premium receivables

	Group		Company	
As at 31 March	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Insurance premium receivables	1,622,913	1,315,329	-	-
Expected credit loss/impairment allowance	(92,218)	(87,822)	-	-
	1,530,695	1,227,507	-	-

Fair value of premium receivables

The carrying amount disclosed above approximates the fair value at the reporting date.

Collateral details

The company does not hold any collateral as security against potential default by policyholders or intermediaries.

22.1 Expected credit loss

As at 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance at 01 April	87,822	77,659	-	-
Provision for the period	4,396	10,163	-	-
Balance as at 31 March	92,218	87,822	-	-

23 Inventories

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Raw materials		1,011,073	740,652	370,956	228,538
Work-in-progress		447,900	153,216	-	-
Finished goods and trading stocks		3,737,901	4,120,488	11,024	40,544
Input materials		33,011	56,478	879	880
Ethanol		1,038,930	-	-	-
Harvested crops					
- Tea		161,371	220,429	-	-
- Rubber		6,842	8,563	-	-
- Coconut		4	292	-	-
- Cinnamon		106	1,129	-	-
- Commercial cane		89,126	-	-	-
Unharvested produce stock at fair value		14,680	14,841	-	-
Consumables, maintenance and spares		1,208,677	19,720	-	-
Vehicle stocks		68,149	106,336	54,702	71,027
Food and beverages		30,467	19,388	-	-
Goods in transit		219,946	806,542	-	-
Others		11,088	305,972	-	-
		8,079,271	6,574,045	437,561	340,989
Allowance for slow moving inventories	23.1	(870,499)	(340,429)	(57,182)	-
		7,208,772	6,233,616	380,379	340,989

23.1 Allowance for slow moving inventories

	Group		Company	
As at 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at 01 April	340,429	189,982	-	-
Provision for the period	482,825	151,135	57,182	-
Write offs / (write backs)	(4,366)	(688)	-	-
Acquisition of Subsidiaries	50,000	-	-	-
Disposal of Subsidiaries	(378)	-	-	-
Foreign currency translations	1,989	-	-	-
Balance as at 31 March	870,499	340,429	57,182	-

The Group has identified companies with COVID-19 related revenue declines or disrupted supply chains and evaluated whether it is required to adjust the carrying value of the inventory. perishables, products with short shelf lives or expiration dates, or specific seasonal inventories were considered at risk of an impairment. The Group has adjusted the carrying value of the inventory to reflect its net realisable value.

The Group evaluated the companies with COVID-19 related revenue declines and/or the nature of the inventories carried and assessed whether it was required to adjust the carrying value of the inventory prior to reflecting them at the lower of cost or net realisable value. Where applicable, declines in inventory values were recognised in the income statement.

24 Current tax assets

		Group		Company	
As at 31 March		2020	2019	2020	2019
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Income tax recoverable	24.1	67,515	47,810	-	-
Value added tax (VAT) recoverable		779,224	810,188	14,488	99,603
Advanced Corporate Tax (ACT) recoverable		1,840	-	-	-
With-holding tax (WHT) recoverable		434,445	163,061	46,499	35,258
Economic service charge (ESC) recoverable		396,463	324,650	137,837	81,059
Nation building tax (NBT) recoverable		-	558	-	-
Other tax recoverable		371,796	104,293	-	-
		2,051,283	1,450,561	198,824	215,920

24.1 Income tax recoverable

Balance at the beginning of the year	47,810	31,878	-	-
Transfer to Income Tax Payables	(33,378)	-	-	-
Under provision in respect of previous years	(67,216)	-	-	-
Provision for the Period	(10,191)	(9,685)	-	-
Payments made during the year	130,780	22,515	-	-
Foreign currency translations	(290)	3,102	-	-
Balance at the end of the year	67,515	47,810	-	-

25 Trade and other current assets

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Financial Assets					
Trade receivables	25.1	7,675,395	10,199,637	632,706	493,854
Amount due from related parties	51.3.1	2,552,061	4,021,438	31,973,061	16,618,328
Loans given to employees	25.2	232,698	466,188	3,937	7,947
Refundable deposits	25.3	74,486	90,159	-	-
Dividend receivables		1,015	92,808	-	-
Insurance commission receivable		27,353	346,894	-	-
Re-insurance receivable		719,085	264,143	-	-
Other financial receivables		618,173	1,476,447	72,618	184,524
		11,900,266	16,957,713	32,682,322	17,304,653
Non-financial Assets					
Prepayments & advances		6,593,121	5,204,169	302,135	229,999
Prepaid staff costs	25.4	123,704	190,237	-	-
Non refundable deposits		133,613	80,692	-	-
Other non-financial receivables		396,446	597,478	10,824	55,349
		7,246,884	6,072,576	312,959	285,348
		19,147,150	23,030,289	32,995,281	17,590,001

25.1 Trade receivables

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Trade receivables		8,930,011	11,276,381	641,832	498,809
Expected credit loss	25.1	(1,254,616)	(1,076,743)	(9,126)	(4,955)
		7,675,395	10,199,637	632,706	493,854

25.1.1 Expected credit loss

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 April	1,076,743	748,327	4,955	-
Adjustment on initial application of SLFRS 9	-	-	-	-
Adjusted balance as at 1 April	1,076,743	748,327	4,955	-
Net expected credit loss/impairment during the year	415,580	102,380	4,171	-
Net write-off/(recoveries) during the year	(305,174)	(8,268)	-	-
Interest accrued on impaired loans and advances	319	-	-	4,955
Other movements/ Transfers	65,657	237,879	-	-
Acquisition of Subsidiaries	-	(3,575)	-	-
Disposal of Subsidiaries	(2,810)	-	-	-
Exchange rate variance on foreign currency provisions	4,301	-	-	-
Balance as at 31 March	1,254,616	1,076,743	9,126	4,955
Movements in expected credit loss				
Allowances for individually significant impairment				
Balance as at 1 April	424,940	187,553	4,955	-
Charge/(Write back) to income statement	119,305	25,892	4,171	-
Net write-off/(recoveries) during the year	(233,024)	(16,134)	-	-
Interest accrued/(reversals) on impaired loans and advances	319	-	-	4,955
Other movements/ Transfers	(10,387)	231,204	-	-
Acquisition of Subsidiaries	-	(3,575)	-	-
Exchange rate variance on foreign currency provisions	4,301	-	-	-
Balance as at 31 March	305,454	424,940	9,126	4,955
Allowances for individually non-significant impairment				
Balance as at 1 April	651,803	560,774	-	-
Charge/(Write back) to income statement	296,275	76,488	-	-
Net write-off/(recoveries) during the year	(72,150)	7,866	-	-
Other movements/ Transfers	76,044	6,675	-	-
Disposal of Subsidiaries	(2,810)	-	-	-
Balance as at 31 March	949,162	651,803	-	-

25.2 Loans given to employees

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance at 01 April	466,188	428,914	7,947	5,819
Granted during the period	2,757,929	604,401	1,001	6,532
Recovered during the period	(3,006,622)	(567,127)	(4,734)	(2,116)
Adjustment of fair value of prepaid staff cost	3,157	-	-	-
Transfers and other adjustments	14,333	-	(277)	(2,288)
Disposal of Subsidiaries	(2,287)	-	-	-
Balance as at 31 March	232,698	466,188	3,937	7,947

25.3 Refundable deposits

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance at 01 April	90,159	55,738	-	-
Additions during the period	29,874	35,121	-	-
Adjustment of fair value	1,488	-	-	-
Refunded during the period	(44,716)	(700)	-	-
Disposal of Subsidiaries	(2,319)	-	-	-
Balance as at 31 March	74,486	90,159	-	-

25.4 Prepaid staff costs

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance at 01 April		190,237	125,461	-	-
Addition from loan granted	25.2	6,506	133,841	-	-
Amortised to profit or loss		59,877	45,177	-	-
Other Adjustments		(132,916)	(114,242)	-	-
		123,704	190,237	-	-

Impact of COVID-19 pandemic on trade and other receivable balance as at 31 March 2020 is elaborated in detail in note 58 - Financial risk management objectives and policies.

26 Prepaid lease rentals on leasehold properties

	Group	
As at 31 March	2020 Rs.'000	2019 Rs.'000
Cost		
Balance at the beginning of the period	2,641,322	2,339,851
Transfer (to)/from Investment Property	(4,800)	-
Transfer to Right to use assets	(2,636,522)	-
Transfer (to)/from Property, Plant and Equipment	-	(130,012)
Transfers and other movements	-	137,083
Foreign currency translations		294,400
Balance at the end of the period	-	2,641,322
Accumulated amortisation		
Balance at the beginning of the period	235,587	33,990
Transfer (to)/from Investment Property	(800)	-
Transfer to Right to use assets	(234,787)	-
Amortisation for the period from continuing operations	-	2,262
Amortisation for the period from discontinued operations	-	4,229
Transfer (to)/from Property, Plant and Equipment	-	37,620
Transfers and other movements	-	137,083
Foreign currency translations	-	20,403
Balance at the end of the period	-	235,587
Carrying Amount		
As at 31 March	-	2,405,735

27 Right to use assets

As at 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Cost				
Balance at the beginning of the period	-	-	-	-
Recognition on initial application of SLFRS 16 - Leases	10,099,941	-	669,495	-
Transferred from prepayments	144,277	-	64,790	-
Transferred from lease equalisation	(858,056)	-	-	-
Transferred from leasehold properties (note 26)	2,422,821	-	-	-
Adjusted balance as at 01st April 2019	11,808,983	-	734,285	-
Additions during the period	1,436,934	-	28,100	-
Reversal on early termination	(17,551)	-	-	-
Acquisition of Subsidiaries	432,575	-	-	-
Disposal of Subsidiaries	(1,400)	-	-	-
Exchange Differences	578,896	-	-	-
Reclassified to discontinued operations	(4,298,229)	-	-	-
Balance at the end of the period	9,940,208	-	762,385	-
Accumulated amortisation				
Balance at the beginning of the period	-	-	-	-
Recognition on initial application of SLFRS 16 - Leases	1,061,364	-	-	-
Transferred from leasehold properties (note 26)	21,086	-	-	-
Adjusted balance as at 01st April 2019	1,082,450	-	-	-
Amortisation for the period from continuing operations	638,061	-	120,023	-
Amortisation for the period from discontinued operations	672,474	-	-	-
Transferred to Property, Plant and Equipment	114,856	-	-	-
Reversal on early termination	(1,470)	-	-	-
Acquisition of Subsidiaries	2,768	-	-	-
Disposal of Subsidiaries	(269)	-	-	-
Exchange Differences	112,851	-	-	-
Reclassified to discontinued operations	(1,525,712)	-	-	-
	1,096,009	-	120,023	-
Balance at the end of the period	8,844,199	-	642,362	-

Prepaid lease rentals paid to acquire land use rights have been classified as lease rentals paid in advance and are amortised over the lease term.

27.1 Maturity analysis – Contractual undiscounted cash flows

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Less than one year	1,279,847	-	144,329	-
Between one and five years	4,212,347	-	685,231	-
More than five years	24,746,321	-	134,638	-
	30,238,514	-	964,198	-

27.2 Amount recognised in income statement

As per SLFRS 16 – Leases				
Interest on lease liabilities	878,355	-	83,239	-
Recognised in interest expenses	878,355	-	83,239	-
Amortisation of right-of-use assets from continuing operations	638,061	-	120,023	-
Amortisation of right-of-use assets from discontinued operations	672,474	-	-	-
Recognised in depreciation and other expenses	1,310,535	-	120,023	-
As per LKAS 17 – Leases				
Lease expense	270,856	-	175,717	-
Recognised in other expenses	270,856	-	175,717	-
Total amount recognised in income statement	2.459.746	-	378,979	-

27.3 Amounts recognised in cash flow statement

Payment for lease liabilities	1,648,354	-	126,986	-
	1,648,354	-	126,986	-

Details of right-of-use assets relating to leased properties

The Group leases office space, office equipment, motor vehicles etc. with contract terms of one to five years. These leases are either short term (term leases than one year) and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

* With the implementation of SLFRS 16 - Leases, the Group has transferred its acquisition cost of leasehold rights and prepaid lease extension fees to right-of-use assets as of 01 April 2019.

28 Investment properties

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance at the beginning of the year	26,383,374	14,352,331	956,125	882,500
Additions	2,306,752	3,087,946	33,192	1,621
Transferred from leasehold properties (note 26)	4,000	-	-	-
Additions to Investment Properties from foreclosure of contracts	844,055	2,425,017	-	-
Disposals of subsidiaries	(4,939)	(315,834)	-	-
Transfers (to)/from property plant and equipment	(1,724,968)	2,763,552	-	-
Exchange translation difference	-	2,437	-	-
Change in fair value during the year	3,915,140	4,067,925	27,933	72,004
Balance at the end of the year	31,723,414	26,383,374	1,017,250	956,125

Investment property comprises of number of commercial properties that are leased / rented out to third parties. Each of the agreement contains an initial non-cancellable period of one year. Subsequent renewals are being negotiated with the lessee and on average renewal periods considered are three to five years.

28.1 Details of investment properties

As at 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Owned properties	24,446,363	19,879,374	1,017,250	956,125
Properties held under operating leases	7,277,051	6,504,000	-	-
	31,723,414	26,383,374	1,017,250	956,125

28.2 Summary of Investment Properties

As at 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Land	23,773,103	20,769,312	629,784	573,241
Building	7,950,311	5,614,062	387,466	382,884
	31,723,414	26,383,374	1,017,250	956,125

28.3 Relevant income and expenditure relating to investment properties

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000
Rent income earned	475,840	463,764
Direct operating expenses generating rental income	22,581	61,112
Direct operating expenses not generating rental income	19,463	64,623

28.4 Valuation of investment properties

Fair value of the investment properties are ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar kind of location and category. Investment property is appraised in accordance with SLFRS 13, LKAS 40 and the 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuers.

In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

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

Valuation Technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Sales comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values. The value of a perch in the property portfolio ranges from Rs.104,000 to Rs.30,000,000 in the Colombo area and Rs.18,000 to Rs.4,026,000 outside the Colombo area.	The estimated fair value would increase (decrease) if: - comparable property value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for period used. The value of a square feet in the property portfolio ranges from Rs. 2,500 to Rs.13,500 in the Colombo area and Rs. 750 to Rs. 7,500 outside the Colombo area.	The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)
Net income approach	Net rental income (profit rent) determined based on similar properties value and decapitalisation rate and years of purchase for period used Discount rate - 7% - 9% Annual Rental Income - Rs. 65 Mn - Rs. 155 Mn	The estimated fair value would increase (decrease) if: - Decapitalisation rate was lesser / (higher) - Years of purchases were higher / (lesser) - Discount rate was lesser / (higher) - Annual rental income were higher / (lesser)

Under prevailing circumstances, it is premature to ascertain the full impact COVID-19 would have on the real estate market as the pandemic continues to evolve. However, all the available information in the market have been taken into account in determining the fair value of the properties as at the reporting date by the Property Valuer.

29 Consumable biological assets

		Group	
For the year ended 31 March		2020	2019
	Note	Rs.'000	Rs.'000
Balance as at 01 April		3,788,540	3,305,919
Increase due to new planting and re-planting		53,700	83,831
Decrease due to harvesting of timber trees		(58,000)	(50,302)
Net increase due to births/deaths (Growing Crop Nurseries)		(4,426)	10,017
Change in fair value	29.1	(136,816)	439,076
Balance as at 31 March		3,642,998	3,788,540

29.1 Change in fair value less estimated costs to sell

	Group	
As at 31 March	2020	2019
	Rs.'000	Rs.'000
Due to price changes	(40,292)	129,308
Due to physical changes	(96,524)	309,768
	(136,816)	439,076

29.1.1 The carrying value of Consumable biological assets as at the year end has been computed as follows;

		Group	
As at 31 March		2020	2019
	Note	Rs.'000	Rs.'000
Valuation of consumer biological assets		3,422,004	3,609,019
Cost of timber plant below three years of age, not considered for valuation		208,202	162,303
Growing Crop Nurseries	29.1.2	12,792	17,218
		3,642,998	3,788,540

Managed timber trees include commercial timber plantations cultivated on estates. The above carrying amount as at 31 March 2020 includes a sum of Rs. 208.2mn- (As at 31 March 2019 - Rs. 161.6mn) which is the cost of immature trees up to the age of 4 years which is treated as approximate fair value particularly on the ground of little biological transformation taking place and impact of such transformation on price is expected to be immaterial.

Borrowing costs of Rs. 23.3mn (Previous year - Rs. 16.2mn) have been capitalised during the year in to immature fields.

29.1.2 Growing crop nurseries

	Group	
	2020	2019
	Rs.'000	Rs.'000
Balance as at 01 April	17,218	7,201
Additions	(4,426)	10,017
Balance as at 31 March	12,792	17,218

29.1.3 Plantation area

	Group	
	2020	2019
	Ha.	Ha.
Mature plantations	805.25	791.63
Immature Plantations	242.33	203.58
	1,047.58	995.21

29.2 Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques in measuring Level 3 fair value of consumable biological asses as well as the significant unobservable inputs used.

Valuation Technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Discounted cash flows The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per-tree basis .	Determination of Timber Content Timber trees in inter-crop areas and pure crop areas have been identified field-wise and spices were identified and harvestable trees were separated, according to their average girth and estimated age.	The estimated fair value would increase / (decrease) if; - the estimated timber content were higher/(lower) - the estimated timber prices per cubic meter were higher/(lower) - the estimated timber prices per cubic meter were higher/(lower)
Expected cash flows are discounted using a risk-adjusted discount rate of 14.5% comprising a risk premium of 4%.	Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size. Determination of Price of Timber Trees have been valued as per the current timber prices per cubic meter based on the price list of the State Timber Corporation and prices of timber trees sold by the estates and prices of logs sawn timber at the popular timber traders in Sri Lanka. In this exercise, following factors have been taken into consideration. a) Cost of obtaining approval of felling b) Cost of felling and cutting into logs c) Cost of transportation d) Sawing cost Risk-adjusted discount rate 2019/2020 - 14.5% (Risk Premium - 4%) 2018/2019 - 15% (Risk Premium - 4%)	- the estimated selling related costs were lower/(higher) - the estimated maturity age were higher/(lower) - the risk-adjusted discount rate were lower/(higher)

29.3 The valuation of consumable biological assets was carried by Mr. W.M Chandrasena, an independent Chartered Valuation Surveyor, using Discounted Cash Flow (DCF) methods. The Valuation Report dated 10th July, 2020 is prepared on the physically verified timber statistics provided by the Group.

29.4 Timber Trees namely Eucalyptus Torariyana, Albezzia, Graveelia, Eucalyptus Grandis, Astonia, Pinus, Toona, Mahogany, Teak, Jack, Turpentine, Nadun, Mango, Pellen, Hora, Domba, Lunumidella, Wal Del and Mara on the plantations have been taken into consideration in this valuation of Timber Trees.

29.5 In valuing the timber plantations, under-mentioned factors have been taken into consideration.

1 The present age of trees

2 Maturity age of the tree - Maturity of the tree is based on the variety of the species of the tree

3 Annual marginal increase in timber content

4 Number of years to harvest

5 Timber content of harvestable trees on maturity

6 Timber Plants having below three years of age have not been taken into the valuation

7 The timber content of immature trees at an estimated future harvestable year

8 The current price of species of timber per cubic foot at the relevant year

29.6 Trees have been valued as per the current timber prices in the domestic market based on the price list of the State Timber Corporation and prices of timber trees sold by estates and prices of logs and sawn timber in the popular timber traders in Sri Lanka.

29.7 The fair value is determined on the basis of net present value of expected future cash flows using a discount rate of 15% per annum. The significant assumptions used in the valuation of Consumable Biological Assets are as follows:

1 Future cash flows are determined by references to current timber prices without considering the inflationary effect

2 The ongoing cost of growing trees which are deducted in determining the net cash flows are constant in real terms

3 Timber trees that have not come upto a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size

4 The present value of the trees is worked out based on the projected size and the estimated number of years it would take to reach the size. This is worked out on the basis of an annual marginal increase of timber content which normally ranges from 0.50 to 1.50 cm per year for trees of diameter girth over 10 cm

5 The value of each matured species of timber is worked out on the price of a cubic foot of timber in the market of the species and the available cubic content of timber in the tree

6 Due consideration has been given for cost of felling, transport, sawing, cost to sell including obtaining of approval for felling

29.8 Managed trees include commercial timber plantations cultivated in estates. The cost of immature trees is treated at approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

29.9 The fair value of managed trees was ascertained since LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by the Institute of Chartered Accountants of Sri Lanka. The valuation was carried but by using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried out covering all the estates.

29.10 The valuations, as presented in the external valuation models based on net present values, take into account the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long-term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in LKAS 41 against his own assumptions.

29.11 The biological assets of Group is cultivated in the leasehold lands. When measuring the fair value of the biological assets it was assumed that these concessions can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

29.12 Sensitivity analysis for biological assets

29.12.1 Sensitivity variation on sales price

Values as appearing in the Statement of Financial Position are sensitive to price changes with regard to the average sales prices applied. Simulation made for timber to show that a rise or a decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

		Group	
As at 31 March		2020	2019
	Note	Rs.'000	Rs.'000
Carrying amount	29.1.1	3,642,998	3,788,540
Sensitivity on sales price			
	+10%	342,207	360,974
	-10%	(342,207)	(360,974)

29.12.2 Sensitivity variation on discount rate

Values as appearing in the Statement of Financial Position are sensitive to changes of the discount rate applied. Simulations made for rubber, coconut and timber show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets;

		Group	
As at 31 March		2020	2019
	Note	Rs.'000	Rs.'000
Carrying amount	29.1.1	3,642,998	3,788,540
Sensitivity on sales price			
	+1%	(77,573)	(94,919)
	-1%	85,900	105,897

29.13 Risk factors

The Group is exposed to a number of risks related to its timber plantations;

Regulatory and environmental risks

The Group is subject to laws and regulations imposed by the environmental authorities of Sri Lanka. The Group established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and other risks

The Group's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

Given the impact of COVID-19, the Group's consumable plants and biological assets as at 31 March 2020 was subject to impairment testing which concluded that no material impairment was required.

30 Bearer biological assets

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000
On finance lease	30.3	26,350	34,346
Investments after formation of the plantation companies	30.4	2,113,993	1,221,921
Growing crop nurseries	30.5	4,209	3,612
		2,144,552	1,259,879

30.1 Amortisation/ depreciation for the period recognised for bearer biological assets

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000
On finance lease	30.3	7,194	7,394
Investments after formation of the plantation companies	30.4	286,525	41,206
		293,719	48,600

30.2 Carrying amount of bearer biological assets

	On finance lease 30.3	Investments after formation 30.4	Growing crop nurseries 30.5	2019/20 Total	2018/19 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost	213,876	6,268,022	4,209	6,486,107	1,873,197
Accumulated depreciation	(187,526)	(4,154,029)	-	(4,341,555)	(613,317)
Carrying amount	26,350	2,113,993	4,209	2,144,552	1,259,879

30.3 On finance lease

Mature plantations

	Tea	Rubber	Coconut	2019/20 Total	2018/19 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost					
Balance as at 01 April	203,272	7,273	8,271	218,816	224,216
Disposal	-	(4,940)	-	(4,940)	(5,400)
Balance as at 31 March	203,272	2,333	8,271	213,876	218,816
Accumulated depreciation					
Balance as at 01 April	171,494	6,050	6,927	184,471	181,591
Charge for the year from continuing operations	6,801	117	276	7,194	7,394
Disposal	-	(4,139)	-	(4,139)	(4,515)
Balance as at 31 March	178,295	2,028	7,203	187,526	184,470
Carrying amount	24,977	305	1,068	26,350	34,346

30.4 Investments after formation of the plantation companies

Immature Plantations

	Tea	Rubber	Cinnamon	Mixed crops	2019/20 Total	2018/19 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost						
Balance as at 01 April	13,289	228,542	140,548	17,402	399,781	395,921
Additions / transfer in from growing crop nurseries	6,150	4,734	97,126	2,707	110,717	108,319
Transfer out	(2,943)	(85,156)	(113,741)	-	(201,840)	(100,668)
Written off during the year	-	(78,840)	-	(17,054)	(95,894)	(3,792)
Balance as at 31 March	16,496	69,280	123,933	3,055	212,764	399,780

These are investments in immature/ mature plantations before the formation of Maturata Plantations Ltd. These assets (including plantation assets) taken over by way of estate leases are set out in Note 34.3. Further investments in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments, since initial investment to bring them to maturity, will be moved from immature to mature under this note.

Mature Plantations

	Tea	Rubber	Coconut	Cinnamon	Mixed crops	Sugar Cane	2019/20 Total	2018/19 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Cost								
Balance as at 01 April	739,614	295,701	15,646	172,070	27,958	-	**1,250,989**	1,155,608
Additions	-	-	-	-	-	445,805	**445,805**	-
Transfer in/(out)	2,943	85,156	-	113,741	-	-	**201,840**	100,668
Written Offs	-	-	-	-	(27,958)	-	**(27,958)**	-
Disposals	-	(10,239)	-	-	-	-	**(10,239)**	(5,286)
Changes due to Business Combinations	-	-	-	-	-	4,009,585	**4,009,585**	-
Exchange Differences	-	-	-	-	-	185,236	**185,236**	-
Balance as at 31 March	742,557	370,618	15,646	285,811	-	4,640,626	**6,055,258**	1,250,989
Accumulated depreciation								
Balance as at 01 April	312,121	86,823	4,820	14,813	10,271	-	**428,848**	388,353
Charge for the year from continuing operations	24,705	14,340	412	5,932	-	241,136	**286,525**	41,206
Charge for the year from discontinued operations	-	-	-	-	4,217	-	**4,217**	4,061
Written Offs	-	-	-	-	(14,488)	-	**(14,488)**	-
Disposals	-	(8,988)	-	-	-	-	**(8,988)**	(4,773)
Changes due to Business Combinations	-	-	-	-	-	3,316,406	**3,316,406**	-
Exchange Differences	-	-	-	-	-	141,509	**141,509**	-
Balance as at 31 March	336,826	92,175	5,232	20,745	-	3,699,051	**4,154,029**	428,847
Carrying Amount								
As at 31 March	405,731	278,443	10,414	265,066	-	941,575	**1,901,229**	822,142

30.5 Growing crop nurseries

	Tea	Rubber	Cinnamon	Mixed crops	Sugar Cane	2019/20 Total	2018/19 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Cost							
Balance as at 01 April	1,625	-	1,276	711	-	**3,612**	6,394
Additions	2,401	-	-	288	-	**2,689**	518
Transfers	-	-	-	-	-	**-**	(3,300)
Written Offs	-	-	-	(721)	-	**(721)**	-
Disposals	-	-	(1,093)	(278)	-	**(1,371)**	-
Balance as at 31 March	4,026	-	183	-	-	**4,209**	3,612

30.6 Additions to the immature plantations

These are investments in bearer biological assets carried at cost which comprises of immature/mature plantations since the formation of the plantation companies. Further, investment in immature plantations taken over by way of leases is shown in this note. When such plantations become mature, the additional investments need to be incurred since, taken over to bring them to maturity will be moved from immature to mature under this note. A corresponding movement from immature to mature of the investment undertaken by JEDB/SLSPC on the same plantation prior to the lease will also be carried out under this note.

The additions to bearer biological assets shown above includes the following costs among other costs incurred during the year in respect of uprooting, planting and upkeeping of bearer plants.

	2020		2019	
As at 31 March	Extent Ha	Amount Rs.'000	Extent Ha	Amount Rs.'000
Uprooting				
Sugarcane	782	88,716	-	-
	782	88,716	-	-
Planting				
Tea	5	1,700	2	2,310
Cinnamon	114	30,946	114	17,160
Sugarcane	3,742	937,240	-	-
	3,861	969,885	116	19,470
Upkeep				
Tea	11	14,795	5	1,788
Rubber	56	69,279	100	16,727
Coconut	3	1,437	19	243
Cinnamon	333	92,988	183	64,246
Mixed Crop	3	1,617	15	5,481
	404	180,116	322	88,486
	5,046	1,238,717	438	107,955

30.7 Borrowing Costs amounting to Rs. 23.3mn (Previous Year - Rs 16.23mn) incurred on borrowings obtained to meet expenses relating to immature plantations have been capitalised as part of the cost of immature plantations. Capitalisation of borrowing costs will be ceased when the plantations are ready for bearing.

30.8 Given the impact of COVID-19, the Group's bearer plants and biological assets as at 31 March 2020 was subject to impairment testing which concluded that no material impairment was required.

31 Subsidiary companies

31.1 Company

As at 31 March	2020			2019		
	No. of Shares	Holding %	Cost Rs.'000	No. of Shares	Holding %	Cost Rs.'000
Subsidiaries						
Listed subsidiaries				-	-	
1 Brown and Company PLC	142,092,103	66.83%	7,580,999	142,092,103	66.83%	7,580,999
2 Browns Investments PLC	28,688,200	0.60%	83,426	14,344,100	0.77%	83,426
3 Commercial Leasing & Finance PLC	6,308,876,426	98.92%	10,599,809	6,308,876,426	98.92%	10,599,809
4 LOLC Development Finance PLC	132,180,572	55.55%	1,321,907	132,180,572	55.55%	1,321,907
5 LOLC Finance PLC	2,351,313,562	44.79%	10,706,462	3,919,921,531	93.33%	17,543,428
			30,292,603			37,129,569
Non-listed subsidiaries						
6 Browns Tours	2,030,000	100.00%	175,375	17,567,500	100.00%	175,375
7 Ceylon Graphene Technologies (Private) Limited	36,000,000	85.00%	360,000	36,000,000	85.00%	360,000
8 Commercial Factors Limited	15,550,001	100.00%	155,500	15,550,001	100.00%	155,500
9 Eagle Recoveries (Private) Limited	25,955,088	100.00%	259,551	25,955,088	100.00%	259,551
10 East Coast Land Holding (Private) Limited	28,700,000	100.00%	287,000	28,700,000	100.00%	287,000
11 Galoya Holdings Limited	1,300,000	50.00%	13,005	1,000,000	50.00%	13,005
12 Green Orchard Property Investments (Private) Limited	23,795,660	100.00%	237,957	23,795,660	100.00%	237,957
13 I Pay (Private) Limited	16,000,001	100.00%	160,000	16,000,001	100.00%	160,000
14 Lanka ORIX Project Development Limited	5,200,000	100.00%	52,000	5,200,000	100.00%	52,000
15 LOLC Advanced Technologies (Pvt) Ltd	2,000,001	100.00%	20,000	2,000,001	100.00%	20,000
16 LOLC Asia Private Limited	1,100,000	2.49%	191,297	44,100,000	100.00%	15,167
17 LOLC Asset Holdings Limited	213,048,951	100.00%	2,120,500	178,048,951	100.00%	1,770,500
18 LOLC Capital One (Pvt) Limited	15,860,000	100.00%	153,600	15,360,001	100.00%	153,600
19 LOLC Corporate Services Limited	15,400,000	100.00%	154,000	15,400,001	100.00%	154,000
20 LOLC Eco Solutions Limited	64,100,000	100.00%	641,000	64,100,000	100.00%	641,000
21 LOLC Factors Limited	370,000,001	64.91%	3,700,000	370,000,000	65.00%	3,700,000
22 LOLC Financial Sector Holdings Pvt Ltd	45,000	100.00%	1,266,001	-	-	-
23 LOLC International Limited	83,220,000	74.14%	12,601,467	83,220,000	74.14%	12,601,467
24 LOLC Investments Limited	1,479,920,000	100.00%	15,184,200	1,447,920,000	100.00%	15,184,200
25 LOLC Micro Investments Limited	-	-	-	250,000,000	100.00%	2,603,000
26 LOLC Motors Limited	126,000,000	100.00%	1,260,000	126,000,000	100.00%	1,260,000
27 LOLC Myanmar Micro Finance Limited	8,119,433	35.43%	1,022,408	8,119,433	88.50%	1,022,408
28 LOLC Private Limited	150,306,584	73.38%	18,264,176	70,266,966	85.00%	7,369,088
29 LOLC Property Eight (Pvt) Ltd	29,120,001	100.00%	-	1	100.00%	0

As at 31 March	2020 No. of Shares	2020 Holding %	2020 Cost Rs.'000	2019 No. of Shares	2019 Holding %	2019 Cost Rs.'000
30 LOLC Property Five (Pvt) Ltd	38,000,001	100.00%	380,000	38,000,001	100.00%	380,000
31 LOLC Property Four (Pvt) Ltd	26,000,001	100.00%	260,000	26,000,001	100.00%	260,000
32 LOLC Property Nine (Pvt) Ltd	1	100.00%	-	1	100.00%	-
33 LOLC Property One (Pvt) Ltd	29,100,001	100.00%	291,000	29,100,001	100.00%	291,000
34 LOLC Property Seven (Pvt) Ltd	3,744,001	100.00%	-	1	100.00%	-
35 LOLC Property Six (Pvt) Ltd	18,410,001	100.00%	184,100	18,410,001	100.00%	184,100
36 LOLC Property Ten (Pvt) Ltd	1	100.00%	-	1	100.00%	-
37 LOLC Property Three (Pvt) Ltd	54,600,001	100.00%	546,000	54,600,001	100.00%	546,000
38 LOLC Property Two (Pvt) Ltd	78,000,001	100.00%	780,000	78,000,001	100.00%	780,000
39 LOLC Securities Limited	40,000,000	100.00%	400,000	37,500,000	100.00%	125,000
40 LOLC Securities Limited - Preference Shares	-	-	-	25,000,000	100.00%	250,000
41 LOLC Technology Services Limited	23,795,660	100.00%	17,000	1,700,000	100.00%	17,000
42 Prospere Realty (Private) Limited	30,400,001	100.00%	304,000	30,400,001	100.00%	304,000
43 Sundaya Lanka (Private) Limited	624,490	51.00%	6,245	624,490	51.00%	6,245
			61,447,382			51,338,163
Allowance for Impairment (Note 31.2)			(796,245)			(796,245)
Total			90,943,740			87,671,487

31.2 Allowance for Impairment

As at 31 March	Note	Company 2020 Rs.'000	Company 2019 Rs.'000
1. Galoya Holdings Limited		13,000	13,000
2. Lanka ORIX Project Development Limited		52,000	52,000
3. LOLC Eco Solutions Limited		25,000	25,000
4. LOLC Factors Limited		700,000	700,000
5. Sundaya Lanka (Private) Limited		6,245	6,245
	31.2.1	796,245	796,245

31.2.1 Movement in allowance for impairment

As at 31 March	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance as at 01 April	796,245	796,245
Reversal for the period	-	-
Balance as at 31 March	796,245	796,245

