UNPARALLELED

LOLC HOLDINGS PLC | ANNUAL REPORT 2020/21

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UNPARALLELED

We've just had a year that delivered a performance unparalleled in the history of corporate Sri Lanka. We know we are second to none, because that is what we have relentlessly worked towards. Over the decades we have anchored LOLC in strength and stability, which enabled us to undertake challenges with confidence, and embrace opportunities with enthusiasm.

As we remain vibrant and resilient even amid a global pandemic that has taken its toll on people, industries, and economies—our exceptional commitment to long-term plans and strategies have driven us forward through a spirit of continuous innovation, and a pledge of social responsibility that is infused in all we do.

This report pays tribute to our people everywhere whose achievements drove us towards sustaining the highest profit ever in the history of corporate Sri Lanka. As we applaud the dedication and courage of our team to invest in Cambodia and create significant value even amid an adverse business terrain, we are proud of our every accomplishment; and we know it is just a preview of our potential and our plans.

At LOLC, we are geared to provide unparalleled value to our stakeholders.

LOLC
imagine
the possibilities

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UNPARALLELED POTENTIAL

AT LOLC HOLDINGS WE ARE COMMITTED TO EXPLORING NEW WAYS TO DIVERSIFY OUR OFFERING AND CATER TO THE EVOLVING NEEDS OF ALL STAKEHOLDERS.

ABOUT US

HARBOURING AMBITIONS OF REPLICATING ITS SUCCESS OVERSEAS, THE LOLC GROUP HAS ALREADY BUILT ITS REPUTATION AS THE LARGEST MULTI-CURRENCY, MULTI-GEOGRAPHY MSME PLATFORM IN THE WORLD, OPERATING NBFIs IN 8 COUNTRIES

Admired as Sri Lanka's most profitable corporate entity; the largest Non-Banking Financial Institution (NBFI) and one of the most strategically diversified conglomerates, the LOLC Group is engaged in leisure, plantations, agri-inputs, renewable energy, construction and real estate, manufacturing and trading, technology, research & innovation and other strategic investments. As a leading player in Sri Lanka's MSME sector, the LOLC Group has been a catalyst in facilitating financial inclusion, whilst striving to maximise environmental benefits through green operations and processes in line with its triple bottom line focus.

Over the years, the Group has been backed strongly by Development Finance Institutions and multilateral funding lines, which reflects the confidence these global entities place in the Group's sustainable operations. Sustainability is embedded in the Group's ethos and embodied in its transparent, fair, equitable and beneficial products and services that are uplifting the lives and livelihoods of thousands across the globe, giving them hope for a brighter tomorrow.

After dominating the local market, the LOLC Group is now making giant strides overseas as well. Harbouring ambitions of replicating its success overseas, the LOLC Group has already built its reputation as the largest multi-currency, multi-geography microfinance platform in the world, operating NBFIs in 8 countries, backed by advanced technology platforms designed by its Sri Lankan operations which have been adopted by its overseas companies.

Present in the continents of Asian and Africa, the LOLC Group operates in Myanmar, Indonesia, Philippines, Cambodia, Pakistan, Maldives, Sierra Leone, Zambia, Nigeria and Mauritius with strategic plans to further entrench its presence across the African continent and Central Asia.

The LOLC Group is on an accelerated growth trajectory and is inspired by the quest to nurture and shape the future of individuals and communities across the world.

FINANCIAL HIGHLIGHTS

For the year ended 31 March	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Group										
Performance Indicators - Rs. Mn										
Net profit before tax	7,068	3,706	4,436	8,169	11,858	24,379	24,655	26,818	27,125	57,098
Net profit after tax	5,704	2,552	3,069	6,299	9,331	20,921	19,190	19,636	19,792	53,196
Total assets	145,204	162,982	167,175	244,917	379,595	640,925	822,239	1,043,747	1,335,919	874,944
New executions (Local)	58,233	48,119	65,299	113,048	191,135	152,558	172,673	129,588	129,099	100,140
Gross portfolio (Rentals receivable)	105,932	107,038	112,747	172,784	216,763	427,365	560,845	723,822	919,319	454,701
Deposits from customers	26,233	35,397	49,615	50,587	74,166	211,128	307,529	452,075	563,942	263,593
Outstanding borrowings	65,425	72,946	68,368	119,232	215,076	294,115	341,549	387,934	503,699	319,740
Non-performing portfolio	1,702	3,071	3,354	4,014	5,054	7,736	10,187	16,791	27,140	23,617
Return on equity (%)	14.62	5.90	7.05	13.16	25.84	35.54	15.05	14.52	12.21	24.28
Key Indicators - Rs. per share										
Net asset value per share (adjusted)	41.22	43.96	47.64	59.41	79.33	123.84	148.28	180.85	194.72	291.37
Earnings per share(adjusted)	12.00	5.37	3.19	11.37	17.93	36.11	20.47	23.76	22.93	59.01
Market capitalisation (Rs. Bn)	25.66	28.84	35.64	36.40	34.21	28.99	56.07	42.25	43.15	138.76
Company										
Performance Indicators - Rs. Mn										
Net profit/ (loss) before tax	3,072	68	689	458	835	10,149	4,763	(3,106)	(9,094)	9,064
Net profit/ (loss) after tax	2,977	34	694	504	689	9,777	4,699	(3,184)	(9,213)	8,788
Total assets	58,028	53,239	49,254	62,609	75,494	102,007	110,723	124,996	146,241	171,111
New executions	3,926	271	-	-	-	-	-	-	-	-
Gross portfolio (rentals receivable)	7,704	3,881	2,134	1,378	1,848	850	2,414	2,535	5,565	9,250
Outstanding borrowings	23,807	19,738	14,254	25,016	38,369	52,698	54,241	73,524	96,452	105,762
Non-performing portfolio	500	357	178	168	168	153	149	151	151	119
Key Indicators - Rs. per share										
Dividends per share	-	0.50	-	-	-	-	-	-	-	-
Market price per share	54.00	60.70	75.00	76.60	72.00	61.00	118.00	88.90	88.90	292.00
Net asset value per share	69.97	68.86	71.82	73.44	74.71	98.89	108.69	101.49	98.97	119.14
Debt to equity ratio - Times	0.72	0.60	0.42	0.72	1.08	1.12	1.05	1.52	2.05	1.87
Interest cover - Times	2.19	1.02	1.25	1.27	1.26	2.93	1.79	0.61	0.15	1.95
Dividend cover - Times	-	0.14	-	-	-	-	-	-	-	-

FINANCE COMPANIES

Sri Lanka

Total Population (Mn.)	GDP per Capita (USD)
22	3,682
Gross Loan Portfolio (USD Mn)	**Total Assets (USD Mn)**
1,126.10	1,416.12
No. of Borrowers	**No. of Branches**
606,444	272

Myanmar

Total Population (Mn.)	GDP per Capita (USD)
54	1,400
Gross Loan Portfolio (USD Mn)	**Total Assets (USD Mn)**
127.32	165.91
No. of Borrowers	**No. of Branches**
247,926	71

Indonesia

Total Population (Mn.)	GDP per Capita (USD)
273	3,870
Gross Loan Portfolio (USD Mn)	**Total Assets (USD Mn)**
12.14	23.82
No. of Borrowers	**No. of Branches**
63,304	28

Pakistan

Total Population (Mn.)	GDP per Capita (USD)
221	1,194
Gross Loan Portfolio (USD Mn)	**Total Assets (USD Mn)**
20.25	31.35
No. of Borrowers	**No. of Branches**
57,522	66

AN UNPARALLELED FRAMEWORK. AN UNPARALLELED PERFORMANCE.

Timing is an essential determinant of success in every arena of human endeavour. Nowhere is this truer than in the field of business and investment, and only those who understand the value of the perfectly timed action, and execute it flawlessly– achieve greatness.

At LOLC Holdings our strategic approach and expertise in multiple industries has placed us on the forefront of excellence. This page pays tribute to our unparalleled performance this year.

Philippines

Total Population (Mn.): 110	GDP per Capita (USD): 3,299
Gross Loan Portfolio (USD Mn): 24.97	Total Assets (USD Mn): 35.21
No. of Borrowers: 11,381	No. of Branches: 25

(REPRESENTS TWO ENTITIES)

Cambodia

Total Population (Mn.): 17	GDP per Capita (USD): 1,513
Gross Loan Portfolio (USD Mn): 896.40	Total Assets (USD Mn): 1,074.41
No. of Borrowers: 305,489	No. of Branches: 80

Nigeria

Total Population (Mn.): 206	GDP per Capita (USD): 2,097
Gross Loan Portfolio (USD Mn): 3.80	Total Assets (USD Mn): 7.89
No. of Borrowers: 3,629	No. of Branches: 8

Zambia

Total Population (Mn.): 18	GDP per Capita (USD): 1,051
Gross Loan Portfolio (USD Mn): 0.64	Total Assets (USD Mn): 3.70
No. of Borrowers: 502	No. of Branches: 6

FOREIGN HOTELS & REAL ESTATE

Maldives

Tourist Arrivals (2019) (Mn): 1.7	Industry avg. occupancy (USD Bn): 62.3%
No. of Hotel Properties: 6	Total Land Extent (Ha): 42.14
Expected Room Inventory: 806	No. of Apartments: 118

FOREIGN PLANTATIONS

Sierra Leone

Total Population (Mn): 8	GDP per Capita (USD): 485
Annual revenue (USD Mn): 5.42	Total Assets (USD Mn): 290.73
Total Land Extent (Ha): 23,791	Power Generation Capacity (MWh): 32

INVESTMENT HOLDING COMPANIES

Singapore

Total GDP (USD Bn): 340	Market Cap (USD Bn): 653
Total Equity (USD Mn): 431.18	Total Assets (USD Mn): 587.62
Ease of doing Business Index: 2	Market PER: 35(X)

Mauritius

Total GDP (USD Bn): 11	Market Cap (USD Bn): 6.2
Total Equity (USD Mn): 9.46	Total Assets (USD Mn): 9.52
Ease of doing Business Index: 13	

UAE

Total GDP (USD Bn): 421	Market Cap (USD Bn): 295
Total Investment (USD Mn): 30	Total Assets (USD Mn): 49.69
Ease of doing Business Index: 16	

Source: World Bank

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 MOTORS

LOLC ADVANCED TECHNOLOGIES

CLC COMMERCIAL LEASING & FINANCE

LOLC MYANMAR MICRO FINANCE

LOLC (Cambodia) Plc.

LOLC FINANCE ZAMBIA

LOLC VENTURA (INDONESIA)

Fina Trust Microfinance Bank (NIGERIA)

LOLC ASKI FINANCE Inc. (PHILIPPINES)

LOLC BANK PHILIPPINES Inc. A Thrift Bank

Pak Oman Microfinance Bank Limited (PAKISTAN)

ExpressCredit (MALAWI)

(TANZANIA)

KARAT (TAJIKISTAN)

AL-FALAAH ALTERNATE FINANCIAL SERVICES

SEYLAN BANK PLC

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
Browns Machinery (Cambodia) Co. Ltd.

Browns
Investments

Gal-Oya
Plantations (Pvt) Limited

AgStar

sierra

Jax

MATURATA

SIERRA LEONE
SUNBIRD

SAGASOLAR POWER (PRIVATE) LIMITED
SGP
Towards Green Energy

Browns
Engineering &
Construction

Browns
Browns Investments
Commodities & Logistics

Browns
HOTELS & RESORTS

THE EDEN RESORT & SPA

THE Paradise RESORT & SPA

SHERATON

THE CALM RESORT & SPA

DICKWELLA RESORT & SPA

Riverina Resorts

SERENDIB LEISURE

AVANI Hotels & Resorts

Club Hotel Dolphin

Hotel Sigiriya

REVEAL COLLECTION

EXCEL WORLD

CEYLON RESORTS

Browns Tours

BG Air Services (PRIVATE) LIMITED

Maldives

nasandhura

BODHUFARU
THREE ISLAND PROJECT

BODUFHINALU

BROWNS RAA

SECTOR OVERVIEW

Sri Lanka's most valuable and globally diversified financial conglomerate, the LOLC Group, has consolidated its position as the most profitable diversified corporate in the country for three years in row. It is at the forefront of the It is at the forefront of the Agriculture & Plantations, Leisure, Renewable Energy, Construction & Real Estate, Manufacturing & Trading, Technology, Research & Innovation Sectors.

FINANCIAL SERVICES

Sri Lanka:

International Financial Services Operations:

(INDONESIA)

(NIGERIA)

(PHILIPPINES)

(PAKISTAN)

(MALAWI)

(TANZANIA)

(TAJIKISTAN)

AGRICULTURE & PLANTATIONS

SIERRA LEONE

LEISURE

Sri Lanka

THE EDEN RESORT & SPA BERUWELA • SRI LANKA

THE Paradise RESORT & SPA DAMBULLA • SRI LANKA

SHERATON Kosgoda Turtle Beach Resort

THE CALM RESORT & SPA PASIKUDA • SRI LANKA

DICKWELLA RESORT & SPA

Riverina Resorts

SERENDIB LEISURE

AVANI Hotels & Resorts

Club Hotel Dolphin

Hotel Sigiriya

REVEAL COLLECTION

EXCEL WORLD ENTERTAINMENT PARK

CEYLON ROOTS

Browns Tours

BG Air Services (PRIVATE) LIMITED

Maldives

nasandhura

BODHUFARU THREE ISLAND PROJECT

BODUFHINALU

BROWNS RAA

RENEWABLE ENERGY

Sri Lanka:

SGP SAGASOLAR POWER (PRIVATE) LIMITED Towards Green Energy

SIERRA LEONE

SUNBIRD

CONSTRUCTION & REAL ESTATE

Browns Engineering & Construction

Port City Project

sierra

MANUFACTURING & TRADING

Browns
Browns Pharma, Comsumer & Integrated Engineering Solutions

Browns
Browns Automotive & Hardware

Browns
Browns Investments Commodities & Logistics

Browns A Heritage of Trust
Browns Machinery (Cambodia) Co Ltd

AJAX

TECHNOLOGY, RESEARCH & INNOVATION

LOLC ADVANCED TECHNOLOGIES

Ceylon Graphene Technologies

LOLC Technologies

iPay

A GLANCE AT OUR SECTORS

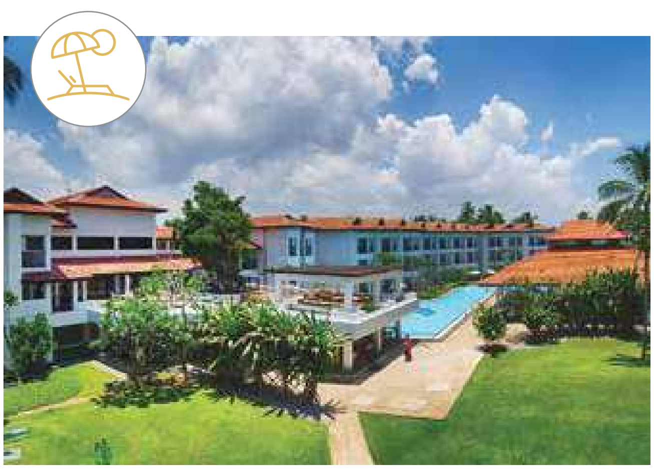
FINANCIAL SERVICES

As the nation's largest non-banking financial institution, LOLC offers Leasing, Lending, Micro and SME lending, Savings and Deposits, tailor-made financial products for the SME sector, Factoring, Alternate Finance, Stockbroking, Fintec solutions and Insurance that are driving unprecedented financial inclusion in Sri Lanka and overseas.

AGRICULTURE & PLANTATIONS

Upholding the nation's heritage, the LOLC Group holds large-scale Tea, Rubber, Cinnamon, Commercial Forestry and Sugarcane plantations, and has diversified into the latest agricultural solutions including machinery, implements, fertilizer and crop care.

LEISURE



LOLC Group's Leisure sector consist of a portfolio of some of the best leisure properties along Sri Lanka's golden miles - The Eden Resort & Spa, Sheraton Kosgoda, Dickwella Resort & Spa, The Paradise Resort & Spa as well as The Calm Resort & Spa in Passikudah. The Group recently acquired Serendib Group hotels and also entrenched its presence in the Maldives.

RENEWABLE ENERGY

The Group is expanding its presence in Sri Lanka's Power and Energy sector to increase power generation from the Renewable Energy sector with Sagasolar Power (Private) Limited, the country's first utility scale Solar Farm. The Group has also acquired Sunbird Bio-Energy in Sierra Leone to further expand its footprint in renewable organic energy.

CONSTRUCTION & REAL ESTATE

The Group's interests in the Construction sector are represented by its investment in one of the leading construction companies in Sri Lanka. In 2021, LOLC has entrenched its credentials as a pioneering Sri Lankan corporate to construct a mixed development at the acclaimed Colombo International Financial Centre at Port City.

MANUFACTURING & TRADING

Brown & Company PLC markets world-renowned brands with interests in many sectors such as battery, generators, human and veterinary pharmaceuticals, machinery and hardware, home & office solutions, boiler and marine services, heavy machinery and its own manufacturing plant that produces RADCO branded radiators. In addition, it is the authorised agent for a wide range of world renowned brands.

TECHNOLOGY, RESEARCH & INNOVATION

The LOLC Group is driving advanced technologies and innovation in areas such as nanotechnology to infuse local value addition, and generate a pioneering scientific spirit with local resources and knowhow to raise Sri Lanka's profile in the high-tech sector, underpinned by sustainability goals.

AWARDS AND CERTIFICATIONS

LOLC was named one of
SRI LANKA'S MOST ADMIRED COMPANIES IN 2020

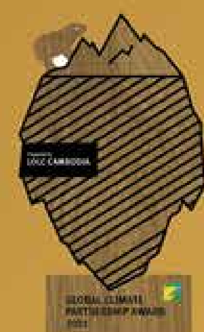
LOLC secured the top spot in the LMD 100 ranking as the Most Profitable Listed Company in 2019/20

IFN

Al-Falaah secured the Best Islamic Leasing Provider Award 2020

SLIBFI

Al-Falaah was awarded the Best Islamic Leasing Company 2020



LOLC Cambodia was awarded the Green Lending Award by Climate Partnership Fund (GCPF) for the contribution made to reduce overall CO2 emission and energy consumption through green loan lending

IFFSA

Al-Falaah won the Islamic Leasing Company of the year award 2020

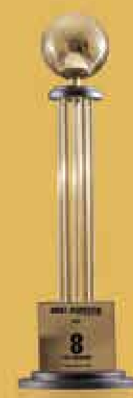
IFFSA

Al-Falaah was awarded the Islamic Banking Window/Unit of the year 2020

Director of LOLC Holdings PLC, Conrad Dias and Chief Financial Officer of LOLC Group, Sunjeevani Kotakadeniya were selected as Top Business Icons of CIMA Sri Lanka's Top 50 Business Icons and Trailblazers 2021.

For the fifth consecutive year, LOLC won the Financial Service Provider of the year award at the SLIM-Nielsen People's Awards 2021

LOLC was placed at number 2 in the Business Today Top 30 list



LOLC was named one of the top 10 Most Respected Entities in Sri Lanka in 2020

LOLC became the first Sri Lankan company to be recognised with the CIO 100 Award. LOLC's Conrad Dias was also named amongst the 11 CIO Hall of Fame inductees, the 1st Sri Lankan to be inducted to the Global CIO Hall of Fame.

iPay emerged as the winner of the FutureEdge 50 for its Payment Platform Deployment in Cambodia

Parakum Pathirana emerged as a winner of the 3rd edition of Sri Lanka Digital Maestros Award 2020 for Exemplary Work in Digital Transformation for iPay

Prasanna Siriwardena emerged as a winner of the 3rd edition of Sri Lanka Digital Maestros Award 2020 for Exemplary Work in Digital Transformation

FUNDING PARTNERS

LOLC's achievement as a partner in uplifting communities was made possible by its long standing 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.

DEPUTY CHAIRMAN'S MESSAGE

THE GROUP EARNED GLOBAL RECOGNITION FOR CREATING THE LARGEST MULTI-CURRENCY, MULTI- GEOGRAPHY MICROFINANCE PLATFORM OF ITS KIND IN THE WORLD FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs).

Dear Stakeholder,

It gives me immense pride to welcome you to the 42nd Annual General Meeting of LOLC Holdings PLC and to place before you the Audited Financial Statements for the financial year 2020/21. The LOLC Group has decisively stamped its credentials as the most profitable diversified conglomerate in Sri Lanka for the third consecutive year by delivering an outstanding financial performance. In addition, the Group earned global recognition for creating the largest multi-currency, multi- geography microfinance platform of its kind in the world for micro, small and medium enterprises (MSMEs). I am proud to share that our global ambitions are being realized rapidly as we expand our global footprint boldly while being cited as an exemplary embodiment of sustainable profitability in Sri Lanka. I am proud the of LOLC Group's record-breaking performance for the financial year ending 31st March 2021, which delivered unprecedented bottom line results of Rs. 57 Bn in Profit Before Tax (PBT), a Profit After Tax (PAT) of Rs. 53 Bn and total comprehensive income of Rs. 83 Bn, a first for any corporate in the country.

Achieving this feat amidst a financial year disrupted by a global pandemic makes this achievement a matter of pride for the entire country.

During the year, LOLC Holdings PLC was named as one of Sri Lanka's Most Admired Companies for 2020 and secured the top spot in the LMD 100 ranking as the Most Profitable Listed Company in 2019/20. Further, LOLC won the Financial Services Provider of the year award at the SLIM Nielson People's awards 2020 for the fifth time in a row. LOLC was also placed at No. 2 in the Business Today Top 30 list and named as one of the top 10 Most Respected entities in Sri Lanka in 2020.

The impact of the COVID-19 pandemic was severely felt by all the markets Lockdowns and mobility restrictions hampered economic activities and despite the varying monetary stimuli offered by governments, the year overall proved highly constraining for most sectors.

FINANCIAL SERVICES SECTOR

During the year under review, the largest commercial bank in the Republic of Korea, Kookmin Bank, acquired 70% of Prasac Microfinance Institution, valuing the company at USD 862 Mn. As LOLC's maiden overseas investment, LOLC had invested USD 0.6 Mn for a 18% stake of the company in 2007 and subsequently increased its shareholding to 70%. Over the years, Prasac grew into the largest microfinance company in Cambodia, with total assets of USD 3.6 Bn as at year end 2020, a matter of pride for the LOLC Group.

LOLC was the pioneer leasing company in Sri Lanka, a country with a population of 21 million. Commencing with our first overseas investment in Cambodia, a country with a population of 17 million, the Group has since established operations in Pakistan, Indonesia, Myanmar and Philippines, expanding its footprint to a population base of 700 million across Asia and to Nigeria, Zambia, Tanzania and Malawi on in the African continent with a combined population of 300 million. We made our maiden investment in Central Asia, by commencing operations in Tajikistan. We are excited about the prospects of reaching out to this wide audience with our products and services.

In Sri Lanka, the LOLC Group acquired a 15% stake of SDB Bank by subscribing to its secondary public offering, thereby becoming the single largest shareholder of the bank.

Our business model reaching out to MSME clients is a satisfying and rewarding experience. The business model has been further enhanced with insurance to provide an added safety net to the borrower. In addition, the Group has embraced technology across its financial platforms, including our home-grown core banking platform, FusionX, and our fintech platform, iPay, to enhance the delivery and customer experience.

“THE LOLC GROUP'S AMBITIOUS EXPANSION IN THE YEAR UNDER REVIEW REFLECTS HOW WE HAVE TAKEN OUR EXPERTISE AND BUSINESS MODELS GLOBAL WHETHER IT IS IN FINANCIAL SERVICES OR OTHER SECTORS”

Entrenching its technology expertise in overseas markets, LOLC successfully launched iPay in Cambodia, following its successful adoption in Sri Lanka. The core technological development is handled centrally while user experience will be localized as per the country requirements. The technology team is preparing to roll out the iPay app to all the overseas operations.

In Sri Lanka, LOLC Life Assurance reported the highest new business growth in the country whilst LOLC General Insurance reported strong growth in GWP in contrast to the industry, which reported negative growth. In Cambodia, LOLC received approval from the regulator to commence micro insurance and has fulfilled the precondition of applying for a full insurance company by having a representative office in Myanmar.

Pandemic-induced pressures impacted our financial services platforms across the globe, but LOLC responded with alacrity and compassion to the crisis by providing relief to borrowers by way of moratoriums as well as restructuring of facilities to suit their cash flow. In Myanmar, the impact was more severe, considering the surge in COVID-19 infections in the aftermath of political upheaval.

NON-FINANCIAL SERVICES

The Non-Financial services sectors of the Group, consisting of manufacturing and trading, leisure, agriculture and plantations, renewable energy, construction and technology and innovation had a successful year on the whole. On the manufacturing front in Sri Lanka, Exide automotive batteries and Radco radiators continued to dominate their respective markets.

Saga Solar, the country's first utility scale solar plant located in the deep south of Sri Lanka remains a key contributor to the country's vision for green energy. The rooftops of many LOLC buildings in Sri Lanka have been covered with solar panels to minimize our carbon footprint. In Myanmar, most of our branches are powered entirely by solar energy, which demonstrates the Group's sustainable business model.

The LOLC Group has established a formidable footprint in the leisure business in Sri Lanka, Maldives and Mauritius. The operating properties in Sri Lanka were converted to repatriation and quarantine facilities to fulfil the national need of expanding quarantine capacity.

DEPUTY CHAIRMAN'S MESSAGE

The Sector remains optimistic about a post pandemic tourism resurgence and has further enhanced room capacity with the acquisition of the Serendib Leisure properties during the year, increasing the number of rooms in Sri Lanka to 873, along with a further 365 rooms under construction, thereby becoming the 3rd largest leisure operator in the country within a short span of time. Barcelo Hotel Group has the management agreement to manage two of the properties while one property will be under the management of Sheraton.

The Group's leisure footprint expanded to the global arena with a significant investment in the Maldives in the last few years. Nasandhura is being developed as an iconic property in the Maldives while in total, a capacity of over 800 rooms is being developed in the Maldives. Upon completion, we will be the 2nd largest operator in the Maldives by number of rooms.

During the year, we also expanded our leisure footprint to the Mauritius - entering into an agreement for the acquisition of Radisson Blu Poste Lafayette Resort & Spa. Having grown our presence significantly and with the expansions planned for the medium term, the Group will hold 2,000 plus keys in Sri Lanka and overseas leisure properties to be positioned as a leisure operator of significant scale.

With regard to the plantation sector, Maturata and Galoya plantations in Sri Lanka reported strong growth in performance during the year while in Sierra Leone, the plantation expansion is going as per plan.

COLOMBO INTERNATIONAL FINANCIAL CITY

Browns Investments PLC, the strategic investment arm of the LOLC Group, entered into a landmark agreement to partner China Harbour Engineering Company Limited to commence the Colombo International Finance Centre Mixed Development Project in the Colombo Port City. This project comprises of a land area under development of 6.8 Hectares with an investment value totaling USD 1 Bn. This is a milestone project with important long-term implications for the economic growth of Sri Lanka – having been accordingly declared a Strategic Development Project. We are proud to be a part of this landmark project that will reshape the future of Sri Lanka.

TECHNOLOGY & INNOVATION

Investment in technology and innovations has given the Group the power to reimagine the future. The investment by the Group is bearing fruit with commercial manufacturing plants being established for conversion of graphite to graphene, nutrition fortification of rice and development of organic fertilizer.

FUTURE PLANS

The LOLC Group's ambitious expansion in the year under review reflects how we have taken our expertise and business models global, whether it is in financial services or other sectors.

Our first overseas investment in Financial Services was in 2007 into Cambodia. Since then, we have taken our financial services business model out to countries in Asia and Africa and now enjoy a presence in 11 countries. Following suit, we have now taken our insurance business model out to Cambodia and established a representative office in Myanmar. Our Fintech platform, iPay, is now operational in Sri Lanka and Cambodia.

In the Leisure sector, we expanded our operational properties in Sri Lanka and now have properties under development in the Maldives. In addition, during the year under review, we expanded our portfolio of leisure properties to Mauritius. LOLC has consolidated its presence in the plantations sector in Sri Lanka through Maturata plantations and GalOya plantations, and brought this knowhow to Sierra Leone.

During the coming years, LOLC will continue its aggressive geographic expansion across multiple sectors – increasingly reaching out to larger populations. Our well-diversified footprint across multiple markets ensures we are well poised for strident growth in the post pandemic economy.

ACKNOWLEDGEMENTS

I take this opportunity to thank the Directors on the Board for their unwavering support through an extremely challenging year. All the entities within the LOLC Group have delivered an exceptional effort to sustain the Group's profitability amidst times of a global pandemic and we hope our employees feel supported and nurtured in turn, which has been a key approach to managing our people during the year. I would also like to express my gratitude to shareholders, funding partners, stakeholders, investors, customers and regulatory authorities for placing their trust in LOLC's resilience and ability to surmount any and every challenge.

Ishara Nanayakkara
Deputy Chairman

GROUP MANAGING DIRECTOR/CEO'S REVIEW

THE LOLC GROUP DELIVERED A HISTORIC PERFORMANCE ACROSS ITS LOCAL AND GLOBAL OPERATIONS DESPITE THE UNPRECEDENTED CONDITIONS CREATED BY THE GLOBAL PANDEMIC.

It gives me great pleasure to announce that the LOLC Group delivered a historic performance across its local and global operations despite the unprecedented conditions created by the global pandemic. For the financial year ending 31st March 2021, LOLC delivered unprecedented bottom line results of Rs. 57 Bn in Profit Before Tax (PBT) and a Profit After Tax (PAT) of Rs. 53 Bn - a first for any corporate in the country.

LOLC attained the distinction of successfully infusing substantial foreign exchange into Sri Lanka's monetary system through the 1st tranche divestment of PRASAC to the largest Korean bank, Kookmin Bank. The massive infusion strengthened the Sri Lankan rupee at a critical time for the economy and depreciation of the currency was halted for a period as a result. Moreover, the transaction is considered to be the largest-ever recorded by a Sri Lankan entity, making the year under consideration a record-breaking one for the LOLC Group.

The pandemic-induced economic challenges impacted operations in Sri Lanka and overseas, nevertheless its diversified market base ensured the Group was not dependent on any single geography or industry.

It is noteworthy that the LOLC Group sustained its credit rating of 'SL A' amidst the pandemic related challenges, underscoring the sound risk management principles that have been adopted by the Group.

Further, we did not retrench or enforce pay cuts on any of our employees during these difficult times, standing by and supporting them during these turbulent times. We are very much cognizant of the fact that our staff are an integral part of our success.

It is a noteworthy fact that 76% of the electricity consumed by the Group in Sri Lanka was generated by renewable energy minimizing LOLC's carbon footprint in pursuit of the Group's sustainability practices.

FINANCIAL SERVICES

During 2020/21, our strategy was altered to reflect the impact of COVID-19 as we increased our secured lending base, reduced unsecured lending and

GROUP MANAGING DIRECTOR/CEO'S REVIEW

18.4

(Rs. Bn)

Financial Services sector contribution

53

(Rs. Bn)

Profit After Tax

supported customers with rescheduling and moratoriums. The Group recorded a high customer retention rate as seamless delivery of products and services to customers was ensured through the year, supported by digital platforms to make financial payments from the safety of their homes.

LOLC's Financial Services arm, the largest multi-currency, multi-geography MSME platform of its kind in the world, delivered Rs. 18.4 Bn as bottom line despite allowing for a strong level of risk mitigating provisions amounting to Rs. 30 Bn for bad and doubtful debts on a very conservative basis in the backdrop of the pandemic, against compared to Rs. 17 Bn last year.

It is notable that LOLC's finance companies in Sri Lanka and overseas experienced a strong level of deposit inflows, testament to the confidence placed in the Group by the public.

SRI LANKA

The flagship finance company - LOLC Finance PLC (LOFC) – with a Total Asset base of Rs. 170 Bn, recorded Profit after Tax of Rs. 4.4 Bn. With a Total Asset Base of Rs. 77 Bn, Commercial Leasing & Finance PLC (CLC) also recorded strong performance, posting a PAT of Rs. 2.2 Bn. LOLC Development Finance PLC (LODF), with a Total Asset Base of Rs. 19 Bn, recorded a Profit after Tax of Rs. 155 Mn.

Seylan Bank succeeded in delivering a steady Profit after Tax of Rs. 3 Bn for FY2020.

In the capital markets, where LOLC also enjoys a presence through LOLC Securities (LOSEC) Private Limited, the Company expanded its market share from 7% to 9.5% in FY 2020/21 and was ranked second in terms of Total Market Turnover.

OVERSEAS OPERATIONS

LOLC entered into an agreement with Kookmin Bank (KB), the largest commercial bank of Korea, to divest its shares of Prasac Microfinance Institution PLC. Prasac was the maiden overseas investment of LOLC in 2007. KB acquired 70% of Prasac with the balance 30% to be acquired in two years. For the year 2020, Prasac reported a net profit of USD 109 Mn.

LOLC Cambodia PLC concluded the year 2020 with a net profit of USD 45 Mn, an increase in net income by 26% compared to the previous year. As at year-end, the total assets of the Company reached USD 1.07 Bn with a gross loan portfolio of USD 856 Mn.

LOLC Myanmar Microfinance was serving over 247,000 borrowers through 71 branches and over 1,000 employees as at year-end. During the period under review, the Company reported a profit of USD 4 Mn despite the turmoil in Myanmar amidst the ongoing political upheaval as well as being severely impacted by the pandemic.

Having established ourselves in Pakistan, Indonesia and the Philippines, all 3 of these being countries with large population bases, nearly 600 Mn collectively, as well as central Asia where we have commenced operations in Tajikistan. We see great potential for our MSME financing in these markets.

In the African continent, the Group acquired controlling stake of FinaTrust Microfinance Bank in Nigeria in 2019, a west African nation with the largest population in the continent of 206 Mn. Further, the Group commenced operations in Zambia by incorporating LOLC Finance Zambia as a greenfield. We are optimistic of the potential for MSME financing on the African continent where we have carried out recent acquisitions in Tanzania and Malawi and look forward to further expansion.

INSURANCE

LOLC's insurance arm reported strong numbers in the year under review. LOLC General Insurance achieved Rs. 6.1 Bn in GWP in 2020, a feat achieved in less than 10 years - a first for Sri Lanka. LOLC GI recorded the highest growth of 15.3% in GWP although the GI Industry had a negative 1.5% decline.

LOLC Life Assurance registered a GWP of Rs. 3.2 Bn – again the first Life Company to achieve this milestone in less than 10 years. It posted a growth of 21% in GWP, backed by a robust growth of 59% in first year life premiums, achieving the highest new business growth in the insurance industry.

LOLC has applied for a microinsurance license in Cambodia and has received the provisional license. We will commence operations during the coming financial year.

In Myanmar, LOLC Life Assurance has established a representative office, which is a pre-condition for obtaining an insurance license.

LOLC's financial services and insurance drive powerful grassroots inclusion in Sri Lanka and in overseas markets, empowering marginalized communities to build a better future for their families. In countries where we do not have an insurance license, we partner with insurance companies to provide a safety net to our borrowers, thereby ensuring the welfare of our clients.

NON-FINANCIAL

Browns' trading business recorded one of its highest revenues with an increase of 45% with a gross profit increase of 47% for FY 2020/21, while posting Profit after Tax of Rs. 1.8 Bn.

The LOLC Group continued to expand its leisure footprint in Sri Lanka, Maldives and Mauritius. The Group has made significant investments in the Maldives, with a strong pipeline of leisure projects on track for completion. The Group now holds 2,000+ keys in Sri Lankan and overseas leisure properties to be positioned as a significant leisure operator, with plans to grow further.

Sri Lanka Tourism was adversely impacted by the global pandemic. However, Browns Hotels & Resorts, with Eden Resort & Spa in Beruwala, The Paradise in Dambulla, Dickwella Resort & Spa and The Calm Resort & Spa in Pasikudah converted the properties into repatriation hotels, to generate a steady revenue stream through the year.

Further during the year under review, Eden Hotels Lanka PLC acquired the controlling stake of Serendib Hotels PLC consisting of 330 keys, increasing the Group's footprint and room content in the leisure sector.

> "CONTINUING ITS PIONEERING JOURNEY, BROWNS INVESTMENTS PLC - AS PART OF THE LOLC GROUP - BECAME THE FIRST LOCAL CONGLOMERATE TO INK A DEAL TO CONSTRUCT A MIXED DEVELOPMENT PROJECT AT THE COLOMBO PORT CITY - THE COLOMBO INTERNATIONAL FINANCE CENTRE"

The Group's local plantations sector, Maturata Plantations and Gal Oya plantations, recorded strong performances in the year under review. During the year, Maturata recorded a historic performance with an excellent profit contribution to the Group, a Profit after Tax of Rs. 382 Mn. Gal Oya Plantations continued to enhance its sugar cane growing and production capacity with Hingurana Sugar Factory being expanded to meet local demand, which will also help the Government to reduce expenditure on sugar imports. The Group continued its investment in cinnamon plantations and during this period, BI acquired a 67% stake in Tropical Island Commodities Pvt Ltd., to complement value chain enhancement.

Further, Sunbird Bioenergy (SBSL) in Sierra Leone achieved its plantation target of increasing the sugar cane extent. It is the largest land extent allocated for sugar cane plantation in the region with 23,791 Ha with the ability to increase up to 50,000Ha. SBSL generates and exports power to the national grid with a power generation capacity of 32MWh.

In the renewable energy sector, Sagasolar Power (Pvt) Limited, the first utility scale solar plant in the country, generated steady profit contributions to the Browns Investments Group.

COLOMBO INTERNATIONAL FINANCE CENTRE

Continuing its pioneering journey, Browns Investments PLC - as part of the LOLC Group - became the first local conglomerate to ink a deal to construct a mixed development project at the Colombo Port City - The Colombo International Finance Centre. The ambitious project will be undertaken in partnership with China Harbour Engineering Company Limited, valued at USD 1 Bn. Envisioned to be a centre of excellence, the Colombo International Financial City will propel Colombo as the foremost investment destination in the region.

TECHNOLOGY

As a process-driven organisation, the LOLC Group has been investing in advanced technology platforms and a digitalisation process, which was useful in a year where demand for digitalised technologies rose sharply due to lockdowns. Further measures were taken this year with regards to data security, auditing and monitoring of information security.

GROUP MANAGING DIRECTOR/CEO'S REVIEW

LOLC's lifestyle fintech app, iPay, saw rapid adoption during the year under review. We were able to successfully launch iPay in Cambodia and will be rolling out the app in other geographies as well.

COMPLIANCE AND RISK

The Company remains in full compliance with regulatory mandates and no material issues related to compliance or risk were recorded during the year under review.

FUTURE STRATEGY

While sustaining its local operations, the LOLC Group is looking outwards to expanding its footprint more stridently in key target markets during the 2021/22 year, building on its core competencies. Its international business operations have been the major contributors to its record profitability and this will be leveraged to a greater degree to penetrate more overseas markets. The main focus will be on widening its financial services base outside Sri Lanka, whilst building an international portfolio in terms of the other sectors that we operate in.

APPRECIATION

I would like to take this opportunity to thank the LOLC board for their faith in my abilities to operate and grow the business into one of most profitable entities in Sri Lanka. I would specially like to commend my team members for a job well done and for the deep commitment shown in supporting our growth plans, and those who went overseas to work in new markets - all for a common cause. Our local and overseas customers deserve the greatest respect for their loyalty. LOLC is unstoppable in its growth trajectory and the coming year will expand its list of achievements.

Mr. W D K Jayawardena
Group Managing Director/Chief Executive Officer

BOARD OF DIRECTORS

1 Mr. I C Nanayakkara

2 Mr. W D K Jayawardena

3 Mrs. K U Amarasinghe

4 Mr. Conrad Dias

5 Deshamanya M D D Pieris

6 Dr. R A Fernando

BOARD OF DIRECTORS

1

ISHARA NANAYAKKARA
Deputy Chairman

Ishara Nanayakkara is one of Sri Lanka's leading entrepreneurs, whose strategic vision and intrepid spirit have led to the establishment of businesses of formidable strength in multiple industries, markets and geographies.

Having joined the board of LOLC Holdings PLC in 2002, Ishara has since pursued an expansive ambition to create a multinational conglomerate that encompasses the entire financial service value chain. The LOLC Group under his leadership has set many benchmarks, becoming the world's largest multi-currency multi geography MSME financing platform in addition to becoming the most profitable conglomerate in the history of Sri Lanka. It has also diversified beyond the financial service arena, with large scale investments in leisure (in Sri Lanka, Maldives and the Mauritius), construction, plantations, trading and manufacturing.

His influence as a change maker in the microfinance and SME sectors has seen the LOLC Group expanding its footprint in the Afro-Asian region. Over the years, reputed financial institutions in Sri Lanka, Cambodia, Myanmar, Pakistan, Indonesia, Philippines, Zambia, Nigeria, Tanzania, Malawi and Tajikistan have reaped benefits from his extensive knowledge. He has also been instrumental in setting up Life and General Insurance businesses within the LOLC Group and pioneered the concept of Micro Insurance in Sri Lanka and Cambodia, focusing on inclusion and sustainable development.

Believing in the power of innovation as a catalyst for growth, Ishara has pursued initiatives in new sciences and technologies, including large projects for the conversion of pure graphite in to graphene and bio-tech businesses, most notably ones that create value for the Group's plantation portfolio of cinnamon, tea, sugarcane, rubber, and bi-products. This portfolio is enriched by his renewable energy interests in Sri Lanka and in Sierra Leone, where he backs the largest sugar-based bio ethanol and power plant in Africa.

Ishara, who holds a Diploma in Business Accounting from Dandenong College, Australia, has been internationally recognised for his entrepreneurship, and in particular his contribution to Micro Finance. He was named 'Young Entrepreneur of the Year 2012' Award at the prestigious Asia Pacific Entrepreneurship Awards (APEA).

He brings with him considerable Board-level experience in both Sri Lankan and overseas and in addition, has key roles in many industry bodies, including being appointed by the government of Sri Lanka as the Chairman of the Sri Lanka Institute of Nano-technology, the apex national body for advanced technology research.

Key appointments within the LOLC Group include: Deputy Chairman –LOLC Holdings PLC, Executive Chairman - Browns Investments PLC, Director - Associated Battery Manufacturers (Cey) Ltd, LOLC Myanmar Microfinance Co. Ltd, Pak Oman MFB, LOLC Asia (Pvt) Ltd, LOLC International Private Limited & LOLC Private Limited, Singapore, Ceylon Real Estate Holdings (Pvt) Ltd, LOLC Advanced Technologies (Pvt) Ltd, LOLC Geo Technologies (Pvt) Ltd, LOLC Capital (Pvt) Ltd, Colombo Marina Development (Pvt) Ltd, Marina Hotel Holdings (Pvt) Ltd, LOLC Ceylon Holdings Ltd, Ceylon Graphene Technologies (Pvt) Ltd and LOLC Ceylon Property Holdings (Pvt) Ltd.

2

KAPILA JAYAWARDENA
Group Managing Director/Chief Executive Officer

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.

With his varied experience both locally and internationally in the fields of Investment Banking, Banking Operations, Audit, Relationship Management, Corporate Finance, Corporate Banking, Treasury Management, Capital Market Operations, Construction and Financing of Real Estate Projects Mr. Jayawardena has served on short assignments for Citibank for New York and Manila Philippines. He has also served on 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.

Kapila Jayawardena joined LOLC Holdings PLC 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

Serendib Hotels PLC

Dolphin Hotels PLC

Sigiriya Hotel PLC

LOLC General Insurance Ltd

LOLC Securities Limited

Palm Garden Hotels PLC

LOLC Development Finance PLC

Deputy Chairman

Seylan Bank PLC

Director

Brown & Company PLC

Browns Investments PLC

Riverina Resorts (Private) Limited

LOLC International (Private) Limited

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

3

KALSHA 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: Director – LOLC Holdings PLC, LOLC Finance PLC, 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. Ultimate Sports (Pvt) Ltd. Melana Capital (Pvt) Ltd, Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC, Sanctuary Resorts Lanka (Pvt) Ltd., Serendib Leisure Management Ltd. and Kammala Hoteliers (Pvt) Ltd.

4

CONRAD DIAS

Non-Executive Director

Mr. Conrad Dias was appointed to the Board on 4th September 2019. He holds Masters in Business Administration (MBA) from 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 Accountant of Sri Lanka (FCMA), and British Computer Society (FBCS).

His experience spans over close to 3 decades and as a visionary thought leader in business technology and his C-Level experience spans over 20+ years.

Fintech enthusiast who innovated many financial technology products and solution and he is the Founder of iPay a revolutionary platform beyond payments and Founder of OYES another fintech platform that 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 the prestigious 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.

BOARD OF DIRECTORS

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DESHAMANYA M D D PIERIS

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 Philippines, 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 served 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

Deshamanya 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".

6

DR. RAVI FERNANDO
Independent Director

Dr Ravi Fernando is an Alumni of the University of Cambridge having completed a Post Graduate Certificate in Sustainable Business in 2008 and a Master of Studies in Sustainability Leadership in 2014. He holds a Doctor of Business Administration Degree from the European Business School in Switzerland 2016. At the INSEAD Business School (France) he completed both a Diploma in International Management and the Advanced Management Program. He is an Executive in Residence at the INSEAD Business School from 2010 to 2021. He has an MBA from the University of Colombo and is a Fellow of the Chartered Institute of Marketing (UK).

In 2017, he created the 'ILA Future Directors' program for the Institute of Directors of Luxembourg, which set the foundation for the INSEAD Aspiring Director Program in 2018. In April 2020, he created the '21st Century Board Leadership Model-MasterClass' for the Institute of Directors of Luxembourg and Global Strategic Corporate Sustainability Pvt.Ltd. In July 2021 he commenced teaching in the INSEAD 'Advanced Strategy for Directors' Program.

In 2010 he received a US Copyright for his work at Cambridge University for the concept of 'Strategic Corporate Sustainability'©. In November 2015, he published 'Strategic Corporate Sustainability – 7 Imperatives for Sustainable business' (Partridge), based on his work at Cambridge University.

In June 2020, he obtained a US Copyright for the '21st Century Board Leadership Model'©. He also created the '21st Century Board Leadership Model – MasterClass' with Raymond Schadeck of Luxembourg to build a cadre of 21st Century Leaders.

He is the Chairman/CEO of Global Strategic Corporate Sustainability Pvt. Ltd, which operates in Luxembourg, Ireland, United Kingdom, Vietnam, China and Sri Lanka. His career with Multi-nationals spanned 1981-2007 with Unilever, Reckitt Benckiser, Smithkline Beecham International covering Africa, Middle East and Asia in CEO/Business Development positions. He was the first CEO of the Sri Lanka Institute of Nanotechnology 2008-2011 and Operations Director of the Malaysia Blue Ocean Strategy Institute 2011-2016. He was the UN Global Compact Focal point 2007-2011 and set up the UNGC Sri Lanka Network.

He serves on the Sri Lanka Sustainable Development Council since February 2021.

He serves on the Boards of MNC's LOLC Holdings, Ceylon Graphene Technologies Ltd, Aitken Spence Plantations, Habitat for Humanity, UN Global Compact Sri Lanka, Ceylon Asset Management and Global Strategic Corporate Sustainability Pvt.Ltd.

In September 2007 he won "Global Strategy Leadership award", presented to him by Professor Renee Mauborgne of INSEAD at the World Strategy summit in Mumbai. In February 2020, he won the 'World CSR Leadership award'.

UNPARALLELED PERFORMANCE

AT LOLC HOLDINGS WE ARE DETERMINED TO OPTIMISE OUR PERFORMANCE THROUGH EFFECTIVE TECHNOLOGIES AND TEAMWORK; RESOURCES THAT HAVE CONTRIBUTED TO MAINTAINING A STEADY, EFFICIENT, AND RELIABLE BUSINESS MODEL.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

The year under review was a challenging one with most businesses being affected as a result of the global pandemic. In general, many economies were impacted with the emerging situation either positively or negatively which resulted in many industries and businesses facing new challenges. However, despite these situations the Group posted the highest Profits in the history claiming an unmatched status of "the highest ever profit made by a conglomerate in the country as Group" and reported Profit after tax (PAT) of Rs. 53.2 Bn.

This exceptional achievement came about as a result of strategic decisions taken by the Company during the early stages of diversification, 2006/7, making investments, creating a strong conglomerate culture that support for a higher business's growth. The first ever global investment was made by LOLC in 2006/7 with a USD 0.6 Mn being invested to acquire an associate stake in PRASAC Microfinance Institution Plc. Since then, the Group has shown steady growth in profits, diversifying and expanding into many businesses locally as well as internationally. In line with these decisions the Group strategically divested its investment in PRASAC Microfinance Institution Limited, a 70% owned subsidiary of the Group.

Due to disposal of PRASAC the Group made a profit of Rs. 43 Bn and it is the major contribution to the added profitability of the Group. The result of the disposal is presented under Results on acquisition and divestment of group investments in the consolidated income statement and impact of the disposal to group financial position and cash flows were given in note no. 31.7.1.2 in page No 256 of the financial statement.

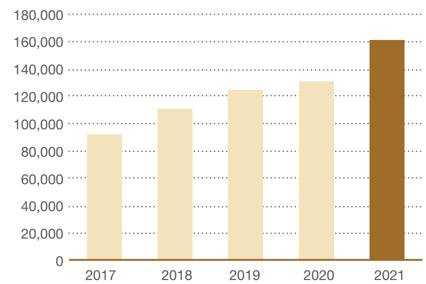
The Gross income of the Group was reported at Rs. 160 Bn for the year. The revenue shows an increase of 23% compared to the last year mainly as a result of increase in revenues from the Financial services business. The interest income generated by the financial services sector represents 72% of the total revenue of the Group. The Gross income increased from segment by 12% as a result of increase in the lending portfolio. Adding to the Group revenue, the insurance segment contributed 6% to the overall revenue which recorded an increase of 19% when compared with the insurance revenue of the previous year. The insurance business is expanding rapidly, becoming stronger with great prospects of higher revenue in the near future.

The Trading and manufacturing segment represent the operations of Browns and Company and showed a strong level of growth during the year. The revenue for the segment was Rs. 29 Bn compared to the previous year's Rs. 25 Bn, mainly attributable to the increase in trading volumes by the company.

The leisure sector was directly affected by the global pandemic and carried out its operations as repatriation business showing a gross income of Rs. 1.8 Bn compared to the previous year of Rs. 1.9 Bn which was also an year of difficulty due to the Easter Sunday attacks.

The plantation segment which includes the operations of Maturata Plantations performed well during the year as the Company was able to reap higher production volumes as well as achieving higher revenues from tea as global tea prices increased. The segment revenue increased to Rs. 4.8 Bn from Rs. 2.5 Bn in the previous year.

Gross Income (Rs. Mn.)



The Cost of funds which represents the net borrowing cost of the Group saw a reduction in overall cost as a result of reduction in the rates for the local companies. The cost of funds was reported at Rs. 49 Bn, compared with the previous year's Rs. 55 Bn. However, the Group's borrowings increased as a result of the increase in financial services sector business growth by the foreign companies. As a result of the increase in Gross income to Rs.160 Bn (2020 – Rs. 130 Bn) the results from operating activities was reported at Rs.12 Bn.

The total overheads of the Group increased to Rs. 76 Bn compared to the previous year Rs. 62 Bn. The resultant increase was due to personal cost, net impairment and provisioning in financial service sector and depreciation & amortisation cost. Personal cost of the Group increased by 17% is attributable to annual increments and other employee related benefits given by the performing companies. Net impairment loss on financial assets represents the impairment provision made against the expected credit loss by the financial services sector. The Group made higher provisions on a prudent basis considering the pandemic situation and expected losses in the immediate future, an increase of 73% to Rs. 30 Bn. Depreciation charge for the year increased by 17%, from Rs. 4.1 Bn to

Rs. 4.8 Bn due to the revaluation of Right of Use Assets during the year 2020.

Share of equity accounted investees increased by 19% and includes the share of profit from Seylan Bank Limited of Rs. 1.1 Bn and the results of other associated companies.

The Group's reported the total gain on disposal of PRASAC shares under continuing operations. As per the agreement entered the company disposed 49% of PRASAC shares and resultant gain include Rs. 43 Bn in the Group's results during the year which is shown under Results on acquisition and divestment of group investments. Further, as per the agreement reached with the buyer, the remaining stake will be sold in near future. The remaining stake is categorised as fair value through profit or loss instruments and the resultant gain is reflected under other income.

The Group made a highest ever Profits in its history recording a PBT of Rs. 57 Bn. The higher profits came mainly from realising investment in PRASAC while the other operations of the Group companies performed well during the year despite the external shocks. The reported Group profit after tax was Rs. 53 Bn.

The total asset base of the Group stood at Rs. 875 Bn compared to the Rs. 1,336 Bn in the previous year. The decrease, is mainly due to the divestment of PRASAC who contributed a significant component of assets within the Group. The lending portfolio of the Group increased to Rs. 424 Bn from Rs. 389 Bn. The strong expansion reported by the foreign financial services business and continuous expansion of financial services into international markets resulted in a strong growth. The equity attributable to shareholders of the Group increased to Rs. 138 Bn, an increase of 50% over the previous year and Net asset per share increased to Rs. 291.37 per share from Rs. 194.72.

LOLC HOLDINGS PLC

LOLC Holdings PLC the ultimate holding company of the Group carry out investment activities in subsidiaries. LOLC formulates the vision and the strategic direction for the group entities and implement strategies across the Group. The shared services of the Group supports all companies, standardising the operations of similar businesses enabling effective resource management efficiency and expense efficiency. LOLC Holdings PLC at company level has shown extraordinary growth in terms of building its asset base recording a total asset base of Rs.171 Bn. The investment in subsidiary portfolio stood at Rs. 93 Bn depicting a strong investment base which demonstrates the strength of its financial position.

The parent company engaged in providing financial assistance to the investee companies which is reflected in the related party balances amounting to Rs. 31 Bn resulted in earning interest income of Rs. 5.6 Bn. The total borrowing cost of the Company decreased as the interest rates in the market reduced. The total cost of borrowing for the year was Rs. 9.5 Bn compared to with Rs. 10.7 Bn, a decrease of 11%.

LOLC's biggest strength lies in the activities of its subsidiaries and their performance. Being an investment company that earns through making investment decisions, the Company realised the highest contribution from such income through the disposal PRASAC during the year. At Company level another income of Rs. 12 Bn was recorded as the gain on the buyback of LOLC International (Pvt) Ltd shares which owned 70% of PRASAC. This disposal further strengthened the total equity standing at Rs. 57 Bn together with a total asset base of Rs. 171 Bn.

FINANCIAL SERVICES SECTOR

Financial services sector is the predominant sector which contributes the major portion of the profits as well as the asset base of the Group. This sector continues to grow across all global investments. The Total asset base accounts for Rs. 1,333 Bn as at March 21. LOLC's Financial sector comprise of a diversified portfolio of investments starting with its main businesses in Sri Lanka and covers Asia including Cambodia, Myanmar, Indonesia, Philippines and Pakistan. The other expansions are in the region of Africa. Among the financial companies of the Group the top contributors to the performance were LOLC Finance PLC, Commercial Leasing & Finance and LOLC Cambodia Plc.

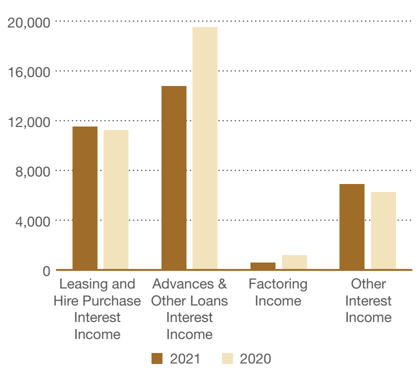
During the year under review the sector faced many challenges due to changes in the business environment resulting in subdued macroeconomic conditions. Furthermore, the impact of COVID-19 global pandemic was considered the major impact on businesses in this segment resulting in financial sector companies consolidating their collection efforts, making significantly higher provisions on a more prudent basis.