31.3 Group holdings in subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows;

	Subsidiary		As at 31 March Principal Activities	Proportion of ownership interest held by the Group 2020 No. of Shares	2020 Control Holding %	2019 No. of Shares	2019 Control Holding %
	Listed subsidiaries						
1	Brown & Company PLC	BCL	Trading and manufacturing	177,361,879	83.42%	177,361,879	83.42%
2	Browns Investments PLC	BIL	Investments holding	2,118,045,811	44.22%	2,118,045,811	44.22%
3	Commercial Leasing & Finance PLC	CLC	Financial services	6,348,876,426	99.55%	6,348,876,426	99.55%
4	Eden Hotels Lanka PLC	Eden	Hotelier	93,793,173	88.82%	93,793,173	88.82%
5	LOLC Development Finance PLC	LODF	Financial services	237,679,520	99.89%	237,679,520	99.89%
6	LOLC Finance PLC	LOFC	Financial services	4,966,248,481	94.60%	3,919,921,531	93.33%
7	Palm Garden Hotels PLC	Palm	Investments holding	38,671,013	89.38%	38,671,013	89.38%
	Non-listed subsidiaries						
8	Ajax Engineers (Private) Limited	Ajax	Aluminium Fabrication	469,987	100.00%	469,987	100.00%
9	B G Air Services (Private) Limited	BG Air	Air ticketing and outbound tours	50,000	100.00%	50,000	100.00%
10	BI Logistics and Commodities (Private) Limited	BILOGIS	Pre-operational	35,500,250	100.00%	1,000,000	100.00%
11	BI Zhongtian Holdings (Pvt) Ltd		Pre-operational	25,499,949	51.00%	25,499,949	51.00%
12	Browns Agri Solutions (Pvt) Ltd	BFL	Pre-operational	1,000,000	100%	1,0000,000	100%
13	Browns Engineering & Construction (Pvt) Ltd	BE&C	Construction	45,000,000	50.00%	45,000,000	50.00%
14	Browns Global Farm (Private) Limited	BGFL	Plantations	58,295,328	100.00%	58,295,328	100.00%
15	Browns Group Industries (Private) Limited	BGIL	Providing marine solutions	2,800,000	100.00%	2,800,000	100.00%
16	Browns Group Motels Limited	BGML	Non-operational	15,862,926	99.37%	15,862,926	99.37%
17	Browns Health Care (Private) Limited	BHCL	Healthcare services	-	-	150,000,000	100.00%
18	Browns Health Care Negambo (Private) Limited	BHNEGAMBO	Non-operational	500,000	100%	500,000	100.00%
19	Browns Health Care North Colombo (Private) Limited	BHCNC	Healthcare services	-	-	10,000,000	100.00%
20	Browns Holdings Limited	BHL	Investments holding	518,290,140	100.00%	518,290,140	100.00%
21	Browns Hotels and Resorts Limited	BHR	Investments holding	1,191,919,624	100.00%	1,191,919,624	100.00%
22	Browns Industrial Park (Private) Limited	BIPL	Renting of properties	15,405,137	100.00%	15,405,137	100.00%
23	Browns Leisure (Pvt) Ltd	BLL	Pre-operational	4,500,001	90.00%	10	100.00%
24	Browns Metal & Sands (Pvt) Ltd	BM&SL	Pre-operational	1	100.00%	1	100.00%
25	Browns Pharma (Pvt) Ltd	BP	Vet Pharma	10,000,000	100.00%	10,000,000	100.00%
26	Browns Pharmaceuticals Ltd	BPL	Pre-operational	1	100%	1	100.00%
27	Browns Power Holding Limited	BPHL	Investing in ventures	100,000,000	100.00%	100,000,000	100.00%
28	Browns Properties (Private) Limited	BPL	Real estate business	60,000,000	100.00%	60,000,000	100.00%

	Subsidiary		As at 31 March Principal Activities	Proportion of ownership interest held by the Group 2020 No. of Shares	2020 Control Holding %	2019 No. of Shares	2019 Control Holding %
29	Browns Real Estate (Private) Limited	BREL	Pre-operational	5,000,000	100.00%	5,000,000	100.00%
30	Browns Teas (Pvt) Ltd		Pre-operational	1	100.00%	1	100.00%
31	Browns Thermal Engineering (Private) Limited	BTEL	Importing and manufacturing Radiators	1,499,997	100.00%	1,499,997	100.00%
32	Browns Tours (Private) Limited	BTL	GSA for Austrian airlines and inbound tour operations	2,030,000	100.00%	2,030,000	100.00%
33	Ceylon Graphene Technologies (Private) Limited	CGTL	Graphene Manufacturing	36,000,000	85.00%	36,000,000	85.00%
34	Ceylon Roots Lanka (Pvt) Ltd	CRL	Inbound tour operations	1	100.00%	1	100.00%
35	CFT Engineering Limited	CFT	Non-operational	3,076,258	100.00%	3,076,258	100%
36	Commercial Factors (Private) Limited	COMFAC	Non-operational	8,000,001	100.00%	8,000,001	100.00%
37	Creations Wooden Fabricators (Private) Limited	C & C	Manufacturing	18,000	90.00%	10,000	50.00%
38	Dikwella Resort (Private) Limited	DRS	Hotelier	481,314	100.00%	481,314	100.00%
39	Diriya Investments (Private) Limited	Diriya	Investments holding	383,358,564	100.00%	383,358,564	100.00%
40	Dolekanda Power (Private) Limited	Dolekanda	Hydro Power Generation	-	-	10,000,000	100.00%
41	E.S.L Trading (Private) Limited	ESLT	Pre-operational	1	100.00%	1	100.00%
42	Eagle Recoveries (Private) Limited	ERPL	Real estate	8,000,001	100.00%	8,000,001	100.00%
43	East Coast Land Holdings (Private) Limited	LLHL	Real estate	21,300,000	100.00%	21,300,000	100.00%
44	Engineering Services (Private) Limited	ESL	Selling Generators & Related Services	147,501	100.00%	147,501	100.00%
45	Enselwatte Power (Private) Limited	Enselwatte	Hydro Power Generation	10,000,000	100.00%	10,000,000	100.00%
46	Excel Global Holding Limited	EGHL	Investments holding	53,448,329	100.00%	53,448,329	100.00%
47	Excel Restaurant (Private) Limited	ERL	Operating restaurant	10,004	100.00%	10,004	100.00%
48	F L C Estates Bungalows (Private) Limited	FLC EB	Leisure	1,000,000	100%	1,000,000	100.00%
49	F L P C Management (Private) Limited	FLPC	Plantation management	92,052,842	95.34%	92,052,842	95.34%
50	Galoya Holdings (Private) Limited	GHL	Managing plantations	2,600,000	100.00%	2,600,000	100.00%
51	General Accessories and Coating (Pvt) Ltd	GAC	Powder Coating	100,000	100.00%	100,000	100.00%
52	Green Orchard Property Investments (Private) Limited	LPIL	Real estate	16,395,660	100.00%	16,395,660	100.00%
53	Green Paradise Resorts (Private) Limited	GPR	Hotelier	5,000,007	100.00%	5,000,007	100.00%
54	Grey Reach Investments Ltd (GRIL)	GRIL	Investments holding	20,000	66.67%	-	-
55	Gurind Accor (Pvt) Ltd	GURIND	Glass Processing	12,660,000	85.00%	12,660,000	85.00%
56	I Pay (Pvt) Ltd	I Pay	Technology	16,000,001	100.00%	16,000,001	100.00%
57	Klevenberg (Private) Limited	KPL	Trading	15,600,000	100.00%	15,600,000	100.00%
58	Lanka Orix Project Development (Private) Limited	LOPD	Non-operational	5,200,000	100.00%	5,200,000	100.00%
59	LOLC Advanced Technologies (Pvt) Ltd	BAT	New venture	1	100.00%	1	100%
60	LOLC Africa Holdings (Pvt) Ltd - Singapore	LAFRICA	Investments holding	5,000,000	100.00%	-	-

	Subsidiary		As at 31 March Principal Activities	Proportion of ownership interest held by the Group 2020 No. of Shares	2020 Control Holding %	2019 No. of Shares	2019 Control Holding %
61	LOLC Asset Holdings Limited	LAH	Investments holding	167,048,951	100.00%	167,048,951	100.00%
62	LOLC Capital One (Private) Limited	LOLC Capital	Pre-operational	500,001	100.00%	500,001	100.00%
63	LOLC Corporate Services (Pvt) Ltd	COSER	Secretarial services	8,000,001	100.00%	8,000,001	100.00%
64	LOLC Eco Solutions Limited	LOLC Eco	Investments holding	34,500,000	100.00%	64,100,000	100.00%
65	LOLC Factors Limited	LOFAC	Factoring services	370,000,001	100.00%	70,000,001	100.00%
66	LOLC Finance Zambia Limited	LOLC ZAMBIA	Financial Services	5,000,000	100%	1	100.00%
67	LOLC General Insurance Limited	LGEN	General Insurance	70,000,000	100.00%	70,000,000	100.00%
68	LOLC GEO Technologies Pvt Ltd	LOLCGEO	Graphene Manufacturing	900,000	90.00%	-	-
69	LOLC Investments Limited	LOIV	Investments holding	1,479,920,000	100.00%	1,148,300,000	100.00%
70	LOLC Life Assurance Limited	LLIFE	Life Assurance	80,000,000	100.00%	80,000,000	100.00%
71	LOLC Mauritius Holdings Limited	LOLC MAURI	Investments holding	5,000,000	100.00%		
72	LOLC Micro Investments Limited	LOMI	Pre-operational	-	-	250,000,000	100.00%
73	LOLC Motors Limited	LOMO	Vehicle trading & repair services	101,000,000	100.00%	101,000,000	100.00%
74	LOLC Property Eight (Pvt) Ltd	LOLCP8	Real estate	29,120,001	100.00%	1	100.00%
75	LOLC Property Five (Pvt) Ltd	LOLCP5	Real estate	38,000,001	100.00%	1	100.00%
76	LOLC Property Four (Pvt) Ltd	LOLCP4	Real estate	26,000,001	100.00%	26,000,001	100.00%
77	LOLC Property Nine (Pvt) Ltd	LOLCP9	Real estate	1	100.00%	1	100.00%
78	LOLC Property One (Pvt) Ltd	LOLCP1	Real estate	29,100,001	100.00%	29,100,001	100.00%
79	LOLC Property Seven (Pvt) Ltd	LOLCP7	Real estate	3,744,001	100.00%	1	100.00%
80	LOLC Property Six (Pvt) Ltd	LOLCP6	Real estate	18,410,001	100.00%	1	100.00%
81	LOLC Property Ten (Pvt) Ltd	LOLCP10	Real estate	1	100.00%	1	100.00%
82	LOLC Property Three (Pvt) Ltd	LOLCP3	Real estate	54,600,001	100.00%	54,600,001	100.00%
83	LOLC Property Two (Pvt) Ltd	LOLCP2	Real estate	78,000,001	100.00%	78,000,001	100.00%
84	LOLC Securities Limited	LOSEC	Stock trading	35,000,000	100.00%	10,000,000	100.00%
85	LOLC Serendib (Private) Limited	LOLC Serendib	Pre-operational	1,000,000	100.00%	-	-
86	LOLC Technologies Limited	LOTEC	IT services	23,795,660	100.00%	16,000,001	100.00%
87	LOLC Technology Services Limited	LOITS	Software design development and distribution	1,700,000	100.00%	1,700,000	100.00%
88	Masons Mixture Limited	MML	Non-operational	4,289,849	99.67%	4,289,849	99.67%
89	Maturata Plantation Limited	MPL	Plantations	25,200,000	72.00%	25,200,000	72.00%
90	Millennium Development Limited	MDL	Recreational activities	44,390,823	100.00%	44,390,823	100.00%
91	Prospere Realty (Private) Limited	LRL	Real estate	23,000,001	100.00%	23,000,001	100.00%
92	Riverina Resort (Private) Limited	RRL	Leisure	35,050,000	100.00%	35,050,000	100.00%
93	S.F.L. Services (Private) Limited	SFL	Lending to related companies	986,591	100.00%	986,591	100.00%
94	Saga Solar Power (Private) Limited	SSP	Solar power generation	38,703,370	50.10%	38,703,370	50.10%
95	Sifang Lanka (Private) Limited	Sifang	Importing ,Assembling & Selling of agro equipment's	2,050,000	100.00%	2,050,000	100.00%
96	Sifang Lanka Trading (Private) Limited	SFTL	Non-operational	3,000,002	100.00%	3,000,002	100.00%
97	Snowcem Products Lanka (Private) Limited	SPLL	Non-operational	400,000	100.00%	400,000	100.00%
98	Speed Italia Limited	SIL	Non-operational	100,000	100.00%	100,000	100.00%

	Subsidiary		As at 31 March Principal Activities	Proportion of ownership interest held by the Group 2020 No. of Shares	2020 Control Holding %	2019 No. of Shares	2019 Control Holding %
99	Sumudra Beach Resorts (Private) Limited	Sumudra	Hotelier - pre-operational	33,127,500	100.00%	33,127,500	100.00%
100	Sun & Fun Resorts (Private) Limited	Sun & Fun	Hotelier	16,287,848	51.00%	16,287,848	51.00%
101	Sunbird Bioenergy (SL) Ltd	SBSL		2,816	75.09%	-	-
102	Sundaya Lanka (Private) Limited	Sundaya	Non-operational	624,490	51.00%	624,490	51.00%
103	Tea Leaf Resort (Private) Limited	TLRL	Leisure	250,000	50.00%	250,000	50.00%
104	The Hatton Transport & Agency Company (Private) Limited	HTAC	Non-operational	1,000	100.00%	1,000	100.00%
105	Thurushakthi (Private) Limited		Non-operational	8,000,001	100.00%	8,000,001	100.00%
106	Tropical Villas (Private) Limited	TVL	Non-operational	14,959,232	100.00%	10,344,300	100.00%
107	United Dendro Energy Ambalantota (Private) Limited	UDEA	Non-operational	8,000,001	100.00%	8,000,001	100.00%
108	United Dendro Energy Walawewatte (Private) Limited	UDEW	Non-operational	8,000,001	100.00%	8,000,001	100.00%
109	Walker & Greig (Private) Limited	WGL	Non-operational	1	100.00%	1	100.00%
	Foreign subsidiaries using different functional currencies						
110	Bodufaru Beach Resorts (Private) Limited	BBR	Hotelier - pre-operational	235,800	99.96%	235,800	99.96%
111	B Commodities ME(FZE)	BCOM	Wealth Management	150,000	100.00%	150,000	100.00%
112	Browns Ari Resort (Pvt) Ltd	BARM	Hotelier - pre-operational	40,099	100.00%	40,099	100.00%
113	Browns Kaafu N Resort (Pvt) Ltd	BKNRM	Hotelier - pre-operational	99	99.00%	99	99.00%
114	Browns Machinery (Cambodia) Co., Ltd	BMC	Trading	5,000	100.00%	5,000	100.00%
115	Browns Raa Resort (Pvt) Ltd	BRRM	Hotelier - pre-operational	99	99.00%	99	99.00%
115	LOLC Asia (Pvt) Ltd	LOLC ASIA	Investment Holdings	44,100,000	100.00%	33,600,000	100.00%
116	LOLC (Pvt) Ltd	LOPL	Investment Holdings	70,266,966	74.76%	70,266,966	100.00%
117	LOLC Cambodia Plc	TPC	Financial services	2,175,792	96.97%	695,122	96.97%
118	LOLC Financial Sector Holdings Private Limited	LOLCFSH	Investment Holdings	45,000	100.00%	45,000	100.00%
119	LOLC International (Pvt) Ltd	LOIL	Investment Holdings	112,253,842	100.00%	112,253,842	100.00%
120	LOLC MEKONG Holdings Private Limited	LOLCMEKONG	Investment Holdings	15,000	100.00%	15,000	100.00%
121	LOLC Myanmar Micro-Finance Company Limited	LMML	Financial services	22,914,505	100.00%	9,174,964	100.00%
122	NPH Investment (Private) Limited	NPH	Leisure	141,555,600	51.00%	141,555,600	51.00%
123	Pak Oman Micro finance Bank Limited	Pak Oman	Financial services	115,648,000	50.10%	115,648,000	50.10%
124	PRASAC Micro Finance Institution Limited	PRASAC	Financial services	77,000,000	70.00%	77,000,000	70.00%
125	PT LOLC Management Indonesia	PTLMI	Investment Holdings	39,438	60.00%	15,960	60.00%
126	PT Sarana Sumut Ventura	PTSSV	Financial services	38,229,021	84.20%	5,292	76.46%

31.4 Fair values of subsidiaries

The Directors' valuation of investments in subsidiaries has been done on consolidated net assets basis. The following subsidiaries are listed in the Colombo Stock Exchange and their market value details given below;

	Group			
	2020		2019	
	No. of Share	Market value Rs. 000	No. of Share	Market value Rs. 000
Brown & Company PLC	177,361,879	7,449,199	177,361,879	8,513,370
Browns Investments PLC	2,118,045,811	4,024,287	2,118,045,811	3,177,069
Commercial Leasing & Finance PLC	6,348,876,426	11,427,978	6,348,876,426	16,507,079
Eden Hotels Lanka PLC	93,793,173	1,444,415	93,793,173	1,266,208
LOLC Development Finance PLC	237,679,520	8,152,408	237,679,520	9,269,501
LOLC Finance PLC	4,966,248,481	10,925,747	3,919,921,531	12,151,757
Palm Garden Hotels PLC	38,671,013	696,078	38,671,013	715,414
		44,120,111		51,600,397

Quoted equity securities

The COVID 19 pandemic has significantly affected financial markets in the first quarter of the year 2020. Stock markets have declined sharply and volatility has been increased. Significant drop in trade volumes, decline or absence of a market for new issuances, decrease in correlations between asset/liability values and related share price indices and subsequent closure of the Colombo Stock Exchange for trading indicated an inactive stock market as at 31 March 2020. (last date of trading as the CSE's Trading Floor was closed from 23/03/2020 to 31/03/2020 and accordingly management obtain the closing price published by CSE as of 31 March 2020 for the above valuation.

31.5 Nature of the relationship between the parent and subsidiaries when the parent does not own, more than half of the voting power

31.5.1 Browns Investments PLC

LOLC directly and through its subsidiaries, including Brown & Company PLC and LOLC Investments Ltd, holds a total of 44.22% in Browns Investments PLC (BIL). Though the percentage held directly and indirectly by LOLC is less than 50%. BIL is considered as a subsidiary as a result of an agreement between Mr. Ishara Nanayakkara (Executive Deputy Chairman of the Group) and his fully owned subsidiaries call Oxford Capital (Private) Limited and Churchill Capital (Private) Limited which collectively hold 15.42% of BIL. With the above agreement group holds 59.64% of the governing rights of BIL. Accordingly, Group considers BIL as a subsidiary by virtue of de facto control though the Group owns less than half of the BIL (44.22%) and has less than half of the voting power. It is able to govern the financial and operating policies of BIL and on the basis that the remaining voting rights in the investee are widely dispersed and that there is no indication that all other shareholders exercising their votes collectively. Consequently, the Group concludes BIL as a subsidiary and consolidates.

31.6 Acquisition of a subsidiary

31.6.1 Financial Year 2020

31.6.1.1 Sunbird Bioenergy (SL) Ltd (SBSLL)

On 14 May, 2019, B Commodities ME (FZE), a fellow subsidiary of the Group incorporated in Sharjah, UAE has acquired 66.67% equity stake with controlling interest in Grey Reach Investment Limited (GRIL) for a consideration of USD 30Mn.

Pursuant to an Investment Agreement entered into on the 29 of April 2019, B Commodities ME (FZE) has acquired a 66.67% stake in GRIL which is the holding Company of Sunbird Bioenergy (SL) Limited (SBSL) incorporated in Sierra Leone. GRIL is an investment holding, and its only asset is its 75.1% investment in SBSLL.

SBSL holds 23,500 Hectares of land for sugarcane plantation and a factory with a production capacity of 85 million litters of bio fuel per annum. The company also operates a renewable energy power plant which has a capacity of producing 32 MW of power. The above factory and renewable energy power plant together with its plantation and the mechanised irrigation system is one of the largest agricultural projects in the African continent.

Sunbird Bioenergy (SL) Limited is also one of the largest economic opportunity providers in the African region with over 5,000 employees.

LOLC GEO Technologies (Pvt) Ltd

On 31 May, 2020, LOLC Holdings PLC a holding entity of the Group has acquired 90% per cent equity stake with controlling interest in LOLC GEO Technologies (Pvt) Ltd for a consideration of Rs. 101.6Mn.

Company is predominantly engaged in exploration and development of Graphite Mines, Installation of Graphite refiner and Extracting Graphite oil based dry lubricants, Graphite processing for the production of various related product such as Graphite Mesh, Gaphite Powder for Exports and Local sales.

31.6.1.2 Consideration paid

For the year ended 31 March 2020	Control holding acquired	Cash and cash equivalents paid	Acquisition related costs	Fair value of the consideration paid	Fair value of previously held interest	Total consideration of acquisition
	%	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Grey Reach Investments Ltd (GRIL)	66.67%	5,299,803	-	5,299,803	-	5,299,803
LOLC GEO Technologies Pvt Ltd	90.00%	101,612	-	101,612	-	101,612

31.6.1.3 The fair values of the identifiable assets and liabilities of the acquire as at the date of acquisition were;

For the year ended 31 March 2020	Note	GRIL Rs.'000	SBSL Rs.'000	LOLC GEO Rs.'000	Total Rs.'000
Assets					
Cash in hand and favourable bank balances		8,185	771,479	101,702	881,366
Inventories		-	1,633,410	-	1,633,410
Trade and other current assets		-	1,618,420	3,615	1,622,035
Right-of-use assets	27	-	429,807	-	429,807
Bearer biological assets	30.4	-	693,179	-	693,179
Property, plant and equipment	35	-	37,426,194	-	37,426,194
Total assets		8,185	42,572,489	105,317	42,685,992
Liabilities					
Interest bearing borrowings	38.3	-	2,249,653	-	2,249,653
Current tax payables	40.1	-	59,324	-	59,324
Trade and other payables		163,353	1,640,553	102	1,804,008
Retirement benefit obligations	43	-	6,263	-	6,263
Total liabilities		163,353	3,955,793	102	4,119,248
Fair value of net assets acquired		(155,168)	38,616,697	105,215	38,566,744

31.6.1.4 Goodwill on acquisition / (Gain on bargain purchase)

Goodwill on acquisition / (Gain on bargain purchase) is recognised as a result of the acquisitions as follows

For the year ended 31 March 2020	Note	GRIL Group Rs.'000	LOLC GEO Rs.'000
Fair value of the consideration paid	31.6.1.2	5,299,803	101,612
Net Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities		27,766,357	10,521
		33,066,160	112,133
Fair value of identifiable net assets	31.6.1.3	38,461,529	105,215
Goodwill on acquisition / (Gain on bargain purchase)		(5,395,369)	6,919

31.6.1.5 Net cash used in acquisition

For the year ended 31 March 2020	Note	GRIL Rs.'000	LOLC GEO Rs.'000	Total Rs.'000
Purchase consideration paid				
Fair value of the consideration paid	31.6.1.2	5,299,803	101,612	5,401,415
		5,299,803	101,612	5,401,415
Cash & cash equivalents acquired				
Positive cash balances	31.6.1.3	881,366	-	881,366
Net cash used in acquisition		(4,418,437)	(101,612)	(4,520,049)

31.6.2 Financial Year 2019

31.6.2.1 Gurind Accor (Pvt) Ltd (GURIND)

GURIND is one of the leading Glass Processing Enterprise in Sri Lanka. Its footprint stretches over a wide range of Architectural, Industrial Glass, Mirror Products & Aluminium Composite Panels. Established in 1986, the company has an illustrious history.

On 17 December, 2018 Group has acquired the 85% stake of Gurind Acor (Pvt) Ltd through, Ajax Engineering (Pvt) Ltd and Browns Engineering & Constructions (Pvt) Ltd.

31.6.2.2 Consideration paid

For the year ended 31 March 2019	Control holding acquired	Cash and cash equivalents paid	Acquisition related costs Note31.6.2.5.1	Fair value of the consideration paid	Fair value of previously held interest	Total consideration of acquisition
	%	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gurind Accor (Pvt) Ltd (GURIND)	85.00%	53,805	-	53,805	-	53,805
		53,805	-	53,805	-	53,805

31.6.2.3 The fair values of the identifiable assets and liabilities of the acquire as at the date of acquisition were;

	Note	GURIND Rs.'000
Assets		
Inventories		40,474
Trade and other receivables		72,733
Property, plant and equipment	35	52,092
Total assets		165,299
Liabilities		
Bank overdraft		16,854
Interest bearing borrowings	38.3	264
Trade and other payables		110,400
Retirement benefit obligations	43	4,752
Total liabilities		132,270
Fair value of net assets acquired		33,029

31.6.2.4 Goodwill on acquisition / (Gain on bargain purchase)

Goodwill on acquisition / (Gain on bargain purchase) is recognised as a result of the acquisitions as follows;

For the year ended 31 March 2019	Note	GURIND Rs.'000
Fair value of the consideration paid	31.6.2.2	53,805
Net Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities		(13,799)
		40,006
Fair value of identifiable net assets	31.6.2.3	33,029
Goodwill on acquisition / (Gain on bargain purchase)		6,977

31.6.2.5 Net cash used in acquisition

For the year ended 31 March 2019	Note	GURIND Rs.'000
Purchase consideration paid	31.6.2.2	
Fair value of the consideration paid		53,805
Acquisition related costs		-
		53,805
Cash & cash equivalents acquired	31.6.2.3	
Positive cash balances		(16,854)
Net cash used in acquisition		70,659

31.7 Disposal of Subsidiaries

31.7.1 Browns Health Care

On 20 February 2020, the LOLC Group has disposed of 100% control holding of both Browns Health Care (Pvt) Ltd and Browns Health Care North Colombo (Pvt) Ltd. The results of the disposal are as follows;

31.7.1.1 Consideration received

During the current financial year group has divested following subsidiaries;

For the year ended 31 March 2020	Controlling interest sold	Cash and cash equivalents paid	Other monetary assets	Fair value of the consideration received	Fair value of previously held interest	Total consideration of disposal
	%	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Browns Health Care	100.00%	1,600,000	352,260	1,952,260	-	1,952,260
Fair value of the consideration received		1,600,000	352,260	1,952,260	-	1,952,260

31.7.1.2 Fair values of the identifiable assets and liabilities of the disposed;

Fair values of the identifiable assets and liabilities of the disposed groups at the date of disposal were;

For the year ended 31 March 2020		BHCL	BHCNCL	Total
		Rs.'000	Rs.'000	Rs.'000
Assets				
Cash in hand and favourable bank balances		10,520	135	10,655
Inventories		47,845	-	47,845
Current tax assets		28,842	10	28,852
Trade and other current assets		200,928	186	201,114
Right-of-use assets	27	1,132	-	1,132
Intangible assets	34.5	359	-	359
Property, plant and equipment	35	1,174,017	255,586	1,429,603
Total assets		1,463,643	255,917	1,719,560
Liabilities				
Bank overdrafts		8,093	-	8,093
Financial Liabilities at Amortised Cost/ Interest bearing borrowings	38.4	1,327	-	1,327
Current tax payables	40.1	8,276	29,064	37,340
Trade and other payables		171,277	146,664	317,941
Retirement benefit obligations	43	11,847	-	11,847
Total liabilities		200,820	175,728	376,548
Net assets disposed		1,262,823	80,189	1,343,012

31.7.1.3 Gain on disposal of subsidiaries

	Note	Total Rs.'000
Total consideration received	31.7.1.1	1,952,260
De-recognition of non-controlling interests		(101,330)
Fair value of net assets disposed	31.7.1.2	(1,343,012)
Gain on disposal		507,918

31.7.1.4 Net cash received from divestment

	Note	Total Rs.'000
Purchase consideration received	31.7.1.1	1,952,260
Other monetary assets		(352,260)
Cash & cash equivalents acquired	31.7.1.2	
Positive cash balances		(10,655)
Bank overdrafts		8,093
Net cash received from divestment		1,597,438

31.8 Acquisition of non-controlling interests

During the financial year, Group acquired non-controlling interests from the following subsidiaries.

Subsidiary	% of NCI acquired Rs.'000	Consideration paid Rs.'000	Non-controlling interest acquired Rs.'000	Results on acquisitions Rs.'000
Creations Wooden Fabricators (Private) Limited	40.00%	3,500	(327)	3,173
PT Sarana Sumut Ventura	7.74%	100,049	(71,303)	28,746
		103,549	(71,630)	31,919

The results of non-controlling interests acquisitions (difference of net assets acquired over the consideration) were directly charged to equity under shareholder transactions.

31.9 NCI contribution to subsidiary share issues

	NCI contribution Rs.'000
Browns Leisure (Pvt) Ltd	5,000
LOLC (Pvt) Ltd	2,457,576
LOLC Cambodia Plc	111,484
LOLC Finance PLC	191
PT LOLC Management Indonesia	40,000
	2,614,250

31.10 Amalgamation of LOLC Micro Investments Limited with LOLC Holdings PLC

In compliance to the Section 242 of Companies Act No. 07 of 2007, LOLC Micro Investments Limited (LMIL) which was a fully owned subsidiary of the LOLC Holding PLC (holding company of the group) was amalgamated with LOLC Holdings PLC with effect from 30 June, 2019.

The carrying amounts of the identifiable assets and liabilities of the acquiree as at 30 June, 2019. is as follows;

	NCI contribution Rs.'000
Assets	
Cash and cash equivalents	146
Investment securities	176,130
Current tax assets	7
Trade and other current assets	179,158
Investments in group companies;	
Subsidiary companies	10,895,087
	11,250,528
Liabilities	
Trade and other payables	73
	73
Carrying amount of identifiable net assets acquired	**11,250,455**
Results of the acquisitions of above entity are as follows;	
Investment	2,603,000
Carrying amount of identifiable net assets merged	11,250,455
Resulting Loss	8,647,455

Since this business combination is within entities under the common control of the ultimate parent LOLC, no goodwill is recognised and upon the merger, the gain of Rs. 8,647Mn was recognised in equity of the Company.