LOLC FINANCE PLC (LOFC)

The financial year under review posed challenges in terms of the economic environment, with increasing pressure on credit quality due to the outbreak of COVID-19 bringing the economy to almost a standstill. This resulted in significant pressure on the profit margins. In assessing this situation, the management took steps to focus on collections and improving credit quality rather than expanding the lending portfolio. Strong customer confidence in the Company was proven through the continued inflow of deposits. This assisted the Company to change its borrowings mix by reducing bank borrowings and increasing the proportion of retail customer deposits. These strategies helped the Company to maintain healthy profitability levels during the financial year.

LOFC reported Rs. 33.8 Bn interest income during the year which is a reduction of 11% compared to the previous year as a result of reduction in portfolio. Interest income from loans was the highest contributor recording Rs. 14.5 Bn to the revenue and accounts for 43%.

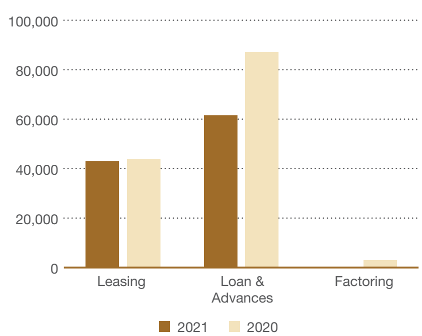
Income (Rs. Mn.)



Total interest expense too declined by 35% during the financial year and this was driven by the continuous decline in market interest rates on deposits and debt instruments. Majority of the portfolio is funded through customer deposits with 75% of the interest expense being attributed to customer deposits.

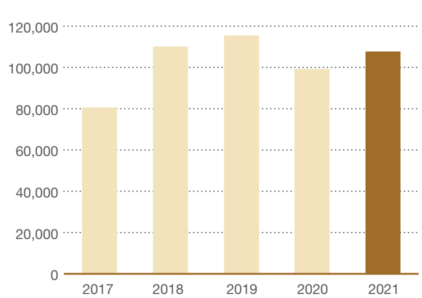
The lending portfolio constituted 61% of the total assets and stood at Rs.105 Bn which was Rs. 134 Bn in the previous year and this contraction was mainly impacted by the outbreak of COVID-19 together with the restrictions imposed on the importation of vehicles which eventually resulted in the reduction in the lending portfolio of the company.

Lending Portfolio (Rs. Mn.)



During the year, the customer deposits increased to Rs. 108 Bn an increase of Rs. 8.53 Bn in comparison to previous financial year despite the record low interest rates in the market. Other borrowings which included short term loans, long term loans, finance leases and debentures decreased from Rs. 53 Bn to Rs.18 Bn as a result of effective management of the operating cashflows and managing its short-term and long-term borrowings.

Deposits (Rs. Mn.)

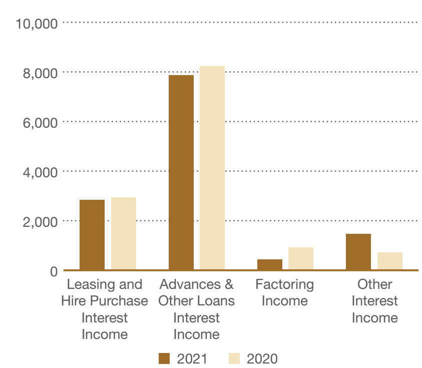


The Company was able to record a Rs. 4.4 Bn profit after tax for the financial year under the pressure of sluggish economic growth and asset quality deteriorations due to the spread of COVID-19. Return on Assets and Return on Equity were 2.09% and 13.00% respectively, as against 1.97% and 13.98% reported in the previous year.

COMMERCIAL LEASING & FINANCE PLC (CLC)

Despite the challenges faced during a turbulent year, the Company achieved pre-tax profit of Rs. 2.7 Bn, an increase of 34% from Rs. 2.0 Bn reported in the previous years. The increase in profitability is backed by other favourable and unfavourable market variables that resulted in company making higher profits. Low interest rates prevalent in the market, Interest income of the Company decreased by 1.5% from Rs. 12.8 Bn to Rs. 12.6 Bn despite of the increase in the loan book from Rs. 54.1 Bn to Rs. 60.7 Bn

Income (Rs. Mn.)



Interest expense decreased by 23% from Rs. 6.2 Bn to Rs. 4.7 Bn with the reduction in interest rates. As a result of these positive trends, the net interest income was increased by 19% over the previous year.

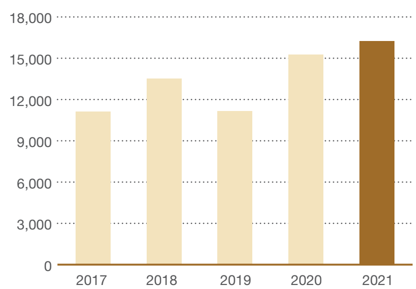
The allowance for impairment on leases, loans and factoring receivables, increased by 24% to Rs. 3.0 Bn from Rs. 2.4 Bn reported in the previous year with the increase in non-performing loans during intermittent lockdown periods which curtailed collections efforts. The Company's gross lending portfolio increased by 15% from Rs. 56.9 Bn to Rs. 65.3 Bn recording a rupee growth of Rs. 8.3 Bn.

Customer deposits reached Rs. 32.8 Bn with a 32% growth from Rs. 24.9 Bn amidst intense competition seen throughout the year. Customer deposits accounted for 65% of the funding mix compared to 52% in the previous year. The bank borrowings of the company decreased from Rs. 23.1 Bn to Rs. 17.6 Bn due to capital repayments of foreign borrowing and term loans. Foreign borrowings accounted for 13% of the total borrowing including customer deposits. The shareholder funds of the Company reached Rs. 21.4 Bn from Rs. 18.9 Bn with the earnings from its operations and increase in reserves.

LOLC DEVELOPMENT FINANCE PLC (LOFD)

LOLC Development Finance recorded a profit after tax of Rs.156 Mn compared to the profit after tax of Rs. 109 Mn recorded in the previous year despite challenging business environment prevalent due to the pandemic. Gross income reported a growth of 4.8% to Rs. 4.7 Bn. Sustainable portfolio growth was a key focus during the year. Interest income from lending recorded Rs. 4.1 Bn, an increase of Rs. 117 Mn, compared to last financial year with improved business volumes. Net Interest Margin slightly decreased from 16.2% to 15.2%. Year on year yield structure of interest earning assets has been changed with the high volumes of asset back lending.

Lending Portfolio (Rs. Mn.)



The first mitigation measure taken was to consolidate the micro lending portfolio and reduced by Rs. 1.4 Bn for the year. Impairment charges on loans and receivables significantly increased by Rs. 421 Mn during the year as a result of increased NPL ratio due to the prevailing COVID-19 pandemic in the country and conservative provisions made for bad and doubtful debts considering expected losses in the immediate future due to the pandemic and lower collections.

As a result of the increased profitability, Return on Equity increased to 6% compared to 4% in the previous year and the Return on Assets also increased to 0.84% from 0.68% for the year due to increase in profitability compared to the previous reporting year.

FOREIGN INVESTMENTS IN FINANCIAL SERVICES

LOLC Group has diversified its financial services sector operations to Asian region over the recent years to improve its profitability as well as to diversify the investment portfolio. The Group is now focusing on expanding the operations in the African region where several investments are in the pipeline. The Group made a greenfield investment in Zambia by opening LOLC Zambia.

The foreign investments in the Asian region has recorded commendable growth over the recent past and made a significant contribution to overall profitability. These investments include LOLC Cambodia Plc, LOLC Myanmar Micro Finance Company Limited, Pak Oman Microfinance Bank Limited, PT Sarana Sumut Ventura, LOLC Aski Finance and LOLC Bank Philippines which are in growth stage investments with the benefits of the investments to be reaped in the years to come. LOLC Cambodia generated a profit of Rs. 8.5 Bn for the year under review while LOLC Myanmar recorded a profit of Rs. 592 Mn.

With the success of its investment strategy, the Company expects to extend its global presence to Central Asia and Africa in near future. It is expected that the Group's bottomline will continue to grow with these investments in the short to medium term.

INSURANCE SEGMENT

Insurance segment of the Group is represented by the Insurance businesses carried out by two fully owned insurance companies within the Group, LOLC General Insurance Ltd. and LOLC life Assurance Ltd. The insurance segment was able to maintain momentum during the year by recording strong growth. The Gross Written Premium from General Insurance increased by 12% to Rs. 4.5 Bn whilst Life Insurance Gross Written Premium reached Rs. 3.4 Bn during the year. The Combined Gross Premiums crossed the Rs. 7.9 Bn level during the year. While general insurance claims remained at Rs. 1.8 Bn level the net claims in Life Assurance was recorded at Rs. 647 Mn. LOLC General Insurance Ltd recorded Rs. 1.5 Bn as PBT while LOLC Life Assurance recorded a PBT of Rs. 482 Mn for the year ended.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

TRADING SEGMENT

The trading sector of the Group is mainly represented by Brown & Company, providing a variety of trading services. The company did exceptionally well during the year recording profit of Rs. 1,761 Mn. The outstanding performance in the trading sector comes as a result of strategic initiatives implemented during the year which has resulted in increase in revenue due to increase in volumes.

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 Sheraton Turtle Beach Resort Kosgoda. In December 2020, Eden Hotel Lanka PLC acquired 55.76% stake in Serendib Hotels PLC for a purchase consideration of Rs. 800Mn, which owned 5 leisure properties. As a result of this acquisition, Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC, Serendib Leisure Management Limited, Sanctuary Resorts Lanka (Pvt) Limited and Frontier Capital Lanka (Pvt) Limited were added to the Group's portfolio.

The total asset bases of the segment increased to Rs. 99 Bn from Rs. 66 Bn in the previous year due to acquisition and ongoing construction activities of the Group. 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 ensuing year. Due to COVID pandemic the sector got affected heavily, most of the hotels were used as repatriation hotels. During the year the leisure segment reported a loss of Rs. 3.7 Bn including borrowing costs.

PLANTATION SEGMENT

The Group's plantation sector includes the investments made in Maturata Plantations Ltd and Sunbird Sierra Leone Limited (SBSL), a large plantation company in Sierra Leone. Maturata Plantations performed exceptionally well with higher revenues due to increase in volume of tea sales as well as higher tea prices. The turnover increased by Rs. 780 Mn a 43% growth, Rs. 2.6 Bn for year 2020/21.

Maturata reported a gross profit of Rs. 363 Mn against the gross loss of Rs. 156 Mn recorded in the previous year. The company made an overall profit after tax of Rs. 383.5 Mn compared with a loss of Rs. 944 Mn recorded in the previous year. The company's Profit before Interest & Tax (PBIT) is the highest among the RPCs for the FY 2020/21 (Excluding oil palm dominated companies). Tea and rubber production increased significantly where Tea production increased by 0.67 million Kgs (19%) to 4.2 million Kgs compared with the previous year. Company was able to achieve this crop as a result of the adherence to best practices in agriculture, improved labour productivity, strengthened revenue share model of plucking and bought leaf operations. The Company also holds the largest cinnamon plantation in the country. Sunbird Sierra Leone is a company which has a large extend of 24,000 hectares of land along with a sophisticated production facility is poised to produce ENA with is its newly developed sugarcane areas. The company is now producing and started selling its produce during the year. However, despite the strong performance in MPL, the segment made a loss of Rs. 2 Bn mainly due to the higher depreciation cost from SBSL.

FUTURE OUTLOOK

The Group has set the pace for a well-diversified portfolio of investment with Financial service sector dominating the growth in terms of profitability and asset growth. The business expansion in to the regions of Asia, Africa will position the Group in terms of achieving its long term profitability growth as well as to build a diversified portfolio of returns and risk. The Group will continue to expand operations mainly in financial service sector followed by other strong growth potential sectors in order to derive long term value creations on the total assets held by the Group.

FINANCIAL SERVICES

As the largest NBFI, LOLC's Financial Services arm delivered a robust financial performance and experienced a strong level of returns despite less than favourable operating conditions. Its financial business units delivered outstanding results, which reflects the customer confidence in the LOLC brand.

Rs. 8.8 Bn
PBT

Rs. 423.8 Bn
Lending portfolio

Rs. 263.6 Bn
Deposits base

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL SERVICES

LOLC FINANCE PLC

As one of the largest and profitable NBFIs in the country, LOLC Finance PLC delivered an impressive financial performance during the year under review. The Company recorded a Total income of Rs. 44.06 Bn and a Net interest income of Rs. 21.31 Bn which is a 2.5% and a 13.3% increase respectively compared with the previous year. The Company's financial position was well managed and cashflows remained positive throughout the year.

A year in which business continuity planning was tested, LOLC Finance PLC sustained its planning while working with smaller teams due to travel restrictions and successfully ensures uninterrupted operations. One of the key highlights of the year was how technology was harnessed by the Company to power its business growth and profitability. Technology infrastructure was further improved by upgrading two data centres.

Accelerating the digitalisation process, the Company introduced many digital products during the period - Digital Speed draft focusing on micro-entrepreneurs and Digital Deposit to create customer convenience, fully digital electronic KYC (eKYC) in new customer onboarding and opening of digital savings accounts to serve customers.

The Company worked closely with customers to extend concessions, moratoriums and to restructure loans to ease their financial burden caused by the pandemic. A significant number of moratoriums were given to customers, especially for pandemic-hit businesses such as in the tourism sector. Overall, a decline was seen in new executions due to the external conditions except for gold loans and credit cards which saw strong growth levels.

LOLC Al-Falaah maintained low NPL levels of 3.9% against an industry average of finance companies of over 13%in the year under review. The Company's innovative approach to the alternate financial services and its longstanding relationships with its customer base enabled it to post a Profit after Tax of Rs. 278.32 Mn from Rs. 185.38 Mn in the previous year – which reflects a massive 50% growth. During the year, LOLC Al-Falaah introduced 2 new products as per Islamic principles during the year – Gold loans and Speed draft.

Microfinance loans were granted to approximately 37,300 small businesses, amounting to Rs. 4.6 Bn. In response to a growing demand for housing loans, over 2,183 families were supported with Rs. 938 Mn in assistance in the form of housing loans by LOLC Finance for purposes of renovation, building an extension, complete construction of a house or purchase of land or a house.

Although the Central Bank of Sri Lanka announced a debt moratorium for businesses and individuals affected by the pandemic, LOLC Finance extended further relief to customers by way of additional moratoriums and restructuring facilities to meet their current cash flow requirements, in the process waiving off overdue interest to reduce financial burden on customers. An additional 10,000 restructures were conducted for micro loan customers, which helped ease their financial worries.

The Credit Cards unit successfully achieved a gross portfolio balance of over Rs. 1.6 billion while recording an operational profit of Rs. 32 Mn. In the months of January, February and March 2021, it became the single highest issuer of credit cards in the industry: of 1900 cards issued in 2020/21, LOLC Finance credit cards accounted for 20%

The Deposits arm achieved a growth of 8.59% in the year 2020/21 by continuing with its signature service for its clients through the pandemic. As a technology-focused Company, LOLC Finance leveraged strongly on technology by offering digital products such as Digital Savings and Digital Fixed Deposits to customers via its iPay platform for contactless transaction, an essential need amidst a pandemic.

LOLC Finance's digital payment platform, iPay has been winning accolades and gaining traction locally and globally. Its customer base which grew by as much as 400% while the merchant base also expanded by 234%, a testimonial to the rapid adoption of the lifestyle fintech product amongst the almost 22 apps in the market.

One of the key focus areas was human capital and the leadership took a decision early on to maintain staff salaries, numbers and emoluments, with no reductions. Performance-based payments and bonuses were also paid as usual. At the same time, investment in training and development continued, with most training taking place virtually. LOLC Finance remains optimistic about the prospects for the nation and the economy as the situation improves.

COMMERCIAL LEASING & FINANCE PLC (CLC)

Commercial Leasing & Finance PLC (CLC) recorded one of its best financial years despite severe challenges arising from the COVID-19 global pandemic through the year. The Company reported a growth of 34% in Profit Before Tax over the previous year to record Rs. 2.67 Bn, while Profit After Tax rose by as much as 43% over the preceding year to reach Rs. 2.2 Bn. In contrast with the downturn in the Non-Banking Finance Industry (NBFI), CLC recorded a gross portfolio growth of 15%. The key factor for CLC's success was its two-pronged strategy to navigate the unprecedented year: strengthening customer relationships and helping customers to plan their financial commitments as reflected in the 60,000 moratoriums granted by the Company, which accounts for approximately one-third of its loan portfolio in 2020/21. CLC remained mindful of the fact that it needed to partner SMEs and micro business customers especially in times of such crises. Deposits grew by 32% during the year under review to Rs. 32.8 Bn, reflecting one of the highest absolute and percentage growths in the industry.

Another impressive achievement by the Company during 2020/21 is the Non-Performing Loan (NPL) ratio of 6.49% which is less than half of the industry average, thus reflecting the healthy portfolio of the company. Despite the strong portfolio, CLC has 107% provision cover over the NPL portfolio which is almost 100% asset backed. This reflects not only the Company's financial stability but also its potential to sustain such a performance in the future as well.

Strengthening its footprint further, CLC is on a rapid expansion drive and currently offers the largest variety of products by any NBFI, namely, vehicle leasing and loans, SME finance, microfinance, Alternate Finance, Gold loans, Working Capital finance through Factoring and a variety of deposit products. The product portfolio will be enhanced in the immediate future with the inclusion of credit cards. The success of CLC will be further extended through enhancement of its channel network – with 10 more branches scheduled to be inaugurated in the next financial year. The Company strengthened its operations during the year under review with the implementation of the direct debit process to provide ease to customers to settle their lease rentals and loan instalments in tandem with CLC Fast Cash platform to process payments within a day.

Despite of the external challenges (LTV + government policy on vehicle import restrictions) including the pandemic, CLC was able to achieve a commendable and sustainable credit growth in the FY2020/21, mainly due to the constant guidance, direction provided through continuous credit training sessions on existing market conditions and changes made to the Marketing Team on selective and cautious lending.

As a new entrant to Gold loans, CLC's Gold Loan portfolio increased by Rs. 912 Mn (151% growth compared to 2019/20 financial year). In view of the high demand for the product, CLC ensured Gold Loans remained accessible to wider audience/clients across the country.

CLC is also launching enhanced digital banking operations through the introduction of payment platforms such as iPay, increasing its online and mobile penetration and supporting customers to migrate to digital platforms. CLC will leverage on the iPay platform to partner new merchant networks whilst offering customers exciting products and benefits. CLC's digital drive progressed strongly during the year, aimed to enhance customer service and infuse greater efficiencies into the system.

Through its outstanding performances in 2020/21, CLC has become one of the key contributors to the LOLC Group's excellent financial performance in the year under consideration while strengthening its identity as one of the leading NBFIs in Sri Lanka. The Company strengthened its human capital by launching the e-learning platform to sustain training and development through the year to enhance the skills and knowledge of employees, whilst undertaking a re-designation and restructuring exercise.

Consistently recognised and rewarded by the industry, CLC has been ranked in the top 50 brands by the LMD Brands Annual and listed as one of the top Most Respected Companies in Sri Lanka. During the year, CLC was reaffirmed as SL (A) stable by ICRA Lanka Ltd.

LOLC DEVELOPMENT FINANCE PLC

The challenging industry conditions from the previous year continued into the year under review as the COVID-19 pandemic impacted the economy, and business and commercial activities adversely. In a true test of its mettle, LOLC Development Finance (LODF) yet again overcame the challenges on hand to post a Profit after tax of Rs. 155 Mn as against Rs. 109 Mn recorded in the previous year, which reflects an increment of 42%, which is commendable considering the weak business outlook. Total assets were maintained at Rs. 18.6 Bn in 2020/21 on par with the previous year.

LODF's adopted a strategy to consolidate its operations in order to mitigate any pandemic-induced impact during the reporting period. A concerted effort was made to moderate the loan book by moving away from group and individual loans as well as micro loans while focusing on asset backed lending.

Meanwhile, as a result of lockdowns and travel restrictions, operational costs reduced during the year under review as some branches were unable to operate due to government mandates. Interest expenses also declined as a result of the low interest rate regime. Cost of funds too saw a drop in the year mainly because of deposit interest rates remained low.

Meanwhile, during the year the Company's Loan portfolio increased while customer deposits grew from Rs. 2.6 Bn to Rs. 5.2 Bn, reflecting the confidence placed in the Company by its customer base.

NPLs increased due to the pandemic from 8.02% in the previous year to 10.27% but impairment provision amounting to Rs. 1 Bn was already made for taking into account expected adverse effects of the COVID-19 situation.

LODF has a comprehensive portfolio including micro housing, individual loans and property mortgage loans products. Its Product Development Committee continues to drive innovation and design new products to lead the market by fulfilling the needs of its 120,000 strong customer base. The LODF debit card will be launched in 2021/22 to add greater value to the Company's customer experience.

The Company further expanded aggressively into the leasing segment by launching a new product for second-hand financing of motorbikes and three-wheelers. LODF has maintained a successful collection rate of 95% in the motorbike segment despite many people's incomes being impacted which is a result of its strong recovery teams and enduring customer relationships. The company also managed to earn revenues by partnering key agri input providers for leasing rentals of tractors and harvesters.

In keeping with the industry trend and backed by the advanced technology knowhow of the LOLC Group, LODF leveraged on technology to further bring down operating costs by enabling work from home and facilitating customers to make their payments through digital platforms. The foremost priority during the year was to keep its products and services accessible for customers and ensure they enjoyed an uninterrupted experience.

In it consolidation strategy, the Company merged two branch network locations and expects joint synergies and cost benefits as a result. Staff numbers also reduced during the year, thus bringing about personnel expenses.

Despite the disruptive year, the Company sustained its employee training programmes, holding up to 100 training sessions for staff across all departments to enhance knowledge and skills and to keep the teams motivated. Investment in staff training is a key differentiator for the Company and will be maintained while adhering to all health and safety protocols.

Going ahead, the Company will maintain an agile footing to market products that are meeting the emerging needs of customers. LODF aims to enhance profitability despite the adverse conditions, by seizing opportunities as they emerge and by deriving synergies from the LOLC Group.

LOLC AL-FALAAH

As the most preferred alternate financial services provider in Sri Lanka, LOLC Al-Falaah continued to lead by example in the industry by demonstrating prudent growth strategies and the determination to surmount obstacles to sustain and grow profitability despite the external pressures that prevailed through the 2020/21 financial year.

The Company's humane approach to business is based on its alternate finance principles and its industry-best customer care philosophy. LOLC Al-Falaah supported its customer base in the SME, MSME and the retail sector as many of them were impacted by the pandemic-induced challenges. The Company was able to help customers restructure and reschedule their loans to better suit their diminished cash flow while itself adopting a cautious lending strategy. Backed by the technology prowess of parent LOLC Finance PLC and holding group, LOLC, the Company leveraged on digital platforms to provide uninterrupted services to its customer base through the year under review.

In an industry-wide trend of business slowdown, LOLC Al-Falaah proved its resilience by managing a Revenue of Rs. 2.40 Bn in 2020/21 as compared to Rs. 2.58 Bn in the previous year. The portfolio was infused with a strong focus on security-based lending and financing of sustainable business propositions. Despite all the challenges, LOLC Al-Falaah achieved the seemingly impossible task of recording a 30% increase in Profit before Tax for 2020/21 from Rs. 318,45 Mn in 2019/20 to Rs. 413.9 Mn in the year under review. This hard-won growth is even more commendable considering that the Company was unable to operate for more than about half the year due to lockdowns, branch closures, curfews and so on. Recording a 30% jump in profitability amidst this scenario reflects the strong management expertise and the skilled team at LOLC Al-Falaah.

The Company's innovative approach to the alternate financial methodology and its longstanding relationships with its customer base enabled it to post a Profit after Tax of Rs. 278,31 Mn from Rs. 185,38 Mn in the previous year – which reflects a massive 50% growth, a phenomenal achievement by any standard and more so in the disruptive year experienced in 2020/21.

While growing its profitability stridently in 2020/21, the Company ensured prudent measures were in place to mitigate any risks from the wider economic risks. LOLC Al-Falaah cautiously grew its Liability book and maintained a 6% growth overall mainly due to its strong customer relationships and longstanding presence in the market, ending the year by successfully growing its Asset portfolio. The investor confidence shown in the Company in an uncertain environment truly reflects the leadership status of the Company.

As the preferred market leading alternate financial services provider, LOLC Al-Falaah has garnered experience in this segment for almost 15 years and this is evident in the Company low NPL levels of 3.9% against an industry average of finance companies of over 15% in the year under review, or for that matter even compared to the NPL ratio in the banking sector during the comparable period. Year-on-year, the Company's NPL ratio of 3.91% was lower considering the industry setbacks faced during consecutive years. LOLC Al-Falaah not only performed strongly in maintaining a sound performing book, but surpassed industry standards with perhaps the best NPL ratio in the industry.

Meanwhile, Retained Earnings grew from Rs. 2,604 Mn in the previous year to Rs. 2,882 Mn in 2020/21, reflecting an 11% growth, once again a measure of the astute and professional management of the Company.

LOLC Al-Falaah's deposit portfolio grew significantly during the year under review from Rs. 11.1 Bn to Rs. 11.8 Bn under the reporting period, marking a growth of 6% in comparison with the previous year. Assets and deposits portfolio were suitably sustained under the difficult circumstances through deposits. The Company succeeded in effective management of the asset and liability book while drawing in new deposits.

Committed to safeguarding investors, the Company distributed Profit to Depositors amounting to Rs. 948,52 Mn as against Rs. 875,7 Mn in the previous year, demonstrating a strong 8% growth despite the volatile economic conditions during the year. Return on Equity too showed a positive growth amidst volatile economic and industry conditions.

The major contribution to Company profitability came from the 'Diminishing Musharakah for working capital' product, which grew by 22% while most of the other products in the portfolio did not record anticipated growth as a direct effect of the pandemic-induced uncertainty and the subdued economy.

Ensuring sustainable communities is a priority for the Company and it has disbursed funding across health, education and social upliftment projects year after year, even more so during the pandemic when it reached out to assist people across all communities. During the year under review, a sum of approximately Rs. 12 Mn was distributed amongst 1260 beneficiaries for new and on-going CSR projects.

As Sri Lanka's most awarded and trusted Alternate Financial services brand, LOLC Al-Falaah was bestowed with more recognition in the year under review. During 2020/21, the Company was awarded 3 top-awards, namely, as the IFN Best Islamic Leasing Provider 2020, SLIBFI Islamic Leasing Company 2020 Gold Award and IFFSA Islamic Leasing Company of the year 2020 Gold Award. LOLC Al-Falaah also won the Bronze award as the 'IFFSA Islamic Banking Window/Unit of the year 2020'. Being recognised on the local and global stage is a clear testament to the Company's industry leadership.

The Company's comprehensive portfolio of products and services are in compliance with the principles of Islamic economic principles and cater to personal business needs of its diverse customer base. The product portfolio consists of a superior range of Alternate Financial Solutions in areas of Profit Sharing Investment & Savings Accounts, Leasing, Trade Financing, Import Financing, Property & Project Financing, Working Capital financing and the Wadi'ah Gold Storage facility.

All financial activities of LOLC Al-Falaah are supervised by a dedicated, independent SSB chaired by a mix of industry leading local and international scholars

The climate of liquidity crunch and lack of disposable incomes among customers who had to contend with reduced incomes and business closures due to lockdowns did not create an ideal atmosphere for deposit mobilisation. Nevertheless, the Company managed to draw in funds and record 6% growth while simultaneously honouring withdrawals from customers and ended the financial year under review by recording healthy growth in difficult times.

LOOKING AHEAD

Undeterred by the unfavourable climate during the year, LOLC Al-Falaah introduced 2 new products, the returns of which will accrue during the upcoming financial year. The new products were designed to cater to evolving customer needs of customers. The main purpose behind the ground-breaking Wadi'ah Gold Loan Storage facility was to give an option of financial-access to the grass-root level clients who do not have direct access to banking and finance, but require small cash advances to develop daily businesses and self-employment. This is the first time that an alternate financial services company in Sri Lanka is offering this type of facility. Al-Falaah Wadi'ah allows customers the benefit of obtaining an interest-free maximum cash advance in the industry at zero mark-up against the gold storage value for any emergencies. Al-Falaah aims to make the facility available across all LOLC Finance branches and dedicated Al-Falaah centres island-wide by the end of the 1st quarter of 2021.