31.10 Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

	Financial Services				Leisure & Entertainment	
As at 31 March 2020	LOFC	PAKOMAN	LOCAM	PRASAC	PALM	EDEN
NCI %	5.40%	49.90%	3.03%	30.00%	10.62%	11.18%
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total Assets	191,810,082	5,064,211	195,027,927	615,839,898	5,394,761	9,725,316
Total liabilities	160,520,429	2,399,062	167,167,947	533,935,315	2,272,515	8,684,135
Net assets	31,289,653	2,665,149	27,859,980	81,904,583	3,122,246	1,041,181
Gross Carrying amount of NCI	5,761,857	1,678,652	7,900,577	52,119,762	2,041,327	702,773
Gross income	43,001,537	1,148,780	26,430,982	72,928,141	289,744	672,883
Profit/ (Loss) for the period	3,779,684	(54,214)	6,392,946	19,042,077	(17,408)	(1,116,270)
OCI for the period	(211,268)	-	-	-	54,171	50,139
Profits/ (Loss) allocated to NCI	696,013	(34,147)	1,812,922	12,117,375	(11,382)	(753,456)
OCI allocated to NCI	(38,904)	-	-	-	35,417	33,843

	Financial Services				Leisure & Entertainment	
As at 31 March 2019	LOFC	PAKOMAN	LOCAM	PRASAC	PALM	EDEN
NCI %	6.67%	49.90%	18.55%	30.00%	10.62%	11.18%
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total Assets	211,031,713	3,163,052	120,917,785	455,335,891	5,052,516	9,699,198
Total liabilities	188,265,124	176,197	104,003,437	397,641,387	1,967,033	7,591,886
Net assets	22,766,589	2,986,855	16,914,348	57,694,504	3,085,483	2,107,312
Carrying amount of NCI	1,518,198	1,490,413	3,137,068	17,308,351	327,752	235,612
Gross income	46,159,553	760,273	16,952,784	53,706,685	1,217	893,645
Profit/ (Loss) for the period	5,962,868	80,246	3,842,560	13,743,881	(270,919)	869,459
OCI for the period	(50,266)	(224,809)	1,526,540	5,564,316	12,731	11,380
Profits/ (Loss) allocated to NCI	397,636	40,042	712,671	4,123,164	(28,778)	97,212
OCI allocated to NCI	(3,352)	(112,178)	283,124	1,669,295	1,352	1,272

		Manufacturing & Trading	Investment Holdings		Plantation & Power Generation			
NPHI	GPR	MDL	BCL	LOLCIPL	BIPLC	MPL	SBSLL	Total
49.00%	67.50%	61.27%	16.58%	6.76%	55.78%	28.00%	24.91%	
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
9,725,532	1,369,788	5,912,508	45,629,754	40,614,767	32,041,171	6,354,745	44,584,630	1,209,095,089
6,429,333	208,589	995,042	17,636,874	10,677,709	15,364,934	6,150,455	6,297,566	938,739,905
3,296,199	1,161,199	4,917,465	27,992,881	29,937,058	16,676,237	204,290	38,287,063	270,355,184
2,645,047	783,781	3,012,713	4,655,777	2,022,465	10,216,791	149,972	30,862,697	124,554,190
29	151,317	23,608	14,394,166	-	2,155,000	1,853,731	109,871	163,159,789
(15,295)	(67,187)	(138,671)	1,009,639	(1,096,092)	115,492	(944,111)	(2,223,667)	24,666,922
-	(50)	228	(10,335)	-	362,400	(50,333)	1,894,033	2,088,987
(12,274)	(45,350)	(84,958)	167,923	(74,049)	70,757	(693,081)	(1,792,468)	11,363,825
-	(34)	140	(1,719)	-	222,027	(36,950)	1,526,755	1,740,575

		Manufacturing & Trading	Investment Holdings		Plantation & Power Generation			
NPHI	GPR	MDL	BCL	LOLCIPL	BIPLC	MPL	SAGA	Total
49.00%	67.50%	61.27%	16.58%	44.29%	55.78%	28.00%	49.90%	
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
7,654,400	1,429,486	5,382,957	44,910,263	46,616,305	23,338,398	6,713,327	2,569,359	943,814,650
4,550,361	201,050	327,049	17,921,208	8,896,476	7,140,053	5,481,875	1,686,991	745,850,127
3,104,039	1,228,436	5,055,908	26,989,055	37,719,829	16,198,345	1,231,452	882,367	197,964,522
1,520,973	829,165	3,097,531	4,476,042	16,704,496	9,035,608	344,807	440,301	60,466,315
38	224,562	52,863	16,213,662	-	958,743	2,406,621	440,334	138,770,980
(12,161)	(20,421)	(89,300)	1,829,032	(912,061)	(318,642)	(28,455)	39,986	24,716,073
341,480	(621)	-	929,353	(948,368)	(54,566)	(51,196)	-	7,055,974
(5,959)	(13,783)	(54,710)	303,339	(403,913)	(177,742)	(7,967)	19,953	5,001,164
167,325	(419)	-	154,130	(419,992)	(30,438)	(14,335)	-	1,695,786

32 Equity accounted investees

32.1 Company

As at 31 March	2020 No. of Shares	2020 Cost Rs. 000	2019 No. of Share	2019 Cost Rs. 000
Agstar PLC	60,213,500	390,184	60,213,500	390,184
Galoya Plantations (Private) Limited	27,267,058	348,702	27,267,058	348,702
Seylan Bank PLC	111,968,572	3,488,227	79,955,301	2,775,115
Sierra Construction (Private) Limited	-	-	12,488,250	600,000
Sierra Holding (Private) Limited	-	-	4,494,492	200,000
		4,227,113		4,314,001

32.2 Group holdings in equity accounted investees

Details of the Group's equity accounted investees at the end of the reporting period are as follows;

As at 31 March		Proportion of ownership interest held by the Group			
		2020		2019	
Investee	Investor Company	No. of Share	Holding %	No. of Share	Holding %
1. Associated Battery Manufacturers (Ceylon) Limited (ABM)	SFL	2,439,355	38.50%	2,439,355	38.50%
2. Agstar PLC (AFPLC) - Group	LOLC	60,213,500	18.53%	60,213,500	18.53%
	BIL	40,520,061	12.47%	40,520,061	12.47%
	Total AFPLC	100,733,561	30.99%	100,733,561	30.99%
3. BPPL Holdings PLC	LOIV	80,546,372	26.25%	80,546,372	26.25%
4. Commercial Insurance Brokers (Private) Limited (CIB)	CLC	240,000	40.00%	240,000	40.00%
5. Galoya Plantations Limited (GPL)	LOLC	27,267,058	26.95%	27,267,058	26.95%
	BCL	22,309,413	22.05%	22,309,413	22.05%
	Total GPL	49,576,471	49.00%	49,576,471	49.00%

As at 31 March		Proportion of ownership interest held by the Group			
		2020		2019	
Investee	Investor Company	No. of Share	Holding %	No. of Share	Holding %
6. Seylan Bank PLC - Group	LOLC (NV)	111,968,446	44.41%	83,080,731	43.93%
	LOLC (V)	126	-	94	-
V - Voting shares	LOIV (V)	24,019,937	9.55%	18,014,953	9.55%
NV - Non-voting shares	BCL (V)	34,892,389	13.87%	26,169,292	13.87%
	CLC (NV)	110,806	0.04%	83,104	0.04%
	LOITS (NV)	2,201,808	0.87%	1,646,856	0.87%
	Total - V	58,912,452	23.43%	44,184,339	23.43%
	Total - NV	114,281,060	45.32%	84,810,692	44.85%
7. Sierra Construction (Private) Limited (SCPL) - Group	LOLC	-	-	99,906,000	10.00%
	BIL	199,812,000	19.99%	99,906,000	9.99%
	Total SCPL	199,812,000	19.99%	199,812,000	20.00%
8. Sierra Holdings Limited (SHL) - Group	LOLC	-	-	4,494,492	10.00%
	BIL	8,988,984	19.98%	4,494,492	9.99%
	Total SHL	8,988,984	19.98%	8,988,984	20.00%
9. Taprobane Plantation Limited (TPL)	BIL	22,500	44.94%	22,500	44.94%
10. Virginia International Limited (VIL)	BIL	800,000	40.00%	800,000	40.00%
11. NPH Development (Pvt) Ltd	NPHI	161,999	50.00%	161,999	50.00%
12. Patronus Wealth Holdings Limited	LOPL	2,000,000	20.00%	2,000,000	20.00%

32.3 The summarised financial information of equity accounted investees for the year ended 31 March 2020 not adjusted for the percentage of ownership held by the Group;

Component	Principal Activities	As at 31 March 2020 Total Assets	Total Liabilities	Equity	For the year ended 31 March 2020 Income	Expenses	Profit or loss	Other comprehensive income
ABM	Battery manufacturing	2,532,294	2,075,683	456,611	3,733,333	(4,361,553)	(628,220)	-
AFPLC	Fertiliser manufacturing	5,909,354	2,884,696	3,024,658	1,766,836	(1,628,847)	137,989	65,720
Beira	Brush manufacturing	5,032,478	2,157,202	2,875,276	2,902,882	(2,497,327)	405,555	-
CIB	Insurance broking	343,002	74,938	268,064	274,462	(236,650)	37,812	70
GPL	Sugar plantations	3,844,074	11,365,618	(7,521,543)	3,790,122	(5,220,262)	(1,430,140)	143,574
SBPLC	Banking	521,023,046	472,198,794	48,824,252	25,114,472	(21,233,446)	3,881,026	1,855,593
SCPL	Construction	23,370,822	20,678,419	2,692,403	16,041,503	(17,118,247)	(1,076,744)	105,811
SHL	Investing	39,560,441	30,299,829	9,260,612	23,691,433	(23,519,908)	171,525	271,564
TPL	Entertainment operations	266,998	377,304	(110,306)	64,870	(121,676)	(56,806)	-
VIL	Non-operational	17,767	190	17,577	237	(164)	73	-
NPHD	Mix development	1,494,832	1,191,005	303,827	-	(48,655)	(48,655)	6,972
PATRONUS	Wealth Management	1,229,573	658,830	570,743	119,456	(530,046)	(410,590)	-
		604,624,683	543,962,510	60,662,174	77,499,607	(76,516,782)	982,825	2,449,305

32.4 Fair values of equity accounted investees

The Directors' valuation of investments in equity accounted investees has been done on net assets basis. The following associates are listed in the Colombo Stock Exchange and their market value details given below;

As at 31 March	Group 2020 No. of Shares	2020 Market value Rs. 000	2019 No. of Shares	2019 Market value Rs. 000
Agstar PLC	100,733,561	312,274	100,733,561	503,668
Seylan Bank PLC - voting shares	58,912,452	1,973,567	44,184,339	2,774,776
Seylan Bank PLC - non-voting shares	114,281,060	2,525,611	84,810,692	3,044,704
BPPL Holdings PLC	80,546,372	612,152	80,546,372	797,409
		5,423,605		7,120,557

Quoted equity securities

The COVID 19 pandemic has significantly affected financial markets in the first quarter of the year 2020. Stock markets have declined sharply and volatility has been increased. Significant drop in trade volumes, decline or absence of a market for new issuances, decrease in correlations between asset/liability values and related share price indices and subsequent closure of the Colombo Stock Exchange for trading indicated an inactive stock market as at 31 March 2020. (last date of trading as the CSE's Trading Floor was closed from 23/03/2020 to 31/03/2020 and accordingly management obtain the closing price published by CSE as of 31 March 2020 for the above valuation.

32.5 Gain on Bargaining Purchase of equity accounted investees

32.5.1 Financial Year 2020

Seylan Bank PLC

LOLC group has increase it's ownership stake in Seylan Bank PLC (SEYB) which accounted as equity accounted investees (associate) in the LOLC group financials till 31 March 2020 using equity accounting under LKAS 27. Group increase it's ownership in SEYB by 0.24%.

The results of the disposal shown below;

For the year ended 31 March 2020	Group Rs.'000
Investment made	34,765
Net assets acquired	110,522
Goodwill on acquisition / (Gain on bargain purchase)	(75,758)

The gain on acquisition of SEYB recognised in the profit or loss under "Results on acquisition and divestment of Group investments.

32.6 Equity value of investment in equity accounted investees to the Group

	For the year ended 31 March 2020					Share of OCI	
		As at 01 April 2019	Acquisitions / (disposals)	Other equity movements	Share of profit / (loss) net of tax	never be reclassified to profit or loss	to be classified to P/L
	Equity accounted investee	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1	ABM	417,058	-	-	(241,865)	-	-
2	AFPLC	1,190,333	-	-	42,763	20,367	-
3	Beira	568,130	-	-	112,627	-	-
4	CIB	98,040	-	-	15,125	28	-
5	GPL	-	-	-	-	-	-
6	SBPLC	13,149,903	1,433,297	-	1,310,759	146,745	489,352
7	SCPL	1,281,202	-	-	(207,307)	55,634	(826)
8	SHL	963,048	-	-	94,314	22,190	(642)
9	VIL	4,137	-	-	-	-	-
10	NPHD	158,160	-	-	(24,328)	-	14,154
11	PATRONUS	211,577	-	-	(82,118)	-	-
12	Venture Capital	4,246	-	-	-	-	-
		18,045,834	1,433,297	-	1,019,970	244,964	502,038

	For the year ended 31 March 2019					Share of OCI	
		As at 01 April 2018	Acquisitions / (disposals)	Other equity movements	Share of profit / (loss) net of tax	never be reclassified to profit or loss	to be classified to P/L
	Equity accounted investee	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1	ABM	366,625	-	-	67,508	-	-
2	AFPLC	1,164,144	-	(7,786)	74,631	(30,584)	-
3	Beira	525,212	-	-	109,792	38,609	(14,899)
4	CIB	90,961	-	-	13,210	(131)	-
5	GPL	-	-	-	-	-	-
6	SBPLC	12,685,225	-	-	1,007,219	53,039	92,376
7	SCPL	1,346,434	-	-	(68,020)	(11,447)	2,372
8	SHL	991,425	-	-	(24,770)	(21,591)	2,995
9	VIL	4,137	-	-	-	-	-
10	NPHD	991	167,426	-	(10,294)	-	37
11	PATRONUS	271,992	-	-	(60,415)	-	-
12	Venture Capital	4,246	-	-	-	-	-
		17,451,392	167,426	(7,786)	1,108,860	27,895	82,881

Dividend received Rs. '000	Foreign currency translations Rs. '000	Gain on bargain purchase Rs. '000	As at 31 March 2020 Rs. '000
-	-	-	175,193
(20,144)	-	-	1,233,319
(33,829)	-	-	646,928
(8,400)	-	-	104,793
-	-	-	-
-	-	75,758	16,605,814
-	(522)	-	1,128,181
-	(406)	-	1,078,504
-	-	-	4,137
-	3,486	-	151,472
-	-	-	129,459
-	-	-	4,246
(62,373)	2,558	75,758	21,262,046

Dividend received Rs. '000	Foreign currency translations Rs. '000	Impact due to IFRS 09 & 15 Rs. '000	As at 31 March 2019 Rs. '000
(17,076)	-	-	417,058
(10,072)	-	-	1,190,333
(33,827)	(56,757)	-	568,130
(6,000)	-	-	98,040
-	-	-	-
(97,518)	-	(590,437)	13,149,903
-	11,864	-	1,281,202
-	14,989	-	963,048
-	-	-	4,137
-	-	-	158,160
-	-	-	211,577
-	-	-	4,246
(164,493)	(29,903)	(590,437)	18,045,834

33 Deferred tax assets and liabilities

33.1 Recognised deferred tax assets

Deferred tax assets are attributable to the origination of following temporary differences:

As at 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Accelerated depreciation for tax purposes – Own assets	(53,090)	(191,625)	-	-
Accelerated depreciation for tax purposes – Leased assets	73,789	-	-	-
Investment Properties	(39,656)	-	-	-
Lease Receivables	(205,307)	4,579,824	-	-
Unutilised Tax Losses	2,799,391	3,417,064	-	-
Provision for inventories	3,647	-	-	-
Employee benefits	1,357,598	1,563,503	-	-
General Provisions	668,729	4,291,980	-	-
Operating lease assets unamortised VAT	-	-	-	-
Provision for loan loss impairment	114,817	-	-	-
Unrealised loss on exchange	28,687	134,488	-	-
Hedging reserve	-	-	-	275
Others	(16,350)	(64,221)	-	-
Net deductible temporary difference	4,732,255	13,731,012	-	275
Total recognised deferred tax assets	1,259,639	2,123,566	-	275

33.2 Movement in recognised deferred tax assets

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance as at 01 April		2,123,566	1,914,813	275	-
Originations / Reversal to the Income Statement from continuing operations		419,499	(18,984)	-	-
Originations / Reversal to the Income Statement from discontinued operations		-	453,069	-	-
Amount originating/(reversing) to retained earnings (Deferred tax on SLFRS 9/15 and 16 Transitional adjustments)		13,533	(346,027)		
Directly charged to the equity	33.7	5,178	3,153	-	-
Effect of amalgamation		-	-	-	275
Other adjustments / transfers		214,082	(63,350)	-	
Exchange translation difference		175,357	180,892	(275)	-
Reclassified to discontinuing operations		(1,691,576)	-	-	-
Balance as at 31 March		1,259,639	2,123,566	-	275

33.3 Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the origination of following temporary differences:

As at 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Accelerated depreciation for tax purposes – Own assets	5,429,866	8,091,796	632,533	615,403
Accelerated depreciation for tax purposes – Leased assets	406,840	11,459	10,446	11,459
Revaluation surplus on freehold buildings	1,915,163	1,505,290	-	-
Revaluation surplus on freehold land	2,928,167	2,746,159	-	-
Investment properties	3,642,289	1,194,998	99,843	25,716
Lease receivables	6,357,996	3,013,750	(55,063)	(740)
Unutilised tax losses	(1,409,576)	(2,633,075)	-	-
Provision for inventories	(654,093)	(282,552)	-	-
Employee benefits	(986,547)	(543,901)	(320,391)	(347,415)
General provisions	(1,326,109)	(624,255)	-	-
Forward exchange contracts assets	62,811	(37,910)	-	-
Consumable biological assets	3,643,065	3,788,607	-	-
Bearer biological assets	1,176,624	1,192,214	-	-
Unrealised loss on exchange	-	48,037	-	-
Hedging reserve	358,137		-	-
Other movements	1,497,233	2,449,720	-	-
Net taxable temporary difference	23,023,866	19,920,336	367,368	304,423
Total recognised deferred tax liabilities	5,010,253	5,296,333	384,999	367,318

33.4 Movement in recognised deferred tax liabilities

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance as at 01 April		5,296,333	4,935,030	367,318	323,146
Originations / Reversal to the Income Statement from continuing operations		(281,028)	130,995	(622)	48,812
Amount originating/(reversing) to retained earnings (Deferred tax on SLFRS 9/15 and 16 Transitional adjustments)		-	(291,836)	-	-
Directly charged to the equity		(4,336)	471,888	18,578	1,286
Recognition of Previously Unrecognised Deferred Tax		-	-	-	-
Impact due to rate change		-	-	-	-
Other adjustments / transfers		(1,514)	48,489	(275)	(5,926)
Exchange translation difference		798	1,767	-	-
Balance as at 31 March		5,010,253	5,296,333	384,999	367,318

33.5 Deferred tax expense

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Deferred tax assets					
Originations / reversal during the period	33.2	(419,499)	18,984	-	-
Deferred tax liabilities					
Originations / reversal during the period	33.4	(281,028)	130,995	(622)	(38,248)
Impact due to rate change		-	-	(275)	(10,564)
		(700,527)	149,979	(897)	(48,813)

33.6 Unrecognised deferred tax assets for deferred taxation

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available in respective group companies against which the Group can utilise the benefits there from.

As at 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Unutilised tax losses	25,242,527	15,440,408	10,002,020	3,438,163
	25,242,527	15,440,408	10,002,020	3,438,163

33.7 Deferred tax liability charged directly to equity

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Charged to / reversed from					
Deferred tax assets	33.2	(5,178)	(3,153)	-	-
Deferred tax liabilities	33.4	(4,336)	471,888	18,578	1,286
	15.9	(9,514)	468,735	18,578	1,286

According to Sri Lanka Accounting Standard - LKAS 12 “Income Taxes”, deferred tax shall be charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or in a different period, directly to equity. Accordingly, the deferred tax liability or asset arising on revaluation of Property, Plant & Equipment & Acturial Gain or (Loss) of the Group was charged directly to revaluation reserve and Retained Earnings in the Statement of Changes in Equity in 2019/20.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax has been computed at 28% for all standard rate companies (including listed companies), and at 14% for leisure Group companies and at rates as disclosed in notes 15.7. The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

33.8 Deferred tax assets and liabilities set offs

Net deferred tax assets / liabilities of one entity cannot be set-off against another entity’s assets and liabilities since there is no legally enforceable right to set-off. Therefore net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

34 Intangible assets

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Goodwill on acquisition	34.1	2,661,847	14,494,566	-	-
Other intangible assets	34.5				
Computer Software		516,300	664,362	78,828	116,665
License and fees	34.6	350,348	425,364	280,584	355,600
Brand value	34.7	-	9,480	-	-
Right to generate solar power	34.8	121,718	128,525	-	-
Capital Work-in-Progress (CWIP)		91,076	106,025	54,128	18,614
Total		3,741,289	15,828,322	413,539	490,878

34.1 Goodwill on acquisition

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000
Cost recognised at the point of acquisition	34.2	2,257,167	12,665,035
Effect on currency translation	34.4	463,680	1,888,531
Allowance for impairment		(59,000)	(59,000)
		2,661,847	14,494,566

34.1.1 Net carrying value of goodwill

Goodwill arising on business combinations have been allocated to the following segments for impairment testing. Each segment consists of several cash generating units (CGU's).

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The key assumptions used are given below;

- Business growth – Based on the long-term average growth rate for each business unit. The weighted average growth rate used is consistent with the forecasts included in industry reports.
- Inflation – Based on current inflation rate.
- Discount rate – Risk free rate adjusted for the specific risk relating to the industry.
- Margin – Based on past performance and budgeted expectations.

Pre-tax discount rates - Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and derived from its Weighted Average Cost of Capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected rate of return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowing the Group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Terminal growth rate – The forecasted terminal growth rate used does not exceed the longterm average growth rate of the industry and country in which the entities operate.

Having evaluated the business continuity plans and cash flows of each cash generating unit where the Group has recognised a goodwill, the Group determined that no impairment provision is required for the carrying value of goodwill due to the COVID-19 pandemic as at the reporting date.

34.2 Cost of the goodwill recognised at the point of acquisition

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000
Ajax Engineers (Private) Limited		10,390	10,390
LOLC Development Finance PLC		400,364	400,364
Ceylon Roots (Private) Limited		46,831	46,831
Commercial Leasing and Finance Company PLC		151,415	151,415
Creations Wooden Fabricators (Private) Limited		8,671	8,671
Excel Restaurant (Private) Limited		20,524	20,524
Palm Garden Hotels PLC		180,299	180,299
Saga Solar Power (Private) Limited		5,038	5,038
Speed Italia Limited		59,000	59,000
Sun & Fun Resorts (Private) Limited		57,643	57,643
LOLC Cambodia Plc - LOCAM		990,000	990,000
PRASAC Microfinance Institution Limited - classified as held for sale		10,414,787	10,414,787
Pak Oman Microfinance Bank Ltd (POMB)		100,784	100,784
NPH Investment (Pvt) Ltd (NPHI)		27,481	27,481
PT LOLC Management Indonesia (PTLMI)		184,831	184,831
Gurind Accor (Pvt) Ltd	31.6.2.4	6,977	6,977
LOLC GEO Technologies (Pvt) Ltd	31.6.1.4	6,919	-
Transfer to assets held for sale		(10,414,787)	-
		2,257,167	12,665,035

Goodwill as at the reporting date has been tested for impairment.

34.3 Effect on currency translation

Goodwill arising on the acquisition of LOCAM, PRASAC, Pak Oman, NPHI and PTLMI (an foreign operations) was treated as an asset of the foreign operation. Thus it was expressed in the functional currency of the foreign operation and translated at the closing rate.

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000
Cost recognised at the point of acquisition		11,717,883	11,717,883
Transfer to assets held for sale		(10,414,787)	-
Accumulated effect on currency translation	34.4	463,680	1,888,531
		1,766,776	13,606,414

34.4 Accumulated effect on currency translation

Balance as at 01 April	**1,888,531**	461,855
Effect on currency translation	**1,085,813**	1,426,676
Transfer to assets held for sale	**(2,510,664)**	-
Balance as at 31 March	**463,680**	1,888,531

34.5 Other intangible assets

	Computer Software	License and fees	Brand value	Customer base	Right to generate solar power	Capital Work-in-Progress (CWIP)	Total 2019/2020	Total 2018/2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Note		34.6	34.7	34.7	34.8			
Cost								
Balance as at 01 April 2019	1,897,325	525,422	94,785	49,422	146,919	106,025	2,819,898	2,092,749
Additions	193,514	9,719	-	-	-	75,031	278,264	645,377
Disposals	-	-	-	-	-	-	-	(4,606)
Transfers	89,980	-	-	-	-	(89,980)	-	(2,732)
Acquisition of Subsidiaries	179,000	-	-	-	-	-	179,000	-
Disposal of Subsidiaries	(9,921)	-	-	-	-	-	(9,921)	-
Transfer to assets held for sale	(700,620)	-		-	-	-	(700,620)	-
Exchange translation difference	67,168	-	-	-	-	-	67,168	89,111
Balance as at 31 March 2020	1,716,446	535,141	94,785	49,422	146,919	91,076	2,633,789	2,819,898
Accumulated amortisation and Impairment losses								
Balance as at 01 April 2019	1,232,964	100,057	85,305	49,422	18,394		1,486,142	1,198,871
Amortisation for the year from continuing operations	118,482	84,735	9,480	-	7,346		220,043	199,456
Amortisation for the year from discontinued operations	60,179	-	-	-	-		60,179	51,677
Transfers	-	-	-	-	(539)		(539)	-
Acquisition of Subsidiaries	178,999	-	-	-	-		178,999	-
Disposal of Subsidiaries	(9,562)	-	-	-	-		(9,562)	-
Transfer to assets held for sale	(419,658)	-	-	-	-		(419,658)	-
Exchange translation difference	38,743	-	-	-	-		38,743	36,139
Balance as at 31 March 2020	1,200,147	184,793	94,785	49,422	25,201		1,554,348	1,486,143
Carrying amount								
Balance as at 31 March 2020	516,300	350,348	-	-	121,718	91,076	1,079,442	
Balance as at 01 April 2019	664,362	425,364	9,480	-	128,525	106,025		1,333,756

34.6 License and fees

This includes the license obtained by LOLC Securities Limited (LOSEC) to operate as a registered stock broker in the Colombo Stock Exchange (CSE) in 2010/11 financial period. The cost of the license amounted to Rs. 28,242,784/- and the remaining carrying amount as at 31 March 2020 is Rs. 28,242,784/-.

34.7 Brand value and customer base

These intangible assets were recognised with the acquisition of Commercial Leasing and Finance PLC in May 2008. These intangible assets identified are separable from the goodwill arose on the acquisition and are recognised based on the present value of the future cash flows separately identified for these assets.

	Initial estimation	Remaining useful life
The estimated useful lives are as follows;		
Brand value	10 Yrs	-
Customer base	5 Yrs	-

34.8 Right to generate solar power

The right represents amount paid to purchase an exclusive right to generate solar electric power. Group will amortise this right over 20 years on a straight line basis beginning from the year of commercial operations.

34.9 Other Intangible assets

Company	Computer Software	License and fees	Capital Work-in-Progress (CWIP)	Total 2019/2020	Total 2018/2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost					
Balance as at 01 April 2019	625,995	427,308	18,614	1,071,917	663,070
Additions	19,846	9,719	35,514	65,079	408,847
Balance as at 31 March 2020	645,841	437,027	54,128	1,136,996	1,071,917
Accumulated Amortisation and Impairment losses					
Balance as at 01 April 2019	509,330	71,708		581,039	442,692
Amortisation during the year	57,683	84,735		142,418	138,347
Balance as at 31 March 2020	567,013	156,443		723,457	581,039
Carrying Amount					
Balance as at 31 March 2020	78,828	280,584	54,128	413,539	
Balance as at 01 April 2019	116,665	355,600	18,614	-	490,878

35 Property, plant and equipment

Group	Freehold Lands	Leasehold Lands	Freehold Buildings	Leasehold Buildings	Freehold Motor Vehicles	Leasehold Motor Vehicles	Furniture & Fittings
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/ valuation							
Balance as at 01 April	21,006,071	535,704	6,983,233	1,653,015	2,970,558	4,037,346	3,043,554
Additions	29,443	-	135,088	53,646	139,993	-	314,044
Revaluations	1,116,294	-	12,726	-	-	-	-
Disposal	-	-	-	(31,847)	(208,347)	(143,030)	(105,604)
Transfers / WIP transfers	117,180	-	4,612,730	28,299	40,654	(9,165)	328,184
Transfers - Investment Properties	1,629,705	-	214,250	-	-	-	-
Acquisition of subsidiaries	-	-	1,755,360	-	1,460,254	-	-
Disposal of subsidiaries	(403,000)	-	(750,977)	-	(7,358)	-	(87,071)
Transfer from ROU	-	-	-	-	-	-	-
Impairment charges	(760,000)	-	-	-	-	-	-
Transfer to assets held for sale	-	(58,377)	-	(437,305)	(617,811)	(3,150)	(936,909)
Exchange translation difference	(4,083)	-	68,386	31,968	134,073	-	75,183
Balance as at 31 March	22,731,610	477,327	13,030,796	1,297,776	3,912,016	3,882,001	2,631,381
Accumulated depreciation and impairment losses							
Balance as at 01 April		140,886	308,297	535,486	1,900,132	999,936	2,113,293
Charge for the year from continuing operations		12,538	168,015	58,034	161,973	387,657	266,408
Charge for the year from discontinued operations		2,046	-	39,784	65,446	189	84,466
Disposal		-	-	(30,854)	(128,151)	(49,430)	(80,623)
Transfers / WIP transfers		-	-	-	17,909	(4,975)	(99)
Transfers - Investment Properties		-	-	-	-	-	-
Acquisition of subsidiaries		-	651,967	-	1,450,413	-	-
Disposal of subsidiaries		-	(93,749)	-	(7,353)	-	(37,917)
Transfer to assets held for sale		(9,259)		(316,271)	(464,986)	(3,150)	(736,721)
Exchange translation difference		-	26,499	22,119	120,417	-	56,787
Balance as at 31 March		146,211	1,061,029	308,298	3,115,800	1,330,227	1,665,594
As at 31 March 2020	22,731,610	331,116	11,969,767	989,478	796,215	2,551,774	965,788
As at 31 March 2019	21,006,071	394,818	6,674,936	1,117,529	1,070,425	3,037,410	930,262

Office Equipment	Computers	Freehold Plant & Machinery	Leasehold Machinery	Assets on Operating Leases	Other Tangible Assets	Immovable (JED/SLSPC) Assets on Finance Lease (Other than Bare land)	Capital Work-in-Progress (CWIP)	Total 2019/20	Total 2018/19
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
					35.1	35.2			
1,492,763	3,748,699	1,633,255	45,846	74,548	4,306,514	114,648	16,426,056	68,071,812	59,506,898
303,724	560,976	1,121,106	9,870	-	194,743	-	6,223,334	9,085,967	8,348,675
-	-	-	-	-	-	-	-	1,129,020	2,160,982
(72,822)	(165,085)	(721)	-	(22,000)	(239)	-	(145,988)	(895,683)	(661,648)
187,537	124,849	476,899	(45,846)	(30,443)	(366,134)		(6,097,222)	(632,478)	113,269
-	-	-	-	-	-	-	(31,796)	1,812,159	(2,796,994)
-	-	27,833,130	-	-	31,203,260	-	67,633	62,319,637	105,887
-	(27,788)	(91,644)	-	-	(458,246)	-	-	(1,826,084)	-
-	-	-	-	-	-	-	77,308	77,308	-
-	-	-	-	-	-	-	(14,893)	(774,893)	(1,569)
(78,927)	(1,384,778)	(4,686)	-	-	(2,612)	-	(157,083)	(3,681,638)	-
10,271	132,081	1,151,232	-	-	1,689,553	-	1,124,427	4,413,091	1,296,310
1,842,546	2,988,954	32,118,571	9,870	22,105	36,566,839	114,648	17,471,776	139,098,218	68,071,811
1,024,585	2,462,804	956,408	15,632	43,390	776,930	114,388		11,392,167	9,213,881
232,004	442,728	492,185	-	1,013	749,548	-		2,972,103	1,922,372
7,155	196,501	958	-	-	482	-		397,027	375,051
(75,460)	(159,836)	(469)	-	(19,184)	(239)	-		(544,246)	(467,700)
-	(187)	12,227	(12,227)	(13,559)	880	-		(31)	5,134
-	-	-	-	-	-			-	(9,442)
-	-	9,836,935	-	-	12,954,128	-		24,893,443	53,559
-	(23,776)	(41,859)	-	-	(191,826)	-		(396,480)	-
(47,682)	(1,020,727)	(4,045)			(1,975)			(2,604,816)	
6,151	88,737	406,721	-	-	534,730	-		1,262,161	299,312
1,146,753	1,986,244	11,659,061	3,405	11,660	14,822,658	114,388		37,371,328	11,392,167
695,793	1,002,711	20,459,510	6,465	10,445	21,744,181	259	17,471,776	101,726,889	
468,178	1,285,896	676,847	30,214	31,158	3,529,584	259	16,426,056		56,679,644

35.1 Other Tangible Assets

Group	Water Sanitation & Others	Roads & Bridges	Cutlery, Crockery & Glassware	Linen & Furnishing	Swimming Pool	Tools & Equipments	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	(Rs.)	Rs. '000	Rs. '000
Cost/ valuation								
Balance as at 01 April	24,335	16,780	35,400	85,525	129,736	134,315	3,880,424	4,306,514
Additions	-	878	1,734	6,001	6,540	173,724	5,866	194,743
Disposal	-	-	-	-	-	-	(239)	(239)
Transfers / WIP transfers	-	-	141,943	23,718	45,939	(61,569)	(516,165)	(366,134)
Acquisition of subsidiaries	-	681,857	-	-	-	17,065,427	13,455,976	31,203,260
Disposal of subsidiaries	-	-	-	-	-	(15,606)	(442,640)	(458,246)
Transfer to assets held for sale	-	-	-	-	-	(2,612)	-	(2,612)
Exchange Translation Difference	-	27,122	-	-	-	1,117,084	545,347	1,689,553
Balance as at 31 March 2020	24,335	726,637	179,077	115,244	182,215	18,410,763	16,928,569	36,566,839
Accumulated depreciation								
Balance as at 01 April	19,362	4,444	27,652	74,680	12,991	59,791	578,009	776,930
Charge for the year from continuing operations	653	5,063	7,178	13,703	13,923	370,983	338,045	749,548
Charge for the year from discontinued operations	-	-	-	-	-	482	-	482
Disposal	-	-	-	-	-	-	(239)	(239)
Transfers / WIP transfers	-	-	-	-	-	880	-	880
Acquisition of subsidiaries	-	668,567	-	-	-	6,273,708	6,011,853	12,954,128
Disposal of subsidiaries	-	-	-	-	-	(9,802)	(182,024)	(191,826)
Transfer to assets held for sale	-	-	-	-	-	(1,975)	-	(1,975)
Exchange translation difference	-	26,603	-	-	-	263,436	244,691	534,730
Balance as at 31 March 2020	20,015	704,677	34,830	88,383	26,914	6,957,503	6,990,335	14,822,658
Carrying Amount								
Balance as at 31 March 2020	4,320	21,960	144,246	26,860	155,301	11,453,260	9,938,234	21,744,181
Balance as at 01 April	4,973	12,336	7,747	10,844	116,745	74,524	3,302,415	3,529,584

35.2 Revaluation of land and buildings

Accounting judgements,estimates and assumptions

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These 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. The date of the most recent revaluation was carried out on 31 March 2018.

As a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ended 31 March 2020, a reassessment of the valuations were obtained by the same independent professional valuers who determined there was no significant change to the revalued carrying amount provided as at 31 March 2019.

The changes in fair value recognised in other comprehensive income and in the statement of equity. The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property. Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

35.2.1 Summary description of valuation methodologies

Open market value method (OMV)

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

Direct capital comparison method (DCC)

This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the capitalised value of the property is fixed by direct comparison with capitalised value of similar property in the locality.

Contractors method (CM)

The replacement cost (contractor's) method is used to value properties which do not generally exchange on the open market and for which comparable evidence therefore does not exist. The valuations are based on two components: the depreciated cost of the building element and the market value of the land. Current build costs and often the land price will be established by comparison.

Investment method (IM)

The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

35.3 Carrying value of fully depreciated assets

The following Property, plant and equipment have been fully depreciated and continue to be in use by the Group.

For the year ended	31 Mar 2020 Rs'000	31 Mar 2019 Rs'000
Cost of the fully depreciated assets	2,796,902	2,482,854

35.4 Temporarily Idle Property, Plant and Equipment

There were no idle property, plant and equipment as at the reporting date (2018/19: Nil).

35.5 Property, Plant and Equipment Retired from Active Use

There were no property, plant and equipment retired from active use as at the reporting date (2018/19: Nil).

35.6 Title Restriction on Property, Plant and Equipment

There were no restriction on the title of property, plant and equipment as at 31st March 2020.

35.7 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of property, plant and equipment pledged as securities for liabilities other than those disclose in Note 48 to these financial statements.

35.8 Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensation received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up (2018/19: Nil).

35.9 Borrowing Cost Capitalisation

Borrowing Costs incurred on borrowings obtained to finance the acquisition, construction or production of qualifying asset, which takes substantial period of time to get ready for its intended use or sale, have been capitalised during the year. The borrowing cost capitalisation will be ceased when the respective asset is ready for use.

	31 Mar 2019 Rs'000	31 Mar 2018 Rs'000
Capitalised borrowing costs	425,139	635,680

The Group ceased its borrowing cost capitalisation for the qualifying assets under construction as per LKAS 23 immediately post lockdown of the Capital due to the COVID-19 outbreak. As per the requisite policy, the Group reviewed the carrying values of property plant and equipment as at the reporting date especially the potential impact the COVID-19 pandemic could have on the Group's assets and determined that no impairment is necessary as each subsidiary in the Group has evaluated their business continuity plans and is satisfied that each of them has taken necessary steps to safeguard the assets.

35.10 The capitalised depreciation costs related to the construction of property, plant & equipment during the year is Rs. 6.02Mn (2018/19 - Rs. Nil).

35.11 Impairment of Property plant and equipments

There has been an impairment of property, plant & equipment amounting to Rs. 775 mn (2019 - 2mn).

The impairment loss was recognised on land hold by the Group

As per the requisite policy, the Group reviewed the carrying values of property plant and equipment as at the reporting date especially the potential impact the COVID-19 pandemic could have on the Group's assets and determined that no impairment is necessary as each subsidiary in the Group has evaluated their business continuity plans and is satisfied that each of them has taken necessary steps to safeguard the assets.

35.12 Immovable (JEDB/SLSPC) estate assets on Finance Lease (other than bare land)

Group As at 31 March 2019	Improvements to lands Rs. '000	Buildings Rs. '000	Machinery Rs. '000	Water sanitation Rs. '000	Roads and bridges Rs. '000	Other vested assets	Total
Capitalised value							
Balance as at 01 April	7,173	82,243	16,798	6,610	501	1,323	114,648
Additions	-	-	-	-	-	-	-
Balance as at 31 March 2020	7,173	82,243	16,798	6,610	501	1,323	114,648
Accumulated amoritsation							
Balance as at 01 April 2018	5,648	82,243	16,798	6,610	242	1,323	112,864
Charged for the period	1,525	-	-	-	-	-	1,525
Balance as at 31 March 2019	7,173	82,243	16,798	6,610	242	1,323	114,389
Charged for the period	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Balance as at 31 March 2020	7,173	82,243	16,798	6,610	242	1,323	114,389
Carrying Amount							
Balance as at 31 March 2020	-	-	-	-	259	-	259
Balance as at 31 March 2019	-	-	-	-	259	-	259

Right-To-Use of Land on Lease (Leasehold Rights to Bare Land of JEDB/SLSPC Estates)

Lease agreements of all JEDB/SLSPC estates handed over to the Group's Sub Subsidiary Maturata Plantations Limited have been executed to date. All of these leases are retroactive to 15/22 June 1992, the dates of formation of the Group's Sub Subsidiary. The leasehold rights to the bare land on all of these estates have been taken into the books of the Group's Sub Subsidiary on 15/22 June 1992, immediately after formation of the Group's Sub Subsidiary, in terms of the ruling obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, Board of the Group's Sub Subsidiary decided at its meetings that lease bare land would be revalued at the value established for this land by Valuation Specialist Dr. D. R. Wickramasinghe just prior to the formation of the Group's Sub Subsidiaries. The values as at 22 June 1992 and 15 June 1992 were taken in to the books of Maturata Plantations Limited.

Since the fair value of revalued assets differs materially from its carrying amount, the Board of Directors of Maturata Plantations Limited on 20 December 2005 has decided a further revaluation to be carried out as at 31 December 2005. The net amounts have been restated to the new valuation carried out by an independent and qualified valuer, Mr.K.Arther Perera.

The carrying value of Leasehold Right to bare land of JEDB/SLSPC Estates of the Company that would have been included in the Financial Statements as at 31 March 2020 had the asset been carried at initial valuation less accumulated amortisation.

The Company adopted the application guidelines issued by the Institute of Chartered Accountants of Sri Lanka at the date of transition to SLFRS 16 (i.e 1 Apri 2019). As per these guidelines there was no impact to the carrying amount of the leasehold right to JEDB/ SLSPC lands as at 1 April 2019.

The right to use bare land on lease of JEDB/SLSPC estates is being amortised by equal amounts over a 53 year period and the unexpired period of the lease as at the financial reporting date is 25.25 years.

35 Property, plant and equipment

Company	Freehold Lands	Freehold Buildings	Freehold Motor Vehicles	Leasehold Motor Vehicles	Furniture & Fittings
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation					
Balance as at 01 April	2,906,500	454,165	1,361,727	315,958	761,240
Additions	-	-	8,780	-	96,634
Disposal	-	-	(160,743)	-	(68,154)
Transfers - Investment Properties	-	-	-	-	-
Impairment	(760,000)	-	-	-	-
Amalgamation	-	-	-	-	-
Balance as at 31 March 2019	2,146,500	454,165	1,209,764	315,958	789,720
Accumulated Depreciation and impairment losses					
Balance as at 01 April		16,643	656,916	72,476	525,734
Charge for the year from continuing operations		14,262	44,019	33,746	83,107
Revaluations		-	-	-	-
Disposal		-	(89,170)	-	(47,462)
Transfers / WIP transfers		-	-	-	-
Amalgamation		-	-	-	-
Balance as at 31 March 2019		30,905	611,765	106,222	561,379
Carrying Amount					
As at 31 March 2020	2,146,500	423,260	597,999	209,736	228,341
As at 31 March 2019	2,906,500	437,522	704,811	243,482	235,506

Office Equipment	Computers	Assets on Operating Leases	Capital Work-in-Progress (CWIP)	Total 2019/20	Total 2018/19
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
823,331	1,424,202	22,106	439,872	8,509,102	7,893,089
75,620	175,591	-	206,221	562,846	845,345
(47,859)	(78,104)	-	(145,988)	(500,848)	(258,949)
16,200	-	-	(16,200)	-	7,456
-	-	-	-	(760,000)	-
-	-	-	-	-	22,161
867,292	1,521,689	22,106	483,905	7,811,100	8,509,102
591,886	956,137	10,648		2,830,440	2,523,480
93,995	199,796	1,013		469,938	440,360
-	-	-		-	-
(47,655)	(77,428)	-		(261,715)	(151,933)
-	-	-		-	5,134
-	-	-		-	13,399
638,226	1,078,505	11,661		3,038,663	2,830,440
229,066	443,184	10,445	483,905	4,772,437	
231,445	468,065	11,458	439,872		5,678,662

35.11 Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs. 1,845 Mn as at 31 March 2020 (2018/19 - Rs. 1,514 Mn)

35.12 The fair value of the revalued properties were determined by Mr. W.M Chandrasena, an independent valuer who holds recognised and relevant professional qualification and have recent experience in the location and category of the revalued properties.

Date of the revaluation	31/3/2019
Method of determining fair value	Sales comparison

There is no significant difference in fair value of properties from 31 March 2019 to 31 March 2020.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

As at 31 March	2020 Rs'000	2019 Rs'000
Cost	648,924	727,448
Accumulated depreciation and impairment	(44,534)	(39,291)
	604,390	688,157

35.13 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of property, plant and equipment pledged as securities for liabilities other than those disclose in Note 49 to these financial statements.

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

Valuation Technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Sales comparison method - value derived based on recent transactions of similar properties	Per perch value Colombo Region - Rs. 1.1 Mn to 13 Mn Southern Coast Region - Rs. 0.45 Mn - to Rs. 1 Mn Other Regions - Rs. 0.035 Mn to Rs. 4 Mn	The estimated fair value would increase (decrease) if: - comparable property value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value, depreciated for period used and adjusting acquisition cost	The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)

36 Trading liabilities - fair value through profit or loss

As at 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Derivative liabilities				
Forward rate agreements	114,349	841,492	-	-
	114,349	841,492	-	-

Impact of COVID-19 pandemic on derivative financial liability as at 31 March 2020 is elaborated in detail in note 58 - Financial risk management objectives and policies.

37 Financial liabilities at amortised cost/ Deposits liabilities

37.1 Deposits from customers

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Fixed deposits	37.2	196,983,751	411,570,694	-	-
Saving / Demand deposits	37.3	17,881,792	35,661,668	-	-
Interest / profits payable	37.4	6,119,586	4,842,678	-	-
		220,985,129	452,075,041	-	-

37.2 Fixed deposits

	Group 2020	Group 2019	Company 2020	Company 2019
Local currency deposits			-	-
Conventional deposits	103,570,800	134,235,759	-	-
Islamic - Mudharabah	4,611,074	4,788,306	-	-
Islamic - Wakala	7,386,707	4,103,088	-	-
Foreign currency deposits			-	-
Conventional deposits	81,415,170	268,443,542	-	-
Others	196,983,751	411,570,694	-	-

37.3 Saving / Demand deposits

	Group 2020	Group 2019	Company 2020	Company 2019
Local currency deposits			-	-
Conventional deposits	8,743,476	7,812,492	-	-
Islamic	832,622	734,535	-	-
Foreign currency deposits			-	-
Conventional deposits	8,305,694	27,114,641	-	-
Others	17,881,792	35,661,668	-	-

37.4 Interest / profits payable

	Group 2020	Group 2019	Company 2020	Company 2019
Interest payable on conventional deposits	5,902,104	4,621,463		
Profits payable on Islamic deposits	217,482	221,215		
	6,119,586	4,842,678	-	-

37.5 Analysis of Due to Other Customers/Deposits from Customers

a) By currency

As at 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Sri Lankan Rupee	127,507,959	142,581,575	-	-
United States Dollar	85,315,808	287,659,307	-	-
Cambodian Riel	5,221,252	19,323,734	-	-
Pakistani Rupee	7,641	8,615	-	-
Myanmar Kyat	2,547,481	1,215,436	-	-
Others	384,987	1,286,373	-	-
Gross loans and receivables	220,985,128	452,075,041	-	-

38 Financial liabilities at amortised cost/ Interest bearing borrowings

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Commercial papers & promissory notes		33,851,128	25,889,571	34,949,429	12,760,945
Short-term loans and others		71,821,448	62,983,047	45,992,504	41,567,796
Debentures	38.1	18,752,371	20,812,030	6,985,839	7,808,439
Finance lease liabilities	38.2	953,611	485,234	95,346	133,048
Long-term borrowings	38.3	189,450,021	267,256,359	6,735,829	7,624,808
Operating Lease Liability	38.4	8,198,503	-	653,848	-
		323,027,083	377,426,242	95,412,795	69,895,035

38.1 Information on Group's listed debentures

38.1.1 Interest rate of comparable government security

Buying and selling prices of treasury bond at the auction held on 16 March 2020

	Price	Buying Price Yield %	Price	Selling Price Yield %
4 Year Bond	104.64	9.81	104.97	9.68
5 Year Bond	106.30	9.99	106.79	9.87

38.1.2 Market prices and yield during the year (ex-interest)

	Market Yield %	Market Price %
4 Year Bond	9.61	104.81
5 Year Bond	9.61	106.55

	Current period
Yield to maturity of trade done on 31 March 2020	9.36%

Debt to equity	2.05	times
Interest cover	0.15	times
Quick asset ratio	0.45	times

38.1.3 The market prices during the period (ex interest)

	Current period
Highest price	103.42
Lowest price	102.49
Last traded price	103.26

38.2 Finance lease liabilities

		Group		Company	
As at 31 March		2020	2019	2020	2019
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
JEDB/SLSPC estates lease liabilities	38.2.1	95,158	50,415	-	-
Other lease liabilities	38.2.2	858,453	434,819	95,346	133,048
		953,611	485,234	95,346	133,048

38.2.1 JEDB/SLSPC estates lease liabilities

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Liability				
Balance as at 1 April	82,346	85,483	-	-
Impact on adoption of SLFRS 16	262,106	-	-	-
Repayments	(13,248)	(3,137)	-	-
Balance as at 31 March	331,204	82,346	-	-
Finance costs allocated to future years	(236,046)	(31,931)	-	-
Disposal of subsidiaries		-	-	-
Net Liability	95,158	50,415	-	-
Payable within one year				
Gross liability	13,248	3,137	-	-
Finance costs allocated to future years	(12,733)	(2,017)	-	-
Net liability transferred to current liabilities	515	1,120	-	-
Payable within two to five years				
Gross liability	52,993	12,548	-	-
Finance costs allocated to future years	(50,095)	(7,600)	-	-
Net liability	2,898	4,948	-	-
Payable after five years				
Gross liability	264,963	66,661	-	-
Finance costs allocated to future years	(173,218)	(22,314)	-	-
Net liability	91,745	44,347	-	-

38.2.2 Other lease liabilities

	Group		Company	
For the year ended 31 March	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Gross lease rentals payable as at 01 April	504,135	711,284	165,697	55,181
Leases obtained during the year	412,659	166,760	-	154,062
Disposal of subsidiaries	(1,327)	-	-	-
Amortised interest	235,999	-	-	-
Lease rentals paid during the year	(260,133)	(373,908)	(53,094)	(43,546)
Gross lease rentals payable as at 31 March	891,333	504,135	112,603	165,697
Less: Unamortised finance cost	(32,880)	(69,316)	(17,257)	(32,649)
Net lease liability	858,453	434,819	95,346	133,048
Repayable within one year				
Gross lease rentals payable	394,084	259,545	50,831	53,094
Less: Unamortised finance cost	(69,861)	(40,166)	(9,903)	(15,392)
Net lease liability	324,223	219,378	40,928	37,702
Repayable after one year before five years				
Gross lease rentals payable	579,388	245,037	61,772	112,603
Less: Unamortised finance cost	(45,158)	(29,597)	(7,354)	(17,256)
Net lease liability	534,230	215,440	54,418	95,346

38.3 Long-Term Borrowings

	Group		Company	
For the year ended 31 March	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Gross balance as at 01 April	267,479,655	223,714,167	7,639,515	4,849,026
Received during the year	118,584,523	138,142,996	2,323,069	3,222,672
Amortised interest	2,416,671	-	895,219	
Acquisition of subsidiaries	1,850,857	264	260,773	-
Effect of Amalgamation	-	-	-	4,153,132
Repaid during the year	(92,836,408)	(103,292,430)	(4,382,747)	(4,585,314)
Transfer to assets held for sale	(122,864,242)	-	-	-
Exchange translation difference	15,164,560	8,914,658	-	-
Gross borrowings as at 31 March	189,795,616	267,479,655	6,735,829	7,639,515
Less: Unamortised finance cost	(345,595)	(223,296)	-	(14,707)
Balance as at 31 March	189,450,021	267,256,359	6,735,829	7,624,808
Long-term borrowings - current	73,527,729	124,659,430	4,056,000	3,492,318
Long-term borrowings - non-current	115,922,292	142,596,929	2,679,829	4,132,490
Total	189,450,021	267,256,359	6,735,829	7,624,808
Analysis of non-current portion of long-term borrowings				
Repayable within 3 years	94,959,190	129,062,552	2,679,829	3,895,750
Repayable after 3 years	20,963,102	13,534,377	-	236,740
Total	115,922,292	142,596,929	2,679,829	4,132,490

The borrowings include long term and short term loans which carry interest rates which are variable and are reset on a monthly / quarterly /semi-annually / annual basis. Consequent to the merger with the two subsidiaries call LOFC and LOMC certain debt covenants are being renegotiated with the lenders to suit the merged entity. As a result, loans amounting to Rs. 7,808mn has been classified as current even though the contractual maturity is long term. Of this amount Rs. 6,300mn has a contractual maturity within 1-3 years and Rs. 1,508mn has a maturity after 3 years.

38.4 Operating Lease Liability

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Opening Balance	-	-	-	-
Discounted operating lease commitments balance as at April 1, effect of adoption of IFRS 16	9,208,526	-	669,495	-
Leases obtained during the year	1,274,843	-	28,100	-
Amortised interest	878,355	-	83,239	-
Lease rentals paid during the year	(1,377,498)	-	(126,986)	-
Acquisition of Subsidiaries	398,796	-	-	-
Reversal on early termination	(2,633)		-	
Disposal of Subsidiaries	(1,327)	-	-	-
Transfer to assets held for sale	(2,581,385)	-	-	-
Exchange Translation Difference	400,826	-	-	-
Net lease liability	8,198,503	-	653,848	-
Repayable within one year				
Gross lease rentals payable	1,279,847	-	144,329	-
Less: Unamortised finance cost	(1,016,424)	-	(78,190)	-
Net lease liability	263,423	-	66,139	-
Repayable after one year before five years				
Gross lease rentals payable	4,212,347	-	685,231	-
Less: Unamortised finance cost	(3,205,551)	-	(214,937)	-
Net lease liability	1,006,796	-	470,294	-
Repayable after five years				
Gross lease rentals payable	24,746,321	-	134,638	-
Less: Unamortised finance cost	(17,818,037)	-	(17,223)	-
Net lease liability	6,928,284	-	117,415	-
Total	8,198,503	-	653,848	-

The loans are subject to a moratorium on capital repayment and interest accrued during the moratorium to be capitalised. Repayment terms of the interest capitalised portion of the loan is different to that of underlying loan.

In addition to the moratoriums secured on loan repayments of tourism sector post Easter Sunday attack, The Group is actively engaged with banks and financial institutions to secure further debt moratoriums to strengthen the liquidity position of the Group amidst the economic slowdown caused by COVID-19 pandemic.

Analysis of loans and borrowings

a) Debenture detail

Year of Issue		Type of Issue	Interest Payable Frequency: Fixed Rate Annually	Interest Payable Frequency: Fixed Rate Semi-Annually	Interest Payable Frequency: Fixed Rate Quarterly	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Debentures/ Bonds									
2014	2019	Senior, Unsecured, listed, Redeemable, Rated Debentures	-	-	9.00%	-	5,000,000	-	5,000,000
2017	2022	Senior, Unsecured, listed, Redeemable, Rated Debentures	-	13.00%	-	2,000,000	2,000,000	2,000,000	2,000,000
2017	2019	Senior, Unsecured, listed, Redeemable, Rated Debentures	-	12.65%	-	-	750,000	-	750,000
2019	2023	Senior, Unsecured, listed, Redeemable, Rated Debentures	-	15.00%	-	5,000,000	-	5,000,000	-
2015	2020	Senior, Unsecured, listed, Redeemable, Rated Debentures	9.75%	-	-	5,000,000	5,000,000	-	-
2015	2019	Senior, Unsecured, listed, Redeemable, Rated Debentures	9.25%	-	-	-	4,748,910	-	-
2015	2019	Senior, Unsecured, listed, Redeemable, Rated Debentures	-	9.10%	-	-	1,030	-	-
2015	2019	Senior, Unsecured, listed, Redeemable, Rated Debentures	-	0.00%	9.00%	-	250,060	-	-
2018	2023	Senior, Unsecured, listed, Redeemable, Rated Debentures	-	14.75%		1,793,799	1,793,799	-	-
2018	2023	Senior, Unsecured, listed, Redeemable, Rated Debentures	20.13%	-	-	706,201	706,201	-	-
2019	2022	Senior, Unsecured, listed, Redeemable, Rated Debentures (plain and foreign exchange-indexed bond)	9%-8%	-	-	4,000,000	-	-	-
		Amortise cost/ disbursement fees				252,731	562,030	(14,161)	58,439
						18,752,731	20,812,030	6,985,839	7,808,439

Note

1. AWPLR (Five-year floating rate) – ('AWPLR' means the simple average of the Average Weighted Prime Lending Rate published by the Central Bank of Sri Lanka for the 12-week period, immediately preceding each Interest Determination Date).

39 Insurance contract liabilities

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000
Long-term insurance contracts	39.1	4,283,247	3,458,728
Non-life insurance contracts	39.2	4,358,359	3,718,662
Total insurance contract liabilities		8,641,606	7,177,389

Both life & general insurance companies of the group has satisfied liability adequacy test.

39.1 Long-term insurance contract liabilities

	Group					
	2020			2019		
As at 31 March	Insurance Contract liabilities	Reinsurance of liabilities	Net	Insurance Contract liabilities	Reinsurance of liabilities	Net
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At 01 April	3,709,535	(315,351)	3,394,184	2,920,097	(150,139)	2,769,958
Premiums received	2,820,110	(209,932)	2,610,178	2,483,480	(222,166)	2,261,314
Claims incurred	(649,739)	80,710	(569,029)	(585,485)	42,602	(542,882)
Fees deducted	(310,608)	12,597	(298,011)	(287,059)	14,352	(272,707)
Investment return	388,859	-	388,859	326,205	-	326,205
Expenses	(1,221,181)	-	(1,221,181)	(1,495,977)	-	(1,495,977)
Gratuity - actuarial gain/ (loss)	(4,554)	-	(4,554)	1,905	-	1,905
Net gain / (loss) on available-for-sale assets - Life Policyholders	91,817	-	91,817	(46,594)	-	(46,594)
Life deficit transfer	(207,025)	-	(207,025)	392,963	-	392,963
	4,617,214	(431,976)	4,185,238	3,361,261	(315,351)	3,394,185
Claims outstanding	98,009		98,009	64,543	-	64,543
At 31 March	4,715,223	(431,976)	4,283,247	3,425,804	(315,351)	3,458,728

39.2 Non-life insurance contract liabilities

		Group					
		2020			2019		
As at 31 March	Note	Insurance Contract liabilities Rs.'000	Reinsurance of liabilities Rs.'000	Net Rs.'000	Insurance Contract liabilities Rs.'000	Reinsurance of liabilities Rs.'000	Net Rs.'000
At 01 April							
Provision for reported claims	39.3	1,216,435	(455,501)	760,934	949,462	(314,916)	634,546
IBNR		442,106	-	442,106	441,772	-	441,772
Outstanding claims provision		1,658,541	(455,501)	1,203,040	1,391,234	(314,916)	1,076,318
Commission reserves		(144,597)	132,108	(12,489)	(106,591)	115,416	8,825
Provision for unearned premiums	39.4	3,261,530	(549,223)	2,712,307	2,741,642	(423,040)	2,318,603
Provision for liability adequacy		-	-	-	-	-	-
Total non-life contract liabilities		4,775,474	(872,616)	3,902,858	4,026,283	(622,540)	3,403,745

39.3 Outstanding claims provision

	2020			2019		
As at 31 March	Insurance Contract liabilities Rs.'000	Reinsurance of liabilities Rs.'000	Net Rs.'000	Insurance Contract liabilities Rs.'000	Reinsurance of liabilities Rs.'000	Net Rs.'000
At 01 April	949,462	(314,916)	634,545	994,916	(421,269)	573,647
Claims incurred in the current accident year	3,194,638	(1,048,904)	2,145,734	2,407,723	(249,190)	2,158,533
Adjustment to prior year due to changes in assumptions		1,529	1,529			-
Other movement in prior year	-	-	-			-
Claims paid during the year	(2,927,665)	906,790	(2,020,875)	(2,453,177)	355,542	(2,097,635)
Total non-life contract liabilities	1,216,435	(455,501)	760,934	949,462	(314,916)	634,545

	2020			2019		
As at 31 March	Insurance Contract liabilities Rs.'000	Reinsurance of liabilities Rs.'000	Net Rs.'000	Insurance Contract liabilities Rs.'000	Reinsurance of liabilities Rs.'000	Net Rs.'000
At 01 April	(106,591)	115,416	8,826	(126,672)	167,209	40,537
Change in commission reserves	(38,006)	16,692	(21,314)	20,081	(51,793)	(31,711)
Total non-life contract liabilities	(144,597)	132,108	(12,488)	(106,591)	115,416	8,826

39.4 Provision for unearned premiums

As at 31 March	2020 Insurance Contract liabilities Rs.'000	2020 Reinsurance of liabilities Rs.'000	2020 Net Rs.'000	2019 Insurance Contract liabilities Rs.'000	2019 Reinsurance of liabilities Rs.'000	2019 Net Rs.'000
At 01 April	2,741,642	(423,040)	2,318,603	2,742,246	(652,040)	2,090,206
Premiums written in the year	5,601,256	(1,135,285)	4,465,971	4,638,206	(817,983)	3,820,222
Premiums earned during the year	(5,081,367)	1,009,102	(4,072,265)	(4,638,809)	1,046,984	(3,591,826)
At 31 March	3,261,531	(549,223)	2,712,309	2,741,642	(423,040)	2,318,603

The valuation of the insurance contract liabilities in relation to the life business was performed by an external actuary as at 31 December 2019. Management has determined that, there is no material impact on the assumptions used for the valuation of insurance contract liabilities due to the COVID-19 outbreak as at 31 March 2020 as management has determined that it is not required to change the operative assumptions.

40 Current tax payables

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Income tax payables	40.1	2,799,541	3,563,910	78,150	55,652
Value added tax (VAT) payable		1,951,485	1,918,850	551,843	626,432
GST Payable		151,686	-	-	-
With-holding tax (WHT) payable		387,696	369,058	18,165	35,387
Economic service charge (ESC) payable		2,472	14,353	-	-
Nation building tax (NBT) payable		30,409	82,125	16,614	27,399
Other tax payables		315,329	214,334	(4,449)	(11,716)
		5,250,922	6,162,630	660,323	733,155

40.1 Income tax payables

	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance at the beginning of the year		3,563,910	3,060,904	55,652	41,705
Provision for the Period		9,736,726	9,349,516	22,498	13,947
Under/ (over) provision in respect of previous years		(239,520)	(2,077,549)	-	-
Transfer to Income Tax Receivables		(7,490)	(25,164)	-	-
Payments made during the year		(9,089,992)	(6,882,441)	-	-
Acquisition of Subsidiaries		59,324	-	-	-
Disposal of Subsidiaries		(8,276)	-	-	-
Transfer to assets held for sale		(1,290,896)	-	-	-
Exchange translation difference		75,755	138,644	-	-
Balance at the end of the year		2,799,541	3,563,910	78,150	55,652

41 Trade and other payables

		Group		Company	
As at 31 March		2020	2019	2020	2019
Financial liabilities	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade payables		8,361,982	17,561,968	399,999	446,253
Creditors for leased equipment		-	3,018,919	-	-
Amount due to related companies	51.3.2	3,631,504	3,558,386	903,398	1,232,985
Insurance premium payable		132,702	158,488	-	-
Staff related payments		145,158	1,195,651	3,474	2,851
Dividend payable		26,007	-	495	-
Other financial liabilities		627,053	390,550	22,527	22,958
		12,924,406	25,883,963	1,329,893	1,705,046
Non-financial liabilities					
Accrued expenses/ advance payment		2,970,939	2,959,509	57,587	88,606
Excess payment received		444,803	472,612	2,566	3,766
Security Deposits Received		722,786	-	-	-
Provisions made		323,548	-	-	-
Advances received		1,144,159	-	-	-
Other non-financial liabilities		1,807,685	966,076	-	-
Expected credit loss allowance on undrawn credit commitments and financial guarantees	41.1	2,207	3,604	-	-
		7,416,127	4,401,801	60,153	92,372
		20,340,533	30,285,764	1,390,046	1,797,418

41.1 Expected credit loss allowance on undrawn credit commitments and financial guarantees

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Stage 01				
Balance as at 1 April	3,604	-	-	-
Adjustment on initial application of SLFRS 9	-	-	-	-
Adjusted balance as at 1 April	3,604	-	-	-
Charge/ (reversal) to Income statement	(1,397)	3,604	-	-
Balance as at 31 March	2,207	3,604	-	-

42 Deferred income

As at 31 March	Note	Capital grants	Operating lease receivables - PHDT	Transfer of shares	Income received in advance	Total 2019/2020	Total 2018/2019
		Group					
	Note	42.1	42.2	42.3			
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Group							
Gross deferred income							
Balance as at 01 April 2019		160,508	10,735	63,994	111,904	**347,141**	337,808
Deferred Income received		-	-	-	42,967	**42,967**	4,002
Transfers/re-classifications / Adjustments		-	-	-	(104,992)	**(104,992)**	5,331
Balance as at 31 March 2020		160,508	10,735	63,994	49,879	**285,116**	347,141
Accumulated amortisation							
Balance as at 01 April 2019		81,074	7,324	15,190	89,897	**193,485**	153,404
Amortised to profit & loss		4,635	537	1,861	-	**7,033**	32,771
Transfers/re-classifications / Adjustments		-	-	-	(76,912)	**(76,912)**	7,310
Balance as at 31 March 2020		85,709	7,861	17,051	12,985	**123,606**	193,485
Carrying amount							
Balance as at 31 March 2020		74,799	2,874	46,943	36,894	**161,509**	
Balance as at 01 April 2019		79,434	3,411	48,804	22,007		153,655

42.1 Capital grants

The above capital grants represent the following;

1. Funds received from the Plantation Housing and Human Development Trust (PHDT), MTIP, MPI for the development of workers welfare facilities and improvements to institutional facilities.

2. Funds received from the Plantation Reform Project for the development of Forestry Plantations.

   The amounts spent is capitalised under the relevant classification of Property, Plant and Equipment. The corresponding grant component is reflected under Deferred Income and is being amortised over the useful life span of the related asset.

   Grant related to the biological assets which are measured at fair value less point to sell cost is directly charged to the carrying value of such assets in accordance with the Sri Lanka Accounting Standards.

42.2 Operating lease receivables - PHDT

Premises at St.Andrew's Drive in Nuwara Eliya has been leased out to Plantation Human Development Trust for a period of 20 years commencing from August'2005 at a total lease rental of Rs. 10.73 Mn.

Lease Rentals received are deferred and amortised over the lease period commencing from August 2005.

The timing of future operating lease rentals are as follows;

	Group	
As at 31 March	2020	2019
	Rs.'000	Rs.'000
Less than one year	537	537
Between one and five years	2,146	2,147
More than five years	191	728
	2,874	3,411

42.3 Deferred income in respect of transfer of shares - Maturata Plantations PLC

This represents the value of 6,399,375 number of shares received by Maturata Plantations Limited originally equivalent to 20% of the issued Ordinary Shares of RFELL at Rs.10/-each in lieu of releasing the leasehold rights of 488 Hectares in Enselwatte , Deniyaya for Eco Tourism Project. The value of Ordinary Shares are deferred and amortised over the unexpired balance lease period. However, due to the rights issue shareholdings percentage has come down from 20% to 13.44% subsequently.

The timing of future operating lease rentals are as follows;

	Group	
As at 31 March	2020	2019
	Rs.'000	Rs.'000
Less than one year	1,861	1,861
Between one and five years	7,445	7,445
More than five years	37,637	39,498
	46,943	48,804

43 Retirement benefit obligations

For the year ended 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance as the beginning of the period		1,600,388	1,434,161	343,927	291,463
Acquisition of subsidiaries	31.6.1.3	6,263	4,752	-	3,821
Benefits paid by the plan		(757,960)	(434,046)	(26,663)	(14,130)
Expenditure recognised in the income statement from continuing operations	43.1	350,140	269,590	69,479	58,182
Expenditure recognised in the income statement from dis continuing operations		611,958	249,726	-	-
(Gain)/Loss arising from changes in assumptions		218,369	59,364	(66,351)	4,591
Exchange translation difference		13,120	16,840	-	-
Disposal of Subsidiaries		(11,847)	-	-	-
Transfer to assets held for sale		(179,986)	-	-	-
Balance as at the end of the period		1,850,445	1,600,388	320,392	343,927

43.1 Expense recognised in the income statement

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Current service costs from continuing operations	287,870	198,800	32,191	25,737
Interest Costs from discontinued operations	62,270	70,790	37,288	32,445
Expense recognised in the income statement from continuing operations	350,140	269,590	69,479	58,182
Current service costs from discontinuing operations	503,125	184,152	-	-
Interest Costs from discontinued operations	108,833	65,574	-	-
Expense recognised in the income statement from discontinued operations	611,958	249,726	-	-
	962,098	519,316	69,479	58,182

43.2 Actuarial assumptions

Principal actuarial assumptions at the reporting date;

For the year ended 31 March		Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Discount rate	%	10.5-11.5%	12%	10.5%	11%
Future salary increases	%	8.5% - 9%	9%	8.5%	9%
Staff Turnover Factor	%	8.06%	2.5% - 15%	8.06%	8.20%
Retirement Age	Yrs	55-60	55-60	55	55

43.3 Sensitivity of the actuarial assumptions

Assumption	Rate change	2020 Financial Position - Liability Rs.'000	2020 Comprehensive Income - Charge for the period Rs.'000	2019 Financial Position - Liability Rs.'000	2019 Comprehensive Income - Charge for the period Rs.'000
Group					
Discount rate	+1%	(116,423)	116,423	(228,217)	228,217
	-1%	124,258	(124,258)	256,241	(256,241)
Future salary increases	+1%	115,785	(115,785)	243,806	(243,806)
	-1%	(116,289)	116,289	(206,813)	206,813
Company					
Discount rate	+1%	(15,425)	15,425	(15,187)	15,187
	-1%	17,234	(17,234)	25,032	(25,032)
Future salary increases	+1%	16,665	(17,234)	20,383	(20,383)
	-1%	(15,186)	15,186	(18,384)	18,384

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries as at 31 March 2020. The actuarial present value of the promised retirement benefits as at 31 March 2020 amounted to Rs. 1,850mn/- (Company - Rs. 320.3mn/-). The liability is not externally funded.

Due to the sudden fall in capital markets and the decline in high-quality corporate bond rates that has occurred as a result of COVID-19, the Group has considered the impact on the defined benefit obligations with the independent actuarial specialists as at the reporting date. Since the complexity of the valuation and the underlying assumptions are based on long-term indicators including the application of risk discount rate which is formulated on the market yield of long-term government and corporate bonds, there is no significant impact on the retirement benefit obligation from COVID-19 pandemic other than for certain assumptions disclosed above.

Discount rate

In the absence of a deep market in long-term bonds in Sri Lanka, a long-term interest rate of 10%-11.5% p.a. (2018/19 – 11.5% p.a.) has been used to discount future liabilities considering the yield available on long term government bonds with a tenure equivalent to the average future working life of the employees.

Long term salary increments

Based on the actual salary increment rates of the Group over the past few years, future economic outlook of the country and the immediate impact of the COVID-19 pandemic on the Group's business a reduction in the long-term salary increment rate is factored into the valuation for the current year.

Mortality - GA 1983 Mortality Table
Disability - Long-Term Disability 1987 Soc. Sec. Table
Retirement Age - Normal Retirement Age, or Age on Valuation Date, if greater

The Group and company does not have any material issues pertaining to the employees and Industrial relations as of 31 March 2020.

43.4 Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Within the next 12 months	254,097	198,850	36,030	35,448
Between 1 and 2 years	291,851	226,030	81,217	93,793
Between 2 and 5 years	586,125	437,083	132,794	137,131
Between 5 and 10 years	932,293	918,279	281,031	298,927
Beyond 10 years	240,532	232,222	-	-
Total expected payments	2,304,898	2,012,463	531,072	565,299

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries as at 31 March 2020. The actuarial present value of the promised retirement benefits as at 31 March 2020 amounted to Rs. 1,850mn/- (Company - Rs. 320.4mn/-). The liability is not externally funded.

44 Stated capital

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Issued and Fully Paid	44.1	475,200	475,200	475,200	475,200
No. of Shares	44.2	475,200	475,200	475,200	475,200

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

44.1 Movement in stated Capital

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance at the beginning of the period	475,200	475,200	475,200	475,200
Movement during the period	-	-	-	-
Balance at the end of the period	475,200	475,200	475,200	475,200

44.2 Movement in no. of shares

Balance at the beginning of the period	475,200	475,200	475,200	475,200
Movement during the period	-	-	-	-
Balance at the end of the period	475,200	475,200	475,200	475,200

45 Reserves

As at 31 March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Revaluation reserve	45.1	8,968,483	8,913,715	2,036,313	2,715,503
Cash flow hedge reserve	45.2	(186,593)	(98,127)	-	-
Fair value reserve	45.3	58,047	(537,825)	(92,223)	(92,223)
Translation reserve	45.4	8,017,646	4,456,036	-	-
Future taxation reserve	45.5	205,000	205,000	205,000	205,000
Statutory reserve fund	45.6	11,727,849	7,988,221	-	-
Merger/ Amalgamation Reserve	31.1	-	-	8,531,863	(115,592)
		28,790,432	20,927,020	10,680,953	2,712,688

Nature and purpose of reserves

45.1 Revaluation reserve

The revaluation reserve relates to the revaluation surplus of Property, Plant and Equipment . Once the respective revalued items have been disposed, the relevant portion of revaluation surplus if any is transferred to retained earnings.