The Wakala-Speedraft will also be launched as an alternate financial solution that complements the most popular conventional 'LOLC Speed-Draft' or permanent and temporary overdraft facilities offered by commercial banks. The 'Wakala Speed Draft' was devised to help increase the liquidity of the business and facilitate a greater level of business activity allowing greater flexibility of usage and repayment as and when customers require, especially during the present business climate. One of its main features is its ability to draw-down funds in flexible quantums based on the customer's cash-need and repayment capabilities.

Considering the commitment of the government to accelerate the vaccination drive against COVID-19 and the tourism authorities gearing up to welcome tourists back to the island, the year ahead should witness renewed business confidence and an uptick in economic activities as organisations of all sizes become accustomed to working within the new normal.

As is evident with the launch of these unique products, LOLC Al-Falaah continued on its path of innovation in 2020/21 and expects to further leverage on technology to infuse speed and convenience to customers.

Going ahead, LOLC Al-Falaah will remain focused on capitalising on the situation to offer solutions to customers to address their urgent financial needs. Further, the Company processes will be fully automated for end-to-end digitalisation at customers' doorsteps with the backing of parent LOLC Finance's fintech capabilities.

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

INDUSTRY OVERVIEW

During the financial year under review, Sri Lanka's Insurance industry reported a total Gross Written Premium (GWP) of Rs. 202,189 Mn compared to Rs. 189,418 Mn reported in 2019. The industry grew at a similar pace of 6.74% in nominal terms in 2020 compared to 7.77% recorded in 2019. Motor Insurance remained the major contributor to GWP in the General Insurance sector, although the industry declined at a rate of -1.5% compared to the 5.47% growth reported in 2019. The Life Insurance industry managed to record a premium income of Rs. 102,994 Mn with a 16.10% growth reported in 2020, compared to 2019.

PERFORMANCE OF LOLC GENERAL INSURANCE AND LOLC LIFE ASSURANCE BUSINESS

LOLC Life Assurance and LOLC General Insurance are fully-owned subsidiaries of the LOLC Group and are thus able to leverage on joint group synergies such as brand strength, loyal customer base and island-wide distribution reach. The Insurance companies have built a strong reputation for prudent underwriting, focused claims management, effective marketing strategies and astute investment policies, resulting in a strong performance despite challenging market conditions over the years.

Forging ahead with branch expansion during the year, 22 new branches were inaugurated across the island by LOLC General Insurance and LOLC Life Assurance, thereby widening their footprint. Unfazed by challenges posed by the COVID-19 pandemic, both General and Life Insurance businesses achieved impressive growth during the period under review, supported by regional expansion through Direct and Personal line channels, Broker Unit, Bancassurance and strategic partnerships as well as through LOLC's branch network.

LOLC General and LOLC Life recorded higher than industry growth rates during the year under review. As two of the youngest insurance companies in the country, both entities have achieved steady growth within a decade by leveraging on prudent and focused business strategies which are regularly evaluated and strengthened.

LOLC General Insurance achieved the distinction of becoming the fastest in the General Insurance industry to achieve Rs. 6 Bn while LOLC Life Assurance was recognised as the fastest to achieve Rs. 3 Bn within the Life Insurance industry, during the year 2020.

GWP from General Insurance increased by 15.3% and surpassed Rs. 6.1 Bn, whilst Life Insurance GWP reached Rs. 3.2 Bn during the year under consideration at a growth rate of 20.6%. The combined GWP reached the Rs. 9.3 Bn mark, a considerable performance achieved by a mid-sized Insurance company in a relatively short span of time. Increase in operational activities contrastingly resulted in a decrease in General claims by Rs. 367 Mn over the previous year, whilst net claims in Life Assurance also decreased over the previous year by Rs. 46 Mn. The increase in business required additional reserves for both businesses. Hence, funds reached approximately Rs. 3.9 Bn and Rs. 5.1 Bn in General and Life businesses respectively.

With the growing importance of the Training and Development function in delivering superlative service, regional training was expanded and a new digital training platform "iLearn" was introduced. Furthermore, a new employment recognition scheme, "WOW" was introduced in September 2020 to appreciate the hard work of the staff who perform above and beyond their job roles.

LOLC GENERAL INSURANCE LIMITED

The challenging operating conditions from the previous year persisted in the 2020/21 financial year, however, the General Insurance business delivered a sustained performance. Its goal of achieving a turnover of Rs. 6 Bn by the year 2020 motivated the team to forge ahead with enthusiasm. The Company was the first to achieve the six-billion-rupee landmark within 10 years - the fastest compared to industry players.

In 2020/21, LOLC General Insurance developed products and services sensitive to challenging market conditions to lure customers under the prevailing conditions. New General Insurance packaged products introduced in 2020/21 are My Salon, My Shop and My Pharmacy products.

LOLC General Insurance values its customers and ensures they can 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

LOLC General Insurance operates across Agency Channel, Bancassurance and Broker channels. In terms of Gross Written Premium (GWP), the company sustained the 5th position amongst the industry players. On the Bancassurance side, the company recorded robust growth while business promotions were held through the year for customers of partner banks. The Bancassurance unit entered into new partnerships along with introducing blanket covers for certain Banks.

During the year under review, Agency lines expanded to 6 Zones and started moving out into owned branches. Meanwhile, highly specialised recruitments were done on high market, Marine and Travel trade, and strategic partnerships were established with motor dealerships and over 120 third-party Insurance tie-ups were completed for enhanced customer convenience.

As one of the three companies in the Industry doing Takaful Insurance, the Company has focused on this segment with expansion to the Eastern zone as well as strategic recruitments in certain areas. 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.

Apart from optimising Group synergies, the company invests heavily on building brand awareness across various media platforms.

LOLC LIFE ASSURANCE LIMITED

LOLC Life Assurance's value proposition offers Pure Life Protection, Living Benefits, Hospital Cash, Investment & Child Protection policies, Retirement solutions, Mortgage Insurance Plans and Group Insurance Plans offers Life, Health & Surgical and enhanced Critical Illness benefits. During 2020/21, the Company introduced a special COVID-19 cover for customers at no additional cost to ensure they are protected against the global pandemic.

LOLC Life delivers exceptional service levels to existing as well as new customers right from the inception of a policy to the maturity or claim to forge enduring relationships with customers. The LOLC Group subsidiaries, agents, banks, brokers and other tie-ups are key capital input providers and work as distribution channels. In order to infuse convenience, multiple payment channels are available to customers by partnering with multiple service providers such as iPay/mCash/EzCash/Online Payments and credit cards. Significance of customer relationships to LOLC Life is evidenced by its wide geographic presence consisting of 140 LOLC Finance branches, 23 LOLC Insurance branches, 1,500 Agency force and 150 bancassurance officers.

The Company operates a unique service delivery model across Personal Line Channel, Bancassurance, Broker and Partnerships. The Company is looking to grow the Bancassurance channel by investing in strategic partnerships because of the deeper penetration of the bank branch network in the country. An increased focus is placed on quality and consistent delivery in the agency channel. The company has been a very strong player in the Bancassurance platform and have serviced Bank customers exceptionally, earning their trust.

LOLC Life Assurance delivers a strong performance year after year as a result of its industry-best teams which is a result of the performance based culture and investment in its people to ensure their career development. 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 2020/21, the Company further introduced a new career path for Personal Lines to ensure career growth opportunities based on performance. Personal lines were expanded to 17 Zones while moving into company-owned branches. To overcome the challenges of the year under review, special sales campaigns were launched to improve activity with internal competitions throughout the year.

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 Road to MDRT and Annual Award achievements. Due to the importance of building a quality cadre, recruitment camps were conducted regionally as well as achiever felicitation ceremonies held through the year. The company always motivates the staff in different ways to gain marketing industry recognition and delivering superior customer service.

The Company stepped into the digital sphere aggressively with introduction of digital platforms for quotation generation and introduced a wide array of digital payment platforms.

Going ahead, the Company's priority will be developing innovative products, strong brand building and strategic agency branch expansion into new regions. 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 adopted digital platforms considering the current innovations and initiatives in the IT sector. By 1Q2021, a 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. Special sales campaigns were launched during 2020/21 with internal competitions held throughout the year. During the year the Company capitalised on Group synergies, thus creating cross selling opportunities.

In order to ensure that the quality of the field force is maintained, the management visited zones on a regular basis. Recruitment camps were conducted regionally while achiever felicitation ceremonies were also held through the year. The insurance arm has forayed into the digital sphere aggressively with introduction of digital platforms for quotation generation and for providing an array of digital payment platforms for customer convenience.

LOLC SECURITIES (PVT) LTD

LOLC Securities Private Limited (LOSEC) is a leading Stock Broker with robust local and foreign institutional and a dynamic retail client base. Its competitive edge is supported by value-added services including in-house margin trading and attractive credit facilities, strong broker-client relationships, client-centred management style and a sophisticated online trading platform. LOSEC strong position is enhanced by its industry-best research team that provides deep insights into economic, industry and equity matters.

Despite the challenges stemmed from the COVID-19 pandemic, LOSEC successfully executed a noteworthy number of strategic transactions during the financial year under review, which enabled the Company to expand its market share from 7% in FY2019/20 to 9.5% in FY2020/21.The improved brokerage earnings, ongoing cost management policies and positive stock market sentiment helped the company to record an impressive performance in the year under review. LOSEC recorded a Profit before Tax of Rs. 349 Mn in FY20/21 compared to a loss of Rs. 81 Mn in the previous year.

During the period under consideration, the Company benefited from its focused marketing drive that was aimed at educating investors and helped garner new local and global clients. It is important to note that LOSEC was ranked 2nd in terms of Total Market Turnover of the Colombo Stock Exchange (CSE) among its peers during the year under review.

Going forward, LOSEC is prioritising investments in digital technologies. The significance of digital usage is undeniable and will be the future of transactions in the capital markets as well. LOSEC plans to leverage on its advanced digital platform to consolidate its lead in the industry. Further resources have been allocated to accelerate the Company's digital offerings in the coming months.

Looking ahead, the Central Bank of Sri Lanka has forecasted that adverse effects on economic activities in 2021 will be lesser than during the first two waves of COVID-19 infections in 2020 due to the more selective nature of mobility restrictions and the ongoing vaccination drive. The prevailing historically low interest rates have resulted in an acceleration of private sector credit. The accommodative monetary policy stance and the high level of rupee liquidity maintained in the domestic market are aimed at supporting economic recovery through the provision of affordable credit to productive sectors of the economy. These factors will provide vital influence for the upliftment of listed securities in CSE.

However, LOSEC is of the view that the market outlook for FY2021/22 could depend on the government's ability to contain successive waves of COVID-19, foreign currency debt obligations and economic development measures. Moreover, the sentiment among foreign investors has been gloomy due to the current country rating, currency depreciation and policy indecision. Nonetheless, LOSEC anticipates local retailers to be the driving force of the market and is optimistic about future prospects for the Company. The Company will continue to leverage on Group synergies to create value and enter into foreign collaborations to seize further opportunities in the country's capital markets.

LOLC FLEET MANAGEMENT

The outbreak of the COVID-19 pandemic in Sri Lanka gave rise to a highly unfavourable operating climate for business through the year under review - with subsequent waves of infections, lockdowns, ban on inter-province travel and strict mobility restrictions. These challenges created severe constraints for LOLC Fleet Management to conduct its usual marketing and other operations to grow the business.

The stagnant nature of the market from the previous year persisted in the year under review as well, with corporate clients and SME and high net worth customers all being sharply affected by the pandemic-induced economic downturn. In the biggest blow to the vehicle and related industries, the total ban on vehicle imports meant the Company could not invest in new vehicles. As result, LOLC Fleet Management took a decision to maintain existing vehicles in a pristine condition to tide over this crisis period. The expectation is that the ban will be extended over the next two years.

Having entrenched its credentials in the market for two decades, the fleet management business unit of the LOLC Group is equipped with a fleet of approximately 600 vehicles. As always, the long term clients helped sustain profitability for the Company as they retained our vehicles through the period under review, which enabled LOLC Fleet management to post a reasonable profit. Strengthening our partnership with these clients further, we extended attractive concessions to make this a mutually beneficial arrangement to surmount the difficult period.

Since many of the vehicles were not utilised as they would have been in pre-COVID-19 days, the wear and tear on the vehicles was considerably less. As a result the Company did not have to spend on repairs, thereby adding to profitability.

Meanwhile, the overall market remained dormant as many of the other players put down their shutters since they found it impossible to operate. However, the Company continued operations to the greatest extent possible while ensuring safety of staff and customers.

Considering the import ban on new vehicles, the Company has taken a strategic decision to maintain existing vehicles in prime condition plan while negotiating with clients to renew their leases. Going ahead we aim to upgrade vehicles that are handed over to us in due course of time by clients or even purchase registered vehicles and hire them out again to new longer term customer as we believe walk-in customers would be few and far between for the first half of the upcoming financial year.

LOLC MOTORS

Located at IDH, LOLC Motors, a subsidiary of LOLC Holdings, is a workshop for automobile maintenance, servicing and repairs for a range of vehicles, mainly dedicated to body shop or accident services. This operation made a marginal profit during the year despite the fact that they experienced several months of repeated shutdowns as the workshop is located in a vulnerable area.

Moreover, since repairing vehicles was not an essential service, many of the technical staff were unable to travel to work from their homes during the lockdown period. Despite the hardship experienced by the business, LOLC Motors continued paying full salaries to its staff. Besides this expenditure, all other costs were lowered across all the other areas of the business and greater efficiency infused, which contributed to the marginal profitability.

The import ban witnessed a scarcity of spare parts in the market resulting in a price hike. Despite the price hikes of spare parts and even labour seen in the market, LOLC Motors maintained its labour rates so as not to burden customers.

The workshop attends to the fleet management section and internal company vehicles. The advantage that LOLC Motors offers is that it can service all brands of vehicles while its turnaround time is faster. The company has been a reliable employee generator for a percentage of Germantech trained technicians who are further trained in-house. As in all operations of the LOLC Group, this segment of the business too is environmentally conscious, with a superior waste management system in place along with harnessing solar energy.

The Company remains confident of enhancing business volumes once the economy recovers from the slump and looks forward expectantly for the vehicle ban to be lifted so as to enable business to get back to normal.

SEYLAN BANK

The uncertainty created by the pandemic tested the resilience and preparedness of the Bank to face the unparalleled challenges that arose through the year. It was a steep learning curve not just for the Bank but for the entire banking industry. The efforts and resources that the Bank had put into enhancing digital banking channels, strengthening IT infrastructure, simplifying systems and processes and upskilling employees paid off as these factors were well integrated and enabled the Bank to swiftly move to an efficient new normal.

One of our priorities was to establish health and safety protocols to ensure the safety and wellbeing of staff members and customers while delivering Seylan Bank's usual service excellence. Operating amidst a lockdown and mobility restrictions, the Bank's critical operations such as payment processing and trade operations continued uninterrupted while upholding its signature customer care standards. Going beyond that, the core support functions of the Bank were re-engineered to facilitate employees to work from home, thereby delivering the right assurance sought by our customers amidst an uncertain environment.

FINANCIAL PERFORMANCE

Despite adverse market conditions, Seylan Bank Group succeeded in delivering a reasonable profit after tax of Rs. 3.1 Bn for FY 2020, which deteriorated from Rs. 3.8 Bn (18.4%) compared to the FY 2019. Deposits increased by 9.9% and Advances increased by 3.8% whereas the CASA Ratio stood at 33.0%. The Group achieved the Rs. 558 Bn Total Asset as of 31 December 2020, resulting 8.03% growth compared to the 31 December 2019. The sluggish industry credit growth due to the COVID-19 pandemic slowdown the usual credit growth pattern of the Seylan Group. An increase in Non-Performing Loans (NPLs) was witnessed in-line with the industry. The year proved to be very challenging in terms of granting customer loans. However, the Bank's gross loans grew by Rs. 19.31 Bn, recording a 4.95% growth compared to Dec 19 to stand at Rs. 409.30 Bn as at Dec 20.

Main products that contributed towards credit growth are Term Loans, Pawning and Refinance Loans backed by Saubagya loan scheme. Preserving asset quality in the prevailing economic climate was a key challenge, where the Bank tightened the loan approval and disbursement processes. Continuous monitoring and strengthened recovery processes placed in order to control the NPL customer base of the Bank. Despite all the effort, Net NPL ratio increased to 6.43% from 5.76% in 2019 is also worth mentioning the positive impact that we created on the brand by delivering quality customer service and customer convenience, especially during the lockdown period. Seylan Bank being anointed the No. 1 Bank in Customer Service for 2020 by LMD affirms that it leads the sector in Customer Service and has retained the top spot in consecutive years.

STRATEGIC DIRECTION

The Bank will continue to focus on providing customer-centric banking solutions by enhancing digital channels, introducing innovative products and being a growth partner for our customers. Flexibility is a key pivot in the Bank's new strategy to face highly volatile market conditions. The internal campaign 'Heroes of the Heart' was able to stimulate the branch network to attract new low cost deposits, enhance usage of digital channel and manage costs better.

Seylan Bank has fully complied with the regulatory directions on supporting businesses during the pandemic. As a result, we have disbursed more than Rs. 10 Bn as Saubagya COVID-19 renaissance loans at the stipulated rate and adhered to moratoria while absorbing the impact to the bottom line of the Bank supporting its customers, who were thus nurtured and motivated to sustain their business operations.

Despite the challenges and multiple constraints that abounded in the year under consideration, the signature CSR project, 'Seylan Pahasara' continued and successfully expanded number of libraries by nine, which increased the number of libraries donated to 209. The Bank extended its social responsibility to the entire community that got impacted through numerous measures. As the 'Bank with a Heart', Seylan Bank recognised the need of the hour and distributed more than 8,500 face shields for Police personnel and Public Health Inspectors across the country. Expanding the Bank's positive impact further, Seylan Bank took on the construction of the Intensive Care Unit at the Colombo East Base Hospital. Last but not least, we also extended our contribution to the COVID-19 Health Care and Social Security Fund.

The Bank's high level of digital preparedness enabled it to pivot to digital banking and remote working platforms swiftly during the pandemic and the consequent lockdown of the country. Its online payments ecosystem continued to focus on leveraging its digital capabilities to make banking a simple, secure and convenient offering that enhance customer convenience and efficiency. Resultantly, the adoption rate of digital platforms by customers gained momentum in 2020. This is an encouraging trend which augurs well for the future where the Bank hopes to introduce a range of digitally driven banking facilities for both the retail and corporate customer segments that its serves.

INTERNATIONAL FINANCIAL SERVICES OPERATIONS

PRASAC

During the year under review, KB Kookmin Bank, the largest Commercial Bank of the Republic of Korea, acquired 70% of Prasac with the balance 30% too to be acquired subsequently, It is a landmark transaction in Cambodia, being the highest valued transaction to take place in Cambodia. The acquisition of 70% of Prasac by Kookmin Bank valuing the company at USD 862 Mn is testament to the sound business practices that have been adopted by Prasac over the years.

Being the largest microfinance institution in Cambodia, PRASAC, continued on its growth trajectory during the 2020 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 182 outlets, operating in 14,053 villages, which amounts to 86% of total villages. The Company has a staff of 9,042 to service its valued clients.

FINANCIAL PERFORMANCE

The Company delivered a strong financial performance in the year under review despite the impact of the COVID pandemic. Total assets grew by 16.7% over 2019 to reach USD 3.6 Bn as at year-end. Total loan portfolio increased by 20.7% to USD 3.0 Bn, with a portfolio of 442,000 clients. Further, the deposit outstanding balance reached USD 2.0 Bn. Meanwhile, After-tax net profit increased by 5.1% to USD 109. Mn from USD 103.5 Mn in 2019. Return on Equity (RoE) was 23.4% and Return on Assets (RoA) was 3.2% 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

With Kookmin Bank of Korea as the 70% shareholder of the Company, Prasac was able to enter into new funding agreements at lower cost of funds, thereby paving the way for enhanced future profitability during the years to come.

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.

Despite the impact of COVID-19, the company disbursed USD 1.9 Bn in new loans during the year, signalling the strong growth to be expected from the company in the years to come in a post COVID-19 growth resurgence.

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

LOLC Cambodia is a microfinance deposit-taking institution regulated by the National Bank of Cambodia that offers a wide range of financial services to its customers including credit, deposit, finance lease, money transfer, mobile banking, and payment services. During the year under consideration, the Company successfully consolidated its position as the country's third-largest deposit-taking microfinance institution in terms of number of borrowers, gross loan portfolio and deposit balance, despite the adverse impact on the economy which contracted by 3.1% in 2020 due to the COVID-19 pandemic.

OPERATING ENVIRONMENT

The sluggish performance of key sectors such as apparel and footwear export and other exports that are dependent on the global value chain and capital flow contributed to the economic downturn. Nevertheless, financial services and agriculture maintained a steady growth and partially negated the negative impact on the economy. Despite the uncertainties that prevailed through the year under review, the Cambodian microfinance industry consisting of 6 Microfinance Deposit-taking Institutions (MDIs) and 72 non-deposit-taking MFIs recorded 12.5% portfolio growth, achieving USD 6.8 Bn in 2020. There are approximately 1.9 Mn borrowers, wherein a borrower has approximately USD 3,500 of borrowings on average. The six largest MDIs have approximately 2.7 Mn depositors and a collective deposit balance of USD 3.7 Bn. In order to surmount the challenges caused by the pandemic, MFIs provided concessions by restructuring loans amounting to USD 1,139.2 Mn, as per a report by the National Bank of Cambodia.

COMPANY PERFORMANCE

LOLC Cambodia's outstanding performance despite the adverse macro-economic impact manifests the company's resilience and excellent customer service. In 2020, LOLC Cambodia managed to grow its portfolio 10.8% year-on-year to USD 856 Mn. Most of the growth came from lending to rural entrepreneurs and low-income families underpinning the Company's strategic priority. During the year under review, the Company expanded the deposit base by 17.1% year-on-year to an impressive USD 536 Mn, by providing innovative and competitive deposit products. Supported by the portfolio growth and sound risk management practices, the Company reported a profit of USD 45 Mn for the year. Concentrating on entrepreneurs and households at the base of the socio-economic pyramid, LOLC Cambodia provides financial services to upgrade their livelihoods.

Moreover, LOLC Cambodia being an inclusive financial services provider, takes prides in empowering female borrowers. As of December 2020, over 70% of its borrowers were females. This, combined with its 11,000 clients having access to clean energy, 10,700 clients using housing loans, 8,900 clients using WASH loans for better sanitation and clean water, position LOLC Cambodia as a responsible lender in the country. As part of the Company's efforts to enhance financial literacy in the country, it has been providing training sessions across rural areas. In 2020, it produced 12 short financial literacy videos and channelled these through its Facebook pages to reach an audience of an impressive 8 million.

Digital banking projects were the strategic priority for the Company during the year to sustain seamless services to clients, partly reinforced by the pandemic-driven travel restrictions. In 2020, the Company launched the Bakong project with the National Bank of Cambodia to enable customers to transfer their money between banks and other MFIs who are Bakong members. Furthermore, LOLC Cambodia upgraded iPay Mobile application with new interface and enhancement which allows customers to view their banking accounts and do transactions conveniently from their mobile phone. Notably, registered iPay users in Cambodia crossed the 10,000 mark in December 2020.In addition, LOLC Cambodia has been piloting the use of a tablet banking system which supports officers to conduct their tasks, including loan origination, loan collection and savings account operations from the device, thereby improving efficacy of the services.

FUTURE OUTLOOK

LOLC Cambodia remains focused on its core business, lending to micro, small, and medium-sized business loans and asset backed lending/leasing and expanding its deposit mobilisation and strengthening partnerships with existing and potential new lenders. The Company aims to expand its digital financial services footprint and develop products designed to cater to businesses accommodating pandemic-led realities in the economy. In line with the Company's long-term strategy to lower its operational costs by using technology to improve staff performance, efficiency and productivity, LOLC Cambodia reduced its cost-to-income ratio to 48.34% in 2020 compared to 52.53% in 2019.The Company continues to look towards technology-oriented features such as tablet banking applications that allow credit officers to perform banking transactions remotely whilst connecting directly to core banking. As the pandemic continues to show uncertainties in the economy, maintaining prudence in monitoring asset quality to further reduce non-performing loans will be critical in the near term.

LOLC BANK PHILIPPINES

Demonstrating confidence in the banking and financial services sector in the Philippines, LOLC entered into a partnership with Tao Corp in Philippines in September 2019 to acquire a controlling interest of Inter Asia Development Bank (IADB) to ensure sustainable growth. The company's brand identity was changed to LOLC Bank Philippines Inc. in May 2021.

Undeterred by the impact of the economic fallout on the local economy, LOLC Bank Philippines increased its footprint across the country during the year and currently operates in 11 locations through branches and branch lites. Despite the challenging operating environment, the Bank successfully increased its portfolio and deposit base.

As of December 2020, the Bank's year-on-year loan portfolio growth was 58%, reaching a total portfolio of USD 13.2 Mn. Meanwhile, the deposit portfolio grew by 55% to reach a total of USD 8.2 Mn in deposits. The Bank consolidated its base with around 6,145 borrowers and around 13,966 depositors in 2020/21.

During the year under review, the Bank's products consist of Checking Account, Savings Account and Time deposits, and a variety of loan products for Micro, Small and Medium Enterprises (MSMEs) and other services, such as remittance services and bills payments.

LOLC Bank Philippines had grown to 180 employees in the year 2020 from 78 employees in 2019. Keeping pace with its continuous expansion and growth, the management provided different trainings during the year 2020. A seminar was held in 2020 entitled, 'Marketing 101: Sharpen up your marketing skills' to enhance negotiation and marketing skills. Further, during October 2020, a performance enhancement training tackling personality development, refresher courses on the loan process of the bank and the effective and efficient ways of handling collection was provided for all sales employees. All employees attended a seminar on deposit marketing with the aim of strengthening the deposit generation of the bank.

Alongside continuous development of sales employees, the Finance Department also conducted several training sessions for the performance enhancement of finance corporate and operations staff, including in banking and financial training.

Looking ahead, LOLC Bank Philippines is optimistic about the prospect for its business expansion and growth in Philippines as the national economy slowly recovers from the adverse effects of the pandemic.

PAK OMAN MICROFINANCE BANK LIMITED (POMB)

MARKET OVERVIEW

Pakistan's GDP grew 3.9% during the financial year 2020-21 despite the pandemic-led drag in economic activities. Additionally, the economy saw a record surge in foreign investments in the domestic debt market, as global fund managers showered confidence in better macroeconomic and exchange rate policies during the period. The State Bank of Pakistan (SBP) took proactive policy reaction and cut a cumulative 625 basis points lowering the policy rate to 7%. This was further supported by several targeted and temporary interventions in the credit market through refinance schemes that provided much needed cash flow relief to households and businesses. Also, IMF's Extended Fund Facility program, helped the economy move progressively along the stabilisation path.

During the year 2020, Pakistan's micro finance industry saw a 5.9% growth in microcredit portfolio and achieved USD 2.05 billion despite the COVID-19 driven adversities in the economy. The number of branches/ service centres, however dropped from 4,036 to 3,828 due to the consolidation amongst micro finance institutions and micro finance banks.

COMPANY PERFORMANCE

The bank has expanded its branch network to 66 locations compared 49 in 2018/19 and operating in all provinces of Pakistan with 67 branches and service centres. Branch expansion targeted in both rural and urban towns are poised to deliver steady results with potential for portfolio growth and strong portfolio quality. Despite the challenging times, the bank's micro credit portfolio rose 27% compared to 2019 and the bank has an active portfolio of more than 58,000 customers which comprises of 34,000 loans to home-based enterprises. Moreover, the bank was ranked in 3rd place in Q3 2020 and 4th place in Q4 2020 among the top 5 fastest growing micro finance institution by portfolio.

In line with SBP guidelines, the bank provided moratorium to more than 35,000 customers with the outstanding principal base more than PKR 1.2 Bn. Moreover, in order to improve the business efficacy, the bank is planning to provide tablet computers and thermal printers to field staff, thus strengthening the control environment as well as the speed of delivery. These efforts will help to lower the delinquency ratio of the bank with improved MIS. Furthermore, the bank intends to start mobilising deposits, in the first phase to launch with term deposits and thereafter micro savings account.

Pakistan being one of the largest milk producing country in the world, there has been a significant demand of loans is for purchase & rearing of milking animals. POMB has advanced more than 16,000 loans for Livestock purposes thereby creating a positive impact on customer's income generating potential and asset acquisition. In Agri financing segment, POMB has provided input & development loans to 5,000 small farmers for purchase of seeds, pesticides, installation of solar tube wells and tractors implements.

LOLC VENTURA (INDONESIA) PREVIOUSLY KNOWN AS SARANA SUMUT VENTURA

LOLC entered Indonesia's microfinance sector in 2018 by acquiring a controlling stake in PT Sarana Sumut Ventura. Today the company is known as LOLC Ventura (Indonesia)previously known as Sarana Sumut Ventura and the company has strategically expanded its footprint by operating over 28 branches across the country with more than 600 employees.

Indonesia's national poverty rate increased from 9.78% to 10.19% between March and September 2020 due to COVID-19. As a result, the number of poor increased from 26.42 Mn to 27.55 Mn, out of a population of 270.2 Mn. Customer-centricity is at the centre of the company's growth strategy and LOLC Ventura commits to handhold clients to recover from the economic impact of the pandemic. Today the company's customer base is more than 70,000.

In the year under review the company has shown a year-on-year portfolio growth of 151% as at December 2020,achieving a portfolio of USD 8.2 Mn, while increasing its total asset base to USD 18.2 Mn.

Despite the adverse events during the year in the external environment, the Company managed to secure three funding lines and continues to go ahead with its business expansion plans in Sumatra and Java islands during 2020/2021. The Company has also taken measures to retain its staff and to groom them to achieve higher performance, to increase their efficiency and productivity.

LOLC Ventura has taken measures to reduce its carbon footprint by increasing its usage of technology, with tablet solution implemented for field operations including cash collection and credit appraisals.

During COVID-19, LOLC Ventura proved it has an effective management process, overcoming the most challenging situation in terms of strategies, business continuity plan, financial strength, and effective stress management.

LOLC ASKI FINANCE INC.

LOLC ASKI Finance Inc. is a partnership between LOLC and the ASKI Group of Companies in the Philippines, with the former owning the majority stake in the company. 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 Micro, Small and Medium Enterprise (MSME) sector. The ASKI Group of Companies partnered with LOLC in early 2019 and duly converted Alaylayasa Kaulnaran Lending Investors to LOLC ASKI Finance Inc.

Despite the negative impacts of COVID-19 on the economy, LOLC ASKI Finance increased its branch operations to 10 branches in 10 strategic locations in 2020/21. Further, the company has 95 employees and more than 3,000 customers. The Company recorded a year-on-year portfolio growth of 260%, reaching a portfolio of USD 9.5 Mn as at December 2020 while increasing its total assets to USD 18.7 Mn. As at December 2020, the company made a profit of USD 735,000.

The Company is contributing towards strengthening the MSMEs that it caters to. Coupled with the strong foundation laid during the initial years and geared towards its vision to become the premier finance company committed to transforming entrepreneurs, and keeping in mind its mission to provide customised, efficient, and affordable financial solutions entrepreneurs to help them achieve their full growth, LOLC ASKI Finance is looking ahead with high expectations.

LOLC FINANCE ZAMBIA LIMITED

LOLC Finance Zambia Limited received its non-banking licence in September 2020 and commenced its operations in November 2020 as a deposit-taking non-banking financial institution. Despite the adverse effects caused due to COVID-19 and within its first year of operations, LOLC Zambia grew its loan portfolio to USD 281,000 by 31st March 2021, while increasing its deposit portfolio to USD 153,000.

LOLC entered the financial services industry in Zambia to serve the bottom of the pyramid which holds much potential for growth in the African nation. The Company provides finance products such as Savings, Term Deposit Accounts, Group Micro, SME Finance, Salary backed and payroll loans, Home loans, Working Capital, Trade Finance, Asset finance and Business loans.

Leveraging on its advanced technological platforms and digital solutions, LOLC Zambia uses a variety of channels for distribution of its products and services. The Company currently operates with more than 40 employees, in 7 locations. The head office is located in the capital city of Lusaka and the company plans to expand its presence into other areas within the country. As an operational strategy, the Company uses direct sales agents in areas that the company does not have physical presence. In November 2020, LOLC Zambia went live on the Loan Management system (fusion loan management) and migrated all accounting to the E business accounting system.

During the period under review, we pursed different state and private institutions to sign MoUs to be able to conduct business. Since most players in the market reduced or stopped extending loans to civil servants, LOLC Zambia seized the opportunity to issue loans to civil servants, a market segment with a high demand. As a result, the Company will offer salary backed loans, vehicle financing solutions and personal loans with tie-ups through product and lifestyle companies.

The future of the business in Zambia is positive going by the continued market penetration achieved by the Company and the increased interest in its product offering among the target market.

FINA TRUST MICRO FINANCE BANK

The Nigerian economy is one of the largest in Africa, with a mix of state-owned and private businesses. The country is defined as an emerging economy, with lower middle-incomes. In 2019, Nigeria's Gross Domestic Product (GDP) was worth USD 410 billion, while the GDP per capita equalled USD 2,400. Nationally, 40% of Nigerians live below the poverty line, while another 25% are vulnerable. Microfinance Banks and Institutions in Nigeria, mainly focus to uplift the lives of these 65% of the population.

Nigeria's economy entered a recession in 2020, reversing three years of recovery from 2016 recession, due to fall in crude oil prices on account of falling global demand and containment measures to fight the spread of COVID–19. The Central Bank of Nigeria estimates that the overall real GDP to have shrunk by 3% in 2020, although mitigating measures in the Economic Sustainability Programme (ESP) has prevented the decline from being much worse. The country's inflation rose to 12.8% in 2020 from 11.4% in 2019.

However, the economy is projected to grow by 1.5% in 2021 and 2.9% in 2022, this is based on an expected recovery in crude oil prices and production.

Fina Trust Microfinance Bank obtained its licence in September 2009 from the Central Bank of Nigeria and commenced its operations in October 2009 in Lagos State. The Company is amongst the top microfinance institutions in Nigeria, providing microfinance services of loans, savings and customised products to cater individual micro business, micro small and medium enterprises (MSME's) and salary employees.

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.

In the year under review, despite the adverse impacts caused by the COVID-19 pandemic, Fina Trust grew their loan portfolio from USD 3.5 Mn in December 2019 to USD 6.0 Mn in December 2020 representing a 70% growth. The Bank has also increased its deposit base from USD 3.8 Mn in 2019 to USD 4.0 Mn in December 2020 growing by 6%. The bank Posted a profit before tax of USD 127,631/- for the year ended 31st December 2020.

Undoubtedly the performance of the Bank has enabled it to earn its reputation for setting new standards in microfinance banking by improving economically active individuals and entrepreneurs through excellent services and innovative products delivered by skilled workforce.

LOLC MYANMAR MICROFINANCE COMPANY LIMITED

Myanmar is a lower-middle income economy with a Gross national income per capita of USD 4,650 in 2020. The country recorded strong economic growth which helped reduce its poverty rate from 48% to 32% between 2005 and 2015. Prior to the COVID-19 pandemic, Myanmar's Gross Domestic Product (GDP) growth was 6.4% and 6.8% in 2017 and 2018 respectively, and projected to touch 6.3% in FY2019/20 and 6.4% in FY2020/21.

However, due to the pandemic, the country's economy has declined sharply and the GDP growth for 2019 and 2020 dropped to 1.7% and -10% respectively. The global shock and domestic efforts to contain the spread of the virus had a substantial economic cost. Further, the current turmoil caused by the coup staged by the military against the ruling party dampened the economy growth further.

The World Bank forecast shows that Myanmar's economy is expected to contract by 10% in 2021, a sharp reversal from the previous prediction of 5.9% growth in October 2020. The slowing economic growth threatens to partially reverse Myanmar's recent progress in poverty reduction.

Incorporated as a licensed deposit taking microfinance institution in 2013, LOLC Myanmar is among the top five microfinance institutions in the country. Currently operating in Yangon, Bago, Magway, Mandalay, Sagaing regions and the Mon and Shan states, the Company serves approximately 273,660 clients through 67 branches. It 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 and; Agricultural Loans for the farming community with repayment of capital and interest structured to meet the seasonal requirements of crops.

Despite the current COVID-19 situation in Myanmar, the Company has managed to have a steady performance during the financial year under review. The company's year-on year portfolio growth was 66% - reaching a total portfolio of USD 107.28 Mn, while deposit portfolio grew by 49% to a total of USD 17.01 Mn. In the year under review, the Company made a profit of USD 2.81 Mn.

Over the next year, resources will be harnessed to oversee the digital operations of the Company. The Human Resources department will focus on recruitment and retention and will focus on capacity building within the staff as well as incorporating the environmental and social requirements as a part of the training curriculum.

The Company's expansion strategy is focused on serving the Agricultural Sector which has shown resilience. New product innovation will help the Company to penetrate existing regions and further expand across the country.

SERENDIB MICROINSURANCE PLC

During the year, LOLC applied for a microinsurance license in Cambodia to provide an enhanced portfolio of products and services to its customers in Cambodia. The initial products envisaged are loan protection covers for borrowers of microfinance companies in Cambodia, thereby providing a vital safety net to the family members of the borrower in the event of an unforeseen eventuality.

Backed by the expertise of the LOLC Group, operating both long term and general insurance in Sri Lanka, the required knowledge transfer will ensure that insurance best practices are adhered to by the new company while having the benefit of having fully fledged product development, risk management, actuarial and IT teams supporting the business growth.

AGRICULTURE & PLANTATIONS

Operating some of the largest extents of plantations in Sri Lanka, the LOLC Group, practices sustainability-led cultivation, whilst adding value through crop cultivation, cropcare and other agri related services. Keeping in mind the emphasis placed on agriculture by the present government, the outlook for LOLC's plantations business remains strong.

Rs. 4.8 Bn
Gross income

Rs. 70.6 Bn
Assets base

42,811 Ha
Area

MANAGEMENT DISCUSSION & ANALYSIS

AGRICULTURE & PLANTATIONS

BROWN AND COMPANY PLC

AGRICULTURE DIVISION

Browns Agriculture division achieved its highest-ever sales during the year under review despite multiple challenges from the external market to be the undisputed market leader in the agricultural community. Browns strategically managed all the challenges which arose during the year and some of the major challenges included the global pandemic condition affected the supply chain in terms of freight cost as well as the timely supply of goods to cater the demand, the exchange rate depreciation, import ban on spare parts, low priced new entrants to the agricultural industry, entry of non-agricultural companies to agricultural business.

The division continued to serve its customers with the introduction of doorstep free services via service members and service dealers island-wide. Service being one of the key priorities, Browns Agriculture took necessary steps to cater the service needs of the post warranty customers via “Trac Tec” free service campaigns.

Sugarcane being an emerging market, total agriculture machinery solution from Planters, weeders, Leaf removers to harvesters were introduced as a “One Stop Shop” for the sugarcane industry. Corn sector was identified as an upcoming market in the industry. Hence, training programmes with the collaboration of Mahaweli Authority Sri Lanka were held for all the farmers in Mahaweli Areas with regard to the benefits of mechanising the operation of corn plantation while introducing seed planters, inter raw cultivators, dryers etc. Development of a product portfolio to cater machinery needs in the silage manufacturing in the “Dairy Industry” with the collaboration of National Livestock Development Board and MILCO Pvt Ltd. Training sessions and product introduction was done for farmers with regard to high HP tractors, planters, shredders etc.

Browns World SUMO portfolio with 75HP, 88HP and 100HP models caters to the total extent of the Chinese combine harvesters from low priced to moderate priced with added superior competitive advantages was done in order to become the number 1 choice for Combine Harvesters in the country. The spare parts network was enhanced in order to serve the customers’ island-wide.

Special leasing campaigns were deployed with the key players in the financial services sector to enhance the purchasing ability of the customers with low down payment schemes. The division held several training sessions for farmers in the emerging markets with the collaboration of government departments according to the health guidelines.

FUTURE OUTLOOK

Introduction of a fully-fledged product portfolio for compost making and precision agriculture will be key next year. A range of lightweight compact tractors under the brand TAFE will also be considered along with digital campaigns for awareness. Educational tie-ups are being explored with institutions such as Ceylon German Technical Training Institute, Schools of Agriculture and Universities has also been earmarked.

BROWNS AGRI SOLUTIONS

Browns Agri Solutions markets Crop Protection Products, Seeds and Specialised fertilizer from world-renowned suppliers. In the Crop protection product segment for the financial year 2020/21, Browns Agri Solutions became a sizeable player in the crop protection industry achieving a market share of 5%. This achievement was obtained within a mere two years and the company was tagged as one of the fastest growing crop protection companies in the country. The company recorded year-on-year turnover growth of 76% and a profit growth of 119% during the year under review.

In the Seeds product segment, it introduced 3 promising hybrid varieties. The sub segments were fruit seeds (Water melon Hunk), up country vegetable seeds (Hybrid carrot – Challenge) and corn seed segment (King corn). The products easily captured the market with their key characters of response to fertilizer, less disease and pest attack and promising yields.

Agri input marketing was categorised as an essential service by the government. Therefore, importation, repacking, production and distribution were planned according to government health guidelines issued and without interruption.

FUTURE OUTLOOK

Future of the business is uncertain due to the decision taken to ban the importation of all chemical fertilizers and crop protection products. However, the unit is in the process of developing organic fertilizer locally and importing organic crop protection products and fertilizer from existing and new suppliers.

AGSTAR PLC

FERTILIZER

After years of external challenges in the fertilizer business, the Company was able to achieve record sales volume and turnover growth in 2020/21, against the backdrop of favourable weather conditions. As a result, the Company was successful in carving out a 17% share of the total market which marks an increase of around 71% compared to the preceding year. Despite the setbacks caused by the pandemic, AgStar's new approach to the business as 'Agents of Prosperity' - advising farmers on the importance of adopting good agronomic practices and a holistic approach on how to increase yields and profitability from farming without merely marketing products - proved to be a game-changer during the year.

CROP CARE

Extending the Company's strong performance in the fertilizer segment, the Crop Care segment of the business too performed robustly during the period under review, experiencing volume growth in the weedicide, insecticide and fungicide categories. The granular as well as water soluble crop care products showed a slight uptick in demand in vegetable and paddy farming, which bodes well for future prospects.

SEEDS

The year under review was truly an iconic one for the Company's vegetable seeds and maize business and turnover increased by about 23%. It was a disappointing year when it came to seed paddy, as the Company was unable to achieve volumes and sales goals as a result of the high paddy prices that prevailed through the year. Many of the seed paddy farmers sold their paddy directly to the consumption trade without supplying to seed paddy processes.

EURO ASIA TEA

The exports segment however received a boost with the Company acquiring Euro Asia Tea, which has a state-of-the-art tea facility fully equipped to cater to variety of tea bags, sachets, caddies, canisters, gift boxes, carton boxes and bulk packs. The Company has already secured customers from Poland, Latvia, Israel and Azerbaijan.

AGRI-TECH

During the first full year of operations for the Agri-tech segment, revenue increased by 538% as the division recorded 95% of its budgeted bottom line. Despite supply chain challenges, the Company successfully expanded its customer base by achieving 85% of the budgeted quantities for the year. Our core supplier was badly impacted by COVID-19 and was unable to supply enough tractors on time to meet the demand. However, by managing stocks, working capital and operational costs, the Company recorded a strong performance.

SUNBIRD BIO ENERGY SIERRA LEONE

The Company trades wholesale ethanol (portable alcohol) to retail drink producers. The by-product of the production process is renewable power, which is sold to the Government of Sierra Leone via the government-owned electricity Distribution Company called EDSA. The Company, which has a large extent of 25,000 Ha of land along with a sophisticated production facility, is poised to produce ENA with is its newly-developed sugarcane plantation of 7,500 hectares. The current stock of ENA produced is 12 Mn liters and the Company is in the process of scaling up phase of the business plan. COVID-19 and other related factors have created a very challenging environment for the Company this year, with sales at lower than expected levels. But it continued its plantation extension and ENA production process, developing new storage infrastructure to enable increased production and export of products. This comprises of a new 5 million litre storage tank at a cost of USD 1.1 Mn.

MATURATA PLANTATIONS

Maturata Plantations Limited (PL) was able to report the highest Profit before Interest & Tax (PBIT) among the RPCs for the FY 2020/21 (excluding oil palm dominated companies) and highest-ever operating profit since privatisation.

TEA

MPL Tea production increased by 0.67 million Kgs (19%) to 4.2 million Kgs compared with the previous year. The Company was able to achieve this crop as a result of adherence to best practices in agriculture, improved labour productivity, strengthened revenue share model of plucking and bought leaf operations.

Net Sale average of the Company increased significantly by Rs. 101.14 (22%) per kg when compared to the previous year as a result of the favourable market conditions and focus on Good Manufacturing and Agricultural Practices. As a result, tea turnover increased by Rs. 605 Mn (35%) over the previous year.

Despite the impact on additional gratuity provision consequent to labour wage increase and increase in bought leaf purchase cost due to the higher auction prices, the Company's cost of sale per kilogram saw a marginal decrease (Rs. 6.33/Kg) over the previous year. This is mainly due to the company's strict cost control mechanisms, efficiency improvements and benefits of scale economies.

It is noteworthy that the revenue-share model has continued to gain confidence among estate communities, contributing productivity gains and cost benefits to the Company. As a result, the Company was able to keep its cost of production at lower levels. Further, the Company reported a gross profit of Rs. 336.5 Mn from Tea as against the gross loss of Rs. 143.3 Mn recorded in the previous year.

RUBBER

Net Sale Average of Rubber improved significantly during the financial year amidst post pandemic demand recovery led by China, mainly due to the rebound in automobile manufacturing, where more than two-thirds of natural rubber is used by the tire industry. The Company's Net Sale Average was Rs. 338.09 per kg, which is Rs. 62.95 above the previous year.

Rubber production also increased from 0.23 million Kgs in the previous year to 0.33 million Kgs in the current year (43% increase) mainly due to higher yielding virgin lands that came under tapping in the current financial year coupled with improved labour productivity. The Company was able to turnaround its continuous losses in rubber and make a gross profit of Rs. 15.4 Mn (previous year loss of Rs. 10.3 Mn).

CINNAMON

The Company owns the largest cinnamon plantation among the RPCs in the country. During the year under review, the Company recorded a turnover increase of 93% from Cinnamon over the previous year - achieving a Rs. 106 Mn turnover. Cinnamon is one of the main areas of diversification that the Company has focused on in recent years and expects a substantial increase in the turnover from Cinnamon and payback on investments in the mid to long term.

GALOYA PLANTATIONS (PVT) LTD.

Galoya Plantations (Pvt) Ltd is one of the few sugar factories operating in Sri Lanka which is 51% owned by the government and 49% by the consortium led by LOLC & Browns formed in 2006. Galoya Plantations reported net profit of Rs. 749 Mn for the FY 2020/21 in the first time in the history of the Company, reflecting an increase of Rs. 2,180 Mn (291%) compared to 2019/20. The operating profit for the financial year 2020/2021 was Rs. 2.8 Bn (347% growth) and it is the highest increased percentage in Galoya's history.

For the year 2020/21, planting was completed for 2,583 ha of sugarcane and reached a total extent up to 6,046 ha involving 7,111 farmers. Galoya recorded highest sugarcane harvest of 340,808 Mt (Seed + Commercial) in the history of Hingurana during the year. In order to increase the sugarcane supply and sugar production, cultivation will be expanded to new areas of specially Mahaoya and Siyambalanduwa, to reach the target of 10,500 ha with an anticipated harvest of 1,000,000 MT in the next five years.

During the year 2020/21, the factory was able to crush 306,726 Mt of sugarcane; the highest quantity of sugarcane crushed in a single year in its history; and was able to produce 19,232 Mt of sugar and 17,695 Mt of molasses this year.

During the financial year 2020/21, the distillery was able to produce 5,531,868 Lt of ENA and this was the highest achievement in Galoya History. As a result of the ban on the importation of ethanol, the Company was able to get a good selling price during the year.

SUSTAINABLE SOLUTIONS

Galoya Plantations has the largest bio fertilizer yard in the country which can produce 7,000-9,000 MT of bio compost per year. Considering the low demand during the year, only 1,250 MT was produced for the year 2020/21. The produced bio fertilizer has been supplied to Smallholder Tea and Rubber Revitalization (STARR) Project as well as to the Company's own sugarcane farmers. Currently, the Government has banned the import of chemical fertilizer and promotes bio fertilizer usage. Since the demand is high, the Company introduced the following organic fertilizer products in compliance with government regulations: Golden Wash, Liquid Fertilizer, Bio Char, Black Gold, Growth Promoter and Soil Conditioner.

Further, Galoya Plantations has a Bio Digester which can produce Methane (CH_4) Gas from the waste discharge from the Distillery Plant operation. This gas is utilised for the boiler operation to produce steam for the utilisation of Distillery as a sustainable solution. 242,000 Lt of Methane was produced in the last five months which saved Rs. 24.3 Mn for the purchase of furnace oil for the boiler operation, thereby greening the carbon footprint.

Since the factory is over 60-years-old, equipment needs to be improved, which will offer higher efficiency and productivity, and conserve plant life. The project will increase crushing capacity by 25%, rendement by 0.2% and power generation by 9 Mw. The project is scheduled to be completed by end 2024.

Its Roof Solar PV project will provide 3.75 Mw and 100% renewable power to the area and is expected to be completed by December 2021. The total cost of the project is Rs. 453 Mn.

Further, another project converting 100% waste product to a commercial product on BOO basis will be completed by December 2022.

Under its Green Factory Concept, Galoya has the only factory that has environmental protection license and Fly Ash Arresting System for Zero Discharge. In addition, following steps followed by Galoya Plantations (Pvt) Ltd. under the concept of Green Factory:

- Methane gas extraction plant from spent wash using Bio Digester.
- Organic fertilizer production from Sugar factory & Distillery waste
- Waste water treatment and recycle plant
- CO2 gas extraction plant project in pipe line
- Only factory complex designed zero waste discharge, every waste is converted to a value added product or reuse:
  - Compost
  - Methane
  - Water Reuse
- Continuous greenery development programme.

Its total employee cadre as at 31st March 2021 was 1,233 including 431 permanent employees, 701 of contract employees and 101 seasonal employees. In addition, about 20,000 indirect employment opportunities have been created by the Company. Galoya Plantations operated effectively through the COVID-19 pandemic restriction in year 2020/21. With the successful operation, company provided two bonus payments for employees and increased sugarcane prices during the year as a testimonial to its strong performance.

SUNBIRD SIERRA LEONE

Sunbird Sierra Leone 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 32 MWh. The investment was acquired by Browns due to the fact that the country has a large scale requirement for sugar. Sunbird Bioenergy with the world's largest Biomass to power generation project with a project value of above USD 550 million has the capacity to electrify 25 per cent of Sierra Leone's requirement in electricity.

Current land extent with Sugar cane is around 5,066 Ha and the area developed so far which is available for the sugar cane cultivation in the next seasons is around 6,656 Ha. The present sugarcane yield per hectare is around 50.2 tones which is against the actual yield of 60.02 tones per hectare in the last production season in 2019/20. The reason for the reduction was mainly due to delay on importing the fertilizer and other farm inputs due to COVID-19 restrictions.

The Company is at the continuous development stage and at the process of developing and introducing cane varieties which are the best match to the agro-climactic condition in Sierra Leone and related soil conditions. The Company achieved the yield per hectare as high as 96 tons per hectares which was the highest yield ever achieved from the inception of the company. Accordingly, we are at the target to achieve the average yield of 80 tones per hectare by 2022/23.

With the above target, it is in the process of concentrating more on pivot irrigated mechanism instead of rain fed mechanism which has been proven to be the best available irrigation mechanism. The quality of the soil condition is regularly enriched for achieving a higher targeted yield. Nursery development, location specific trials are a few of mechanisms adopted to identify higher yielding sugar cane varieties.

In the 2020/21 production season, the Company achieved 63.91 Lt of RS, from each ton of cane crushed. We expect this to be gradually increased and reach at the level of 68 Lt of RS per ton of cane by 2024/25. The cane quality which includes the low level of extraneous matter, the best cane varieties which gives higher brix and pol percentage, the continuous operation with minimum down time at the factory

The RS to ENA conversion ratio was recorded at 95.34% in 2020/21 production season. We expect to maintain this in future production seasons. With the new planed extensions to the factory with the sugar house, we expect to achieve: Cane to molasses ratio - 3.35%; Molasses to RS ratio - 35%; and Cane to Sugar ratio - 10.9%.

FUTURE OUTLOOK

Considering the potential of raw material development and to balance the existing factory facilities further investments are planned. The Company is confident of averaging a yield of 100 tonnes per hectare.

The target is 1 million tonnes of cane from 12,000 Ha or 29,000 acres. The Company is adopting vertical integration and Good Agricultural Practices (GAP) while achieving 11,000 acres planted in less than one season is the highest extent of sugar cane planted in the entire African continent. In two years the Company plans to meet 100,000 tonnes of sugar cane.

Sunbird Bioenergy is also working closely with local community chiefs and their constituents to build integrated rural villages dependent on traditional subsistence farming.

LEISURE

The LOLC Group's leisure footprint dominates the Sri Lankan leisure market and has established its presence in the Maldives as well. The Group continues on an acquisition drive to strengthen its share of the local leisure market as prospects for tourism are expected to boom due to pent up demand as travel commences again.

Rs. 1.8 Bn
Gross income

873
Total Keys

1,035
Keys in pipeline in Sri Lanka & Maldives

SRI LANKAN TOURISM INDUSTRY

Sri Lanka's tourism sector has consistently recorded a two-digit growth rate both in international tourist arrivals and revenues for a decade until 2019, when following the Easter Sunday attacks, the industry suffered a loss of USD 1.5 Bn in revenue. However, the sector showed a strong recovery by end of 2019. As per Sri Lanka Tourism Development Authority (SLTDA) statistics, Sri Lanka attracted 1.9 Mn tourists by the end of 2019 despite the unfortunate security breach.

The present COVID-19 outbreak reiterates the vulnerability of the tourism and hospitality industry to external shocks. Thousands of tourism service establishments ranging from blue chip companies to souvenir sellers on the beach are experiencing an unprecedented period of zero revenue - leaving the direct and indirect benefactors of the industry in a dilemma on the next steps to be taken.

The Leisure industry is one of the main industries affected by the COVID-19 outbreak. The sector is experiencing a rapid and sharp drop in demand at a global level. With the quick spread of the virus across countries, both domestic and foreign demand reached zero levels. The lockdowns hampered the interim businesses from the local market and recovery will largely depend on how fast economic activity will pick up internally, when borders reopen and when key market segments recover. With the assistance of SLTDA, the Government has formulated short term and long-term strategies to rebuild the industry.

LEISURE SECTOR OF BROWNS GROUP

Browns Hotels and Resorts is branded as one of the top holiday hotel and resort brands in Sri Lanka. The management and staff are dedicated to creating the best vacation experience for their guests as well as showcasing the best of Sri Lankan hospitality. The goal of the Groups' leisure sector is to keep growing and traverse new horizons of success.

ACQUISITION OF SERENDIB GROUP

In December 2020, Eden Hotel Lanka PLC acquired a 55.76% stake in Serendib Hotels PLC for a purchase consideration of Rs. 800 Mn, which owns 5 leisure properties. As a result of this acquisition, Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC, Serendib Leisure Management Limited, Sanctuary Resorts Lanka (Pvt) Limited and Frontier Capital Lanka (Pvt) Limited were added to the Group's portfolio. Thus, the Browns Group's operating room portfolio increased to 870+ rooms.