45.2 Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in fair value hedges pending subsequent recognition of the hedged cash flows.

45.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets at FVOCI includes changes in fair value of financial instruments designated as financial assets at FVOCI a until the assets are derecognised or impaired.

45.4 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

45.5 Future taxation reserve

This reserve was created in order to accommodate unexpected future tax liabilities that might arise at a future date.

45.6 Statutory reserve fund

The Statutory reserves of LOLC Finance PLC and Commercial Leasing and Finance PLC were created in accordance with the Finance Companies (Capital Funds) Direction No. 01 of 2003 issued under the Finance Business Act No. 42 of 2011 (which supersedes the Finance Companies Act No. 78 of 1988) which requires the Company to transfer 20% of its annual profit to this reserve. Foreign finance entities of the group also maintain a reserve requirement in compliance to their local regulatory requirements.

46 Retained earnings

The carrying amount of the retained earnings represents the undistributed earnings held by the Group and the Company. This could be used to absorb future losses and dividend declaration.

47 Commitments and contingencies

As at 31 March

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

To meet the financial needs of customers and subsidiaries, the Company/ Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letter of credit and other undrawn commitments to lend. Letter of credit, guarantees and acceptance commit the group to make payments on behalf of customers or subsidiaries in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Operating lease commitments of the Group (as a lessor and as a lessee) form part of commitments and pending legal claims against the Group form part of contingencies.

Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the group as disclosed in Note 58.

In the normal course of business, the group makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers. Even though these obligations may not be recognised on the date of the Statement of Financial Position, they do contain credit risk and are therefore form part of the overall risk profile of the group.

47.1 Contingent liabilities

		Group		Company	
		2020	2019	2020	2019
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Guarantees issued to banks and other institutions		5,698,216	6,392,181	319,455	332,055
Corporate guarantees given to subsidiaries to obtain loans		8,477,113	17,888,000	3,550,000	12,300,000
		14,175,329	24,280,181	3,869,455	12,632,055

47.2 Commitments

		Group		Company	
As at 31 March		2020	2019	2020	2019
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Forward exchange contracts	47.2.1	19,557,687	38,015,922	-	-
Capital commitments	47.2.2	10,437,589	5,902,613	-	-
Letter of credits opened		1,130,882	64,249	-	-
Undrawn credit commitments		23,343,910	15,884,005	-	-
Operating lease commitments	47.2.3	30,238,514	24,956,397	48,309	61,959
		84,708,582	84,823,187	48,309	61,959

47.2.1 On the commitment for forward exchange contracts, the Group will receive USD 67,518,750/- Euro 27,100,000/- GBP 2,700,000/- AUD 4,500,000/- on the conversion.

47.2.2 Capital commitments

The Group has commitments for acquisition of property, plant & equipment and intangible assets incidental to the ordinary course of business which have been approved by the Board of Directors, the details of which are as follows:

Capital commitments	Group		Company	
As at 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Commitments in relation to property, plant & equipment				
Approved and contacted for	9,706,880	730,709	-	-
Approved but not contacted for	730,709	5,171,904	-	-
	10,437,589	5,902,613	-	-

a) Browns Ari Resort Private Limited

The Board of Directors of Browns Ari Resort Private Limited has approved USD 17.79 Mn budget for the construction of a resort in Bodufinolhu Island in Republic of Maldives.

b) Bodufaru Beach Resort Private Limited

The Board of Directors of Bodufaru Beach Resort Private Limited has approved USD 102 Mn budget for the construction of a tourist resort in Republic of Maldives.

c) NPH Investment Private Limited

NPH Investment Private Limited is required to construct and develop a hotel in accordance with development concept submitted by the management and approved by the Government of Maldives, within a maximum period of twenty (36) months from the commencement date of the lease agreement entered. However, said agreement has been amended and has extended construction period for another 18 months period until 27 May 2020. The commitment for construction of the city hotel of NPH Investment Private Limited as at 31 December was USD 29 Mn.

d) Riverina Resort (Private) Limited

Riverina Resorts (Private) Limited is in the process of putting up a 475 key, 5 star, 20 Acre Resort situated in Golden Mile Bentota. The total cost was estimated to be Rs. 7,200 Mn. out of which Rs. 3,475 Mn already incurred.

47.2.3 Operating lease commitments

The Group leases a number of Land, branch and office premises under operating leases. The leases generally run for a period of 10-50 years. The future minimum lease payments under non-cancellable operating leases, payable based on the maturity of the Lease Contracts as at 31st March are as follows:

	Group		Company	
As at 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Within one year	1,129,847	1,505,921	23,990	29,491
Between one and five years	4,212,347	5,163,550	20,044	28,667
More than five years	24,746,321	18,286,927	4,275	3,801
	30,238,514	24,956,397	48,309	61,959

47.3 Litigation against the Group

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the Reporting date the Group had several unresolved legal claims. The significant unresolved legal claims against the Group for which legal advisor of the Group is of the opinion that there is possible loss, however there is a probability that the action will not succeed. Accordingly, no provision for any claims has been made in these Financial Statements.

48 Subsequent events and Re-Classifications

48.1 Subsequent events

No circumstances have arisen subsequent to the reporting date which would require adjustment to or disclosure in the financial statements other than followings;

Commencement of the Group's business operations

After a stringent lockdown period of over a two months, curfew has been gradually eased off in many parts of the country. Although business activity has resumed across the country, and it is encouraging that there is no indication of community spread in the country at the moment. The Group has evaluated all guidelines issued by the Government as well as international best practices and each of the Group businesses have developed individual health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders.

The most recent release by the Government states that curfew restrictions was lifted gradually with effect from 11 May 2020, with restrictions being eased off during the day for the gradual commencement of economic activities by the public and private sectors. Although it is too early to make an assessment, the Group has seen a smooth transition with the resumption of business activities where the Group is already seeing positive momentum. Given the volatile and evolving landscape, the Group will continue to monitor the impacts on its operations and proactively take measures to ensure the business continues as seamlessly as possible.

Disposal of PRASAC Microfinance Institution Limited

The Group publicly announced the decision of its Board of Directors to sell PRASAC, a 70% owned subsidiary of the Group. With reference to the corporate disclosure made on 06 January 2020, LOLC International Limited (a subsidiary of LOLC Group) with the other minority shareholders of PRASAC Microfinance Institution Limited (PRASAC) of Cambodia entered into a Sales and Purchase Agreement and a shareholder agreement with Kookmin Bank, the largest Commercial Bank of Republic of South Korea, for the sale of entire shareholding of PRASAC, subject to receiving final approval from the National Bank of Cambodia (NBC) and the Financial Service Commission of Republic of South Korea. PRASAC is the largest Micro Finance Institution in Cambodia.

On 13 April 2020, the group received the relevant regulatory approval from both National Bank of Cambodia (NBC) and the Financial Service Commission of Republic of South Korea which considered to be highly substantive for the sale transaction being highly probable. The sale of PRASAC Microfinance Institution Limited is expected to be completed within a year from the reporting date. At 31 March 2020, PRASAC Microfinance Institution Limited was classified as a disposal group held for sale and as a discontinued operation. The business of PRASAC Microfinance Institution Limited represented the Group's Financial Services operating segment until 31 March 2020. With PRASAC Microfinance Institution Limited being classified as discontinued operations, the results of the company has been reclassified under classified as a disposal group held for sale and as a discontinued operation presented in the segment note. The results of PRASAC for the year are presented in Note 52 to the consolidated financial statements.

Comparative information

Except for the adoption of new accounting standards and interpretations with effect from 01st April 2019, (refer note 53) and entities classified as discontinued operations as described into note 52, the Group has consistently applied the accounting policies with those adopted in the previous financial year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

The impact of adopting these new accounting standards and interpretations are disclosed in note 53 to the financial statements.

49 Assets pledged

The Group pledges assets that are in its statement of financial position in day to day transaction which are conducted under the usual terms and conditions applying such agreements. The Group has pledged following assets including right to use assets of leasehold properties. The details of the pledged securities are given below.

		Carrying amount of the assets pledged			
		Group		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Nature of assets	Nature of liability				
Foreign currency term deposits	Interest bearing loans and borrowings	3,879,579	20,149,837	2,628,538	-
Lease, hire purchase and loans receivable	Term loan/bank drafts/short -term loan/field and processing developments	30,331,565	25,016,825	16,217	1,358
Marketable shares and loans	Bank overdrafts/term loans/ investments in field development	34,136,307	33,666,290	34,136,307	33,666,290
Leasehold right	Finance lease	-	3,542,244	-	-
Leasehold property and vehicles	Term loan	748,382	243,482	209,736	243,482
Freehold land & buildings	Interest bearing loans and borrowings	2,558,945	3,563,703	-	-
Promissory Notes, Securitised debt certificates, Stock and book debts	Interest bearing loans and borrowings	350,000	409,189	-	-
		72,004,778	86,591,570	36,990,798	33,911,130

50 Foreign currency translation

The principal exchange rates used for translation purposes were;

		2020		2019	
		Closing Rate	Average Rate	Closing Rate	Average Rate
United States Dollar	USD	188.62	179.47	176.13	168.72
Cambodian Riel	KHR	0.0468	0.0441	0.0439	0.0417
Pakistani Rupee	PKR	1.1402	1.1656	1.2529	1.3130
Myanmar Kyat	MMK	0.1355	0.1197	0.1158	0.1135
Indonesian Rupiah	IDR	0.0116	0.0127	0.0124	0.0117
Euro	Euro	207.96	200.00	N/A	N/A

51 Related party disclosures

51.1 Transactions with key management personnel

The Company and the group Carries out transactions in the ordinary course of business with the parties who are defined as related parties in Sri Lanka Accounting Standard – LKAS 24 (Related Party Disclosures), the details of which are reported below.

Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of business with the following related entities. The list of Directors at each of the subsidiary, joint venture and associate companies have been disclosed in the Group directory under the Supplementary Information section of the Annual Report.

Transactions with related parties are carried out in the ordinary course of the business. These transactions carried at arm's length basis. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

Non-recurrent related party transactions

There were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2019 audited financial statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13 (c)of the Security Exchange Commission Act.

Recurrent related party transactions

All the transactions which are disclosed under note 49.2.1 with Related Parties which are recurrent, of revenue or trading nature and which is necessary for day-to-day operations of the company and subsidiaries, in the opinion of the Related Party Transactions Review Committee, terms for all these transactions are not favourable to the Related Party than those generally available to the public.

Except the above, there were no any recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2019 audited financial statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13 (c) of the Security Exchange Commission Act.

Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard LKAS 24 – 'Related Party Disclosures', Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any Director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors, Director/Chief Executive Officer, Key Employees of the Company holding directorships in subsidiary companies have been classified as Key Management Personnel (KMP) of the Group.

Close family members are defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs. Close family members of the 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, children of the KMP's domestic partner and dependants of the KMP.

As the Company is the Ultimate Parent of its subsidiaries mentioned in Note 31.3 and the Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the group, the Directors of the Company and their immediate family members have been identified as the KMP of the Group.

Therefore, employees of the Company who are Directors of the subsidiary have also been classified as KMP of the subsidiary only.

Key management personnel compensation

51.1.1 Short term Employment benefits

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
Includes:	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Director's emoluments	296,500	275,215	33,709	20,783
Other KMP emoluments and other short term benefits	497,127	971,076	209,982	223,980
	793,627	1,246,291	243,691	244,763

51.1.2 Long term employment benefits;

There are no long-term employment benefits paid to the Key Management Personnel during the year.

51.1.3 Other transactions with key management personnel

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Advances granted during the period	300,734	742,472	-	-
Advances settled during the period	356,940	559,194	-	-
Property Purchased	-	2,347,000		
Relevant interest income	30,192	40,952	-	-
Balance outstanding	95,429	200,295	-	-
Rentals paid	324,205	-	-	-
Deposits taken during the period	925,155	831,640	-	-
Deposits balance	941,923	-	-	-
Interest paid / charged	121,512	92,493	-	-
Interest payable	747	43,590	-	-

51.2 Transactions with Related Parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 “Related Party Disclosures”.

The Group had the following financial dealings during the year 2019/20 with companies which are considered, related parties and unless otherwise stated, transactions were carried out in the ordinary course of business at commercial rates with companies mentioned below.

The parties given below are considered related parties mainly due to significant influence arising as a result of common directorships and through shareholdings. These companies, names of the Directors and the nature of transactions entered into are listed below.

51.2.1 Transactions with subsidiaries, associates and joint-ventures

For the year ended 31 March	Note	Company 2020 Rs.'000	2019 Rs.'000
Subsidiaries			
Fund transfers in		101,129,181	108,361,856
Fund transfers out		100,054,261	99,714,358
Expenses shared	5	11,964,959	7,753,835
Asset hire income		248,169	248,169
Interest received on fund transfer	5	3,103,492	2,151,519
Treasury handling charges	5	-	1,050,406
Royalty income	5	488,981	962,562
Franchise fee	5	566	428
Guarantee fee income		40,344	36,565
Rental income		47,400	-
Show back income		303,794	352,182
Secretarial fee		-	7,191
Advisory and consultancy services		-	21,250
Associates			
Repayment of loans and finance leases obtained		-	306
Expenses shared		1,192	1,617

Balance outstanding on facilities granted to related parties as at 31 March			Company ‘000	‘000
Subsidiaries	Finance leases and loans granted		-	7,998
Associates	Finance leases and loans granted		-	588,860
			-	596,858

Notes 50.3 shows other balances with related parties.

For the year ended 31 March	Group 2020 Rs.'000	2019 Rs.'000
Associates		
Trading transactions		
- Sales	41,266	-
- Purchases	2,862,707	-
Interest charged/received	880,104	871,757
Loans Granted	1,390,796	227,897
Repayment of loans and finance leases obtained	1,258,973	229,845
Expenses shared	1,193	-
Commission income received	57,290	56,764

51.2.2 Transactions and balances with other related parties

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The transactions related to key management personnel and entities over which they have control were as follows;

	Group		Company	
For the year ended 31 March	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Loans obtained	3,222,495	39,990,643	-	-
Supply of leased vehicles	162,730	134,121	-	-
Rental collections	240,015	10,228	-	-
Interest income	270,000	10,199	-	-
Deposits held with the company	264,230	294,892	-	-
Settlement of loans obtained	(4,696,615)	(53,081,361)	-	-
Interest paid on loans	(192,073)	(228,101)	(76,254)	-
Interest received on loans given	210,078	253,902	(925,178)	-
Balances payable on				
- Loans obtained	630,653	2,662,573	908,400	-
- Interest payable	173,172	26,679	24,967	
Balances receivable on loans granted	1,500,000	2,744,890	5,427,173	-

51.3 Balances with Related Parties

51.3.1 Amounts due from related parties

	Group		Company	
As at 31 March	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Subsidiaries				
Ajax Engineers (Private) Limited	-	-	28,100	-
B G Air Services (Private) Limited	-	-	14,751	10,864
BI Commodities & Logistics (Private) Limited	-	-	11,481	7,467
B Commodities (Private) Limited	-	-	192,288	-
Boduaru Beach Resorts (Private) Limited	-	-	-	5
Brown and Company PLC	-	-	111,823	78,106
Browns ARI Resort	-	-	409	-
Browns RAA Resort Ltd	-	-	425	-
Browns Engineering & Construction (Private) Limited	-	-	131,953	4,446
Browns Global Farm Pvt Ltd	-	-	2,448	1,382
Browns Leisure (Private) Limited	-	-	1,219	22
Browns Hotel and Resorts Limited	-	-	861,852	139,661
Browns Healthcare Ltd	-	-	5,496	3,152
Browns Holding Ltd	-	-	24	8
Browns Investments PLC	-	-	11,091,262	4,443,551
Browns Tours Pvt Ltd.	-	-	7,277	2,804
Ceylon Graphene Technologies (Private) Limited	-	-	20,922	2,798
Commercial Factors (Pvt) Ltd	-	-	91	-
Commercial Leasing & Finance PLC	-	-	44,291	99,194
Creations Constructions Engineering (Pvt) Ltd	-	-	20,117	-
Dikwella Resort Limited	-	-	922,174	764,499
Diriya Investments (Private) Limited	-	-	252	238
Eagle Recoveries (Pvt) Ltd	-	-	281	3
East Coast Land Holdings (Private) Limited	-	-	3,150	2,477
Eden Hotels Lanka PLC	-	-	378,164	112,589
Excel Restaurant (Private) Limited	-	-	22,989	4,676
I Pay (Pvt) Ltd	-	-	25,877	-
Green Orchard Property Investments Limited	-	-	572	7,243
Green Paradise Resorts (Private) Limited	-	-	11,963	11,991
Gurind Accor (Private) Limited	-	-	8,924	3,122
LOLC Advance Technologies (Pvt) Ltd	-	-	58,965	-
LOLC Capital One (Private) Limited	-	-	189	8
LOLC Corporate Services (Private) Limited	-	-	52,969	46,914
LOLC Development Finance PLC	-	-	2,645,338	46,687
LOLC Factors Limited	-	-	9,091,053	5,849,360
LOLC Finance PLC	-	-	654,801	698,769

As at 31 March	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
LOLC Financial Sector Holdings	-	-	3,207	-
LOLC General Insurance Limited	-	-	28,083	-
LOLC GEO Technologies (Pvt) Ltd	-	-	19,377	-
LOLC Investments Limited	-	-	148,416	-
LOLC Life Assurance Limited	-	-	-	52,686
LOLC Myanmar Micro-Finance Company Limited	-	-	19,402	19,402
LOLC PROPERTY 1	-	-	12,693	458
LOLC PROPERTY 2	-	-	167	84
LOLC PROPERTY 3	-	-	12,662	428
LOLC PROPERTY 4	-	-	202	89
LOLC PROPERTY 6	-	-	79	2
LOLC PROPERTY 7	-	-	24	2
LOLC PROPERTY 8	-	-	11,221	2
LOLC PROPERTY 9	-	-	10	2
LOLC PROPERTY 10	-	-	10	2
LOLC Pvt Ltd	-	-	3,007	-
LOLC Securities Limited	-	-	431,783	201,705
LOLC Serendib (Pvt) Ltd	-	-	18,308	-
LOLC Technologies Limited	-	-	17,968	2,378
Maturata Plantations Limited	-	-	14,562	1,553
Millennium Development Limited	-	-	56,430	8,376
PALM Garden Hotels PLC	-	-	1,186,825	1,011,203
Riverina Resort (Private) Limited	-	-	3,465,301	2,956,959
Speed Italia Limited	-	-	43,615	17
Sun & Fun Resorts (Private) Limited	-	-	71,244	35,930
Sundaya Lanka (Private) Limited	-	-	147	77
Tropical Villas (Private) Limited	-	-	23	8
United Dendro Energy (Private) Limited	-	-	24,312	24,250

As at 31 March		Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Associates					
Associates Battery Manufactures (Ceylon) Limited		996	15,681	-	-
Galoya Plantations Limited		732,997	714,522	4,531	5,371
Sierra Construction (Private) Limited		6,224	4,738	-	-
Taprobane Plantations (Private) Limited		96,079	106,582	493	239
NPH Development Limited		190,531	179,365	-	-
Patronus Wealth Holdings Limited		218,963	-	-	
Sunbird Bio-energy SL Ltd		-	2,700,549	-	-
INK Investments (Pvt) Ltd		732,816	300,000	-	-
Don & Don Holdings Ltd		566,542	-	-	
Browns Health Care (Private) Limited		6,913	-	-	
(-) Allowance for impairment	51.3.1.1	-	-	(44,931)	(44,931)
		2,552,061	4,021,438	31,973,061	16,618,328

51.3.1.1 Allowance of impairment

As at 31 March	Group 2020 Rs. '000	Group 2019 Rs. '000	Company 2020 Rs. '000	Company 2019 Rs. '000
Speed Italia Limited	-	-	44,931	44,931
	-	-	44,931	44,931

51.3.1.1 Movement in allowance of impairment

For the year ended 31 March	Group 2020 Rs. '000	Group 2019 Rs. '000	Company 2020 Rs. '000	Company 2019 Rs. '000
Opening balance	-	-	44,931	44,931
Closing balance	-	-	44,931	44,931

51.3.2 Amounts due to related parties

As at 31 March	Group 2020 Rs. '000	Group 2019 Rs. '000	Company 2020 Rs. '000	Company 2019 Rs. '000
Subsidiaries				
Browns Properties Pvt Ltd	-	-	3,494	3,720
LOLC Technology Services Limited	-	-	254,370	414,767
LOLC Advance Technologies (Pvt) Ltd	-	-	-	1,641
LOLC Asset Holdings Limited	-	-	19,600	19,823
LOLC Eco Solutions Limited	-	-	3,871	4,182
LOLC Investments Limited	-	-	-	90,532
LOLC Life Assurance Limited	-	-	2,870	-
LOLC Micro Investments Limited	-	-	-	179,183
LOLC Motors Limited	-	-	244,440	144,234
LOLC Property 5	-	-	301	378
Prospere Reality Limited	-	-	374,452	374,524
Associates				
Taprobane Plantations (Private) Limited	-	3,230	-	-
Other related Parties				
Don & Don Holdings Ltd	3,376,862	2,785,328	-	-
Ishara Traders (Private) Limited	-	769,828	-	-
INK Investments (Pvt) Ltd	254,642	-	-	-
	3,631,504	3,558,386	903,398	1,232,985

52 Non-Current assets held for sale and Discontinued Operations

1 PRASAC Microfinance Institution Limited

The Group publicly announced the decision of its Board of Directors to sell PRASAC, a 70% owned subsidiary of the Group. With reference to the corporate disclosure made on 06 January 2020, LOLC International Limited (a subsidiary of LOLC Group) with the other minority shareholders of PRASAC Microfinance Institution Limited (PRASAC) of Cambodia entered into a Sales and Purchase Agreement and a shareholder agreement with Kookmin Bank, the largest Commercial Bank of Republic of South Korea, for the sale of entire shareholding of PRASAC, subject to receiving final approval from the National Bank of Cambodia (NBC) and the Financial Service Commission of Republic of South Korea. PRASAC is the largest Micro Finance Institution in Cambodia.

On 13 April 2020, the group received the relevant regulatory approval from both National Bank of Cambodia (NBC) and the Financial Service Commission of Republic of South Korea which considered to be highly substantive for the sale transaction being highly probable. The sale of PRASAC Microfinance Institution Limited is expected to be completed within a year from the reporting date. At 31 March 2020, PRASAC Microfinance Institution Limited was classified as a disposal group held for sale and as a discontinued operation. The business of PRASAC Microfinance Institution Limited represented the Group’s Financial Services operating segment until 31 March 2020. With PRASAC Microfinance Institution Limited being classified as discontinued operations, the results of the company has been reclassified under classified as a disposal group held for sale and as a discontinued operation presented in the segment note. The results of PRASAC for the year are presented below:

2 Browns Global Farm (Pvt) Ltd

Browns Global Farm (Pvt) Ltd is a subsidiary of LOLC Group which carries the business of cultivating and selling Banana & Mango. Due to issues of the production business operations were suspended temporary and there were no revenue since June 2019. After forecasting future viability Company was considering to permanently discontinue the operation until this COVID 19 pandemic occurs. The said process cannot completed due to COVID 19 pandemic and the premises was handover to SL army to look after until the issue was sorted.

Consequently, the corresponding operating results up to the point of disposal together with the profit on disposal of the company have been classified and reported as a Discontinued Operation in accordance with the requirements of the Sri Lanka Financial Reporting Standards (SLFRS).

	2020		2019	
	PRASAC	BGFL	PRASAC	BGFL
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross income				
Interest income	67,190,564	-	49,424,583	-
Interest expenses	(32,018,026)	(5)	(22,477,682)	(8,538)
Net interest income	35,172,538	(5)	26,946,901	(8,538)
Revenue	-	5,525	-	27,620
Less: cost of sales	-	(8,621)	-	(39,000)
Gross profit	-	(3,096)	-	(11,380)
Income	4,287,568	-	2,946,708	-
Other income/(expenses)	1,450,009	-	1,335,394	-
Profit before operating expenses	40,910,115	(3,101)	31,229,003	(19,918)
Operating expenses				
Direct expenses excluding finance expenses	-	(793)	(14,016)	-
Personnel expenses	(11,511,830)	(1,607)	(7,980,183)	(4,957)
Net impairment loss on financial assets	(2,124,468)	-	(2,594,722)	-
Depreciation and amortisation	(1,115,775)	(9,773)	(415,890)	(13,106)
Other operating expenses	(2,346,418)	(47,314)	(2,915,353)	(2,886)
Results from operating activities	23,811,624	(62,588)	17,308,839	(40,867)
Income tax expense	(4,769,546)	-	(3,564,958)	-
Profit for the year	19,042,078	(62,588)	13,743,881	(40,867)

Notes to the Financial Statements

The major classes of assets and liabilities of disposal group held for sale and as a discontinued operations as at 31 March are, as follows:

	2020	
	PRASAC	BGFL
	Rs. '000	Rs. '000
Assets		
Cash in hand and favourable bank balances	101,650,233	385
Investment securities	5,313	-
Financial assets at amortised cost/ Advances and other loans	507,987,226	-
Inventories	-	757
Current tax assets	-	-
Trade and other current assets	1,709,225	1,063
Right-of-use assets	2,781,861	971
Deferred tax assets	1,691,577	-
Intangible assets	13,206,413	-
Property, plant and equipment	1,018,799	58,023
Assets directly associated with the assets held for sale and discontinued operations	630,050,645	61,200
Liabilities		
Bank overdrafts	-	221
Financial Liabilities at Amortised Cost/ Deposits liabilities	342,957,338	-
Financial Liabilities at Amortised Cost/ Interest bearing borrowings	176,649,632	-
Current tax payables	1,527,014	-
Trade and other payables	12,601,392	22,399
Retirement benefit obligations	179,937	49
Liabilities directly associated with the assets held for sale and discontinued operations	533,915,312	22,670

	2020		2019	
	PRASAC	BGFL	PRASAC	BGFL
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Operating	4,658,192	17,917	(14,288,238)	(133,276)
Investing	(177,039)	(17,099)	(98,371)	(7,376)
Financing	23,658,165	(157)	2,129,618	138,708
Net cash (outflow)/inflow	28,139,317	661	(12,256,991)	(1,945)
Earnings per share				
Basic, profit from discontinued operations attributable to ordinary equity holders of the parent	40.07	(0.13)	28.92	(0.09)
Diluted, profit from discontinued operations attributable to ordinary equity holders of the parent	40.07	(0.13)	28.92	(0.09)

Write-down of property, plant and equipment

Immediately before the classification of entities as discontinued operations, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment loss was identified. As at 31 March 2020, there was no further write-down as the carrying amount of the disposal group did not fall below its fair value less costs to sell.

53 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of new standards effective as of 1 April 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

53.1 SLFRS 16 – Leases

The Group applies, for the first time, SLFRS 16 Leases. As required by LKAS 34, the nature and effect of these changes are disclosed below.

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The Group has adopted SLFRS 16 using modified retrospective method from 1 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard.

Lessor accounting under SLFRS 16 is substantially unchanged from under LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

On adoption of SLFRS 16, the Company and the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17, 'Leases'.

The effect of adoption SLFRS 16 as at 1 April 2019 is as follows

	Group In LKR'000	Company In LKR'000
Assets		
Recognition on initial application of SLFRS 16 - Leases	10,099,941	669,495
Transferred from prepayments	144,277	64,790
Transferred from lease equalisation	(858,056)	-
Transferred from leasehold properties (note 26)	2,422,821	-
Total assets	11,808,983	734,285
Liabilities		
Interest-bearing loans and borrowings/Operating Lease Liability	9,208,526	669,495
Trade and other payables	2,814,001	-
Total liabilities	12,022,527	669,495
Net Impact to the Equity	(213,544)	-

a) **Nature of the effect of adoption of SLFRS 16**

The Group has lease contracts for various items such as lands, offices, warehouses and vehicles. Property leases are the major asset included in the right of use assets category, typically for in between 3 to 99 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. On adoption of SLFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of the transition date.

Leases previously classified as finance leases

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The requirements of SLFRS 16 was applied to these leases from 1 April 2019.

Leases previously accounted for as operating leases

The Group recognised right of use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right of use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

b) **Summary of new accounting policies and impact**

Set out below are the new accounting policies of the Group upon adoption of SLFRS 16, which have been applied from the date of initial application:

(i) **Right of use assets**

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

Right-of-use assets are recognised at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The opening adjustment as at 1 April 2019, represents the carrying value of the right-of-use assets relating to ongoing lease contracts measured on a modified retrospective basis as if the agreement had been applied since 01 April 2019.

(ii) **Lease liabilities**

At the initial application date of the standard (01 April 2019), the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the initial application 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The opening adjustment as at 1 April 2019, represents the present value of the remaining lease payments, relating to ongoing lease contracts, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of 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.

(iii) Reserves

The following is a summary of transition adjustments to the Company's and the Group's retained earnings from the initial application of SLFRS 16 as at 1 April 2019.

	Group In LKR'000	Company In LKR'000
Retained earnings as at 31st March 2019		
Recognition of additional lease liabilities	(227,077)	-
Impact due to Deferred Tax adjustment	13,533	-
Adjustments to retained earnings from changes in accounting policies	(213,544)	-
Retained earnings as at 1st April 2019	(213,544)	-

Practical expedients applied

In applying SLFRS 16 for the first time, the Company and the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases, and
- apply the Standard to contracts that were previously identified as leases applying LKAS 17, 'Leases' and IFRIC 4, 'Determining whether an Arrangement contains a Lease'.

54 Assets and Liabilities Measured at Fair Value and Fair Value Hierarchy

54.1 Fair value hierarchy

The Group's accounting policy on fair value measurements is discussed in accounting policy 3.3

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

2 Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:

a) quoted market prices in active markets for similar instruments;
b) quoted prices for identical or similar instruments in markets that are considered less than active; or
c) other valuation techniques where all significant inputs are directly or indirectly observable from market data.

3 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

Valuation techniques include net present value and discounted cash flow models comparison with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reelect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

The following table provides an analysis of assets and liabilities measured at fair value as at the Reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

There were no material transfers between levels of fair value hierarchy during 2019 and 2020.

The independent valuers provide the fair value of land and buildings once in three years according to the Group's policy. Therefore the fair value exist in the recent valuation which was carried out by professionally qualified independent valuers in compliance with Sri Lanka Accounting Standards - SLFRS 13 (Fair Value Measurement) less subsequent accumulated depreciation and impairment losses is considered as the fair value exist as at the reporting date (31st March 2020).

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

	Note	As at 31st March 2020 Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant un-observable inputs	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group					
Financial Assets					
Trading assets - fair value through profit or loss					
Corporate securities	18.1	4,694,045	-	-	4,694,045
Government securities	18.2	-	8,043	-	8,043
Equity securities	18.3	388,796	1,167,863	-	1,556,659
Derivative assets held for risk management	18.4	-	380,328	-	380,328
		5,082,841	1,556,234	-	6,639,075
Investment securities					
Financial assets measured at fair value through other comprehensive income					
Corporate securities	19.1.1	3,245,240	-	-	3,245,240
Government securities	19.1.2	-	17,194,717	-	17,194,717
Designated FVOCI investment securities	19.1.3	-	-	244,938	244,938
Equity securities with readily determinable fair values	19.1.4	-	223,278	-	223,278
		3,245,240	17,417,995	244,938	20,908,173
Total financial assets at fair value		8,328,081	18,974,229	244,938	27,547,248
Non-Financial Assets					
Investment Properties	28	-	-	31,723,414	31,723,414
Consumable biological assets	29	-	-	3,642,998	3,642,998
Property, plant & equipment					
- Land	35	-	-	22,731,610	22,731,610
- Buildings (Leasehold & Freehold)	35	-	-	12,959,246	12,959,246
Total non-financial assets at fair value		-	-	71,057,268	71,057,268
Total assets at fair value		8,328,081	18,974,229	71,302,206	98,604,516
Financial Liabilities					
Derivative financial liabilities	36	-	114,349	-	114,349
Total liabilities at fair value		-	114,349	-	114,349

Notes to the Financial Statements

		As at 31st March 2019			
		Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant un-observable inputs	Total
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group					
Financial Assets					
Trading assets - fair value through profit or loss					
Corporate securities	18.1	5,685,239	-	-	5,685,239
Government securities	18.2	-	9,009	-	9,009
Equity securities	18.3	423,349	1,271,602	-	1,694,950
Derivative assets held for risk management	18.4	-	879,882	-	879,882
		6,108,588	2,160,493	-	8,269,081
Investment securities					
Financial assets measured at fair value through other comprehensive income					
Corporate securities	19.1.1	3,756,210	-	-	3,756,210
Government securities	19.1.2	-	12,384,716	-	12,384,716
Designated FVOCI investment securities	19.1.3	174,436	-	-	174,436
Equity securities with readily determinable fair values	19.1.4	223,288	-	-	223,288
		4,153,934	12,384,716	-	16,538,650
Total financial assets at fair value		10,262,522	14,545,209	-	24,807,730
Non-Financial Assets					
Investment Properties	29	-	-	26,383,374	26,383,374
Consumable biological assets	28	-	-	3,788,540	3,788,540
Property, plant & equipment					
- Land	35	-	-	21,006,071	21,006,071
- Buildings (Leasehold & Freehold)	35	-	-	7,792,466	7,792,466
Total non-financial assets at fair value		-	-	58,970,451	58,970,451
Total assets at fair value		10,262,522	14,545,209	58,970,451	83,778,182
Financial Liabilities					
Derivative financial liabilities		-	841,492	-	841,492
Total liabilities at fair value		-	841,492	-	841,492

	Note	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant un-observable inputs	Total
		As at 31st March 2020			
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company					
Financial Assets					
Trading assets - fair value through profit or loss					
Equity securities	18.3	263,429	-	-	263,429
		263,429	-	-	263,429
Investment securities					
Financial assets measured at fair value through other comprehensive income					
Corporate securities	19.1.1	-	273	-	273
Designated FVOCI investment securities	19.1.3	-	-	98,265	98,265
Equity securities with readily determinable fair values	19.1.4	-	223,278	-	223,278
		-	223,551	98,265	321,816
Total financial assets at fair value		263,429	223,551	98,265	585,245
Non-Financial Assets					
Investment Properties	28	-	-	1,017,250	1,017,250
Property, plant & equipment					
- Land	35	-	-	2,146,500	2,146,500
- Buildings	35	-	-	423,260	423,260
Total non-financial assets at fair value		-	-	3,587,010	3,587,010
Total assets at fair value		263,429	223,551	3,685,275	4,172,255

	Note	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant un-observable inputs	Total
		As at 31st March 2019			
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets					
Trading assets - fair value through profit or loss					
Equity securities	18.3	285,735	-	-	285,735
		285,735	-	-	285,735
Investment securities					
Financial assets measured at fair value through other comprehensive income					
Corporate securities	19.1.1				
Government securities	19.1.2	-	390	-	390
Designated FVOCI investment securities	19.1.3	-	-	70,765	70,765
Equity securities with readily determinable fair values	19.1.4	223,278	-	-	223,278
		223,278	390	70,765	294,433
Total financial assets at fair value		509,013	390	70,765	580,167
Non-Financial Assets					
Investment Properties	28	-	-	956,125	956,125
Property, plant & equipment					
- Land	35	-	-	2,906,500	2,906,500
- Buildings	35	-	-	437,522	437,522
Total non-financial assets at fair value		-	-	4,300,147	4,300,147
Total assets at fair value		509,013	390	4,370,912	4,880,314

54.2 Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

		2020		2019	
		Carrying amount	Fair Value	Carrying amount	Fair Value
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group					
Financial Assets					
Financial assets at amortised cost	19.2	28,381,713	28,481,049	77,121,901	76,549,088
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	20	58,101,502	59,386,780	56,231,759	55,982,729
Financial assets at amortised cost/ Advances and other loans	21	331,358,633	341,134,574	651,045,840	646,761,242
		417,841,848	429,002,403	784,399,500	779,293,059
Financial Liabilities					
Financial liabilities at amortised cost/ Deposits liabilities	37.1	220,985,129	216,852,707	452,075,041	452,201,129
Financial liabilities at amortised cost/ Interest bearing borrowings	38	323,027,083	319,008,949	377,426,242	376,721,474
		544,012,212	535,861,656	829,501,282	828,922,603
Company					
Financial Assets					
Financial assets at amortised cost	19.2	2,940,045	3,087,047	3,724,642	3,724,407
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	20	2,440	2,538	3,287	3,287
Financial assets at amortised cost/ Advances and other loans	21	5,510,840	5,442,785	2,483,657	2,366,428
		8,453,325	8,532,370	6,211,586	6,094,122
Financial Liabilities					
Financial liabilities at amortised cost/ Interest bearing borrowings	38	95,412,795	94,057,731	69,895,035	69,949,553
		95,412,795	94,057,731	69,895,035	69,949,553

For the cash and cash equivalents, short term receivables and payables, the fair value reasonably approximates its costs.