Name of the Hotel	No of Rooms
Eden Hotel Lanka PLC	158
Dickwella Resorts (Pvt) Limited	76
Green Paradise (Pvt) Limited	67
Sun and Fun Resorts Limited	70
Samudra Beach Resorts (Pvt) Limited	172
Dolphin Hotels PLC	154
Hotel Sigiriya PLC	79
Serendib Hotels PLC	75
Reveal the collection	22
TOTAL	873

To further strengthen the local footprint, the Group's leisure sector made a significant investment in Riverina Resorts (Pvt) Limited, which is located at Beruwala. Consisting of 365 keys, it is in the construction stage and scheduled to open in 2023. The estimated cost for the completion of the hotel is Rs. 8 Bn. With key improvements to the design, considering global trends, the Company is expediting the construction work of the hotel.

OPERATING PROPERTIES

The market segments of Europe, Russia, India, China, UK and Germany are key for the operating hotels. The management considered the short term to medium term strategies for all the properties and is currently operating these properties as quarantine hotels to support cashflow. The management is in constant dialogue with Foreign Tour Operators (FTOs) and local Destination Management Companies (DMCs) to ascertain the current market conditions of the target market segments.
Even though the industry is facing a temporary setback, those local and foreign tour operators are positive about future prospects. Several FTOs are in discussions to finalise contracts for the upcoming winter season.

With the COVID-19 pandemic, debtor recovery slowed. However, the Group has a robust collection process, which prompts active engagement with the local and foreign tour operators and regular follow ups. Evaluations are regularly carried out on the outstanding debtor balances. Proactive decisions are made to improve the debt collection. The Group makes conservative provisions where required.

Despite the negative impacts from the pandemic and to sustain within the industry, the Group formulated short to medium-term strategies. While securing the jobs of the existing employees and ensuring steady operations and revenue generation at the properties, a decision was taken to operate all the local properties as paid quarantine centres from June 2020. This decision positively impacted the leisure business of the Group and generated steady cash flows in the interim period.

The recorded revenue was Rs. 1.4 Bn for the year ended 31st March 2021. The signature hotels of the Group, Eden Hotel Lanka PLC and Samudra Beach Resorts (Pvt) Limited and the newest additions to the leisure portfolio, Dolphin Hotels PLC, contributed significantly towards sector revenues, followed by Dickwella Resorts, Green Paradise, Avani and Hotel Sigiriya.

Expense management initiatives are undertaken at each hotel and operations are limited to the minimum required level with staff following all the rules and regulations imposed by health organisations and the government, as precautionary measures.

FOREIGN INVESTMENTS

Group's leisure sector expands its wings to the global arena while making a significant investment in the Maldives. Nasandhura Maldives is planned as a luxury city hotel with 136+ rooms, 118+ apartments and a sophisticated retail mall. The project is now nearing completion. This is a flagship property and an iconic development in Male city. Another project in progress is Bodhufarufinolhu in the Raa Atoll. The resort consists of 100 keys and is planned to feature a choice of four villa categories and thus will be different to other Maldivian properties, offering world-class resort features and accommodation to every guest.

The Group has signed a shareholder agreement with the Barceló Hotel Group to develop three hotels complex in North Male' Atoll, Maldives, which consists of 470 keys. The total value of the development is estimated at USD 150 Mn, with Barcelo investing USD 30 Mn for a stake of 33.33% shares of Bodufaru Beach Resorts Ltd.

Apart from the shareholder agreement, Barcelo Hotel Group entered into a management agreement to manage 5 leisure properties in Sri Lanka and Maldives. Barceló will be the operator for the properties in North Male Atoll which is owned by Bodufaru Beach Resort (Pvt) Limited, the property currently under construction with 100 rooms in the South Ari Atoll, which is owned by Browns Ari Resort (Pvt) Limited and Nasandhura Palace in Maldives, the most sought-after real estate in Male, which is owned by NPH Investments (Pvt) Limited. In Sri Lanka, Barceló will be the operator for 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.

Despite all the negatives effects felt by the industry, the sector was able to generate Rs. 1.4 Bn revenue for the year ended 31st March 2021. At present, all properties (except for Frontier Capital, which is operated as the Villa collection of the Group) are operating as repatriation hotels to support the cashflows in the interim period.

EXCEL WORLD ENTERTAINMENT PARK

Excel World Entertainment Park – located in the heart of Colombo - continues to offer the whole family, a 'one-stop' location for wholesome entertainment.

Excel world is a family activities fun centre with arcade games, bowling, pizza & sub birthday parties, corporate events, Food court and buffets for events in Colombo.

The "Strikes" bowling alley is an ideal venue to conduct tournaments. The 12 Bowling lanes are a great way to spend your spare time with friends, co-workers or family. Join as a single, couple or team, or our team at the centre will match you with players at your skill level. 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 "Park Premier" conference facility was not available for several years but is now Functioning with new set up to catering to a particular segment of clientele that generates a significant demand in this sector. Newly renovated banquet hall "Park Premier" has the seating capacity available for 450 guests. Moreover, the banquet facility will not only cater to conferences, training and various other corporate functions, including cocktails, but also will provide a right ambience for wedding functions for the specific category of clientele who look for great value for money.

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 of the company plans are; to expand its presence in the entertainment sector by expanding Gaming 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.

EXCEL RESTAURANTS

LOON TAO

Situated on the stunning shoreline of Mount Lavinia, Loon Tao stands out for its deliciously authentic Chinese seafood. Living true to its tagline – Chinese seafood on the beach – the restaurant promises a memorable dining experience on the beach where its patrons can indulge in tongue tingling seafood delicacies. Spread across an expansive land area on the shoreline of Mount Lavinia, Loon Tao serves the finest Chinese seafood dishes originating from the four provinces of Sichuan, Shanghai, Peking and Canton.

DARLEY RD. PUB & RESTAURANT

Located down T. B Jayah Mawatha (sharing the premises with Excel World Entertainment Park), the Darley rd. Pub & Restaurant is a unique place in town for both weekend excitement and weeknight chills as there is something for everyone, every day. As the skies darken, the atmosphere at Darley rd. livens up, transporting diners away from the chaos of the world. Darley rd. serves a deliciously diverse food menu to complement its degustation of wines and other spirited beverages, which includes a range of innovative cocktails.

THE FOUR LEAFED CLOVER

Stylish and serene, The Four Leafed Clover creates a charming setting to indulge in a hearty feast in the heart of Kirulapone. The Four Leafed Clover delights its patrons with tongue-tingling dishes that bring out the exquisite Italian flavours as well as the taste of rich Irish cuisine.

THE SHORE BY O!

Situated on Mount Lavinia's breath-taking shoreline with picturesque views of sand and sea, Shore by O! is the ultimate hotspot for a relaxing time by the beach. The Shore By O! offers an extensive food menu as well as a funky cocktail menu.

LEGACY

A contemporary food court located inside the Excel World Entertainment Park, Legacy serves a range of culinary delights from different parts of the world. This is a novel dining space that gives the patrons the variety of choice while still maintaining affordability.

THE BRICK LANE COFFEEHOUSE

Conveniently located inside the Excel World Entertainment Park, The Brick Lane Coffeehouse serves an array of delicious cakes, bakes and coffees in a plush and tranquil setting. The Brick Lane Coffeehouse is an ideal place to while away the hours with coffee and cakes or grab a quick snack on the go.

DIN TAI FUNG

The latest kid on the block, Din tai Fung is a Chinese cloud kitchen, which mainly operates through the in-house delivery service and selected third-party delivery partners. Excel Restaurants plans to take this delivery-only restaurant to the next level through the iPay market, fully capitalising on current market conditions.

CEYLON ROOTS

An inbound tourism and destination management company, this operation (also operating as Browns Tours for a segment of the Chinese market) reported a revenue of Rs. 107 Mn for the financial year 2020/2021, recording a decline of 88% revenue YOY.

This financial year was greatly affected by the COVID-19 pandemic, with the largest negative impact on tourism. Tourism in Sri Lanka probably suffered its worst year on record in 2020 and the situation has been the same globally. International arrivals to Sri Lanka dropped by 73.5% in 2020 compared to 2019, while the global corresponding figure is 74%.

As a result of the widespread travel restrictions and the fall in demand for international travel during 2020/2021, Ceylon Roots adopted strategies that would sustain the operation – including the handling of domestic tourism, expansion of logistical services and so on, while allowing the organisation to focus on developing a range of innovative products and implement newer methods of operation in the face of 'the new normal'.

While domestic tourism helped in a small way, Ceylon Roots extended its logistical services to Sri Lanka Army to assist with the repatriation operation by the Government of Sri Lanka to augment revenue.

Ceylon Roots has also continued to promote Maldives as the secondary destination to Sri Lanka and its twin-destination (Sri Lanka & Maldives) products. Emphasis has also been placed on promoting the luxury concierge service under the brand Sri Lanka Prestige – offering personalised products/experiences. The online B2B platform will also be upgraded for increased engagement.

Channel manager development for rate contracting with hotel partners was also initiated by Ceylon Roots during 2020. This process will be accelerated through 2021, providing access to the most dynamic rate structures including inventory and products (Sri Lanka & Maldives) through the B2B channel to all worldwide partners.

The tourist coach shuttle operation successfully launched by Ceylon Roots in 2019, covering major touristic sites to attract FIT direct clients who book through OTA platform is a novel solution for the industry, and is currently an exclusive operation in Sri Lanka. This operation is expected to play a major role in transforming the industry and provide economical travel solutions to the modern-day traveller. This operation will also bring in a sizeable income with increased opportunities to promote the organisation

With all major tourism markets for Sri Lanka currently racing to complete the COVID-19 vaccination drive and the continuing international accolades/ recognitions for destination Sri Lanka, Sri Lanka could look forward to an extremely rewarding rebound of international tourism during the financial year 2021/2022.

Sri Lanka has also come second in the 'Top 20 countries in the world' ranking by popular and influential Conde Nast Traveler readers (based on a review conducted in 2020).

RENEWABLE ENERGY

Operating Sri Lanka's first and largest Utility Scale Solar Power plant in Hambantota and the first of its kind initiated by the private sector, Sagasolar Power (Private) Limited has the capacity to produce 10 MW of power to the National Grid. LOLC plans to expand its Renewable Energy initiatives worldwide to its overseas operations.

Rs. 100.2 Mn
PBT

Kwh 18.4 Mn
Solar power generated

52%
PBT growth

MANAGEMENT DISCUSSION & ANALYSIS

RENEWABLE ENERGY

SAGA SOLAR 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 the 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 three years and supplies power to the Hambantota CEB subgrid 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 nation's carbon dioxide emissions by 11,000 tons.

SUNBIRD BIO ENERGY SIERRA LEONE

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 holds the capacity to generate 32 Mwh of power for the national grid. It is the largest private power plant in the country. Its 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.

Sunbird Bioenergy (Sierra Leone) Limited commenced its first fully-fledged harvesting operations in December 2019 but was compelled to halt sugar production due to the outbreak of the pandemic. The Company is in the process of establishing sales channels to establish strong selling structures. With the acquisition, the new management changed over to novel agricultural techniques which have shown improvement in operations and the basic operating levels. This increase in yield led to increase bio ethanol production as well as power production from the bagasse. Not only that but it also significantly increased the power export to the national grid which in turn increases the revenue generation of the company.

As far as power is concerned, there is shortfall in the country which is being met by fossil fuels. As per the recent Government notification that only 26% of the population is using the electricity, this reflects the potential for the Company in the long term. Further,

Sierra Leone's power sector is small, with less than 150 MW of operational capacity and roughly 150,000 connected customers. The costs for electricity are highly subsidized by the Government and rate aprox. 1000 Leones (0,13 EUR) per kWh for private households, up to 0,23 EUR/kWh for industry. The expansion and new investment will improve the turnover and become the lowest cost producer to more effective utilisation of existing manpower.

FUTURE OUTLOOK

The Company aims to enhance infrastructure and machineries to remain poised for anticipated growth once the pandemic recedes and demand reverts to normal. There is strong potential in the power generation sector in Sierra Leone and neighbouring countries.

CONSTRUCTION & REAL ESTATE

Spearheading some of the most iconic construction projects in the country, LOLC's Construction arm is building a new skyline of Sri Lanka, connecting people with durable roads and highways and establishing strong infrastructure, supported by an industry-best engineering team.

Rs. 3.1 Bn
Gross income

Rs. 486 Mn
PBT

Rs. 9.6 Bn
Assets base

CONSTRUCTION & REAL ESTATE

BROWNS ENGINEERING & CONSTRUCTION (PVT) LTD

Browns Engineering & Construction (BEC) is engaged in Telecommunication services, Electrical Engineering, MEP design and construction services, Project Management consultancy, Project Management and Road Construction works.

Browns Engineering holds a strong market position and is a major player in telecommunication infrastructure development and maintenance industry, and this achievement is considered remarkable given the short time the Company taken to achieve this strong position. Browns Engineering is a brand which is distinguished for its fully-fledged Outside Plant services for Fibre networks (FTTx). The Company has become a strategic partner of Huawei Technologies and ZTE Lanka, while providing services to the telecom operators of Sri Lanka including Sri Lanka Telecom PLC, Mobitel Ltd, Dialog Axiata PLC, Airtel and Hutch. The company provides design, supply and installation of fibre networks, construction of telecommunication towers, telecommunication equipment installation, drive testing and optimisation of networks, active and passive infrastructure maintenance.

During the year under review, the Company established departments for water supply, drainage construction and road construction work, participating in competitive bidding with third parties to fulfill the qualification requirements required under the terms of tenders.

In the Civil Construction Sector, BEC is the Management contractor for the Bodufinolhu Beach Resort Project in Maldives and has achieved a completion percentage of 78%. Further, BEC is the Management Consultant for The Nasandhura Hotel & Apartment Complex in Maldives and has achieved a completion percentage of 86%.

Browns Engineering & Construction is also the Management Contractor for the Riverina Resort Project in Beruwela, and has commenced the balance MEP works and envisages completion of the project by end 2023. The new concept of Development will be 357-key fully integrated 5-Star Beach Resort of International standing.

SIERRA CONSTRUCTION

Sierra Construction is a joint operation with Toda Corporation, NCC Ltd,Shapoorji Company and LOLC, giving it a strategic advantage over 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 envisions the sector to strengthen further with the return of political stability as post-COVID recovery takes place.

The construction sector delivered a subdued performance against the backdrop of the pandemic, nevertheless investments in large-scale infrastructure by the Government of Sri Lanka were sustained in carrying out improvement in road networks, water supply projects, civil projects and telecommunication activities. One positive factor was that reputed institutions such as ADB, JBIC, World Bank and other financial institutions have evinced great interest in funding infrastructure development in Sri Lanka.

The Company is strategically diversified in almost all construction related areas including Water, Telecom, Roads & Bridges, Electrical, Civil and Piling are sectors of diversification. The Company has successfully achieved vertical integration through purchase of new asphalt, crusher and concrete plants to provide end-to-end construction solutions and bring down cost of inputs. Sierra is adding technologically advanced piling machines to the piling sector as the industry leader and pioneer in the field of construction. Sierra Construction Ltd recorded Rs. 11,166 Mn Revenue for the financial year 2020/21, with telecom projects being a major contributor followed by water and roads.

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.

PORT CITY - COLOMBO INTERNATIONAL FINANCIAL CENTRE

Browns Investments PLC, the Strategic Investment Arm of the LOLC Group, entered into a landmark Agreement to partner with China Harbour Engineering Company Limited to commence the Colombo International Finance Centre Mixed Development Project in the Port City Colombo. This is a milestone project with an investment value totalling USD 1 Bn, representing important long-term implications on the economic growth of Sri Lanka, and has been accordingly declared a Strategic Development Project under the Strategic Development Projects Act No. 14 of 2008. With two companies at the helm with substantial international expertise as well as a strong commitment towards social responsibility, it is certain that this project will drive long-term sustainable development.

Port City Colombo (PCC), a vision to build a World Class City and to be the financial and modern services hub for South Asia was inaugurated in 2014. The reclamation of 269 hectares of land from the Indian Ocean was completed in January 2019 and was declared part of Sri Lanka in July 2019 after complying with all necessary formalities including a Parliament resolution. Infrastructure development covering internal road network, water channel, utility connectivity, 2 km long public beach front and a 14-hectare large Central Park is currently in full-swing and on schedule for completion in 2021 where the PCC is well set to be the leading retail, residential and business destination in South Asia. Built as an extension of the existing Colombo Central Business District, the PCC had an initial investment of USD 1.4 Bn and an expected overall investment of USD 15 Bn when completed. There will be 5 different precincts in the completed Mixed Development scheme, namely the Financial District, Central Park Living, Island Living, The Marina and the International Island. With an estimated 5.7 Mn square metres of Built-Up Area, the PCC will boast some of the best in design, in terms of offices, medical facilities, educational facilities, Integrated Resort, Marina, Retail Destinations, Hotels and various Lifestyle Developments. Using the latest sustainable city designs and smart city concepts, PCC will be at the cutting-edge of global standards and is anticipated to be a focal point of South Asia.

The inaugural vertical development of Port City Colombo (PCC) is to be a mixed-use development which will be the Colombo International Finance Centre (CIFC), divided into two Phases of implementation. Phase One comprises the construction of residential, commercial and retail asset components set to break ground in mid-2021. Phase Two will be a commercially-oriented development with office and retail space offerings. Located in the gateway of PCC on a total land extending across 6.8 Ha.

The CIFC Mixed Development Project will be piloted over two phases, whereby Browns Investments is partnering with CHEC for Phase One via the incorporation of a Special Purpose Vehicle (SPV) company, a subsidiary of Browns Investments. The total investment in Phase One amounts to USD 450 Mn with a buildable land area spanning 3.06 hectares, which is leased from CHEC Port City Colombo (Private) Limited to the new SPV that will be jointly managed by Browns and CHEC. This will be a significant undertaking involving the construction of one residential apartment tower, one serviced apartment tower, one office tower and a retail podium on the ground floor. Ascending to 39 floors, the total Gross Floor Area across the investments will exceed 160,000 square metres, with residential and serviced apartments encompassing an area of over 88,000 square metres inclusive of parking, a retail space of 24,000 square metres, while the office complex will have a cross area of over 48,000 square metres.

CIFC is expected to attract locals, expatriates and foreigners while boasting the lifestyle and business facilities comparative to that of other renowned business hubs in the region, as well as on a global level. The CIFC Mixed Development Project is set to be positioned in the fast-developing South Asia region as a locally relevant but internationally appealing composite development. Both the Port City and its CIFC Project are sure to be facilitators in promoting FDIs to Sri Lanka.

MANUFACTURING & TRADING

LOLC's Manufacturing and Trading arm under Browns offers some of the world's leading brands across all household and commercial requirements, thereby becoming a one-stop shop for machinery and tools. Browns' acclaimed after-sales services team ensures a satisfied customer base.

Rs. 28.8 Bn	Rs. 3.2 Bn	Rs. 97.7 Bn
Gross income	PBT	Assets base

BATTERY DIVISION

Browns, as the market leader in the automotive battery segment with its premium top brands Exide, Lucas and Dagenite, continued to supply the demands of the market without any shortages. Despite many challenges from the external environment such as the import ban on motor vehicles continued throughout the year 2020/21 which has caused a major reduction in the market size of the automotive industry and also due to the pandemic and the lockdowns, there were major fluctuations in the automotive and motor cycle battery demand.

Browns battery division recorded its highest-ever bottom line in its history of 95 years in the year 2020/21 which surpassed the highest bottom line achieved last year. Automotive battery segment recorded an increase of 35% in sales and the motor cycle battery segment recorded a growth of 75% as compared to 2019/20 despite negative market conditions.

Despite the pandemic outbreak and subsequent lockdowns, the division supplied batteries to the market continuously. The division took measures to provide doorstep delivery and prompt service to the government sector in the much-needed period. Browns Battmobile service was also activated with all the safety precautions in Colombo area to support the front line institutions and emergency services.

Browns battery division conducted a Brand building and engagement campaign under the name of "DO IT THE RIGHT" in Digital. And continued to serve its customers by conducting an incentive promotion for Exide Dealers from December 2020 to March 2021, a quantity based gift promotion for Exide and Lucas dealers while allocating 100 Medtronic testers for 100 dealers and also a quantity based gift and tour promotion for Motorcycle distributors.

FUTURE OUTLOOK

Browns battery division aims to strengthen the product portfolio for car and SUV premium market by introducing several batteries under the brand Exide Matrix. Further, the division plans to introduce new products with extra features like extended warranty to cater to the car and SUV segment. The division plans to conduct several communications campaigns to associate the brand with the customer and to improve the brand image. A new system (Manage Ezy) was developed for the dealer channel to provide improved service for dealers and customers. Through this system, dealers can have operational improvements and efficient process when managing their business.

GENERAL TRADING DIVISION

In collaboration with the world's leading brands, Browns provides an unmatched range of machinery and tools reputed for trusted technology, advanced functionality, versatility and energy efficiency. Browns is well ahead of the competition with its acclaimed 24-hour support service, highly-trained and experienced technical team and its state-of-the-art service facilities.

Browns General Trading Division (GTD) has three main segments: semi construction, wood working and semi agriculture tools, machinery, DIY tools; and the accessories segment, which markets power tools and accessories, generators, compressors, pressure washers, brush cutters, weeders,seeders, Tile cutters & Measuring tools, lawn mowers & sprayers. Hardware products such as electrical, plumbing, DIY, accessories & consumables which promotes the Taps & fittings, Hand tools, Files, Hose clips, Electrical accessories, Paint brushes, abrasives and the sourcing and after-sales service.

GTD introduced several new products to the market during the year under review. A new range of compressors, generators, high pressure washers, electrical accessories, hose clips, 40V DC Power Tools, sprayers, blowers and brush cutters were some of them. GTD achieved its highest-ever turnover for the last 5 years despite the pandemic. Leading from the front in the branded power tools segment, branded hacksaw and hacksaw blades segments continued to cater the demands of the market without any disruptions.

Improved distributor network and the range of new products were key to success for GTD. Challenges such as import restrictions, supplier price increases, increase of manufacturing lead time, devaluation of rupee against USD and GBP negatively impacted on sales along with the lockdowns.

FUTURE OUTLOOK

The division is positive about the future, with many additions underway to further enhance the product portfolio. The Company aims to add industry-related new products for all channels, increasing the distribution network to increase touchpoints from 2,000 to 4,000 in the hardware segment and improving and expanding the after-sales service network will be key.

POWER SOLUTIONS DIVISION

Supply and Installation of Industrial and Residential Diesel Power Generators and facilitating best-in-class product support services has been the key for the Power Solutions Division. The prevailing COVID-19 pandemic made a significant impact on the securing and managing of ongoing projects as well as upcoming projects in terms of Sales and Operational aspects for the division. High competitiveness created among the competitors by way of providing Industrial and Residential generators at a low cost directed the division to find a strategic decision of introducing new sub brands for cost conscious clienteles.

New initiatives have been taken to expand the capabilities and capacities in terms of generator installation which makes the Power Solutions Division "One Stop for Power Generation Solutions". These key initiatives pave the way for supplying of range of generators as well as providing cost effective solutions for generator installations through a dedicated generator installation team, which includes service such as fabrication of Soundproofed canopies, Stainless Steel Exhausts, Fabrication of ducts and attenuators etc.

A free-of-charge Condition Monitoring campaign was launched by the Power Solutions Division during the pandemic. Browns launched these special services to support the efforts of the nation to drive forth the economy despite the challenging environment created by the prevailing global pandemic.

FUTURE OUTLOOK

Going ahead, Browns aims to introduce 2nd line of generator brands manufactured in Europe, to offer a better choice for customers. In addition, it aims to be a cost leader in supplying Indian branded generators as cost effective solutions for customers who seek low owning costs.

A/C SOLUTIONS DIVISION

Browns A/C Solutions division markets Wall mount Air Conditioners, Floor/ Ceiling type Air Conditioners, Ceiling cassette type Air Conditioners, VRF systems and Chillers. Capital expenditure from the private sector was curtailed and multiple new projects were postponed during the year. The construction industry was impacted due to shortage of investment, making business a challenge in 2020/21. The BG brand, which has a history of over 12 years, managed to serve its customers in a superior manner despite the pandemic. Timely services, after sales service, island-wide coverage, continuous services and supply chain were some of the key points for the customers. IGNIS brand serves the luxury market segment and has grabbed a significant market share despite been in the market for a shorter period.

FUTURE OUTLOOK

Key products next year will be Chiller system to large buildings, introducing inverter Multi-Split air conditioner solution for space concern environments and introducing Indian products for cost sensitive markets. Strengthening the sales force in the Southern, Northern and North-Central provinces will also be considered. Deploying mobile service teams to respond to AC service requirements within Colombo has also been identified.

HEAVY MACHINERY DIVISION

Browns Heavy Machinery division's main contribution was from the sales of construction and mining machinery, realised due to the government's expenditure on road development, which was 48% higher than the previous year. The division continued to perform and with a positive relationship with its valued suppliers and 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 while introducing new products to achieve the concept to Total Machinery solution for the construction industry.

Future outlook

The division expects a transformation in the construction 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. Greater focus will be placed on capitalising on government infrastructure projects.

AJAX ENGINEERS

Ajax Engineers is a strong player in the fabrication and installation of Aluminum doors, windows & facades, cladding work, structural glazing work and handrails for high-rises buildings and the household market. The most preferred and successful Aluminium fabricator and installer among blue chip construction companies, with the Company having strong lines of businesses, including large apartment projects to corporate buildings.

With the COVID-19 pandemic impacting the construction business, the Company is experience a certain level of delay in completion of projects. However, Ajax continues to enjoy a strong line of new business, which provides a steady flow of revenues in the near future.

CREATIONS WOODEN FABRICATORS (PVT) LTD.

Creations Wooden Fabricators is a main supplier for furniture solutions for Hotel projects/ Apartment Projects/ Offices and households. The project pipeline was promising for the year, however, due to the pandemic projects are being shifted, with further pressure on imports due to new regulations imposed. This will be an opportunity with few more large-scale projects looking at local manufacturing opportunities. The Company introduced engineered wooden doors as a new solution for apartment projects in its product portfolio under the Lesso Brand. The Company also introduced ready made pantry cupboards solution under two brands, namely, Borcci and Golden Homes.

Creations will move into the manufacturing and installation of engineered type doors where immense potential is predicted in the market, especially with the current ongoing import restrictions. The company is expected to start on large condominium pantry projects.

GURIND ACCOR (PVT) LTD

Gurind Accor is into toughened safety (Tempered glass) processing, Insulated glass unit (DGDS) Double glazing glass manufacturing and Sand blast, Facades, Glass doors, Staircase railings, Shower Cubicles, Partitions, Canopies, Freezer tops, Cabinet glass inside the Refrigerator, Table Tops & Vehicle glass.

During the year under review, Gurind developed outstation markets and introduced double glazing and solar control glass panels (Energy saving glasses/ of different type of variety) and provided technical support to proper installation of glass in the market. The Company enjoys a strong growth business since the acquisition of this Company by the Browns Investments Group.

BROWNS THERMAL ENGINEERING

Browns Thermal Engineering (Pvt) Ltd (BTEL) is a wholly-owned subsidiary of Browns. It is the only large-scale manufacturer of heat exchanges in Sri Lanka and is the market leader in the auto and industrial radiator segments.

BTEL currently manufactures brass and copper radiators under the brand name of RADCO at the company's factory, which is located at the Browns Industrial Park in Makandura, Pannala. BTEL also owns and operates a plastic moulding facility that supplies plastic components to the battery industry in Sri Lanka. In addition to the heat exchanges, BTEL manufactures 'coolants' - a complementary product line. A testament to the quality of the manufactured products - BTEL received Sri Lanka Standards certification as well as ISO 9001:2008 certification. Moreover, RADCO is the first and the only radiator brand in the island to receive the SLS 740 and ISO 9001:2015 Quality Standards Certifications.

BTEL is the largest heat exchanger manufacturer in Sri Lanka holding 70% in the motor vehicle radiator market while the market share for other heat exchanger category hikes up to 85%. Today, RADCO has become the most sought after name in the industrial and power generation market with a diverse product portfolio and caters to four customer segments: dealers, industrial customers, government institutions, and individual customers.

The business unit has the ability to supply tailor-made products in copper and brass for its customers in both the auto and industrial segments. RADCO radiators are currently being supplied to Lanka Ashok Leyland and DIMO as warranty replacement radiators for a selected range of Leyland and TATA vehicles as well. BTEL is one of the main suppliers to Sri Lanka Railway, Sri Lanka Transport Board, Sri Lanka Ports Authority, Sri Lanka Fisheries Corporation and many other fleet owners in Sri Lanka.