There are various limitations inherent on this fair value disclosure particularly where prices may not represent the underlying value due to dislocation in the market. Not all the Group's financial instruments can be exchanged in an active market. The Group obtains the fair values for investment securities from quoted market prices where available. Where securities are unlisted and quoted prices are not available, the Group obtains fair values, by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy in to which each fair value measurement is categorised.

Notes to the Financial Statements

	Group			
	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant un-observable inputs	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2020				
Financial assets				
Financial assets at amortised cost	-	28,481,049	-	28,481,049
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-	-	59,386,780	59,386,780
Financial assets at amortised cost/ Advances and other loans	-	-	341,134,574	341,134,574
	-	28,481,049	400,521,354	429,002,403
Financial liabilities				
Financial liabilities at amortised cost/ Deposits liabilities	-	-	216,852,707	216,852,707
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	319,008,949	319,008,949
	-	-	535,861,656	535,861,656
As at 31 March 2019				
Financial assets				
Financial assets at amortised cost	-	76,549,088	-	76,549,088
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-	-	55,982,729	55,982,729
Financial assets at amortised cost/ Advances and other loans	-	-	646,761,242	646,761,242
	-	76,549,088	702,743,971	779,293,059
Financial liabilities				
Financial liabilities at amortised cost/ Deposits liabilities	-	-	452,201,129	452,201,129
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	376,721,474	376,721,474
	-	-	828,922,603	828,922,603

	Company			
	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant un-observable inputs	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2020				
Financial assets				
Financial assets at amortised cost	-	3,087,047	-	3,087,047
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-	-	2,538	2,538
Financial assets at amortised cost/ Advances and other loans	-	-	5,442,785	5,442,785
	-	3,087,047	5,445,323	8,532,370
Financial liabilities				
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	94,057,731	94,057,731
	-	-	94,057,731	94,057,731
As at 31 March 2019				
Financial assets				
Financial assets at amortised cost	-	3,724,642	-	3,724,407
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-	-	3,287	3,287
Financial assets at amortised cost/ Advances and other loans	-	-	2,483,657	2,366,428
	-	3,724,642	6,094,122	6,094,122
Financial liabilities				
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	69,895,035	69,949,553
	-	-	69,895,035	69,949,553

54.3 Assets measured at level 3

The following table shows a reconciliation from the beginning balances to the ending balances of fair value measurements in Level 3 of the fair value hierarchy.

Note 35.2 provides information on significant unobservable inputs used as at 31 March, 2020 in measuring fair value of land and buildings categorised as Level 3 in the fair value hierarchy.

Note 35.2 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

	Freehold Land and Buildings	
	Group	Company
	Rs. '000	Rs. '000
Balance as at 1 April 2018	27,615,635	3,358,284
Additions	1,866,757	-
Revaluations	2,160,982	-
Disposals / deductions	(2,634,620)	-
Acquisition of subsidiaries	7,035	-
Exchange differences	24,617	-
Depreciation of buildings	(241,869)	(14,262)
Balance as at 31 March 2019	28,798,537	3,344,022
Additions	218,177	-
Revaluations	1,129,020	-
Disposals / deductions	6,480,137	-
Acquisition of subsidiaries	1,103,393	-
Exchange differences	47,653	-
Disposal of Subsidiaries	(1,060,228)	-
Impairment	(760,000)	(760,000)
Depreciation of buildings	(265,833)	(14,262)
Balance as at 31 March 2020	35,690,856	2,569,760

55 Analysis of financial instruments by measurement basis

Financial instruments are measured on an on-going basis either at fair value or at amortised cost. The Accounting Policies describe how each category of financial instrument is measured and how income and expenses, including fair value gain and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standards – SLFRS)9 (Financial Instruments: Recognition & Measurement) under headings of the Statement of Financial Position for both financial year 2019 and 2020.

	Group					
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Other financial assets/ liabilities	Total carrying amount	Fair value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2020						
Financial assets						
Cash in hand and favourable bank balances	-	-	56,135,056	-	56,135,056	56,135,056
Trading assets - fair value through profit or loss	6,639,075	-	-	-	6,639,075	6,639,075
Investment securities	-	20,908,173	28,381,713		49,289,886	49,389,222
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-	-	58,101,502	-	58,101,502	59,386,780
Financial assets at amortised cost/ Advances and other loans	-	-	331,358,633	-	331,358,633	341,134,574
Trade and other current assets	-	-	-	11,900,266	11,900,266	16,012,795
Total financial assets	6,639,075	20,908,173	473,976,904	11,900,266	513,424,418	528,697,502
Financial liabilities						
Bank overdrafts	-		4,022,416	-	4,022,416	4,022,416
Trading liabilities - fair value through profit or loss	114,349	-	-	-	114,349	114,349
Financial liabilities at amortised cost/ Deposits liabilities	-	-	220,985,129	-	220,985,129	219,852,707
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	323,027,083	-	323,027,083	319,008,949
Trade and other payables	-	-	12,924,406	-	12,924,406	12,924,406
Total financial liabilities	114,349	-	560,959,034	-	561,073,383	552,922,827

Notes to the Financial Statements

	Group					
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Other financial assets/ liabilities	Total carrying amount	Fair value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2019						
Financial assets						
Cash in hand and favourable bank balances	-		76,082,984	-	76,082,984	76,082,984
Trading assets - fair value through profit or loss	8,269,081	-	-	-	8,269,081	8,269,081
Investment securities	-	16,538,650	77,121,901		93,660,551	93,087,738
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-		56,231,759	-	56,231,759	55,982,729
Financial assets at amortised cost/ Advances and other loans	-		651,045,840	-	651,045,840	646,761,242
Trade and other current assets	-			16,957,713	16,957,713	16,957,713
Total financial assets	8,269,081	16,538,650	860,482,485	16,957,713	902,247,928	897,141,487
Financial liabilities						
Bank overdrafts	-		10,508,019	-	10,508,019	10,508,019
Trading liabilities - fair value through profit or loss	841,492	-	-	-	841,492	841,492
Financial liabilities at amortised cost/ Deposits liabilities	-	-	452,075,041	-	452,075,041	452,201,129
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	377,426,242	-	377,426,242	376,721,474
Trade and other payables	-	-	-	25,883,963	25,883,963	25,883,963
Total financial liabilities	841,492	-	840,009,301	25,883,963	866,734,756	866,156,076

Analysis of Financial Instruments by Measurement Basis

	Company					
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Other financial assets/ liabilities	Total carrying amount	Fair value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2020						
Financial assets						
Cash in hand and favourable bank balances	-		1,611,459	-	1,611,459	1,611,459
Trading assets - fair value through profit or loss	263,429	-	-	-	263,429	263,429
Investment securities	-	321,816	2,940,045	-	3,261,861	3,408,863
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-		2,440	-	2,440	2,538
Financial assets at amortised cost/ Advances and other loans	-		5,510,840	-	5,510,840	2,483,657
Trade and other current assets	-		-	-	-	
	-		-	32,680,989	32,680,989	32,680,989
Total financial assets	263,429	321,816	10,064,784	32,680,989	43,331,018	40,450,935
Financial liabilities						
Bank overdrafts	-		1,039,522	-	1,039,522	1,039,522
Trading liabilities - fair value through profit or loss	-	-	-	-	-	
Financial liabilities at amortised cost/ Deposits liabilities	-	-	95,412,795	-	95,412,795	94,057,731
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	-	1,329,893	1,329,893	1,329,893
Total financial liabilities	-	-	96,452,317	1,329,893	97,782,210	96,427,146

Analysis of Financial Instruments by Measurement Basis

	Company					
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Other financial assets/ liabilities	Total carrying amount	Fair value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2019						
Financial assets						
Cash in hand and favourable bank balances	-	-	945,468	-	945,468	945,468
Trading assets - fair value through profit or loss	285,735	-	-	-	285,735	285,735
Investment securities	-	294,433	3,724,642		4,019,075	4,018,840
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-		3,287	-	3,287	3,287
Financial assets at amortised cost/ Advances and other loans	-		2,483,657	-	2,483,657	2,366,428
Trade and other current assets	-		-	17,304,653	17,304,653	17,304,653
Total financial assets	285,735	294,433	7,157,055	17,304,653	25,041,875	24,924,411
Financial liabilities						
Bank overdrafts	-	-	3,629,017	-	3,629,017	3,629,017
Financial liabilities at amortised cost/ Deposits liabilities	-	-	69,895,035	-	69,895,035	69,949,553
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	1,705,046	-	1,705,046	1,705,046
Trade and other payables	-	-	-	8,361,982	8,361,982	8,361,982
Total financial liabilities	-	-	75,229,098	8,361,982	83,591,080	83,645,598

55.1 Valuation Methodologies and Assumptions

Fair value of financial assets and liabilities not carried at fair value

Relief granted by the CBSL has not being considered for the fair value.

The valuation techniques used to establish the Group's fair values are consistent with those used to calculate the fair values of financial instruments carried at fair value. The fair values calculated are for disclosure purposes only and do not have any impact on the Group's reported financial performance or position. The fair values calculated by the Group may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument. As certain categories of financial instruments are not traded there is a significant level of management judgment involved in calculating the fair values.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements:

Balances with banks and financial institutions

For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Loans and receivables

The fair value of loans and advances to customers with a maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of loans and advances with maturity of more than one year represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Due to customers

The estimated fair value of deposits with no maturity period (savings deposits) is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits (fixed deposits) without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar risk and remaining maturity.

Due to banks and debt securities issued

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

The fair value of fixed rate borrowings with a maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of fixed rates borrowing with maturity of more than one year represents the discounted amount of future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

Other Financial Liabilities

Since all the liabilities which are under other financial liabilities have short-term maturities, it is assumed that the carrying amount of those liabilities approximate their fair value.

Land and Buildings and Investment Properties

Land in Property, plant and Equipment and Investment Property are valued using market approach with direct comparison method, making adjustments for points of difference to derive the fair value. Buildings in Land and Buildings and Investment Property are valued using contractors methods

Under the Market Approach, estimated fair value would get increased/(decreased) if;
- Price per perch would get higher/(lower)
- Price per square foot would get higher/(lower)
- Depreciation rate for building would get lower/(higher)

Fair value measurement and related fair value disclosures

Due to the COVID-19 outbreak and the closure of the exchange, Management has assessed and determined the fair value of equity portfolio as of 31 March 2020, based on the closing traded prices that existed as of 31 January 2020.

All the listed equity instruments were transferred from level 1 to level 2 as at 31 March 2020 as it shows factors which are indicative of an inactive market due to COVID 19 pandemic. There was a significant decline in the world equity market and the share prices did not reflect the accurate fair value of the instrument. Hence management decided to recognise all its listed equity instruments in level 2.

All the other financial instruments were properly categorised and during the period were not materially different from the transaction prices at the date of initial recognition. The fair value changes on financial instruments in Level 3 category was properly recorded in the statement of other comprehensive income Fair valuation was done as of 31 March 2020.

56 Maturity analysis of financial assets and liabilities

56.1 Maturity analysis of financial assets

As at 31 March 2020	Note	Carrying amount Rs.'000	less than one month Rs.'000	1-3 months Rs.'000	4-12 months Rs.'000	13-60 months Rs.'000	> 60 months Rs.'000
Group							
Cash and cash equivalents	17.1	56,135,056	54,154,573	1,451,169	529,314	-	-
Trading assets - fair value through profit or loss							
Corporate securities	18.1	4,694,045	1,652,517	1,998,841	1,042,687	-	-
Government securities	18.2	8,043	8,043	-	-	-	-
Equity securities	18.3	1,556,659	-	1,556,659	-	-	-
Derivative assets held for risk management	18.4	380,328	121,582	178,711	80,035	-	-
Investment securities							
Financial assets measured at fair value through other comprehensive income	19.1	20,908,173	3,234,739	1,399,307	5,199,389	5,869,956	5,204,781
Financial assets at amortised cost	19.2	28,381,713	6,862,644	7,921,057	8,285,423	5,126,666	185,922
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases							
Finance lease receivables	20.1	58,099,062	9,014,236	17,160,681	18,409,476	13,389,915	124,755
Operating lease receivables	20.2	2,440	-	2,440	-	-	-
Financial assets at amortised cost/ Advances and other loans							
Advances and loans	21.1	319,752,013	37,532,549	21,220,927	27,366,891	230,277,282	3,354,364
Factoring receivables	21.2	4,896,713	713,839	2,366,691	174,887	974,133	667,162
Gold loan advances receivables	21.3	6,709,908	3,956,087	2,398,044	355,776	-	-
Trade and other current assets							
Financial Assets	25	11,900,266	4,886,824	3,249,528	1,778,836	1,439,902	545,175
		513,424,418	122,137,633	60,904,056	63,222,714	257,077,855	10,082,160

56 Maturity analysis of financial assets and liabilities

56.1 Maturity analysis of financial assets

As at 31 March 2020	Note	Carrying amount Rs.'000	less than one month Rs.'000	1-3 months Rs.'000	4-12 months Rs.'000	13-60 months Rs.'000	> 60 months Rs.'000
Company							
Cash and cash equivalents	17.1	1,611,459	1,611,460	-	-	-	-
Trading assets - fair value through profit or loss							
Equity securities	18.3	263,429		263,429			
Investment securities							-
Financial assets measured at fair value through other comprehensive income							
Corporate securities	19.1.1	273	273	-	-	-	-
Designated FVOCI investment securities	19.1.3	98,265	-	-	-	-	98,265
Equity securities with readily determinable fair values	19.1.4	223,278	-	-	-	-	223,278
Financial assets at amortised cost							
Corporate bonds	19.2.1	165,779	165,779				
Investments in term deposits	19.2.3	2,774,266	-	917,106	1,857,160		
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases							-
Operating lease receivables	20.2	2,440	-	2,440	-	-	-
Financial assets at amortised cost/ Advances and other loans							-
Advances and loans	21.1	5,510,840	318,236	-	1,119,262	4,073,343	-
Trade and other current assets							-
Financial Assets	25	32,680,989	32,139,471	430,247	111,271		-
		43,331,018	34,235,219	1,613,222	3,087,693	4,073,343	321,543

Maturity analysis of financial assets and liabilities

56.2 Maturity analysis of financial liabilities

As at 31 March 2020	Note	Carrying amount Rs.'000	less than one month Rs.'000	1-3 months Rs.'000	4-12 months Rs.'000	13-60 months Rs.'000	> 60 months Rs.'000
Group							
Non-derivative liabilities							
Bank overdrafts	17.2	4,022,416	2,564,883	1,457,534	-	-	-
Trading liabilities - fair value through profit or loss	36	114,349	34,305	65,179	14,865	-	-
Financial liabilities at amortised cost/ Deposits liabilities							
Deposits from customers							
Fixed deposits	37.2	196,983,751	48,055,359	81,379,452	59,087,688	8,461,252	-
Saving / Demand deposits	37.3	17,881,792	11,146,369	3,214,316	704,082	2,817,025	-
Interest / profits payable	37.4	6,119,586	2,605,205	1,582,806	883,793	1,047,782	-
Financial liabilities at amortised cost/ Interest bearing borrowings							
Commercial papers & promissory notes	38	33,851,128	10,577,236	11,531,998	11,741,895	-	-
Short-term loans and others	38	71,821,448	29,197,911	30,340,422	12,283,115	-	-
Debentures	38.1	18,752,371	-	252,371	5,000,000	13,500,000	-
Finance lease liabilities	38.2	953,611	27,062	94,715	202,962	537,128	91,745
Long-term borrowings	38.3	189,450,021	24,183,032	25,293,951	24,050,746	94,959,190	20,963,102
Operating Lease Liability	38.4	8,198,503	90,433	248,247	512,452	536,502	6,810,869
Trade and other payables							
Financial liabilities	41	12,924,406	4,797,715	1,615,803	1,300,948	1,659,901	3,550,037
		561,073,383	133,279,509	157,076,794	115,782,547	123,518,780	31,415,753
Company							
Non-derivative liabilities							
Bank overdrafts	17.2	1,039,522	1,039,522	-	-	-	-
Financial liabilities at amortised cost/ Interest bearing borrowings							-
Commercial papers & promissory notes	38	34,949,429	8,645,693	11,977,049	14,326,687	-	-
Short-term loans and others	38	45,992,504	-	45,992,504	-	-	-
Debentures	38.1	6,985,839	(879)	6,387	34,272	6,946,059	-
Finance lease liabilities	38.2	95,346	3,381	6,880	30,666	54,419	-
Long-term borrowings	38.3	6,735,829	466,356	897,243	2,692,400	2,679,829	-
Operating Lease Liability	38.4	653,848	5,512	16,535	44,092	470,294	117,415
Trade and other payables							-
Financial liabilities	41	1,329,893	1,300,428	24,496	4,970	-	-
		97,782,210	11,460,013	58,921,093	17,133,089	10,150,600	117,415

56.3 Maturity analysis of financial assets

As at 31 March 2019	Note	Carrying amount Rs.'000	less than one month Rs.'000	1-3 months Rs.'000	4-12 months Rs.'000	13-60 months Rs.'000	> 60 months Rs.'000
Group							
Cash and cash equivalents	17.1	76,082,984	73,398,725	1,966,851	717,409	-	-
Trading assets - fair value through profit or loss							
Corporate securities	18.1	5,685,239	2,001,463	2,420,916	1,262,861		-
Government securities	18.2	9,009	9,009	-	-	-	-
Equity securities	18.3	1,694,950	1,682,580	-	12,370	-	
Derivative assets held for risk management	18.4	879,882	281,278	413,445	185,159		-
Investment securities							
Financial assets measured at fair value through other comprehensive income/Available-for-sale investment securities	19.1	16,538,650	2,558,722	1,106,871	4,112,788	4,643,216	4,117,053
Financial assets at amortised cost / Loans & receivables	19.2	77,122,105	18,647,979	21,524,023	22,514,118	13,930,776	505,209
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases							
Finance lease receivables	20.1	56,227,521	8,723,861	16,607,885	17,816,453	12,958,587	120,736
Hire purchase receivables	20.2	950	-	950	-	-	-
Operating lease receivables	20.3	3,287	-	3,287	-	-	-
Financial assets at amortised cost/ Advances and other loans							
Advances and loans	21.1	640,676,197	75,202,687	21,641,198	34,317,427	143,368,221	366,146,665
Factoring receivables	21.2	7,273,787	1,060,367	5,682,959	259,785	270,676	-
Gold loan advances receivables	21.3	3,095,856	1,825,282	1,106,423	164,150	-	-
Trade and other current assets							
Financial Assets	25	16,957,713	6,963,657	4,630,532	2,534,816	2,051,840	776,867
		902,248,132	192,355,609	77,105,340	83,897,336	177,223,316	371,666,531

56.3 Maturity analysis of financial assets

As at 31 March 2019	Note	Carrying amount Rs.'000	less than one month Rs.'000	1-3 months Rs.'000	4-12 months Rs.'000	13-60 months Rs.'000	> 60 months Rs.'000
Company							
Cash and cash equivalents	17.1	945,468	945,468	-	-	-	-
Trading assets - fair value through profit or loss							
Derivative assets held for risk management	18.4	285,735	285,735	-	-	-	-
Investment securities							
Financial assets measured at fair value through other comprehensive income	19.1	294,433	390	-	-	-	294,043
Corporate securities	19.1.1	390	390	-	-	-	-
Designated FVOCI investment securities	19.1.3	70,765	-	70,765	-	-	-
Equity securities with readily determinable fair values	19.1.4	223,278	-	-	223,278	-	-
Financial assets at amortised cost							
Corporate bonds	19.2.1	142,717	-	-	142,717	-	-
Investments in term deposits	19.2.3	3,581,925	-	-	3,581,925	-	-
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases							
Operating lease receivables	20.3	3,287	3,287	-	-	-	-
Financial assets at amortised cost/ Advances and other loans							
Advances and loans	21.1	2,483,657	733,938	-	1,745,788	-	3,930
Trade and other current assets							
Financial Assets	25	17,304,653	253,428	39,196	45,814	33,228	16,932,987
		25,041,875	2,222,246	109,961	5,739,522	33,228	16,936,918

56.4 Maturity analysis of financial liabilities

As at 31 March 2019	Note	Carrying amount Rs.'000	less than one month Rs.'000	1-3 months Rs.'000	4-12 months Rs.'000	13-60 months Rs.'000	> 60 months Rs.'000
Group							
Non-derivative liabilities							
Bank overdrafts	17.2	10,508,019	6,700,410	3,807,610	-	-	-
Trading liabilities - fair value through profit or loss	36	841,492	-	841,492	-	-	-
Financial liabilities at amortised cost/ Deposits liabilities							
Deposits from customers							
Fixed deposits	37.2	411,570,694	100,405,122	170,031,271	123,455,669	17,678,632	-
Saving / Demand deposits	37.3	35,661,668	22,229,209	6,410,313	1,404,151	5,617,995	-
Interest / profits payable	37.4	4,842,678	2,061,605	1,252,539	699,382	829,153	-
Financial liabilities at amortised cost/ Interest bearing borrowings							
Commercial papers & promissory notes	38	25,889,571	8,089,542	8,819,750	5,268,941	3,711,339	-
Short-term loans and others	38	62,983,047	25,604,794	26,606,707	2,211,471	3,552,455	5,007,621
Debentures	38.1	20,812,030	3,703	8,000,000	5,000,000	5,808,327	2,000,000
Finance lease liabilities	38.2	485,234	29,493	9,293	135,851	213,533	97,064
Long-term borrowings	38.3	267,256,359	34,114,902	35,682,071	11,471,706	50,586,947	135,400,732
Trade and other payables							
Financial liabilities	41	25,883,963	9,608,479	3,236,001	2,605,435	3,324,317	7,109,730
		866,734,755	208,847,260	263,855,556	157,094,096	91,322,699	149,615,146
Company							
Non-derivative liabilities							
Bank overdrafts	17.2	3,629,017	3,629,017	-	-	-	-
Financial liabilities at amortised cost/ Interest bearing borrowings							
Commercial papers & promissory notes	38	12,760,945	7,426,470	4,359,233	975,242	-	-
Short-term loans and others	38	41,567,796	41,567,796	-	-	-	-
Debentures	38.1	7,808,439	111	-	5,808,327	2,000,000	-
Finance lease liabilities	38.2	133,048	2,947	5,998	28,756	95,347	-
Long-term borrowings	38.3	7,624,808	3,461,649	329,716	1,449,059	2,384,383	-
Trade and other payables							
Financial liabilities	41	1,705,046	1,705,046	-	-	-	-
		75,229,098	57,793,036	4,694,947	8,261,383	4,479,731	-

57 Operating Segments

For the year ended 31 March 2020	Financial services Rs. '000	Long term & general insurance Rs. '000	Manufacturing & trading Rs. '000
For the year ended 31 March 2020			
Gross income	103,554,575	7,768,230	24,786,737
Net Interest Cost	(48,650,679)	(6,486)	(5,313,679)
Cost of Sales	-	-	(15,457,434)
Profit before Operating Expenses	54,903,896	7,761,744	4,015,624
Operating Expenses	(53,939,609)	(6,307,706)	(3,031,789)
Results from Operating Expenses	964,287	1,454,038	983,835
Share of profits of equity accounted investees, net of tax	-	-	-
Results on acquisition and divestment of group investments	-	-	-
Profit before tax from continuing operations	964,287	1,454,038	983,835
Discontinued operations			
Profit/(loss) after tax for the year from discontinued operations and assets held for sale	23,811,624	-	-
Profit before tax from discontinued operations	24,775,911	-	-
Profit before tax of the group	25,740,197	1,454,038	983,835

For the year ended 31 March 2019	Financial services Rs. '000	Long term & general insurance Rs. '000	Manufacturing & trading Rs. '000
Gross income	97,397,589	6,773,153	26,476,933
Net Interest Cost	(47,077,562)	(10,427)	(4,530,975)
Cost of Sales	-	-	(15,679,102)
Profit before Operating Expenses	50,320,027	6,762,726	6,266,856
Operating Expenses	(43,709,822)	(6,937,838)	(3,040,256)
Results from Operating Expenses	6,610,204	(175,112)	3,226,600
Share of profits of equity accounted investees, net of tax	-	-	-
Results on acquisition and divestment of group investments	-	-	-
Profit Before Taxation	6,610,204	(175,112)	3,226,600
Discontinued operations			
Profit/(loss) after tax for the year from discontinued operations and assets held for sale	17,308,839	-	-
Profit before tax from discontinued operations	23,919,043	-	-
Profit before tax of the group	30,529,248	(175,112)	3,226,600

Leisure & entertainment Rs. '000	Plantation & Power Generation Rs. '000	Equity accounted investees Rs. '000	Others & eliminations Rs. '000	Total Rs. '000
1,884,902	2,518,945	-	(10,071,711)	130,441,678
(3,084,220)	(869,988)	-	3,073,358	(54,851,694)
(363,913)	(909,711)	-	(408,861)	(17,139,918)
(1,563,231)	739,246	-	(7,407,214)	58,450,067
(1,417,137)	(3,523,222)	-	6,146,512	(62,072,952)
(2,980,368)	(2,783,976)	-	(1,260,702)	(3,622,886)
-	-	1,019,970	-	1,019,970
-	-	-	5,979,045	5,979,045
(2,980,368)	(2,783,976)	1,019,970	4,718,343	3,376,129
-	(62,588)	-	-	23,749,036
-	(2,846,564)	-	-	27,125,165
(2,980,368)	(5,630,540)	1,019,970	4,718,343	27,125,165

Leisure & entertainment Rs. '000	Plantation & Power Generation Rs. '000	Equity accounted investees Rs. '000	Others & eliminations Rs. '000	Total Rs. '000
1,853,414	2,891,551	-	(11,078,733)	124,313,907
(2,301,958)	(608,060)	-	5,888,329	(48,640,653)
(486,598)	(746,032)	-	(159,090)	(17,070,822)
(935,142)	1,537,460	-	(5,349,494)	58,602,433
(1,259,144)	(1,357,913)	-	6,143,269	(50,161,704)
(2,194,286)	179,547	-	793,775	8,440,728
-	-	1,108,860	-	1,108,860
-	-	-	-	-
(2,194,286)	179,547	1,108,860	793,775	9,549,588
-	(40,867)	-	-	17,267,972
-	138,680	-	-	26,817,560
(2,194,286)	318,227	1,108,860	793,775	26,817,560

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.
All other adjustments and eliminations are part of detailed reconciliations presented further below.

	Financial services Rs. '000	Long term & general insurance Rs. '000	Manufacturing & trading Rs. '000
For the year ended 31 March 2020			
Continuing operations			
Net impairment (loss) / reversal on financial assets	16,852,947	4,396	295,507
Depreciation and amortisation	1,848,667	66,763	433,855
Discontinued operations			
Net impairment (loss) / reversal on financial assets	2,124,468	-	-
Depreciation and amortisation	1,115,775	-	-
Continuing operations			
Total assets (as at 31 March 2020)	653,752,531	16,122,010	66,325,842
Total liabilities (as at 31 March 2020)	523,458,256	10,655,428	32,909,220
Discontinued operations			
Total assets (as at 31 March 2020)	630,050,645	-	-
Total liabilities (as at 31 March 2020)	533,915,312	-	-
For the year ended 31 March 2019			
Continuing operations			
Net impairment (loss) / reversal on financial assets	11,492,363	10,163	81,676
Depreciation and amortisation	1,176,558	66,253	438,956
Discontinued operations			
Net impairment (loss) / reversal on financial assets	2,594,722	-	-
Depreciation and amortisation	415,890	-	-
Total assets (as at 31 March 2019)	1,024,876,788	12,337,061	86,745,185
Total liabilities (as at 31 March 2019)	849,559,239	8,436,683	35,461,339

Leisure & entertainment	Plantation & Power Generation	Equity accounted investees	Others & eliminations	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
33,207	-	-	37,739	17,223,797
264,332	1,390,761	-	119,548	4,123,926
				-
-	-	-	-	2,124,468
-	9,773	-	-	1,125,548
67,515,914	52,650,054	-	(150,559,271)	705,807,079
42,905,676	13,883,905	-	(34,408,969)	589,403,517
-	61,200	-	-	630,111,845
-	22,670	-	-	533,937,982
2,197	-	-	(119,898)	11,466,501
253,462	246,347	-	(8,885)	2,172,690
-	-	-		2,594,722
-	13,106	-		428,996
55,763,890	10,745,557	-	(146,721,398)	1,043,747,083
29,867,029	7,214,592	-	(39,011,929)	891,526,953

57.1 Geographical segments, based on the location of assets

For the year ended 31 March 2020	Sri Lanka Rs. '000	Singapore Rs. '000	Cambodia Rs. '000
From Continuing Operations			
Segmental Income	98,060,001	46,281	27,240,670
Segmental results	2,868,284	(2,226,072)	5,609,361
From Discontinued Operations			
Segmental Income	5,525	-	72,928,141
Segmental results	(62,588)	-	23,811,624
From Continuing Operations			
Segmental Assets	303,790,199	94,524,016	196,006,549
Segmental Liabilities	287,061,920	32,315,341	167,260,021
From Discontinued Operations			
Segmental Assets	61,200	-	630,050,645
Segmental Liabilities	22,670	-	533,915,312

For the year ended 31 March 2019	Sri Lanka Rs. '000	Singapore Rs. '000	Cambodia Rs. '000
From Continuing Operations			
Segmental Income	104,724,926	(1,558)	70,659,469
Segmental results	5,051,062	(910,277)	22,521,171
From Discontinued Operations			
Segmental Income	27,620	-	53,706,685
Segmental results	(40,867)	-	17,308,839
Segmental Assets	358,311,078	77,286,573	579,529,651
Segmental Liabilities	358,858,524	16,298,982	501,644,824

	Maldives	Myanmar	Indonesia	Pakistan	Africa	Other	Group Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	74,726	3,376,827	336,816	1,148,780	109,871	47,707	130,441,678
	29,377	535,678	(530,523)	(54,214)	(2,223,667)	(632,096)	3,376,128
	-	-	-	-			72,933,666
	-	-	-	-			23,749,036
	22,783,140	20,133,835	2,019,092	5,049,899	16,915,719	44,584,630	705,807,079
	13,961,954	15,987,544	1,298,556	2,399,062	7,356,018	6,297,566	533,937,982
	-	-	-	-			630,111,845
	-	-	-	-			533,937,982

	Maldives	Myanmar	Indonesia	Pakistan	Group Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	32,834	1,743,629	128,639	760,273	178,048,212
	7,273	336,037	(321,111)	133,407	26,817,560
	-	-	-	-	53,734,305
	-	-	-	-	17,267,972
	14,939,207	9,237,361	1,316,003	3,127,209	1,043,747,083
	7,021,893	7,378,268	148,265	176,197	891,526,953

58 Financial risk management

The Group has loans, and consumer financial portfolios, trade and other receivables and cash and short-term deposits that arise directly from its operations. The Group also holds other financial instruments such as fair value through other comprehensive income and fair value through profit or loss financial instruments and may enter into derivative transactions. The Group's principal financial liabilities, comprise of customer deposits, loans and borrowings, trade and other payables 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 financial risk governance framework provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

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

1 Credit risk
2 Liquidity risk
3 Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The board of directors of each Company has overall responsibility for the establishment and oversight of Group's risk management framework for the companies within the group. The Board has established Integrated Risk Management Committees (IRMC) for each financial sector company, which are responsible for developing and monitoring financial services risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

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

The Audit Committee of each Company is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the each Group of Company. Each financial sector Company's audit committee is assisted in these functions by Enterprise Risk Management division (ERM). ERM undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to each financial sector Company's Audit Committee.

1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers.

The Group exposure to the credit risk is mainly derived from financial sector companies as the sector engage primarily in providing financing facilities to its customers. The Credit risk is managed by evaluating the credit worthiness and by periodical review on the credit granted.

Management of credit risk

The Board of Directors of each financial sector Company has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit department, reporting to each Credit Committees, is responsible for management of the Financial sector Companies' credit risk, including:

1. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

2. Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Group Credit, Head of Group Credit, Credit Committee or the board of directors as appropriate.

3. Reviewing and assessing credit risk. Group 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 subjected to the same review process.

4. 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 Group Credit who may require appropriate corrective action to be taken.

5. Providing advice, guidance and specialist skills to business units to promote best practice throughout the financial sector in the management of credit risk.

The Impact of COVID 19

The sudden shock arisen from the outbreak of the COVID - 19 globally since January 2020 caused massive economic disruption leading to uncertainty in the whole world. Sri Lanka as a country exposed to this risk little late in March 2020 and as an immediate precautionary measure the Government imposed island wide curfew. Since no access to office was feasible the Group immediately planned to “work from home’ and facilitated the key management personnel and the key required personnel to work from home. To ensure the timely payment of Fixed Deposit Interest, the management sought assistance from the Company bankers and provided an uninterrupted service during the curfew period.

As the banking and NBFI sectors are the backbone of any economy, any significant economic downturn will directly affect banks and NBFI. Due to difficult operating conditions, the performance of the banking sector and the NBFIs in particular will be more challenging, affecting the quality of the asset and the recovery of profitability. Relief measures for affected businesses and individuals in line with the directions issued by the CBSL. (The six-month moratorium) are expected to mitigate the impact on individuals and businesses, but will increase non-performing loans by 2020. Further Fitch Ratings, the outlook for the country, banking and NBFI sector in Sri Lanka is negative for 2020. The liquidity position of the financial sector will be affected by the debt moratorium, although this is counteracted to some extent by the lowering of liquidity requirements for financial institutions. The need to strengthen the capital of NBFIs will be felt even more, as it must have the financial capacity to detect crises like this. Stress testing will also be important because of the uncertainty.

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

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

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

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

- A more prudent cost control mechanism was in place which ensured an effective cost structure in the Group.

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

The Management evaluated the key assumptions used in the above estimates and judgements under probable stress scenarios such as, retention ratio of Fixed Deposits, Deposit renewal ratio, Ratio of Rental Collection and Re-imposing of CBSL liquid asset requirement.

Credit Risk -Impairment Provision as per ECL for financial assets

The Group considered the Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment (EFA) computed as at February 29, 2020, in order to estimate the Expected Credit Loss (ECL) as at March 31, 2020, due to uncertainty and lack of sufficient information to make any adjustments to capture the potential impact of COVID 19 based on the "COVID - 19 Pandemic: Guidance Notes on the Implications on Financial Reporting" issued by the institute of chartered accountants of Sri Lanka has provided reporting guidelines.

Allowances for impairment

The Group establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of expected losses in its lease and loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortised cost, a collective loan loss allowance established for groups of homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Past due but not impaired loans and investment debt securities

Past due but not impaired loans and investment debt securities, other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but each financial sector Company believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to each Company.

The following table shows the overdue amounts for the financial assets categories.

	Group		Company	
	Neither past due nor impaired	Overdue	Neither past due nor impaired	Overdue
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash in hand and favourable bank balances	56,135,056	-	1,611,459	-
Trading assets - fair value through profit or loss	6,639,075	-	263,429	-
Investment securities	49,289,886	-	3,261,861	-
Loan and lease portfolio	371,549,847	17,910,288	5,372,981	140,299
Trade and other current assets	11,900,266	-	32,680,989	-

Impairment losses related to each of the above asset classes are shown in note 9 to these financial statements.

The following table shows the maximum exposure and net exposure to credit quality by class of financial assets.

	Group		Company	
	Gross exposure	Net exposure	Gross exposure	Net exposure
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash in hand and favourable bank balances	56,135,056	56,135,056	1,611,459	1,611,459
Trading assets - fair value through profit or loss	6,639,075	6,631,032	263,429	263,429
Investment securities	49,289,886	44,462,325	3,261,861	3,261,861
Loan and lease portfolio	389,460,135	-	5,513,280	5,513,280
Trade and other current assets	11,900,266	11,900,266	32,680,989	32,680,989

Maximum credit risk exposure

Credit risk is the risk of potential loss resulting from the failure of a customer/borrower or counterparty to honour its financial or contractual obligations to the Group. It may arise from direct lending activities as well as from commitments and contingencies. Total credit risk of the Group constitutes counterparty risk, concentration risk and settlement risk.

	Group		Company	
	Rs.'000	%	Rs.'000	%
Net carrying amount of credit exposure				
Cash in hand and favourable bank balances	56,135,056	10.90%	1,611,459	3.72%
Trading assets - fair value through profit or loss	6,639,075	1.29%	263,429	0.61%
Investment securities	49,289,886	9.57%	3,261,861	7.53%
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	58,101,502	11.28%	2,440	0.01%
Financial assets at amortised cost/ Advances and other loans	331,358,633	64.35%	5,510,840	12.72%
Insurance premium receivables	1,530,695	0.30%	-	0.00%
Financial Assets	11,900,266	2.31%	32,680,989	75.42%
	514,955,113		43,331,018	

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, financial sector companies have made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

Each financial sector Company establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortised cost, a collective loan loss allowance established for each financial sector Company's homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Age analysis of Non-performing loans by product distribution

(Excluding interest receivables)

	Carrying amount	3-6 months	6-12 months	12-18 months	18 months and above
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loan Category					
Overdrafts/ Speed drafts	4,113,926	1,634,918	969,152	224,299	1,285,557
Trade finance	8,810,144	4,602,168	2,839,283	614,760	753,934
Credit cards	424,006	247,160	176,846	-	-
Pawning	203,720	109,572	24,410	69,738	-
Staff loans	134,389	56,991	26,792	13,372	37,234
Housing development loans	531,540	274,614	242,224	12,822	1,879
Enterprise development loans	850,271	432,949	378,802	33,918	4,602
Personal loans	41,722	22,907	17,476	1,339	-
Micro finance/ Group loans	5,525,099	2,891,562	2,413,633	218,227	1,676
Factoring	4,781,056	3,262,306	479,660	1,039,090	-
Loans against fixed deposits	3,842	297	1,021	2,338	187
Term loans					
Short term	1,995,959	30,497	1,229,449	450,044	285,968
Long term	3,258,941	1,689,162	890,375	455,281	224,123
Finance Lease	346,224	108,200	103,423	88,841	45,760
Revolving	60,369	-	148	822	59,399
Non revolving	140,743	-	5,269	15,010	120,465
	31,221,951	15,363,304	9,797,964	3,239,900	2,820,783

Write-off policy

Each financial sector Company writes off a loan, and any related allowances for impairment losses, when management determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

Each financial sector Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Trade & Other Receivables

Each group of Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for each group of Company's similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of the portfolio.

2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's entities.

For the financial sector companies, a Central Treasury manages the liquidity risk for financial sector. Central Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Central Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to customers and other inter-group facilities, to ensure that sufficient liquidity is maintained within the financial sector as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from Central Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

When a financial sector subsidiary is subject to a liquidity limit imposed by its local regulator, the subsidiary is responsible for managing its overall liquidity within the regulatory limit in co-ordination with central Treasury.

The financial sector relies on deposits from customers and issued debt securities and borrowings as its primary sources of funding. While the Group's debt securities have maturities of over one year, deposits from customers generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the financial sector's liquidity risk and the sector actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

With the onset of COVID 19 pandemic in late March of this year, the Group introduced more rigor to the processes already in place to manage its liquid assets. While closely monitoring any developments related to the pandemic, it has continued to keep its risk management measures under review to readily respond to changing circumstances. The Group is comfortable with its existing buffer of liquid assets. The actions taken will help to maintain existing liquidity position while mitigating any disruptive effect on liquidity that may arise due to the continuously evolving nature of the pandemic.

There is no any credit downgrade or other factors that could negatively impact the Group's ability to access adequate financing. The Group does not expect any major impacts on liquidity risk due to COVID 19 outbreak and the Company has adequate liquid / cash resources to meet its liabilities.

The economic fallout of the COVID-19 pandemic resulted in sharp losses in equity market indexes and subsequent closure of the exchange for trading. However, equities have retraced slightly and management is monitoring the equity price movements.

Maturity analysis for financial liabilities

Note 53 to these financial statements shows the discounted cash flows on the Company's non-derivative financial liabilities on the basis of their earliest possible contractual maturity.

To manage the liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents and investment securities for which there an active and liquid market is available.

3 Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall non-trading interest rate risk positions are managed by Financial sector's Central Treasury, which uses investment securities, advances to customers, deposits from customers and derivative instruments to manage the overall position arising from the Group's market based activities.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various standard and non-standard interest rate scenarios. An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows;

Sensitivity of projected

Group

	net interest income		reported equity	
	1% parallel increase	1% parallel decrease	1% parallel increase	1% parallel decrease
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
For the year ended 31 March 2020	(743,198)	743,198	(596,105)	596,105

Sensitivity of projected

Company

	net interest income		reported equity	
	1% parallel increase	1% parallel decrease	1% parallel increase	1% parallel decrease
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
For the year ended 31 March 2020	(107,240)	107,240	(93,256)	93,256

Currency risk

The Group has exposure to the currency fluctuations through its foreign assets and liabilities held by following main foreign subsidiaries.

Subsidiary	Country of incorporation	Functional currency
B Commodities ME(FZE)	UAE	United State Dollar - USD
Bodufaru Beach Resorts (Private) Limited	Maldives	United State Dollar - USD
Browns Ari Resort (Pvt) Ltd	Maldives	United State Dollar - USD
Browns Kaafu N Resort (Pvt) Ltd	Maldives	United State Dollar - USD
Browns Machinery (Cambodia) Co., Ltd	Cambodia	United State Dollar - USD
Browns Raa Resort (Pvt) Ltd	Maldives	United State Dollar - USD
Grey Reach Investments Ltd (GRIL)	British Virgin Island	United State Dollar - USD
LOLC (Pvt) Ltd	Singapore	United State Dollar - USD
LOLC Africa Holdings (Pvt) Ltd	Singapore	United State Dollar - USD
LOLC Asia (Pvt) Ltd	Singapore	United State Dollar - USD
LOLC Cambodia PLC	Cambodia	Cambodian riel - KHR
LOLC Finance Zambia Limited	Republic of Zambia	United State Dollar - USD
LOLC Financial Sector Holdings Private Limited	Singapore	United State Dollar - USD
LOLC International (Pvt) Ltd	Singapore	United State Dollar - USD
LOLC Mauritius Holdings Limited	Mauritius	United State Dollar - USD
LOLC MEKONG Holdings Private Limited	Singapore	United State Dollar - USD
LOLC Myanmar Micro-Finance Company Limited	Myanmar	Myanmar Kyat (MMK)
NPH Investment (Private) Limited	Maldives	United State Dollar - USD
Pak Oman Micro finance Bank Limited	Pakistan	Pakistani Rupee (PKR)
PRASAC Micro Finance Institution Limited	Cambodia	United State Dollar - USD
PT LOLC Management Indonesia	Indonesia	Indonesian Rupiah (IDR)
PT Sarana Sumut Ventura	Indonesia	Indonesian Rupiah (IDR)
Sunbird Bioenergy (SL) Ltd	Sierra Leone	Euro

Sensitivity analysis

A reasonably possible strengthening (weakening) of KHR, USD and MMK against all other currencies as at 31 March 2019, would have affected the measurement of individual assets and liabilities denominated in a foreign currency and affected equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant and any change in assets liability positions.

As at 31 March 2020	100 basis points movement in strengthening Rs.'000	Weakening Rs.'000
KHR	287,177	(287,177)
MMK	41,463	(41,463)
USD	1,660,445	(1,660,445)
IDR	7,205	(7,205)
PKR	26,508	(26,508)
EURO	382,871	(382,871)

Equity price risk

Although the Group's exposure to equity price risk is negligible, mark-to-market calculations are conducted daily on FVTPL and FVOCI portfolios. The Group has also calculated VaR on equity portfolio. Below table summarises the impact of a shock of 10% on equity price on profit, other comprehensive income (OCI) and equity.

	Financial assets recognised through profit or loss Rs.'000	Financial assets fair value through other comprehensive income Rs.'000	Total Rs.'000
Market value of Equity Securities	1,556,659	468,216	2,024,875
Stress Level	Impact on Income Statement	Impact on OCI	Impact on Equity
	Rs. '000	Rs. '000	Rs. '000
Shock of 10% on equity price (upward)	155,666	46,822	202,488
Shock of 10% on equity price (downward)	(155,666)	(46,822)	(202,488)

Interest Rate Risk

Interest rates have been reduced as advised by the Central Bank of Sri Lanka and is likely to have negative impact on the interest revenue, cash flows and liquidity positions of the Group.

58.1 Financial risk management

Following table shows the maximum risk positions

As at 31 March 2020	Note	Group Carrying amount Rs.'000	Non-current Rs.'000	Current Rs.'000	% of allocation Rs.'000
Assets					
Cash in hand and favourable bank balances		56,135,056	-	56,135,056	4.80%
Trading assets - fair value through profit or loss		5,082,416	-	5,082,416	0.43%
Investment securities		48,821,670	16,387,326	32,434,344	4.17%
Assets directly associated with the assets held for sale and discontinued operations		630,111,845	-	630,111,845	53.85%
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases		58,101,502	13,514,670	44,586,832	4.97%
Financial assets at amortised cost/ Advances and other loans		331,358,633	235,273	331,123,360	28.32%
Trade and other current assets		19,147,150	1,985,077	17,162,073	1.64%
Investments in group of companies;					
Subsidiary companies		-	-	-	-
Jointly controlled entities		-	-	-	-
Equity accounted investees - Associates		21,262,046	21,262,046	-	1.82%
Total credit risk exposure		1,170,020,318	53,384,393	1,116,635,925	100.00%
Financial assets at fair value through P&L		1,556,659	-	1,556,659	
Financial assets at fair value through OCI		468,216	-	468,216	
Total equity risk exposure		2,024,875	-	2,024,875	
Total		1,172,045,193	53,384,393	1,118,660,800	

	Company		
Carrying amount	Non-current	Current	% of allocation
Rs.'000	Rs.'000	Rs.'000	Rs.'000
1,611,459	-	1,611,459	1.16%
263,429	-	263,429	0.19%
3,261,861	321,543	2,940,318	2.35%
-	-	-	-
2,440	-	2,440	0.00%
5,510,840	4,073,343	1,437,497	3.97%
32,993,948		32,993,948	23.77%
			-
90,943,740	90,943,740	-	65.51%
-	-	-	-
4,227,113	4,227,113	-	3.05%
138,814,830	99,565,739	39,249,092	100.00%
263,429	-	263,429	
321,543	-	321,543	
584,972	-	584,972	
139,399,802	99,565,739	39,834,064	

59 Current/non-current distinction

As at 31 March 2020	Note	Group Carrying amount Rs.'000	Group Non-current Rs.'000	Group Current Rs.'000	Company Carrying amount Rs.'000	Company Non-current Rs.'000	Company Current Rs.'000
Assets							
Cash in hand and favourable bank balances		56,135,056	-	56,135,056	1,611,459	-	1,611,459
Trading assets - fair value through profit or loss		6,639,075	-	6,639,075	263,429	-	263,429
Investment securities		49,289,886	16,387,326	32,902,560	3,261,861	321,543	2,940,318
Assets directly associated with the assets held for sale and discontinued operations		630,111,845	-	630,111,845	-	-	-
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases		58,101,502	13,514,670	44,586,832	2,440	-	2,440
Financial assets at amortised cost/ Advances and other loans		331,358,633	235,272,941	96,085,692	5,510,840	4,073,343	1,437,497
Insurance premium receivables		1,530,695	-	1,530,695	-	-	-
Inventories		7,208,772	-	7,208,772	380,379	-	380,379
Current tax assets		2,051,283	-	2,051,283	198,824	-	198,824
Trade and other current assets		19,147,150	1,985,077	17,162,073	32,993,948	-	32,993,948
Right of use assets		8,844,199	8,844,199	-	642,362	-	642,362
Investment properties		31,723,414	31,723,414	-	1,017,250	1,017,250	-
Biological assets;				-	-	-	-
Consumer biological assets		3,642,998	3,642,998	-	-	-	-
Bearer biological assets		2,144,552	2,144,552	-	-	-	-
Investments in group of companies;							
Subsidiary companies		-	-	-	90,943,740	90,943,740	-
Equity accounted investees - Associates		21,262,046	21,262,046	-	4,227,113	4,227,113	-
Deferred tax assets		1,259,639	1,259,639	-	-	-	-
Intangible assets		3,741,289	3,741,289	-	413,539	413,539	-
Property, plant and equipment		101,726,889	101,726,889	-	4,772,437	4,772,437	-
Total assets		1,335,918,924	441,505,041	894,413,883	146,239,621	105,768,964	40,470,657

As at 31 March 2020	Note	Group Carrying amount	Group Non-current	Group Current	Company Carrying amount	Company Non-current	Company Current
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Liabilities and equity							
Liabilities							
Bank overdrafts		4,022,416	-	4,022,416	1,039,522	-	1,039,522
Trading liabilities - fair value through profit or loss		114,349	-	114,349	-	-	-
Liabilities directly associated with the assets held for sale and discontinued operations		533,937,982	-	533,937,982	-	-	-
Financial liabilities at amortised cost/ Deposits liabilities		220,985,129	12,326,059	208,659,070	-	-	-
Financial liabilities at amortised cost/ Interest bearing borrowings		323,027,083	137,398,536	185,628,547	95,412,795	10,268,015	85,144,780
Insurance provision - life		4,283,247	4,283,247	-	-	-	-
Insurance provision - general		4,358,359	4,358,359	-	-	-	-
Current tax payables		5,250,922	-	5,250,922	660,323	-	660,323
Trade and other payables		20,340,533	5,209,939	15,130,594	1,390,050	-	1,390,050
Deferred tax liabilities		5,010,253	5,010,253	-	384,999	384,999	-
Deferred income		161,509	161,509	-	-	-	-
Retirement benefit obligations		1,850,445	1,850,445	-	320,392	320,392	-
Total liabilities		1,123,342,227	170,598,346	952,743,880	99,208,082	10,973,407	88,234,675

Property Details of the Company

Property Details

Details of Land & Building of Company

	Address	Land Extent A-R-P	Building Extent Sq. Ft.	No. of buildings
1	No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya	1A-0R-04.86P	57,585	2
2	No. 100 A, Sri Jayawardenapura Mawatha, Rajagiriya	0A-2R-20.00P		
3	Ampara Yard			1
4	No. 189, Puttalam Road, Kurunegala	1A-1R-12.83P		
5	No. 538 & 538A, Main Street, Kalutara South, Kalutara	0A-1R-10.76P		
6	Attikkagahawatta, Kochchikade	0A-0R-30P		
	Investment Property Details			
1	No.246/56, Kandy Road, Eldeniya, Kadawatha	0A-0R-23.37P	1,831	
2	No. 25/7, Wimalawatta Road, Mirihana, Nugegoda	0A-0R-33.40P		
3	No. 52/40, Stanly Road, Jaffna	0A-0R-37.31P	9,984	1
4	No. 241 A, Maithreepala Senanayake Mawatha, Anuradhapua	0A-0R-13.01P	13,182	1
5	No. 240, Moragahayata, Colombo Road, Ratnapura	0A-0R-15.80P	10,173	1
6	Boralukanda, Athabendiwewa, Thalakiriyagama, Dambulla	2A-1R-15.9P	440	2
7	No. 54, Queen Mary Road, Gampaha	0A-0R-19.4P	10,975	1
8	No. 245, Katugastota Road, Mahaiyawa, Katugastota, Kandy	0A-0R-25.40P	9,136	1
9	No. 249/1, Katugastota Road, Kandy	0A-0R-7.3P		
10	No. 245/1A, Maithreepala Senanayake Mawatha, Anuradhapua	0A-0R-10P		
11	No.162, Kolonnawa Road, Gothatuwa	0A-0R-1.25P		
12	No.164, 164A, Kolonnawa Road, Gothatuwa	0A-0R-3.8P		
13	No.249/1, Katugastota, Kandy	0A-0R-8P		

Cost			Last Valuation		Carrying Amount	
Land	Building	Accumulated Depreciation	Land	Building	2020	2019
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
535,795	149,205	-	1,648,000	447,000	2,095,000	2,095,000
245,000	-	-	760,000	-	760,000	760,000
-	7,165	3,812	-	-	4,786	4,786
261,999	-	-	351,000	-	351,000	351,000
94,694	-	-	101,000	-	101,000	101,000
42,679	-	-	46,500	-	46,500	46,500
1,180,167	156,370	3,812	2,906,500	447,000	3,358,286	3,358,286
11,000	-	-	24,000	-	24,000	23,000
20,000	-	-	61,800	-	61,800	60,000
64,630	81,829	-	158,568	84,933	243,500	241,500
18,130	75,362	-	54,642	93,858	148,500	145,500
20,919	8,400	-	47,400	52,600	100,000	97,000
2,647	2,355	-	26,275	2,726	29,000	20,000
27,500	71,399	-	62,080	87,920	150,000	146,000
63,925	48,904	-	115,570	65,430	181,000	179,000
8,760	-	-	11,000	-	11,000	11,000
23,999	-	-	30,000	-	30,000	27,000
1,559	-	-	1,700	-	1,700	1,625
8,339	-	-	4,750	-	4,750	4,500
25,287	-	-	32,000	-	32,000	-
296,694	288,249	-	629,784	387,466	1,017,250	956,125

Ten Year Summary

For the year ended 31 - March	2011	2012	2013	2014
Group				
Operating results				
Gross income	32,505,970	35,532,754	42,391,175	40,204,723
Revenue	15,531,630	16,849,174	16,988,149	10,783,295
Cost of sales	(9,911,222)	(10,958,288)	(10,721,916)	(7,430,790)
Income	11,971,270	18,020,866	22,890,876	27,524,846
Other income/(expenses)	5,003,070	662,714	2,512,150	1,896,582
Interest costs	(6,504,682)	(9,345,806)	(14,527,658)	(14,849,178)
Profit before operating expenses	16,090,066	15,228,660	17,141,601	17,924,755
Other operating expenses	(8,373,770)	(11,345,046)	(15,182,502)	(15,516,766)
Results from operating activities	7,716,296	3,883,615	1,959,099	2,407,989
Negative goodwill	271,911	2,914,536	1,500,943	493,586
Profit/(loss) on disposal of subsidiaries and associates	-	-	-	79,845
Share of profit of associate companies	178,522	269,649	246,129	1,454,158
Profit/ (loss) before tax expense from continuing operations	8,166,729	7,067,801	3,706,171	4,435,578
Income tax expense	(1,259,279)	(1,364,033)	(1,153,884)	(1,366,889)
Profit/ (loss) for the year from continuing operations	6,907,450	5,703,768	2,552,287	3,068,689
Profit/(loss) after tax for the year from discontinued operations and assets held for sale	-	-	-	-
Profit/ (loss) for the year	6,907,450	5,703,768	2,552,287	3,068,689
As at 31 March				
Assets				
Net lending portfolio	58,569,073	79,113,885	87,814,685	90,544,883
Total assets	113,070,643	145,204,176	162,981,531	167,175,043
Liabilities				
Total liabilities	78,255,809	101,990,824	119,608,773	127,519,528
Shareholders' funds				
Share capital	475,200	475,200	475,200	475,200
Reserves	12,581,747	19,093,875	20,413,040	22,162,352
Non-controlling interests	21,757,886	23,644,277	22,484,518	17,017,963
Shareholders' funds	34,814,834	43,213,352	43,372,758	39,655,515
Investor ratios				
Return on assets (%)	8.00	4.42	2.00	3.82
Return on equity (%)	25.88	14.62	5.90	7.05
Other information				
No. of branches	73	80	80	87
No. of service centres	103	112	112	47
No. of subsidiary companies	48	66	84	69
No. of associate companies	7	9	10	13
No. of joint ventures	18	18	19	18

2015	2016	2017	2018	2019	2020
44,585,605	66,765,048	91,715,284	149,516,214	124,313,908	130,441,678
10,728,830	20,228,126	23,441,032	22,602,826	24,805,609	24,944,735
(7,239,535)	(12,702,851)	(14,112,059)	(15,428,148)	(17,070,822)	(17,139,918)
32,527,184	45,406,578	62,260,539	116,804,210	89,276,675	96,053,367
1,329,591	1,130,344	6,013,713	10,109,178	10,231,624	9,443,576
(12,508,370)	(18,850,392)	(33,159,212)	(58,517,709)	(48,640,652)	(54,851,694)
24,837,700	35,211,805	44,444,013	75,570,357	58,602,434	58,450,066
(19,286,758)	(26,499,091)	(34,478,017)	(52,741,405)	(50,161,705)	(62,072,952)
5,550,942	8,712,714	9,965,996	22,828,952	8,440,729	(3,622,886)
538,138	50,963	-	-	-	-
-	-	10,594,331	63,774	-	5,979,044
2,080,221	3,094,237	3,827,962	1,763,093	1,108,860	1,019,970
8,169,301	11,857,914	24,388,289	24,655,819	9,549,589	3,376,128
(1,870,647)	(2,526,527)	(3,458,452)	(5,466,316)	(3,616,665)	(2,563,759)
6,298,654	9,331,387	20,929,837	19,189,503	5,932,924	812,369
-	-	-	-	13,703,013	18,979,489
6,298,654	9,331,387	20,929,837	19,189,503	19,635,937	19,791,858
139,860,426	212,782,765	418,696,357	549,975,971	707,277,599	389,460,136
244,917,412	379,594,558	640,924,840	822,239,491	1,043,747,286	1,335,918,925
188,830,107	313,218,333	538,309,003	704,706,936	891,526,951	1,123,342,227
475,200	475,200	475,200	475,200	475,200	475,200
27,758,485	37,223,180	58,374,448	69,986,814	85,577,251	92,057,507
27,853,620	28,677,845	43,766,139	47,070,543	66,167,884	120,043,991
56,087,305	66,376,225	102,615,837	117,532,555	152,220,835	212,576,698
3.06	2.99	4.10	2.62	1.88	1.48
13.16	15.24	24.76	15.05	12.90	9.31
85	89	99	100	103	103
55	52	42	40	37	37
121	105	102	100	100	100
12	11	11	11	11	11
-	-	-	-	-	-

Ten Year Summary

For the year ended 31 - March	2011	2012	2013	2014
Company				
Operating results				
Gross income	6,344,361	7,561,277	4,683,628	5,460,558
Income	3,511,733	3,016,783	3,541,670	2,111,378
Other income/(expenses)	2,832,627	4,544,494	1,141,958	3,349,180
Interest costs	(2,384,015)	(2,571,566)	(3,464,147)	(2,720,484)
Profit before operating expenses	3,960,346	4,989,712	1,219,481	2,740,074
Other operating expenses	(2,062,356)	(1,917,994)	(1,151,579)	(2,051,032)
Profit before tax	1,897,989	3,071,718	67,902	689,042
Income tax expense	(374,646)	(94,464)	(33,718)	5,218
Net profit after tax	1,523,343	2,977,254	34,184	694,260
As at 31 March				
Assets				
Total assets	54,212,952	58,028,455	53,239,340	49,254,147
Liabilities				
Total liabilities	23,602,917	24,776,791	20,518,752	15,124,870
Shareholders' funds				
Share capital	475,200	475,200	475,200	475,200
Reserves	30,134,835	32,776,464	32,245,388	33,654,077
Shareholders' funds	30,610,035	33,251,664	32,720,588	34,129,277
Investor ratios				
Gross dividends	-	-	237,600	-
Total assets to shareholders' funds (times)	1.77	1.75	1.63	1.00
Return on assets (%)	3.63	5.31	0.06	1.35
Return on equity (%)	24.00	9.32	0.10	2.08
Other information				
No. of employees	848	948	1,007	1075

2015	2016	2017	2018	2019	2020
2,914,376	7,762,465	20,265,814	16,304,439	11,650,626	9,243,797
1,046,238	4,885,984	7,799,736	7,228,336	9,048,814	10,457,767
1,868,138	2,876,481	12,466,078	9,076,103	2,601,812	(1,213,970)
(1,686,278)	(3,191,053)	(5,270,261)	(6,066,902)	(8,020,071)	(10,669,704)
1,228,098	4,571,412	14,995,553	10,237,537	3,630,554	(1,425,907)
(769,894)	(3,736,480)	(4,846,183)	(5,474,857)	(6,736,735)	(7,668,114)
458,204	834,932	10,149,370	4,762,680	(3,106,181)	(9,094,021)
45,408	(146,152)	(372,071)	(63,328)	(88,015)	(118,834)
503,612	688,780	9,777,299	4,699,352	(3,194,196)	(9,212,855)
62,609,260	75,493,914	102,007,361	110,723,053	124,995,559	146,240,954
27,712,892	39,992,477	55,015,661	59,087,697	76,765,871	99,208,081
475,200	475,200	475,200	475,200	475,200	475,200
34,421,168	35,026,237	46,516,500	51,160,156	47,754,490	46,557,673
34,896,368	35,501,437	46,991,700	51,635,356	48,229,690	47,032,873
-	-	-	-	-	-
1.79	2.13	2.17	2.14	2.59	3.11
0.90	1.00	11.02	4.42	(2.71)	(6.79)
1.46	1.96	23.70	9.53	(6.40)	(19.34)
1086	1198	1,235	1,269	1,208	905

Summarised Quarterly Statistics

Income Statement - Rs '000	2019/20				2018/19			
For the 3 months ended	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Group								
Gross income	45,427,116	50,370,132	50,776,852	37,035,393	38,493,466	40,916,945	44,450,016	38,463,469
Interest income	34,008,885	36,553,766	37,883,758	22,637,748	28,745,355	29,898,988	32,201,044	19,917,048
Interest expense	(20,340,498)	(21,325,732)	(21,652,357)	(14,688,054)	(15,870,652)	(16,831,149)	(18,729,157)	(13,059,877)
Net interest income	13,668,387	15,228,034	16,231,401	7,949,694	12,874,704	13,067,839	13,471,887	6,857,171
Revenue	5,106,338	6,449,679	6,554,993	6,995,385	4,978,017	5,733,842	6,413,533	7,723,554
Cost of sales	(3,469,099)	(4,480,013)	(4,296,400)	(4,948,402)	(3,402,283)	(4,102,049)	(4,280,401)	(5,315,360)
Gross profit	1,637,239	1,969,666	2,258,593	2,046,983	1,575,734	1,631,793	2,133,132	2,408,194
Income	4,708,235	5,726,725	4,943,725	3,196,355	3,754,294	4,244,333	4,533,722	4,110,246
Other income/(expenses)	1,603,658	1,639,962	1,394,376	4,205,905	1,015,800	1,039,782	1,301,717	6,712,621
Profit before operating expenses	21,617,519	24,564,387	24,828,095	17,398,937	19,220,532	19,983,747	21,440,458	20,088,232
Other operating expenses	(15,129,709)	(19,931,367)	(20,551,838)	(18,490,322)	(13,890,628)	(15,259,953)	(16,534,700)	(13,911,170)
Results from operating activities	6,487,810	4,633,020	4,276,257	(1,091,385)	5,329,904	4,723,794	4,905,758	6,177,062
Results on acquisition and divestment of group investments	5,234,707	-	-	744,338	-	-	-	-
Share of profit of associate companies	275,074	329,248	379,847	35,801	209,118	390,025	145,980	363,736
Profit before tax from continuing operations	11,997,591	4,962,268	4,656,104	(311,246)	5,539,022	5,113,819	5,051,738	6,540,798
Income tax expense	(2,042,317)	(2,099,060)	(1,246,024)	(768,629)	(1,733,072)	(1,879,752)	(1,559,003)	(1,083,792)
Profit for the year from continuing operations	9,955,274	2,863,208	3,410,080	(1,079,875)	3,805,950	3,234,067	3,492,735	5,457,006
Discontinued operations								
Profit/(loss) after tax for the year from discontinued operations and assets held for sale	-	-	-	4,639,719	-	-	-	3,646,182
Profit for the year	9,955,274	2,863,208	3,410,080	3,559,844	3,805,950	3,234,067	3,492,735	9,103,188

Balance Sheets - Rs '000	2019/20				2018/19			
As at	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Group								
Assets	1,144,855,978	1,221,164,176	1,278,447,033	1,335,926,194	830,701,380	926,763,112	1,007,372,485	1,043,747,286
Liabilities	955,084,702	1,023,478,776	1,071,060,816	1,123,352,952	708,691,737	797,320,716	869,040,845	891,526,950
Net Assets	189,771,276	197,685,400	207,386,217	212,573,242	122,009,643	129,442,396	138,331,640	152,220,336
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	97,037,923	84,983,238	90,681,801	93,218,722	71,188,728	87,523,821	91,240,961	85,577,252
Non controlling interest	92,258,153	112,226,962	116,229,216	118,879,320	50,345,715	41,443,375	46,615,479	66,167,884
Share capital,reserves & NCI	189,771,276	197,685,400	207,386,217	212,573,242	122,009,643	129,442,396	138,331,640	152,220,336

Income Statement - Rs '000	2019/20				2018/19			
For the 3 months ended	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Company								
Gross income	2,609,955	906,264	3,299,043	2,428,531	2,784,747	2,663,818	2,810,537	3,591,521
Interest income	735,656	868,468	969,484	1,330,619	851,029	665,321	620,163	703,251
Interest expense	(2,365,652)	(2,521,618)	(2,739,772)	(3,042,663)	(1,773,339)	(1,905,586)	(2,078,653)	(2,262,493)
Net interest income	(1,629,996)	(1,653,150)	(1,770,288)	(1,712,044)	(922,310)	(1,240,265)	(1,458,490)	(1,559,242)
Revenue	434,198	554,342	686,452	805,485	-	482,875	341,195	732,972
Cost of sales	(404,933)	(494,117)	(623,412)	(793,337)	-	(447,073)	(306,048)	(663,504)
Gross profit	29,265	60,225	63,040	12,148	-	35,802	35,147	69,468
Income	1,239,447	1,173,764	842,112	817,737	955,814	1,115,625	1,336,099	1,244,468
Other income	200,654	(1,690,310)	800,995	(525,310)	977,904	399,997	513,080	910,830
Profit before operating expenses	(160,630)	(2,109,471)	(64,141)	(1,407,469)	1,011,408	311,159	425,836	665,524
Other operating expenses	(1,355,058)	(1,443,292)	(1,322,154)	(1,231,811)	(1,384,470)	(1,301,933)	(1,445,392)	(1,388,314)
Results from operating activities	(1,515,688)	(3,552,763)	(1,386,295)	(2,639,280)	(373,062)	(990,774)	(1,019,556)	(722,790)
Income tax expense	-	(29,864)	(29,864)	(59,106)	-	(16,745)	(20,932)	(50,338)
Net profit after tax	(1,515,688)	(3,582,627)	(1,416,159)	(2,698,386)	(373,062)	(1,007,519)	(1,040,488)	(773,128)

Balance Sheets - Rs '000	2019/20				2018/19			
As at	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Company								
Assets	133,625,161	139,272,972	140,945,044	146,240,652	109,163,626	118,120,597	115,651,486	124,995,559
Liabilities	78,251,397	87,440,091	90,497,257	99,170,625	57,942,790	68,070,163	66,627,949	76,765,870
Net Assets	55,373,764	51,832,881	50,447,787	47,070,027	51,220,836	50,050,434	49,023,537	48,229,689
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	54,898,564	51,357,681	49,972,587	46,594,827	50,745,636	49,575,234	48,548,337	47,754,489
Share capital & reserves	55,373,764	51,832,881	50,447,787	47,070,027	51,220,836	50,050,434	49,023,537	48,229,689