Since 2013, BTEL has been exporting replacement radiators for Caterpillar and MTU generators for APR Energy – a leading emergency electricity provider that operates sites around the world. BTEL also works closely with Associated Battery Manufacturers to develop new models of batteries that will in turn expand the company's plastics business. Identifying a declining trend in market demand for brass and copper auto radiators, BTEL has initiated plans to import and distribute plastic and aluminium auto radiators with an overseas supplier, under the RADCO brand name. In a bid to explore new boundaries, BTEL has initiated the process of investing in a full production line to manufacture aluminium plastic radiators in Sri Lanka.

BANCO, a renowned brand in India, which manufactures engine cooling systems, is also marketed by BTEL. Offering a wide variety of solutions, BTEL is also the authorised distributor of KINGA Aluminium plastic radiators and ASK Brake liners. Moreover, BTEL is an authorised distributor of BOSCH products in Sri Lanka and offers a wide range of solutions: Diesel pump parts, Wiper blades, Spark plugs, Automotive bulbs, Horns, Filters, Brake fluid, Brake shoes, Clutch plates, Brake pads, Belts, Battery charges, and many more.

FUTURE OUTLOOK

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 growing market needs. A manufacturing line to assemble plastic aluminum radiators in Sri Lanka is planned in order to cater the growing demand in the sector.

MANAGEMENT DISCUSSION & ANALYSIS

MANUFACTURING & TRADING

VETERINARY PHARMACEUTICALS DIVISION

The Veterinary Pharmaceuticals division also faced many challenges during the year under review due to external factors. However the division introduced several new products to the market and captured market share in several untapped markets with these new products while being the leader for many veterinary pharmaceutical segments.

Introducing the new 3 in 1 Vaccine, INNOVAX ND IBD was a key milestone for the division. This was done together with key suppliers, MSD Animal Health, Netherland to protect birds and significantly expand flock protection and improve efficiency. Parallel to the introduction of this vaccine, innovative vaccination machineries were introduced to the Sri Lankan market together with Spray Cabinets which adheres to the most innovative standards and technology. Further, a vaccination team was formed to facilitate customers on correct vaccination procedures by providing assistance, auditing and training.

Lumpyvax Vaccine was introduced for the cattle market, becoming the first solutions provider for this disease which is recommended by the World Organisation for Animal Health. The division also took measures to increase product awareness through social media, specially related to Pet Animal Product range.

Offering free technical supports and farm management services to small scale and medium scale customers in order to provide them with upto-date technical knowledge about the veterinary industry and farm management techniques was also continued during the year. Apart from the technical knowledge, farmer education and training programmes were conducted by utilising internal, outsource & international resource persons to provide quality knowledge for customers - to enhance their business endeavours and then make them successful entrepreneurs. With the purpose of making the cities and communities safer, the division offered anti-rabies vaccines to welfare societies as donation.

FUTURE OUTLOOK

The main strategy for 2021/22 is to expand the market share in the poultry sector while focusing on Pet Animal & Dairy Sectors. New distributors were appointed to increase the coverage island-wide and supportive services were increased to the market including technical supports, on-time delivery, and product availability by maintaining relevant buffer stock.

BROWNS DEALS DIVISION

Browns Deals division is the consumer electronic arm of the Browns Company and sells consumer electronics, kitchen appliances, gadgets and accessories. The introduction of the Solstar brand from Singapore was a key milestone for the division during the year under review.

Browns Deals division was able to capitalise on the change in the consumer marketplace. The move to online platforms from the traditional brick and mortar model was forced by the pandemic. Hence, there was a major online drive and home delivery services and multiple platforms emerged during the year under review. With the trust, after sales service and the quality of the products led Browns Deals to gain a considerable number of new customers.

FUTURE OUTLOOK

Focusing on online platforms and driving traffic will be key while ensuring social media presence for the division. Products with latest technologies and cost-effective strategies will play a vital role to fulfill growing demand.

MARINE & LEISURE DIVISION

As the market leader in the Inboard Marine Engine segment, the division was able to maintain the position during the financial year with global pandemic environment. The division has 46% of market share for the Inboard Marine Engine segment and is the third-largest player for the Out Board Motor (OBMs) segment.

Inboard and Out Board Marine Engines, Marine Gears, Spare Parts, Marine Accessories, Fiber Glass Raw Materials, Watersports Accessories and providing all kinds of services for all above products sold through the division has been the key for Marine & Leisure division to be the most sought after brand in the fishing industry. JMP Engine Cooling Sea Water Pump & Rubber Impeller was introduced during the year under review.

Training programmes were also conducted for the fisheries sector to create awareness and to enhance the knowledge base in the farming community as well.

FUTURE OUTLOOK

New Marine Engine Brands and Fiber Glass Raw Materials will be keyalong with the introduction of "Brand New Marine Engine for a Used Engine Price" concept to the market by next year.

Pharma, Consumer & Integrated Engineering Solutions Cluster

BOILER DIVISION

The Boiler division markets the world-renowned Cochran Boilers from UK, which has a history of over 100 years and Cheema Boilers from India, which is one of the top five companies in India. The division managed secure several large scale projects during the year despite the many challenges. The division also made a strategic move to enter into General Engineering related services & Installation works, Such as Large Capacity Goods Storage bins, Water Storage Tank systems, Process flow Machineries etc. during the year under review.

FUTURE OUTLOOK

Adding new products to the product mix and adding new business channels will be targeted for next year. The unit is in negotiations with suppliers, industries such as Rice & Grain Industry storing facilities, Energy Recovery Instrumentation& Spares, Industrial water pumps & Domestic type Hot water boilers.

INDUSTRIAL AND ENGINEERING SOLUTIONS DIVISION

The division has main three main segments: preventive water treatment chemicals & services, ELGI Air Compressors and the ATS ELGI Garage Equipment. It provides total preventive water treatment solutions for the Sri Lankan industrial market by representing world-recognised Deuterium brand treatment solutions from UK. Further, well-trained, experienced qualified engineering staff and technical team provide round the clock service.

It is the exclusive dealer of brand ELGI. Elgi Equipments is a complete compressed air solutions provider to suit air compressor requirements. ELGi is a complete range of air compressors that include oil lubricated and oil-free electric powered rotary screw compressors, diesel powered portable screw compressors, oil lubricated, and oil-free reciprocating compressors, and centrifugal compressors, dryers, air receiver tank and other air accessories.

It is the exclusive dealer for of automotive service equipment in Sri Lanka, offering the widest range of garage equipment in the country, and works closely with workshops,garages and vehicle servicing business.

FUTURE OUTLOOK

The unit expects to expand the stake volume with sustainable divisional developments by enhancing high-end technical support. With upcoming developments in the hotels, apartments, shopping complexes and other developing industries,more opportunities will emerge to expand its market share.

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 as a result of the general growth of business and industry in Sri Lanka.

TECHNOLOGY, RESEARCH & INNOVATION

Inspired by its pioneering spirit, the LOLC Group forayed into technology and innovation to bring recognition for Sri Lanka as a scientific hub whilst simultaneously infusing value addition to traditional methodologies. LOLC's innovation hub supports local scientists to work on breakthrough innovations and encourages a spirit of discovery.

Rs. 1.6 Bn	Rs. 513 Mn	Rs. 4.2 Bn
Gross income	PBT	Total Assets

GROUP INFORMATION TECHNOLOGY

Information Technology (IT) is a key constituent of facilitating all business operations. The LOLC Group, through its centralised, shared IT services provider, LOLC Technology Services Ltd (LOLC Tech), continues to be at the forefront of technology innovation. The team at LOLC Tech holds extensive experience in handling both cloud based and on-premise solutions, cloud infrastructure solutions, service transformation solutions and analytic solutions. The team's capabilities were highlighted during the COVID-19 pandemic which saw an almost overnight change in the operational model. Despite the challenges, LOLC Tech has provided immense support to elevate the LOLC Group to become a truly global conglomerate, with IT functions in Cambodia, Myanmar, Pakistan, Zambia, Philippines, Indonesia, Nigeria and Sierra Leone being supported remotely.

INFORMATION SECURITY & COMPLIANCE

Information security has been a priority of the LOLC Group for over a decade. As a result, a separate functional unit - INFOSEC - has been established to oversee information security and compliance related matters of the organisation. Over the years, INFOSEC has taken a number of initiatives to enhance and ensure the security of the organisation's critical information. Some of these have been industry-firsts and were adopted by other banking and financial institutions much later. This greatly assisted the Group's digitalisation drive as most of the core security infrastructure was already in place.

One of the biggest challenges faced was the onset of the COVID-19 pandemic, which required the entire user base to work remotely, whilst ensuring enhanced levels of security controls. Group IT adopted a 'Zero Trust' approach to securing data sometime back. 'Trust no one" is the key concept of Zero Trust, which is a framework that requires all users who are both in and outside of the organisation's network to be authenticated, authorised, and continuously validated for security configuration and posture before being granted access to applications and data. This greatly helped ensure security controls were the same or even more, whilst users could easily carry on with their daily tasks remotely.

All payment card related information handled by LOLC is stored according to Payment Card Industry Data Security Standards (PCIDSS) guidelines, using controls such as tokenisation (to ensure sensitive information is not communicated in readable formats during daily operations), and several other globally practised security mechanisms. PCIDSS implementation is in progress and currently in the final remediation milestone.

COMPLIANCE STANDARDS

LOLC Group IT is the first in the banking and financial service sector in Sri Lanka to obtain ISO/IEC 27001:2005 certification for their data centre in 2009. Now in its 11th year, having upgraded to the 2013 version, the certification ensures adequate processes, procedures and controls are implemented to provide the highest possible level of protection for confidential data. This includes coverage of all end user computers, since they carry a significant level of risk.

ISO 9001:2015 has been obtained to ensure quality in the software development process and ISO 20000:2018 to ensure efficient and effective delivery of IT services. Best practices outlined in the General Data Protection Regulation (GDPR standard) are also followed when providing protection for sensitive customer data. LOLC Group IT is the first organisations in Sri Lanka to obtain all three ISO standards addressing the entire end-to-end IT service life-cycle.

An internal Security Information and Event Management (SIEM) solution has been implemented and is operational for almost a decade. This solution performs real-time logging, monitoring and to generate alerts on suspicious events, which helps to take necessary actions (including informing the relevant users) in order to prevent (or minimise) the attack. The possibility of implementing a group-level Security Operations Centre (SOC) is currently under evaluation. This will take the current SIEM to the next level by introducing analytics, correlation and predictive capabilities which would help the organisation better protect as well as to be better prepared against any attacks that may come through.

DATA PROTECTION

With digitalisation, the volumes of data being stored have increased rapidly. Auditing and monitoring are critical for detecting anomalies and also help in forensic analysis in case of a data breach. It is also important to understand the risk associated with individual systems so that one can determine the level of visibility required for activities on those systems. To address this concern more effectively, the Company commenced a revamp of its Audit Vault solution. The Audit Vault consolidates audit data from databases, operating systems, directories, file systems, as well as application specific audit data, maintaining an irrefutable record of actions taken - whether they are generated by a database, directory, or an operating system.

MANAGEMENT DISCUSSION & ANALYSIS
TECHNOLOGY, RESEARCH & INNOVATION

In 2017, the LOLC Group implemented a Web Application Firewall to provide additional protection to critical public facing web applications. Having completed its fourth year, the Group took a bold decision of upgrading the existing solution to a next-generation, managed solution. Having continued with the same vendor, this new solution features a highly skilled, dedicated team managing maintenance and configuration aspects of the group Web Application Firewall. The possibilities of implementing the new Audit Vault solution too on a similar operational model, are being evaluated.

Opting for a managed services model will help the Group view its security posture from a different perspective, whilst ensuring industry best practices are adopted during the configuration and maintenance process. Since the service providers have dedicated resources towards providing this service, the Group will benefit from cost optimisations brought on by the service provider's economies of scale. This would also ease the burden on existing human resources and help direct their time and efforts more fruitfully towards additional research and development activities.

DATA CENTRE AND NETWORK OPERATIONS

The year under review was significant for the Group's data centre operations as the demand for data centre resources grew by 40% year-on-year. Despite having obtained budgetary approval, the Company managed to cater to the entire increase in workload without any upgrades to the infrastructure. Hence, a decision was taken to perform an upgrade in 2020/21 in order to ensure continued performance as well as provision for the Group's rapid expansion plans.

LOLC Group's primary Enterprise Data Centre was initially set up in 2009. Infrastructure upgrades were carried out in 2014 and 2017. Since the last upgrade in 2017, several new business systems were introduced, including Management Information System (MIS) for Life Insurance, Call Centre system and Corporate Internet Banking solution. Further, with the Group's rapid expansion to overseas markets, the core financial systems of several foreign operations too are hosted at the local data centre. Combined with the Group expanding its branch network, this will see an increase in demand for computing resources.

The LOLC Group operates two data centres, the primary one at LOLC Group Head Office (Data Centre 1 - DC1) and the Secondary Data Centre (DC2) site hosted at a Managed Data Centre of a leading Telecommunications service provider. During the upgrade exercise, care was taken to ensure both sites had an equal capacity in terms of processing power, which will allow the team to operate from either data centre with no performance impacts, as the underlying infrastructure is the same at both locations. This project is currently in its final stages.

As the second phase of this exercise, the current secondary data centre (DC2) will become the primary data centre and the data centre located at the LOLC Head office will be shifted to another managed service provider to function as the Primary site. By locating both data centres with managed service providers, the aim is to eliminate the additional burden of maintaining continual power supply, cooling, environmental monitoring etc. internally. These will be handled by the service provider using domain experts. The service provider will also have a contractual obligation to ensure downtimes are at an absolute minimum.

FACILITATING WORK FROM HOME (WFH) MODE

The COVID-19 pandemic brought about a new set of challenges. With users being forced to work from home for extended periods of time, the need to provide a secure, yet hassle-free experience arose unexpectedly.

Users had been provided with dongles to help them connect remotely during instances where they were not able to be physically present in office. However, this solution was not convenient for extended time periods. To address this sudden requirement, the IT team provided several alternatives to suit the immediate needs of the business users. Dongles were provided from multiple telecommunication service providers in order to cater to a wider staff count, prevent dependency on a single service provider and address coverage issues faced by certain service providers in certain areas. Several Virtual Private Network (VPN) client solutions from reputed vendors were also rolled out to users who did not have dongles. With a VPN client, users could connect their corporate devices to any wireless internet connection, but be able to access all corporate network resources, along with the necessary security controls. The user experience and controls are identical to that of physically being in office. The ability to provide multiple remote connectivity solutions at such short notice was one of the key factors behind the LOLC Group's quick and seamless transition to a Work from Home (WFH) model, which saw the entire organisation (including call centre functions) operating from outside office from the onset of the pandemic.

The WFH initiative also brought about cost savings to the company, which helped increase the rewards for employees. Staff were encouraged and motivated to follow training programmes and online certification courses, which helped them immensely in providing a higher quality of service to the Group, as well as assisting in their personal growth. The success of the WFH programme enabled relocation of all IT staff to a single building, eliminating the inconveniences that existed while operating from two locations, whilst also delivering considerable cost savings. The Group's eLearning platform was used to further assist training and development initiatives. This proved to be extremely effective and useful during the periods where travel restrictions were imposed.

FUSION X

The Group also commenced the development and roll-out of Fusion X, a next generation, exponential, cloud-based financial services suite, designed to provide cutting edge features, performance and security. With the intention of replacing the existing core-Financials system, FusionX is based on first principles of design thinking for banking technology and is geared to facilitate easy adoption of open banking.

The Legal Business Process Redesign (BPR) and Anti-Money Laundering modules are currently in operation. A comprehensive common Customer On Boarding module, which will facilitate a single point to on-board customers with Know Your Customer (KYC) and Anti Money Laundering (AML) integrations is scheduled to go-live by the end of 2021. Other modules in the pipe-line include Current Accounts and Savings Accounts (CASA), Yard Management, Term Deposits, Virtual Accounts, Loans and Collateral Management.

ROBOTIC PROCESS AUTOMATION (RPA)

Robotic Process Automation (RPA) initiatives were also rolled out across the organisation, bringing about tremendous time and cost savings. All solutions were designed so that Robotic Process Automation (RPA) could function as a virtual human, thereby automating repetitive, logic based processes. In some instances, RPA resulted in time and effort savings close to a staggering 90%.

Some of the critical business functions which have been automated through RPA include daily reconciliation of iPay transactions, reconciliation processes of credit card operations, automated emailing of customised daily reports, reminders on FD activation delays and the Release of Documents (ROD) process. The ROD process includes checking Insurance and facility due payments (from the Insurance and Fusion systems respectively) before authorising the release of security documents pertaining to leased motor vehicles, resulting in significant time and cost savings to the organisation. This project was also recognised as a Winner at the Sri Lanka Association for Software Services Companies (SLASSCOM) RPA Conference 2020.

As part of the organisation's Business Process Re-engineering exercise, a novel solution named "Smart Marketing Executive" was introduced consisting of a web and mobile application. As the name suggests, this has enabled Marketing Executives to perform their day-to-day activities with minimal interaction with backend officers, resulting in a paperless office environment as well as quick service to the customers.

GLOBAL OVERVIEW

With LOLC Finance sector focus shifting more towards overseas operations within the last decade, its expansion was seen in South Asian and African region. At present, LOLC Group has operations in 8 countries, namely Cambodia, Myanmar, Pakistan, Philippines, Indonesia, Zambia, Nigeria and Sierra Leone. With the rapid expansion initiative of LOLC, there will be a dozen more countries added to this list in Asian and African region within a year.

Information Technology and Systems are the driving force of these overseas entities. LOLC Group's IT vision to be the cutting-edge technology provider with the motto "Cloud first, Mobile enabled", no doubt that it was a real challenge in each country with its own regulatory and infrastructure challenges.

LOLC Tech is proud to be the centralised one shop IT service provider to all its group overseas entities which includes Fusion (core banking system) and Oracle E-Business Suite implementation services, Business Intelligence, SMART Mobile Application system implementation, Information Security and compliance services, Network Operations and Data Centre Services, Database Services, IT Operations and OASYS Service Desk System implementation. The Company acts as an external IT supplier to the overseas entities with a contract and service levels applicable for its services. IT services are charged to overseas entities at arm's length fair value.

LOLC Tech has allocated a dedicated team for overseas IT operations mainly focusing on Information Systems, Application Support, Information Security and a 24x7 support team to resolve issues. Currently 4 out of the 8 country entities use Fusion as its core banking application. Group and Individual Loan, Leasing, Salary Backed Loan, Fixed Deposits and Savings modules of Fusion system are being used by these entities. The overseas application development team has a roadmap based on the priority of its customer requirements and deliver them with highest possible quality on time using agile and project

TECHNOLOGY, RESEARCH & INNOVATION

management best practices. LOLC group data centre houses 3 out the 4 countries using the Fusion system, through a secured communication channel.

Apart from basic system implementation, LOLC Tech provides digital channels and platforms to enhance the business efficiency and effectiveness such as Robotic Process Automation, Document Management System integration, Digital Loan Processing, Agent Banking, Data Analytics and Field Force Automation. With these technological enhancements, the time taken for loan processing have been shortened by 90%, which is an enabler to boost the business of LOLC group. Wherever there are no regulatory restrictions, cloud hosting has been prioritised in overseas, not only for core banking but other applications such as Human Resource Information System (HRIS), Customer Relationship Management (CRM) system and Document Management System (DMS).

LOLC Tech is actively involved in 3rd party systems and infrastructure evaluation, vendor negotiations of overseas operations. Each country has a Head of IT who is trained and mentored by the Group IT. Further, a set of IT policies and procedures are established for each overseas entity, which is aligned to the group policies. All decision-making about IT systems and infrastructure selection and deployment is routed and approved through Group IT. Monthly progress meetings and quarterly IT Steering Committee Meetings are held with business users of overseas teams to assess the progress of IT initiatives and alignment to business objectives.

FUTURE OUTLOOK

As the pandemic subsided, the Group embarked on a rapid expansion drive which saw new branches being opened across the island to easily cater to a wider range of clients. However, opening new branches incur high capital expenditure, especially in terms of IT infrastructure. In order to reduce costs and make this initiative more profitable, the Remote Desktop Gateway solution was introduced, which allows users to easily commence operations at new locations by simply connecting to the branch wireless network. This solution enabled the Group Insurance companies to open new branches with minimal time and investment, resulting in a rapid increase in revenue.

LOLC Tech's vision for the forthcoming year is to strengthen the security of its cloud-based systems and infrastructure. With the Group embarking on a cloud-focused journey to better support its digitalisation initiatives, security of cloud systems and infrastructure needs to be given increasing prominence in the coming year. Advanced technologies and fintech have been key differentiators for the LOLC Group and this investment in IT will be sustained in the years to come.

iPay

Driving greater adoption and introducing new applications features for its customer and merchant base, iPay, LOLC Finance PLC's' unique fintech initiative,catapulted into the leading position amongst digital payment platforms in the country in the 2020/21 financial year. During the period under review, iPay evolved from a mere payment gateway into a beyond lifestyle payment application that offers unprecedented convenience as compared to competitors in the marketplace.

Distinguishing itself from competition and undaunted by the pandemic-induced disruptions, iPay went full steam ahead to introduce new features offering customers the ability to open digital savings account, digital fixed deposits and credit card payment acceptance for an improved customer experience. This allows customers to transact fully via the iPay app, without having to visit any LOLC branches. While adopting its lifestyle application,iPay also took into account elements of the user experience and the customer journey to ensure a user-friendly interface that becomes an indispensable part of customers' daily life as a reliable financial services partner.

Its enhanced user experience is evidenced by the phenomenal growth experienced in its customer base which grew by as much as 400% while the merchant base also expanded by 234%. iPay recorded a monthly-wise turnover of more than 1100% in March 2021 as compared to the corresponding month in the previous year. Outstripping competition, iPay's transaction volume grew from Rs. 37 Mn per month to Rs. 1.1 Bn per month by 31st March 2021, which is a testimonial to the rapid adoption of the lifestyle fintech product amongst the almost over 24 apps in the market.

As the leading digital payment application, iPay has ambitious plans to upscale its reach by leveraging on the growth momentum to triple its user base through targeted strategies which will be rolled out in the coming financial year. Strengthening its partnerships with leading merchants around the country, iPay aims to further develop its business applications for its merchant base by extending a superior digital experience and an easy on-boarding process.

Sustainability is at the core of all operations at LOLC and to demonstrate this, iPay, along with offering digital financial services, will offer digital tree planting so as to calculate the carbon footprint for its customers and then induct them into a loyalty scheme. This feature will allow users to feel pride in associating with a 'green' app such as iPay and lend them a sense of contributing to the environment.

In addition, iPay is looking at adding merchant acquiring partner s to the iPay platform to accelerate expansion, having already partnered with Visa and Master card. In the near future iPay will invite Amex, Union Pay and JCB as partners for collections of merchant payments and utility payments in order to offer a wider choice to customers. Against a global backdrop of a 'work from home' trend that became a norm during the pandemic induced mobility restrictions, iPay is an ideal payment partner for the young and old to make financial transactions from the safety of their homes, with the click of a few buttons on their mobile devices.

CEYLON GRAPHENE TECHNOLOGIES

Ceylon Graphene Technologies (Pvt) Ltd (CGT), a joint venture between the LOLC Group and the Sri Lanka Institute of Nanotechnology (SLINTEC), is Sri Lanka's first graphene and advanced material company and a national laboratory.

CGT is the most competitive graphene manufacturer, product developer and researcher in the world due to the complete product life-cycle. Located in the suburbs of Colombo at the Nanotechnology and Science Park in Homagama, the new CGT Commercial Production Plant, which started production in March 2021, is situated at the Technical Incubation Centre. It is capable of producing 350kg of graphene oxide per month.

Together with SLINTEC's dedicated in-house research laboratories, CGT has a significant advantage as compared to other graphene companies. CGT's graphene production, R&D and quality assurance testing facilities, using state-of-the-art testing machines, are located within a 2 km radius of each other. Given these strategic advantages, CGT has the capacity to start production and finish quality assurance testing for orders within a short lead-time.

In the coming years, high purity grapheme will be essential for many industries around the world. The final properties of the obtained graphene depend mainly on the starting raw material, which CGT has a major advantage over because of its ultra-pure, high quality vein graphite. The Company is currently collaborating with several international and local companies to introduce a graphene enhanced application in sectors such as energy storage, paints and coatings, construction, etc.

One of CGT's success stories is the project with Associate Battery Manufacturers, to launch the first-ever Graphene applied Lead Acid Battery. CGT has a state-of-the-art facility to conduct battery tests and develop additives for lead acid batteries. From June 2020 to-date, CGT has produced nearly 1400 batteries in the range of 35Ah. Currently, the Company is focusing on producing higher range batteries such as 65Ah, 70Ah, 90Ah and 105Ah batteries, with graphene addition.

The batteries produced by CGT displayed significant improvement in performance by showcasing 15-25% improvement in capacity; 30-35% improvement in charge acceptance; and 50% reduction in water-loss, which improve the life and performance of the battery.

Research and development work for graphene polymer composites is also ongoing, with potential in thermal and electrical conductivity as well as for its mechanical properties. The sub-projects in this area include conductive PU Coatings (evaluate the thermal and electrical conductivities of the nanocomposites); Conductive Rubber and Silicon Sheets (to produce latex or solid rubber); and Nylon Nanocomposites (to produce nylon/ graphene nanocomposite sheets or strands).

Furthermore, tires enhanced with graphene have been commercially available for several years mainly in the Asian market to enhance less roll resistance, longer wear and greater traction. Recent studies have also been carried out to evaluate the performance of graphene in latex/rubber gloves.

ONGOING PROJECTS:

- Several water purification projects have been developed to eliminate bacteria and other contaminants
- Sensor and sensor platforms using graphene materials for the use of various industrial applications
- Graphene enhanced anti corrosion paints are also being explored for industrial and marine use

At CGT, being a sustainable entity is key to the wellbeing of communities, ecology and its operations. Led by this commitment, the Company has progressively looked at making a net positive impact through its operations. One of the key positive impacts is that it possesses a rooftop solar panels on its production plant which generates 30%-40% of the electricity used in the production process.

Going ahead, CGT aims to maintain a sustainable work environment. Driven by its innovative spirit, CGT aims to continue catering to the worldwide demand for graphene in various applications in the coming years.

MANAGEMENT DISCUSSION & ANALYSIS

TECHNOLOGY, RESEARCH & INNOVATION

SRI LANKA INSTITUTE OF NANOTECHNOLOGY (SLINTEC)

The 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 Science and Technology and eight private sector enterprises, including Brandix, Dialog Axiata, Hayleys, Loadstar, MAS, Lankem, LOLC and Browns. SLINTEC's mandate 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 by leveraging on these technologies and also to add value to Sri Lanka's mineral resources. It aims to build a nanotechnology and science park for research, development and the commercialisation of innovations in Sri Lanka.

During the year 2020/2021, despite the challenges due to the pandemic, SLINTEC was able to conduct contract research projects for its clients. Together with private sector clients, SLINTEC also commercialised the research on Mask Sensor (BreathTech S3 Smart Mask), Antibacterial book cover and Antiviral coating. In addition, the technologies developed for The Graphene Lead Acid Battery and Waste Tea as a fabric dyeing technique were transferred to the clients.

Understanding the prime needs of the nation's battle to contain COVID-19, SLINTEC produced homegrown technologies to meet the local COVID-19 testing demand. Nearly 250,000 NMRA approved testing swabs were produced and supplied to the Ministry of Health. During the year, SLINTEC successfully demonstrated the proof of concept and initial validation of a locally assembled LAMP-PCR kit.

SLINTEC also received a special accolade for the recognition of technology developed to upscale tea waste into a commercial natural dye as a sustainable technology at the awards ceremony organised by the Japan Sri Lanka Technical and Cultural Association (JASTECA).