Value Addition

	2019/20 Rs.'000	(%)	2018/19 Rs'000	(%)
Group				
Value added				
Income	175,333,220		147,888,900	
Other income	10,893,585		13,049,490	
Cost of borrowing and services	(110,792,138)		(93,213,439)	
Provisions	(19,348,265)		(14,061,223)	
Results on acquisition and divestment of Group investments	5,979,044		-	
Share of profits of associate companies	1,019,970		1,108,860	
	63,085,416		54,772,588	
Distribution of value added				
To employees				
Remuneration and other benefits	28,357,735	45	22,348,210	41
To government				
Indirect taxes	2,353,044	4	3,005,131	5
Direct taxes	7,333,305	12	7,181,623	13
To Providers of capital				
Dividends to shareholders	-	-	-	
Minority interest	8,897,862	14	8,345,285	15
To expansion and growth				
Retained profits	10,893,996	17	11,290,652	21
Depreciation and amortisation	5,249,474	8	2,601,687	5
	63,085,416	100	54,772,588	100

	2019/20 Rs.'000	(%)	2018/19 Rs'000	(%)
Company				
Value added				
Income	8,141,968		7,632,188	
Other income	(1,213,970)		2,601,812	
Cost of borrowing and services	(13,944,975)		(11,039,244)	
Provisions	(83,268)		3,788	
Value added tax	-		-	
	(7,100,245)		(801,456)	
Distribution of value added				
To Employees				
Remuneration and other benefits	1,259,400	18	1,666,993	12
To Government				
Indirect taxes	1,997	-	59,025	4
Direct taxes	118,834	2	77,451	10
To Providers of Capital				
Dividends to shareholders	-	-	-	-
Reserves	-	-	-	-
To Expansion and Growth				
Retained profits	(9,212,855)	(130)	(3,183,632)	48
Depreciation and amortisation	732,379	10	578,707	25
	(7,100,245)	100	(801,456)	100

Statement of Financial Position for Information Purposes Only

As at 31 March	Note	Group 2020 USD.'000	Group 2019 USD.'000	Company 2020 USD.'000	Company 2019 USD.'000
Assets					
Cash in hand and favourable bank balances	17.1	297,604	431,971	8,543	5,368
Financial assets recognised through profit or loss/Trading assets - fair value through profit or loss	18	35,197	46,949	1,397	1,622
Investment securities	19	261,313	531,771	17,293	22,819
Assets directly associated with the assets held for sale and discontinued operations	52	3,340,578	-	-	-
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	20	308,029	319,263	13	19
Financial assets at amortised cost/ Advances and other loans	21	1,756,719	3,696,394	29,216	14,101
Insurance premium receivables	22	8,115	6,969	-	-
Inventories	23	38,218	35,392	2,017	1,936
Current tax assets	24	10,875	8,236	1,054	1,226
Trade and other current assets	25	101,510	130,755	174,927	99,869
Prepaid lease rentals on leasehold properties	26	-	13,659	-	-
Right of use assets	27	46,888	-	3,406	-
Investment properties	28	168,184	149,795	5,393	5,429
Biological assets;					
Consumable biological assets	29	19,314	21,510	-	-
Bearer biological assets	30	11,369	7,153	-	-
Investments in group of companies;					
Subsidiary companies	31	-	-	482,144	497,766
Equity Accounted Investees	32	112,722	102,457	22,410	24,493
Deferred tax assets	33.1	6,678	12,057	-	2
Intangible assets	34	19,835	89,867	2,192	2,787
Property, plant and equipment	35	539,312	321,806	25,301	32,241
Total assets		7,082,459	5,926,004	775,306	709,678

Indicative US Dollar Financial Statements

Statement of Financial Position for Information Purposes Only

As at 31 March	Note	Group 2020 USD.'000	Group 2019 USD.'000	Company 2020 USD.'000	Company 2019 USD.'000
Liabilities and equity					
Liabilities					
Bank overdrafts	17.2	21,325	59,661	5,511	20,604
Trading liabilities - fair value through profit or loss	36	606	4,778	-	-
Liabilities directly associated with the assets held for sale and discontinued operations	52	2,830,706	-	-	-
Financial Liabilities at Amortised Cost/ Deposits liabilities	37	1,171,567	2,566,712	-	-
Financial Liabilities at Amortised Cost/ Interest bearing borrowings	38	1,712,549	2,142,884	505,837	396,838
Insurance provision - life	39.1	22,708	19,637	-	-
Insurance provision - general	39.2	23,106	21,113	-	-
Current tax payables	40	27,838	34,989	3,501	4,163
Trade and other payables	41	107,837	171,951	7,369	10,205
Deferred tax liabilities	33.3	26,562	30,071	2,041	2,085
Deferred income	42	856	872	-	-
Retirement benefit obligations	43	9,810	9,086	1,699	1,953
Total liabilities		5,955,470	5,061,754	525,958	435,848
Equity					
Stated capital	44	2,519	2,698	2,519	2,698
Reserves	45	152,634	118,816	56,626	15,402
Retained earnings	46	335,414	367,060	190,203	255,730
Equity attributable to shareholders of the Company		490,568	488,574	249,348	273,830
Non-controlling interests		636,421	375,676	-	-
Total equity		1,126,989	864,250	249,348	273,830
Total liabilities & equity		7,082,459	5,926,004	775,306	709,678
Net assets per share (USD.)		1.03	1.03	0.52	0.58
Exchange rate USD/LKR		188.62	176.13	188.62	176.13

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at year end USD/LKR 188.62 (2019 : 176.13) have been used to convert the income statement and statement of financial position.

Income Statement for Information Purposes Only

As at 31 March	Note	Group 2020 USD.'000	Group 2019 USD.'000	Company 2020 USD.'000	Company 2019 USD.'000
Gross income from continuing operations	4	691,545	705,808	49,007	66,148
Interest Income	4.1	433,947	429,264	20,699	16,123
Interest expenses	6	(290,800)	(276,163)	(56,566)	(45,535)
Net interest income		143,148	153,101	(35,868)	(29,412)
Revenue	4.2	132,246	140,837	13,150	8,840
Cost of sales		(90,868)	(96,922)	(12,277)	(8,043)
Gross profit		41,378	43,915	873	797
Income	4.3	75,286	77,615	21,594	26,412
Other income/(expenses)	5	50,066	58,091	(6,436)	14,773
Profit before operating expenses		309,877	332,723	(19,837)	12,570
Operating expenses					
Direct expenses excluding finance expenses	7	(42,164)	(48,067)	(23)	(335)
Personnel expenses	8	(89,042)	(81,548)	(6,677)	(9,465)
Net impairment loss on financial assets	9	(91,313)	(65,102)	(441)	22
Depreciation and amortisation	10	(21,863)	(12,336)	(3,883)	(3,286)
Other operating expenses	11	(84,701)	(77,746)	(17,351)	(17,142)
Results from operating activities	12	(19,207)	47,923	(48,213)	(17,636)
Share of profits of equity accounted investees, net of tax	13.1	5,407	6,296	-	-
Results on acquisition and divestment of Group investments	14	31,698	-	-	-
Profit/ (loss) before tax expense from continuing operations		17,899	54,219	(48,213)	(17,636)
Income tax expense	15	(13,592)	(20,534)	(630)	(406)
Profit/ (loss) for the year from continuing operations		4,307	33,685	(48,843)	(18,042)
Discontinued operations					
Profit/(loss) after tax for the year from discontinued operations and assets held for sale		100,621	77,801	-	-
Profit/ (loss) for the year		104,928	111,485	(48,843)	(18,042)
Profit/ (loss) attributable to; (Continuing operations)					
Equity holders of the company		21,881	34,350	(48,843)	(18,042)
Non-controlling interests		(17,574)	(665)	-	-
		4,307	33,685	(48,843)	(18,042)
Profit attributable to; (Discontinued operations)					
Equity holders of the Company		35,874	29,754	-	-
Non-controlling interests		64,747	48,047	-	-
		100,621	77,801	-	-
Profit attributable to;					
Equity holders of the Company		57,755	64,104	(48,843)	(18,042)
Non-controlling interests		47,173	47,381	-	-
		104,928	111,485	(48,843)	(18,042)
Basic earnings per share (USD.)		0.12	0.13	(0.10)	(0.04)
Exchange rate USD/LKR		188.62	176.13	188.62	176.13

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at year end USD/LKR 188.62 (2019 : 176.13) have been used to convert the income statement and statement of financial position

List of Group Companies

Company	Director/s
LOLC Holdings PLC	I C Nanayakkara W D K Jayawardena Mrs. K U Amarasinghe F K C P N Dias M D D Pieris Dr. R A Fernando
LOLC Finance PLC	B C G de Zylva F K C P N Dias Mrs. K U Amarasinghe A Nissanka Mrs. D P Pieris P A Wijeratne K Sundararaj
Commercial Leasing & Finance PLC	P D J Fernando D M D K Thilakaratne L Jayarathne U H E Silva T Sanakan
LOLC Life Assurance Ltd	Mrs. K U Amarasinghe Dr. Mrs. N Nanayakkara A J L Peiris
LOLC General Insurance Ltd	W D K Jayawardena Mrs. V G S S Kotakadeniya W R A Dharmarathne
LOLC Securities Ltd	W D K Jayawardena S Gurusinghe K A K P Gunawardena Dr. J M Swaminathan
LOLC Factors Ltd	K A K P Gunawardena J B W Kelegama
LOLC Investments Ltd	K A K P Gunawardena J B W Kelegama P D G Jayasena
LOLC Development Finance PLC	W D K Jayawardena W A R Kumara A J L Peiris W R A Dharmarathne T Dharmarajah
Browns Hotels and Resorts Ltd	K A K P Gunawardena Mrs. V G S S Kotakadeniya J B W Kelegama D S K Amarasekera
Browns Leisure (Pvt) Ltd	K A K P Gunawardena T Sanakan
Eden Hotels Lanka PLC	W D K Jayawardena Mrs. K U Amarasinghe D S K Amarasekera M T A Furkhan S Furkhan Dr. J M Swaminathan

Company	Director/s
Palm Garden Hotels PLC	W D K Jayawardena Mrs. K U Amarasinghe D S K Amarasekera Dr. J M Swaminathan
LOLC Asset Holdings Ltd	K A K P Gunawardena J B W Kelegama
LOLC Technology Services Ltd	F K C P N Dias K A K P Gunawardena J B W Kelegama
LOLC Technologies Ltd	F K C P N Dias K A K P Gunawardena J B W Kelegama
LOLC Eco Solutions Ltd	K A K P Gunawardena P D G Jayasena J B W Kelegama
United Dendro Energy Walawewatte (Pvt) Ltd	K A K P Gunawardena P D G Jayasena
United Dendro Energy Ambalantota (Pvt) Ltd	K A K P Gunawardena P D G Jayasena
Thurushakthi (Pvt) Ltd	K A K P Gunawardena P D G Jayasena
Sundaya Lanka (Pvt) Ltd	M R Adema K A K P Gunawardena J B W Kelegama
LOLC Motors Ltd	K A K P Gunawardena P D G Jayasena Mrs. V G S S Kotakadeniya
Dickwella Resorts (Pvt) Ltd	K A K P Gunawardena J B W Kelegama P D G Jayasena
Tropical Villas (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena J B W Kelegama
Riverina Resorts (Pvt) Ltd	W D K Jayawardena Mrs. K U Amarasinghe D S K Amarasekera K A K P Gunawardena
Commercial Factors (Pvt) Ltd	K A K P Gunawardena D M D K Thilakaratne J B W Kelegama
LOLC Capital One (Pvt) Ltd	K A K P Gunawardena J B W Kelegama S Gurusinghe B D T R Perera
LOLC Corporate Services (Pvt) Ltd	K A K P Gunawardena Mrs. R T Seneviratne Mrs. J K Vaas

List of Group Companies

Company	Director/s
East Coast Land Holdings (Pvt) Ltd	K A K P Gunawardena P D G Jayasena J B W Kelegama
Prospere Realty (Pvt) Ltd	K A K P Gunawardena P D G Jayasena J B W Kelegama
Green Orchard Property Investments (Pvt) Ltd	K A K P Gunawardena P D G Jayasena J B W Kelegama
Eagle Recoveries (Pvt) Ltd	K A K P Gunawardena P D G Jayasena J B W Kelegama
I Pay (Pvt) Ltd	K A K P Gunawardena P D G Jayasena J B W Kelegama F K C P N Dias
Diriya Investments (Pvt) Ltd	Mrs. R N A Nanayakkara K A K P Gunawardena
LOLC Property One (Pvt) Ltd	K A K P Gunawardena
LOLC Property Two (Pvt) Ltd	K A K P Gunawardena
LOLC Property Three (Pvt) Ltd	K A K P Gunawardena
LOLC Property Four (Pvt) Ltd	K A K P Gunawardena
LOLC Property Five (Pvt) Ltd	K A K P Gunawardena
LOLC Property Six (Pvt) Ltd	K A K P Gunawardena
LOLC Property Seven (Pvt) Ltd	K A K P Gunawardena
LOLC Property Eight (Pvt) Ltd	K A K P Gunawardena
LOLC Eco Technologies (Pvt) Ltd	K A K P Gunawardena
LOLC Ceylon Holdings (Pvt) Ltd	K A K P Gunawardena
Ceylon Graphene Technologies (Pvt) Ltd	I C Nanayakkara W D K Jayawardena D W Batagoda M S Gunawardana K A K P Gunawardena Dr. A M Mubarak R M S J Gunasekera H N Jayaweera
LOLC Advanced Technologies (Pvt) Ltd	I C Nanayakkara A Hettiarachchy W D K Jayawardena M S Gunawardana K A K P Gunawardena W K D T Abeyrathne
LOLC Geo Technologies (Pvt) Ltd	I C Nanayakkara M S Gunawardana K A K P Gunawardena P Weerasinghe R R B Wadugodapitiya

Company	Director/s
LOLC Serendib (Pvt) Ltd	K A K P Gunawardena J B W Kelegama
LOLC Capital (Pvt) Ltd	I C Nanayakkara
Leapstitch Technologies (Pvt) Ltd	W D K Jayawardena K A K P Gunawardena D R Samaraweera I I I Mohamed S Adikari S S B Dissanayake P B I Somarathna
Brown & Company PLC	I C Nanayakkara H P J De Silva W D K Jayawardena Mrs. K U Amarasinghe T Bandaranayake
Associated Battery Manufacturers Ceylon Ltd	A Mittal A K Mukherjee S Arnab M Ramachandran T Sanakan M S Gunawardena I C Nanayakkara
S.F.L.Services (Pvt) Ltd	Mrs. R L Nanayakkara K A K P Gunawardena
Engineering Services (Pvt) Ltd	Mrs. R L Nanayakkara K A K P Gunawardena
Masons Mixture Ltd	Mrs. R L Nanayakkara K A K P Gunawardena
Browns Group Motels Ltd	Mrs. R L Nanayakkara K A K P Gunawardena
C.F.T. Engineering Ltd	Mrs. R L Nanayakkara K A K P Gunawardena
Browns Group Industries (Pvt) Ltd	Mrs. R L Nanayakkara K A K P Gunawardena
The Hatton Transport And Agency Company (Pvt) Ltd	Mrs. R L Nanayakkara K A K P Gunawardena
Walker & Greig (Pvt) Ltd	Mrs. R L Nanayakkara K A K P Gunawardena
Browns Investments PLC	I C Nanayakkara D S K Amarasekera S Furkhan Mrs. K U Amarasinghe W D K Jayawardena J M Swaminathan
Klevenberg (Pvt) Ltd	K A K P Gunawardena T Sanakan
Sifang Lanka Trading (Pvt) Ltd	Mrs. R L Nanayakkara Mrs. R N A Nanayakkara

List of Group Companies

Company	Director/s
Sifang Lanka (Pvt) Ltd	Mrs. R L Nanayakkara K A K P Gunawardena
Galoya Holdings (Pvt) Ltd	K A K P Gunawardena D. Abeyrathne S G Kalidasa A. Kavitha
Galoya Plantations (Pvt) Ltd	M Wijesekera K A K P Gunawardena D Abeyrathne W Batagoda L Bandaranayake Lt.Col. R Ellegala Ms. S Hettiarachchi I M U P Jayamaha K B Kotagama
Browns Thermal Engineering (Pvt) Ltd	Mrs. R L Nanayakkara D Fernando A K D Munidasa
Browns Health Care Negombo (Pvt) Ltd	K A K P Gunawardena T Sanakan
Browns Industrial Park Ltd	Mrs. R L Nanayakkara K A K P Gunawardena
Snowcem Products Lanka (Pvt) Ltd	K A K P Gunawardena T Sanakan
Browns Holdings Ltd	Mrs. K U Amarasinghe K A K P Gunawardena
Browns Pharma Ltd	T Sanakan M S Gunawardena
Browns Agri Solutions (Pvt) Ltd	K A K P Gunawardena D Abeyrathne M S Gunawardena
Browns Pharmaceuticals Ltd	T Sanakan M Wijesinghe
Browns Tours (Pvt) Ltd	Mrs. R N A Nanayakkara D S K Amarasekera P A D F Perera S A N Perera
B.G. Air Services (Pvt) Ltd	K A K P Gunawardena D S K Amarasekera
Samudra Beach Resorts (Pvt) Ltd	D S K Amarasekera R L Nanayakkara K A K P Gunawardena Mrs. V G S S Kotakadeniya
Millennium Development (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena E C Wijeratne
Excel Global Holdings (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena

Company	Director/s
Taprobane Plantations Ltd	Mrs. R N A Nanayakkara Mrs. M S Rohini Jayaweera
Excel Restaurants (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena E C Wijeratne
Ajax Engineers (Pvt) Ltd	D S K Amarasekera Mrs. V G S S Kotakadeniya V Kumarasinghe V Gunarathne
Green Paradise (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena Mrs. K U Amarasinghe
Sun & Fun Resorts Ltd	K A K P Gunawardena V K Vemuru D S K Amarasekera C Melappatti T Selviah
Creations Wooden Fabricators (Pvt) Ltd	A P Weeratunga K A K P Gunawardena D S K Amarasekera Mrs. V G S S Kotakadeniya V S Kumarasinghe
Browns Global Farm (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena
B I Commodities and Logistics (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena Mrs. V G S S Kotakadeniya G Jayasena D Abeyrathne M S Gunawardena A A G Vithanage
BI Zhongtian Holdings (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena W Zhong Feng W Zhong Shan
Ceylon Roots Lanka (Pvt) Ltd	K A K P Gunawardena D S K Amarasekera S A Nishantha Perera P A D F Perera
Browns Teas (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena K G Punchihewa
Browns Metal & Sands (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena Mrs. V G S S Kotakadeniya K G Punchihewa

List of Group Companies

Company	Director/s
Browns Engineering and Construction (Pvt) Ltd	Mrs. V G S S Kotakadeniya K A K P Gunawardena J K Pathirena
General Accessories and Coating (Pvt) Ltd	K A K P Gunawardena D S K Amarasekera Mrs. V G S S Kotakadeniya
F L P C Management (Pvt) Ltd.	K A K P Gunawardena D S K Amarasekera Mrs. V G S S Kotakadeniya
Browns Power Holdings (Pvt) Ltd	K A K P Gunawardena D S K Amarasekera Mrs. V G S S Kotakadeniya
Browns Properties (Pvt) Ltd	K A K P Gunawardena D S K Amarasekera Mrs. V G S S Kotakadeniya
Maturata Plantations Ltd	K A K P Gunawardena D S K Amarasekera Mrs. V G S S Kotakadeniya M J R Puviraj K B Kotagama
Sagasolar Power (Pvt) Ltd	A S K Vidanagamage P D R Hettiaratchi A Raheja Mrs. V G S S Kotakadeniya D S K Amarasekera P Weerasinghe
Bodufaru Beach Resorts (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena M Niham
Browns Ari Resort (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena I C Nanayakkara M Niham S Mohmed
Browns Kaafu N Resort (Pvt) Ltd	D S K Amarasekera I C Nanayakkara O A Razzak
Browns Machinery (Cambodia) Co. Ltd	B De Zylva D Samaraweera
Browns Raa Resort (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena I C Nanayakkara M Niham
LOLC Asia (Pvt) Ltd	I C Nanayakkara W D K Jayawardena K A K P Gunawardena N S M Doreen

Company	Director/s
LOLC (Pvt) Ltd	I C Nanayakkara W D K Jayawardena K A K P Gunawardena N S M Doreen
LOLC Cambodia PLC	B De Zylva D Samaraweera F K C P N Dias M Moormann I Wijesiriwardana
LOLC International (Pvt) Ltd	I C Nanayakkara W D K Jayawardena N S M Doreen
LOLC Myanmar Micro-Finance Co. Ltd	I C Nanayakkara B De Zylva F K C P N Dias K Thilakeratne D Samaraweera
NPH Investment (Pvt) Ltd	A Niman I Mohamed D S K Amarasekera K A K P Gunawardena S S Kotakadeniya T S Selviah
Pak Oman Micro Finance Bank Ltd	Y Bin S B A Al-Jabri I C Nanayakkara J J S Al Said H Y J Al Zadjali R Kumara B Khan A S Abbasi R Ghani T Kisat
PRASAC Micro Finance Institution Ltd	J K Sang K H Kook L Hana B S Pheakdey I C Nanayakkara M B Hong S Senacheert K H Soo J J Kyu
PT LOLC Management Indonesia	I Mutyara M Sabharwal R Kumara S Refai F K C P N Dias S Jesudasan M Irham G S Kalidasa

List of Group Companies

Company	Director/s
PT Sarana Sumut Ventura	I Mutyara I C Nanayakkara M Sabharwal F F Mutyara F K C P N Dias R Kumara S Refai A Thosin S Jesudasan
LOLC Africa Holdings Private Limited	I C Nanayakkara W D K Jayawardena K A K P Gunawardena N S M Doreen
LOLC Financial Sector Holdings Private Limited	S G Kalidasa K A K P Gunawardena N S M Doreen
LOLC Mauritius Holdings Limited	I C Nanayakkara K A K P Gunawardena J Clarisse N Maharahaje
LOLC Mekong Holdings Private Limited	N S M Doreen K A K P Gunawardena
LOLC Finance Zambia Limited	I C Nanayakkara A Nissanka E Jayathileke S B Chilonga C M Chiluba W Nhekaoro
Grey Reach Investment Limited	I C Nanayakkara D S K Amarasekara K A K P Gunawardena D Abeyrathne D Kohli R Bennet L D Nguyen
Sunbird Bioenergy Limited	I C Nanayakkara D S K Amarasekara D Abeyrathne D Kohli R Bennet
B Commodities ME (FZE)	BI Commodites and Logistics (Private) Limited

Share Distribution

SHAREHOLDING AS AT 31ST MARCH

	2020			2019		
Range	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	2,130	655,036	0.14	1,837	594,505	0.13
1,001 - 10,000	827	3,192,774	0.67	675	2,616,670	0.55
10,001 - 100,000	272	8,518,399	1.79	264	8,384,744	1.76
100,001 - 1,000,000	44	13,580,721	2.86	42	11,635,840	2.45
Over 1,000,000	11	499,253,070	94.54	12	451,968,241	95.11
	3,284	**475,200,000**	**100.00**	**2,830**	**475,200,000**	**100.00**

CATEGORIES OF SHAREHOLDERS AS AT 31ST MARCH

	2020			2019		
Range	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Local Individuals	2,970	135,408,376	28.49	2,571	136,167,271	28.65
Local Institutions	261	319,845,243	67.31	211	318,172,032	66.96
Foreign Individuals	43	614,951	0.13	37	502,329	0.11
Foreign Institutions	10	19,331,430	4.07	11	20,358,368	4.28
	3,284	**475,200,000**	**100.00**	**2,830**	**475,200,000**	**100.00**

SHARE PRICES FOR THE YEAR AS AT 31ST MARCH

	2020 (Rs.)	2019 (Rs.)
Market price per share		
Highest during the year	194.90	138.00
Lowest during the year	86.00	82.40
Last Traded as at end of the year	90.80	88.90

PUBLIC HOLDING AS AT 31ST MARCH

	2020 (Rs.)	2019 (Rs.)
The percentage of shares held by the public (%)	15.10	15.31
Number of Shareholders that represent above percentage	3,277	2,817
Float adjusted Market Capitalisation (Rs.)	6,517,043,334.00	6,469,573,484.50

The Company complies with the Minimum Public Holding Requirement under the Option 3 of the Colombo Stock Exchange Listing Rule 7.13.1 (a)

Share Distribution

TWENTY LARGEST SHAREHOLDERS OF THE COMPANY AS AT 31ST MARCH

		2020		2019	
		No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
1	LOLC Capital (Private) Limited	147,265,983	30.99	146,265,983	30.78
2	I C Nanayakkara	91,613,792	19.28	91,613,792	19.28
3	Commercial Bank of Ceylon PLC/ I C Nanayakkara	79,000,000	16.62	79,000,000	16.62
4	Sampath Bank PLC/ I C Nanayakkara	61,774,000	13.00	61,774,000	13.00
5	Mrs K U Amarasinghe	23,760,000	5.00	23,760,000	5.00
6	Employees Provident Fund	15,182,259	3.19	15,182,259	3.19
7	BBH- Matthews International Funds- Matthews Asia Growth Fund	11,399,052	2.40	12,121,473	2.55
8	Kashyapa Capital (Private) Limited	8,671,625	1.82	8,671,625	1.82
9	BBH- Matthews Emerging Asia Fund	6,627,893	1.39	7,511,241	1.58
10	Mrs. I Nanayakkara	2,827,948	0.60	2,827,948	0.60
11	J B Cocoshell (Pvt) Ltd	1,130,518	0.24	1,529,920	0.32
12	GF Capital Global Limited	943,404	0.20	378,675	0.08
13	Mrs. S N Fernando	818,440	0.17	818,440	0.17
14	Swastika Mills Ltd	735,000	0.15	985,703	0.21
15	Dr. M Ponnambalam	722,616	0.15	772,616	0.15
16	Seylan Bank PLC/W D N H Perera	622,992	0.14	Nil	Nil
17	G G Ponnambalam	661,818	0.14	716,818	0.15
18	Hatton National Bank PLC/Capital Trust Holdings Limited	545,158	0.11	325,104	0.07
19	R C De Silva	524,200	0.11	1,710,000	0.36
20	R Maheswaran	500,000	0.11	500,000	0.11
		455,366,698	95.83	456,415,597	96.05
	Others	**19,833,302**	**4.17**	**18,784,403**	**3.95**
	Total	**475,200,000**	**100.00**	**475,200,000**	**100.00**

Notes

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE 41ST ANNUAL GENERAL MEETING of the Company will be held on Friday, 27th November at 10.30 a.m. as an on-line audio-visual meeting with arrangements for the on-line meeting platform made at the registered office of the Company at No.100/1, Sri Jayawardenapura Mawatha, Rajagiriya, for the following purposes:

1. To receive and consider the Report of the Directors and Statement of Accounts for the year ended 31st March 2020 with the Report of the Auditors thereon.

2. To re-elect as a Director Mrs. K U Amarasinghe who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.

3. To re-elect as a Director Mr. F K C P N Dias who retires in terms of Article 95 of the Articles of Association of the Company.

4. To re-elect as a Director Deshamanya M D D Pieris, who retires in terms of Section 210 of the Companies Act No. 7 of 2007. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his re-election

   "Resolved that Deshamanya M D D Pieris who reached the age of 70 years in 2007, be and is hereby re-elected a Director of the company and it is further specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Deshamanya M D D Pieris."

5. To re-appoint M/s Ernst and Young Chartered Accountants as auditors for the ensuing financial year at a remuneration to be fixed by the Directors.

6. To approve in terms of Companies (Donations) Act No. 26 of 1951 the making of donations by the Directors as determined by them for the current Financial Year and until the next Annual General Meeting of the Company.

7. To approve by Special Resolution the amendments to the Articles of Association:

a) By deleting the existing Article 59 in its entirety and substituting therein the following:

"59 Proceedings at General Meetings

(1) A meeting of shareholders may determine its own procedure, to the extent that it is not governed by these articles.

(2) No business shall be transacted at any General Meetings unless a quorum is present when the meeting proceeds to business. Three shareholders present in person or by proxy or attorney or (in the case of a corporation) by authorised representative shall be a quorum for all purposes.

(3) A meeting of shareholders may be held either—

(a) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or

(b) by means of audio, or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting."

b) By deleting the existing Article 68 in its entirety and substituting therein the following:

"68 Votes of Shareholders

Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every Shareholder who (being an individual) is present in person or by proxy or attorney who is not a Shareholder or (being a corporation) is present by a representative or proxy or attorney who is not a Shareholder, shall have one vote. In the case of a meeting of shareholders held under Article 59 (3) b), unless a poll is demanded, voting at the meeting shall be by shareholders signifying individually their assent or dissent by voice. Subject as aforesaid upon a poll every Shareholder who participates in person or by proxy or by attorney or by representative shall be entitled to one vote for each share held."

By order of the Board
LOLC HOLDINGS PLC

LOLC Corporate Services (Private) Limited
Secretaries

4th November 2020
Rajagiriya (in the greater Colombo)

Form of Proxy

I/We ....

holder of NIC/ Reg. No. ....of ....

being a member/members of LOLC Holdings PLC hereby appoint ....

of...whom failing

Mr. I C Nanayakkara	of Colombo or failing him
Mr. W D K Jayawardena	of Colombo or failing him
Mrs. K U Amarasinghe	of Colombo or failing her
Mr. F K C P N Dias	of Colombo or failing him
Deshamannya M D D Pieris	of Colombo or failing him
Dr. R A Fernando	of Colombo

as my/our proxy to represent me/us and vote on my/our behalf at the Annual General Meeting of the Company to be held as an on-line meeting on Friday, 27th November 2020 at 10.30 a.m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting.

		For	Against
1)	To re-elect as a Director Mrs. K U Amarasinghe who retires by rotation terms of Article 88 (i) of the Articles of Association of the Company.		
2)	To re-elect as a Director Mr. F K C P N Dias who retires in terms of Article 95 of the Articles of Association of the Company.		
3)	To re-elect as a Director Deshamanya M D D Pieris, who retires in terms of Section 210 of the Companies Act No. 7 of 2007.		
4)	To re-appoint M/s Ernst and Young Chartered Accountants as auditors for the ensuing financial year at a remuneration to be fixed by the Directors.		
5)	To authorise the Directors to make donations.		
6)	To approve by Special Resolution the amendments to the Company's Articles of Association as set out in the Notice of Meeting.		

dated this .... day of .... Two Thousand Twenty.

....
Signature of Shareholder

(Please delete inappropriate words and refer overleaf for instructions)

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1 Please return the completed Form of Proxy after filling in legibly your full name and address, signing on the space provided and filling in the date of signature.

2 The Proxy shall

a) in the case of an individual, be under the hand of the shareholder or his or her 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) if the shareholder is a company or a corporation, be either under its common seal or under the hand of an officer or attorney authorised by such organisation in that behalf in accordance with its Articles of Association or Constitution.

3 Please indicate with an 'X' how the proxy should vote on each Resolution. If no indication is given, the proxy shall exercise his/her discretion and vote as he/she thinks fit.

4 The completed Form of Proxy should be deposited at the registered office of the Company No: 100/1, Sri Jayawardenapura Mawatha, Rajagiriya or scanned and emailed to corporateservices@lolc.com with the email subject titled "LOLC AGM PROXY" not less than 48 hours before the time appointed for the holding of the Meeting.

Corporate Information

NAME OF THE COMPANY
L O L C HOLDINGS PLC

COUNTRY OF INCORPORATION
Sri Lanka

DATE OF INCORPORATION
14th March 1980

LEGAL FORM
A quoted public company with limited liability.

COMPANY REGISTRATION NO.
PQ 70

PRINCIPAL ACTIVITIES
Monitoring and managing the Group's investments and providing centralised support services to its subsidiaries and associates.

STOCK EXCHANGE LISTING
The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

REGISTERED OFFICE
100/1, Sri Jayewardenepura Mawatha,
Rajagiriya, Sri Lanka.

HEAD OFFICE
No. 100/1, Sri Jayewardenepura Mawatha,
Rajagiriya, Sri Lanka
Telephone: 011-5880880
Fax: 011-2865606 (Gen)
Website: www.lolc.com

DIRECTORS

Ishara Chinthaka Nanayakkara
Executive Deputy Chairman

Waduthantri Dharshan Kapila Jayawardena
Managing Director / Group CEO

Kalsha Upeka Amarasinghe
Executive Director

Francisco Kankanamalage Conrad Prasad Niroshan Dias
Non-Executive Director

Deshamannya Minuwanpitiyage Dharmasiri Dayananda Pieris
Independent Director

Dr. Ravindra Ajith Fernando
Independent Director

BOARD SUB COMMITTEES

Audit Committee
M D D Pieris - *Committee Chairman*
Dr. R A Fernando
F K C P N Dias

Talent Development and Remuneration Committee
Dr. R A Fernando - *Committee Chairman*
M D D Pieris

Related Party Transactions Review Committee
M D D Pieris - *Committee Chairman*
W D K Jayawardena
F K C P N Dias

Corporate Governance Committee
M D D Pieris - *Committee Chairman*
W D K Jayawardena
Mrs. K U Amarasinghe

Integrated Risk Management Committee
M D D Pieris - *Committee Chairman*
W D K Jayawardena
F K C P N Dias
Mrs. S Wickremasekera
Mrs. S Kotakadeniya
K A K P Gunawardena
B D T R Perera
J B W Kelegama
P Uluwaduge
P Pathirana

COMPANY SECRETARIES
LOLC Corporate Services (Private) Limited
No. 100/1, Sri Jayewardenepura Mawatha,
Rajagiriya, Sri Lanka
Telephone: 011-5880880, 011-5880358

AUDITORS
Ernst & Young,
Chartered Accountants

LAWYERS
Julius & Creasy
Nithya Partners

REGISTRARS
P.W. Corporate Secretarial (Pvt) Ltd.
No. 3/17 Kynsey Road, Colombo 8,
Sri Lanka
Tel: 011-4897733-5

BANKERS
Bank of Ceylon
Citi Bank N A
Hatton National Bank PLC
Hongkong & Shanghai Banking Corporation
Deutsche Bank AG
Cargills Bank Ltd
Nations Trust Bank PLC
Commercial Bank of Ceylon PLC
NDB Bank PLC
Sampath Bank PLC
Seylan Bank PLC
Union Bank PLC
MCB Bank
Pan Asia Banking Corporation PLC

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