SLINTEC's research is primarily focused on Smart Textiles, Sustainable Agriculture, Minerals 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 and analytical services for the private and public sector stakeholders to find innovative solutions. The SLINTEC Startup Engine helps entrepreneurs start and boost their business by providing incubation space, analytical equipment, mentoring services, assistance in developing a business proposal and guidance for technology valuation and IP management.

SLINTEC has focused its resources to create technologies that will solve pressing issues in Sri Lanka including, but not limited to, affordable food security, affordable and clean energy, safe drinking water, healthcare, and sustainable economic development.

LOLC ADVANCED TECHNOLOGIES

LOLC Advanced Technologies is the research arm of the LOLC Group. LOLC Advanced Technologies embodies the spirit of entrepreneurship and pursuit of technology and innovation that is emblematic of the Group. LOLC's thirst for new knowledge and scientific innovation is centered on local value-addition. More importantly, the Group provides opportunities for local scientists to work on exciting projects in Sri Lanka.

RICE FORTIFICATION

In the Rice Fortification project, technology developed by the Research and Development team have successfully addressed each of the shortcomings that have been identified in the technologies currently in use and used it to produce our very own Fortified Rice. As a result, the Company is producing grain to grain uniformity of fortificants, minimising loss on washing with no segregation as all grains are treated uniformly. This provides an opportunity to make available fortified rice products on a mass scale without fear of any adverse effects.

The aim of this project is to produce rice fortified with vitamins and nutrients that would provide a highly nutritious meal to the population of the developing world, particularly pregnant mothers and children. This new technology can also cater to high margin niche markets for functional foods in the developed world using phytochemical fortificants to address prevention of chronic diseases such as diabetes and heart disease, as well as lowering the risk of cancer and age-related cognitive impairment.

As currently large scale food fortification has not reached its full potential globally, LOLC Advanced Technologies holds a clear advantage since it has set up a commercial scale plant with capacity with an approximate capacity of 2400 MT/Year, which is under construction, and the products will be released to local market by the end of September 2021.

OTHER PROJECTS

LOLC Advanced Technologies is conducting research into organic fertilizers to cater to the current demand and also working on research and innovation in spice consumer products in the fields of nutraceuticals, cosmetics, food and beverages.

UNPARALLELED INITIATIVES

AT LOLC HOLDINGS WE BELIEVE THAT SUSTAINABLE PRACTICES HAVE TRULY TRANSFORMED OUR PRODUCTS, SERVICES, AND BUSINESSES. ALL PROCESSES, STRATEGIES AND DECISIONS ARE ALIGNED TO PROTECT OUR PEOPLE AND PLANET.

SUSTAINABILITY AT LOLC

HUMAN CAPITAL

As a highly diversified conglomerate, the Group derives its competitiveness from its talented and dedicated employees operating within a unique working culture. A unique centralised Human Resource (HR) 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. 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 13,362 resources (excluding foreign operations) whilst being supported by strong automation and digitalised systems and processes.

REWARDS AND RECOGNITION

Employees at LOLC record high productivity and contribute to profitability knowing 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. 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. LOLC has 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.

SUCCESSION PLANNING

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. 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

All training and development activities during the year under review were moved online and the Company conducted a full calendar of virtual training activities for employees across all cadres. 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.

EMPLOYEE WELL-BEING

Employee well-being and safety is an ongoing priority for the group. A testimonial to this was the care and concern shown by the Company for its staff through the pandemic period. Contingency plans were put into action to tackle the challenges arising from the pandemic for the company's employees. Funding was provided to support COVID-19 affected families, leave was granted for employees to undergo quarantine, and salaries and benefits were maintained as before, without any reductions, which gave employees the assurance and peace of mind they needed amidst this stressful period. Employees were also provided financial support to avail of private medical treatment as necessary. The Company

donated medical supplies to treatments centres, thereby building strong relationships with the LOLC brand, supported enthusiastically by employees. Furthermore, transportation was provided to employees who had to report to work to help them avoid public transportation, tests were also conducted amongst staff and protective gear provided as needed, while the premises were kept clean and sanitized in compliance with guidelines established by the health authorities. Employees on their part had to become accustomed to working from home and were suitably backed by the right technology, as a result of which most departments managed the transition well and could continue their operations smoothly. The work from home mode continued after the end of the financial year under review. The Company was also closely engaged with Sri Lankan employees seconded to overseas markets who were unable to return to unite with their families due to border closures etc. As a result, the Company ensured the families in Sri Lanka got the support and essential supplies they needed during times of lockdowns.

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.

VALUING DIVERSITY

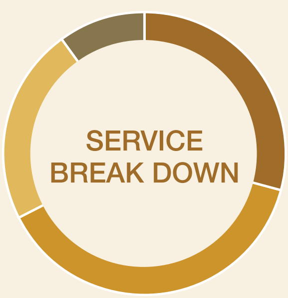
LOLC values the diversity of its extensive staff cadre which reflects the diverse ethnic and socio-economic backgrounds and has ensured the welfare of these diverse groups within the organisation by maintaining policies and procedures regarding the same. Gender equality and zero tolerance policies on sexual harassment guarantee that female employees across the group feel secure and respected

GENDER BREAKDOWN

3,793

9,569

13,362



<2years 2,105	2-5 Years 2,738
5 -10 Years 1,613	10 years above 712

CADRE ANALYSIS

Director/ Senior Management	88
Middle Management	424
Executive	1,754
Non Executive	4,887
Support Staff	15

TRAINING STATISTICS

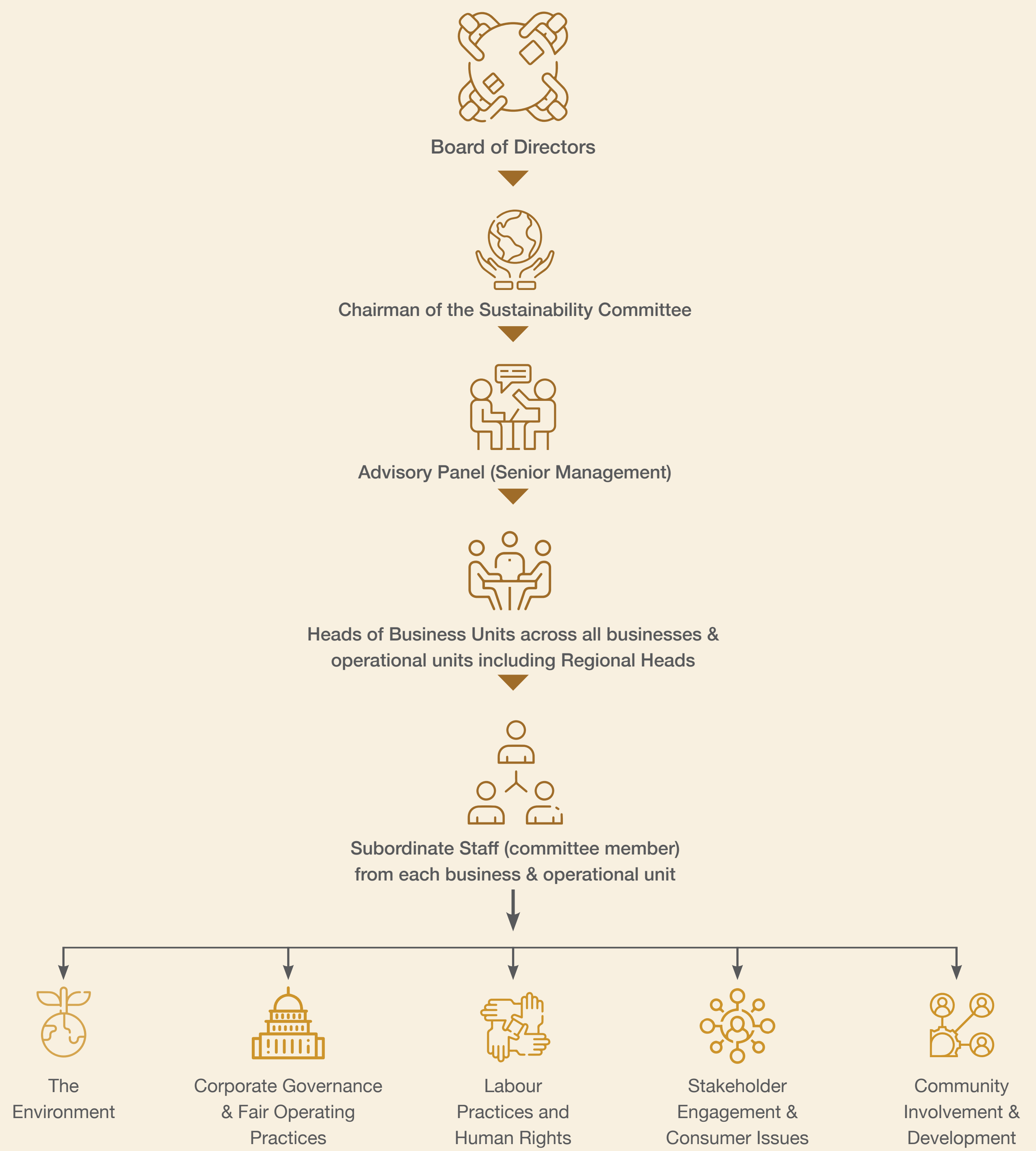
Total Budget utilisation
1,526,646
(Hours)

Total Training Hours
40,999
(Hours)

Total Number of Staff Trained
12,874

Number of Recruitments
1,925

STRUCTURE OF THE SUSTAINABILITY COMMITTEE



SUSTAINABILITY AT LOLC

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. 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

Amidst a global trend of economic uncertainty, the Group's strategic investments overseas have infused formidable financial stability and resilience. As the only Sri Lankan financial institution operating in overseas 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. 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

In 2009, LOLC Care 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 the maintenance and upkeep of the home which provides shelter to orphans.

BROWN'S SHAKTHI

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. 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

SUSTAINABILITY AT LOLC

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 socioeconomic 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.

CLC DIWIBALA 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.

KNOWLEDGE SHARING

As key partners in the business, vehicle dealers are updated and educated about actual interest rates, commissions paid and product features of asset back loans, and offered access to finance for short term working capital requirement. A new permanent income has been provided for over 9,800 clients via three-wheeler financing. 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, the Company has funded vast spectrum of industries like brass, pottery, choir, handloom industries and provide technical knowledge and support
- Customers are encouraged 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
- Donated 10,000 face shields to Ministry of Sports to be distributed to sports professionals
- Waived off entire loans for some of the victims of the Easter Sunday attack
- Average loans of Rs. 100,000 are now offered 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.

SUSTAINABILITY AT LOLC

RELIEF EFFORTS DURING COVID-19 OUTBREAK

- This year too, LOLC partnered with two of Sri Lanka's premier broadcasting stations – Hiru Sahana Yaatra & Manusath Derana to drive its humanitarian efforts.

- On the request of the Colombo East Base Hospital, LOLC donated essential medical equipment and supplies

- LOLC donated dry ration packs to over 100 vulnerable families residing in the neighbourhood of the LOLC Head Office premises in Rajagiriya. These families were those affected by the pandemic as well as the floods. The programme was organised together with the Sri Jayawardenapura Municipal Council.

- Distribution efforts were accompanied by LOLC staff and vehicles in a safe manner.

- The company also took several initiatives to provide relief to its very own casual and outsourced staff cadre

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 in that country diversified into producing dairy products like cheese, curd etc. The Company has financed local traditional export crafts in Sind and Hyderabad, supported handmade footballs and cricket balls for exports in Sialkot, helped Punjab customers with organic farming techniques in wheat and maize Indonesia

Indonesia

- Supported customers engaged selling popular street foods and also lent a helping hand for societies in their social projects for customers along with the support of staff.

Cambodia

- LOLC financial literacy modules on savings and investment, income and 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 programme, 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

ENVIRONMENTAL RESPONSIBILITY

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 2020/21 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. A total of 3,143 trees have been planted as at year-end 31st March 2021.

RENEWABLE ENERGY

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.

SUSTAINABILITY AT LOLC

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 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. Sustainability at LOLC 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 nation's carbon dioxide emission by 11,000 tons. 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.

In the previous 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.

EXTENDING 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 20 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.

iPay

iPay's enhanced user experience is evidenced by the phenomenal growth experienced in its customer base which grew by as much as 400% while the merchant base also expanded by 234%. iPay recorded a monthly-wise turnover of more than 1100% in March 2021 as compared to the corresponding month in the previous year. Outstripping competition, iPay's transaction volumes grew from 37 million in 2019/20 to reach 1.1 billion by 31st March 2021, which is a testimonial to the rapid adoption of the lifestyle fintech product amongst the almost 22 apps in the market.

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.

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.

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.

LOWERING 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.

SUSTAINABILITY AT LOLC

- 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 nonchemical 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 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

UNPARALLELED EXPERTISE

AT LOLC HOLDINGS WE ARE DRIVEN BY THE UNPARALLELED COMMITMENT AND EXPERTISE OF INDIVIDUALS WHO HAVE ENSURED OUR OFFERING IS CRAFTED TO TRULY BENEFIT ALL THOSE WE SERVE.

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 2021.

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 Director

Deshamanya Minuwanpitiyage Dharmasiri Dayananda Pieris -
Independent Director

Dr. Ravindra Ajith Fernando -
Independent Director

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 25 to 30.

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 100 to 105.

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 170 and 321under note 12 and 50.1.1. 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 102.

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.

DIRECTORS SHAREHOLDINGS

Directors shareholdings are as given below.

As at 31st March	2021		2020	
	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	20,160,000	4.24%	23,760,000	5.00%
Mrs. K U Amarasinghe (Seylan Bank PLC/K U Amarasinghe	3,600,000	0.76%	-	-
F K C P N Dias	-	-	-	-
Deshamanya M D D Pieris	-	-	-	-
Dr. R A Fernando	10,000	0.002%	12,600	0.003%

RE-ELECTION OF DIRECTORS

In accordance with Article 88 (i) of the Company's Articles of Association, Mr I C Nanayakkara retires by rotation and being eligible seeks 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.

Deshamanya M D D Pieris and Dr R A Fernando have served as Directors of the Company for more than nine years. Deshamanya 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 Deshamanya 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 394 to 395 together with the 20 largest shareholders. During the year, the share price ranged from Rs. 86/10 to Rs. 574/-. As at the end of trading on 31st March, 2021, the share price was Rs. 292/-.

The details of the Debentures in issue as at 31st March 2021 are set out in Note 38 to the Financial Statements on pages 291, 292, 298 and 299.

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 105. 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 106 to 111 shows the manner in which the Company has complied with Section 7.10 of the Listing

REPORT OF THE BOARD OF DIRECTORS

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 2021.

In terms of LKAS 24, the Directors have disclosed transactions which are classified as related party transactions under Note 51.1.1 on pages 320 and 321 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 2021 was 523 and 13,362 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 112 to 114.

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 2021, based on available information, the management has assessed the existing and anticipated effects of COVID-19 virus epidemic 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 124 to 369, 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 2021/22 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 170.

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 page 119 to 123.

RESPONSIBILITY STATEMENTS

The Chief Executive Officer's and Chief Financial Officer's responsibility statement appears on page 117. The Directors' statement on responsibility for financial reporting appears on page 118.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted when preparing these financial statements and any changes thereof if applicable are given on pages 143 to 369.

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 no 07 and 08 of pages 165 and 166.

POST BALANCE SHEET EVENTS

Please refer Note 48 on page 318 for events which occurred after the year under review.

NOTICE OF MEETING

The Annual General Meeting of the Company will be held on Friday 24th September 2021 at 11.30 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

Kapila Jayawardena
Managing Director/Group CEO

Ishara Nanayakkara
Deputy Chairman

30th August 2021

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)*

ATTENDEES

Following officers are permanent invitees to the Audit Committee Meetings;

- Managing Director
- Executive Director
- Chief Finance Officer
- Chief Risk Officer
- Chief Human Resources Officer
- Chief Information Officer – Financial Services
- 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 2020/21 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 a 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 the 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, 2022. 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 24th September, 2021.

The Committee met four times during the financial year 2020/21.

Deshamanya M D D Pieris
Chairman - Audit Committee

30th August 2021

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 Non-executive Director)
- **Deshamanya M D D Pieris**
  (Independent Non-executive Director)

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:

- Leadership Training that encompass development of strategies to respond to climate, health, social and economic emergencies; challenges/opportunities in terms of new technology; geo-politics and governance.

  The Chief Executive Officer of LOLC Finance PLC, Group Chief Financial Officer, Group Chief HR Officer and the Head of Compliance of LOLC Finance PLC attended the 21st Century Board Leadership Model MasterClass during the year.
- Recommendation of strategies that develop social sustainability and community service.
- Capacity building of local and international staff members ;
- Positioning of the Group as an International Employer;
- Adoption of Green HR policies at Group level.

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 August 2021

REPORT OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

The Related Party Transaction Review Committee comprises the following:

- **Deshamanya M D D Pieris -** *Committee Chairman (Independent Non-executive Director)*
- **W D K Jayawardena** *(Group Managing Director)*
- **F K C P N Dias** *(Non-Independent 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 also 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 facilities to RPTs, 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 97 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 August 2021

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Committee comprises the following:

Deshamanya M D D Pieris
Committee Chairman

W D K Jayewardene
Chef 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 Financial Services

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, reputational, information and communication technology related risk and strategic risks through appropriate risk indicators and management information; review risks 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 August 2021

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 August 2021

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 96.
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 1/3rdof 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 31/3/2021.
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 25 to 30.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
	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 Miss K M Amarasinghe, Alternate Director was announced the Exchange on 14.05.2020 including the requirements set out in this section.
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, and is chaired by a Non-Executive Independent Director.
	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 102.
	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 Dr. R A Fernando (Committee Chairman) and Deshamanya M D D Pieris. 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.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
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 an 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.
	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.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
	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 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 shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report.	The Committee has made this determination. Please refer the Committee report on pages 100 to 101.
	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.	

CORPORATE GOVERNANCE REPORT

Board and Board Sub Committee Composition and Attendance

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		√		√	√	√		√		
Deshamanya M D D Pieris		√	√		√	√*	√	√*	√*	√*
Dr. R A Fernando		√	√		√	√	√*			

** Committee Chairman*

Board Meeting Attendance

Name of Director	20.07.2020	13.11.2020	15.02.2021
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	√	√	√
Deshamanya M D D Pieris	√	√	√
Dr. R A Fernando	√	√	√

Audit Committee Meeting Attendance

Name of Director	20.07.2020	25.08.2020	13.11.2020	15.02.2021
Mr. M D D Pieris - Committee Chairman	√	√	√	√
Dr. R A Fernando	√	-	√	√
Mr. F K C P N Dias	√	√	√	√

Talent Development and Remuneration Committee Attendance

Name of Director	12.06.2020	11.09.2020	18.12.2020	19.03.2021
Dr. R A Fernando (Committee Chairman)	√	√	√	√
Mr. M D D Pieris	√	√	√	√

Related Party Transaction Review Committee Meeting Attendance

Name of Director	20.07.2020	25.08.2020	13.11.2020	15.02.2021
Mr. M D D Pieris (Committee Chairman)	√	√	√	√
Mr. W D K Jayawardena	√	√	√	√
Mr. F K C P N Dias	√	√	√	√

Integrated Risk Management Committee Meeting Attendance

Name of Director	04.03.2021
Mr. M D D Pieris - Committee Chairman	√
Mr. W D K Jayawardena	√

Corporate Governance Committee Meeting Attendance

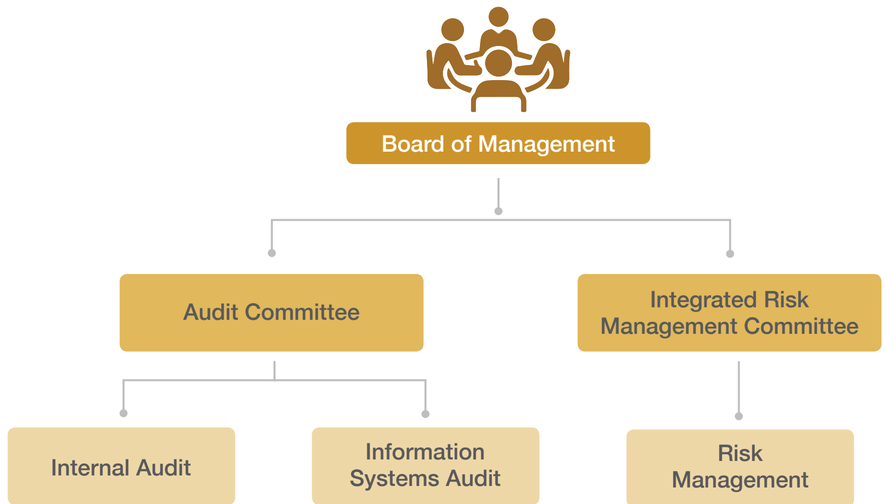
Name of Director	04.03.2021
Mr. M D D Pieris (Committee Chairman)	√
Mr. W D K Jayawardena	√
Mrs. K U Amarasinghe	√

ENTERPRISE RISK MANAGEMENT

LOLC Holdings PLC (LOLC) is a diversified conglomerate which has its foot print on both foreign and local soil. Its foreign operations mainly cover the sectors of Finance, Leisure and plantation while the domestic operations are concentrated on Finance, Insurance, Leisure, Plantation, Manufacturing, Construction, Renewable energy, Agri machinery and electronic goods. Aforesaid combinations require us to have a very dynamic strategy towards risk management. In addition, operations in regulated sectors require compliance to sector specific risk management bench marks which brings up complexities at group level and it is vital that a right structure is identified considering the complexities and strategic value of the investments involved. Therefore, the risk management strategy identified is full active involvement in regulated sectors and in organisations which has a significant impact to consolidated performance or to investments and considering the less significant sectors/ organisations to consolidated group level performance as a cluster. However, given the significance of changes due to the dynamic nature of operations and investments, the risk management strategy is fully adoptative to such changes.

The domestic regulated sectors mainly consist of the finance companies and insurance companies and given the regulatory requirements on risk management activities and structures; all companies in this sectors have a permanent operational presence of risk management while the leisure and plantation sectors are driven by its internal requirements and governance requirements. Therefore risk management under the operational perspective has its own risk management units while organisations which fall under the investment perspective are considered for risk management on impacts to the investments. Deploying of audit resources too follow the same principle and this allows LOLC to effectively deploy resources which comes under enterprise risk management, For group level risk management the risks arising from organisations considered under the operational perspective are categorised at sector level while for the organisations categorised under the investment perspective risks are considered as anything which could impact the strategic value of the investment.

Enterprise Risk Management (ERM) at LOLC group is an independent function driven by the board of management via the integrated risk management committee (IRMC) and the audit committee. The enterprise risk management department is a combination of Risk & Audit functions (both internal audit and information systems audit) and this unit reports to the board appointed IRMC or Audit committee as appropriate thus ensuring uninfluenced and un-bias reporting of all risk & audit related information to the board of management. This operational structure is adopted right across the group and allows us to ensure uniformity and rapid adaptation of any risk management or audit initiatives across the group structures with minimum lead time. The close collaboration & synergy between Risk and Audit functions assuers 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 reliably.



APPROACH TO RISK IDENTIFICATION AND MANAGEMENT

A seamless information flow with regard to the risk related information is maintained between the entity level risk management units and the group risk officers in order to identify emerging sector level risks on a timely manner. Such identified risk are analysed for group level impact and reported to the LOLC holding's board of management in order for them to have an overall view of the risk landscape across the group . In addition, the sector level risks identified by the group risk function is communicated to the CEOs of the relevant organisation for necessary action and for the entity level risk officers for proper follow up and to appraise the board of management of each entity. It is the responsibility of the individual companies to manage the risks as per the risk appetites /limits set by the respective boards while the group risk management plays a consultative and advisory function.

Enterprise Risk Management at LOLC strives to realise its vision in risk management ; " Building an organisational Culture where Protection, Assurance, Reliability, Accountability, Transparency and Confidentiality are treasured and lasting values in line with the same we work to inculcate a controlled culture at LOLC by way of continuous engagements with various stake holders via training and awareness sessions thus enabling the employees to identify risks in a timely manner and initiate the appropriate risk response.

INTERNAL AUDIT

The group internal audit reviews are focused on the evaluation of the effectiveness of internal control framework for risk mitigation and are conducted to have a reasonable assurance that the entities with significant impact to the group have adequate internal controls. 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 customer feedback lines are operated by the enterprise risk management unit and all information received via these lines are treated confidentially. All Such information are followed up until resolution. This ensures the availability of a mechanism for both the employees and customers to highlight exceptions or irregularities.

THE CHALLENGES AHEAD

The COVID-19 pandemic is unprecedented in the history of our corporates and poses significant challenges to risk management. All sectors are affected in varying degrees while some sectors have shown resilience and indicate signs of early recovery. However repeated lockdowns and travel restrictions have a significant impact on all sectors and the return to operational normalcy depend on the effectiveness of the pandemic control strategies of the respective countries our entities have exposures.

The main challenges faced by the group are three fold and consists of continuation of the operations during the pandemic, Absorbing the impacts and planning for the future. The continuation of operations were managed successfully as the group level technological infrastructure facilitated working remotely. Hence coupled with roster-based staff shifts and bio bubble staff groups enabled us to maintain the required level of critical operations. The main impacts are felt by the financial sector and the leisure sector while the plantation sector managed to function as no restrictions were imposed. The impact to the finance sector is expected to come due to deterioration of the asset quality .However we are confident that the impact can be absorbed due to the relief measures adopted by the government combined with prudent provisioning policies and maintenance of capital levels well above regulatory requirements by all our finance sector companies .The leisure sector is globally

ENTERPRISE RISK MANAGEMENT

affected and during the pandemic integration into COVID-19 relief operations allowed the leisure sector to reduce the impact levels and currently are poised well to initiate operations with the opening of the tourist sector and the country when the required vaccination levels are achieved by the health authorities of Sri Lanka.

RISK PROFILE

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

Sector	Current Risk Levels	Expected Risk Levels
Financial	High	Medium
Insurance	Low	Low
Plantation	Medium	Low
Leisure	High	Medium
Manufacturing	Medium	Medium
Consumer Electronics	Medium	Medium
Renewable Energy	Low	Low
Agri Mechanical	Low	Low

UNPARALLELED VALUE

AT LOLC HOLDINGS WE ARE DRIVEN BY A VISION TO PURSUE A PATH OF VALUE IN ORDER TO DELIVER ENDURING VALUE TO EVERY STAKEHOLDER.

FINANCIAL CALENDAR

1st Quarter Results 2020/2021 released on	26th August 2020
2nd Quarter Results 2020/2021 released on	16th November 2020
3rd Quarter Results 2020/2021 released on	15th February 2021
4th Quarter Results 2020/2021 released on	31st May 2021
Annual Report for 2020/2021 released in	August 2021
42nd Annual General Meeting in	24th September 2021
PROPOSED FINANCIAL CALENDAR 2020/21	
1st Quarter Results 2021/2022 released on	13th August 2021
2nd Quarter Results 2021/2022 will be released on	15th November 2021
3rd Quarter Results 2021/2022 will be released on	15th February 2022
4th Quarter Results 2021/2022 will be released on	31st May 2022
Annual Report for 2021/2022 will be released in	August 2022
43rd Annual General Meeting in	September 2022

FINANCIAL STATEMENTS

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of LOLC Holdings PLC and the Consolidated Financial Statements of the Group as at 31st March 2021 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by CA Sri Lanka;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka;
- Finance Companies regulations and directions issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011;
- Any other regulatory compliance relating to financial reporting of each industry and geographical locations LOLC has a presence.

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 the change mentioned in note 2.12 and note 27 in the financial statements. For all periods up to and including the year ended 31 March 2021, 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.

LOLC Holdings PLC and its Consolidated 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 August 2021

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the auditors, in relation to the financial statements prepared in accordance with the provision of the Companies Act No. 7 of 2007, is set out in the Report of the Auditors.

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.

These control measures are reviewed, evaluated and updated on an ongoing basis. Reasonable assurances that the established policies and procedures of the Company have been consistently followed were provided by periodic audits conducted by Group's internal auditors. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits and to discuss auditing, internal control and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

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 Financial Statements were audited by independent external auditors, Messers Ernst & Young, Chartered Accountants. Their report is given on pages 119 to 123 of the Annual Report.

Mr. Kapila Jayawardena
Group Managing Director/CEO

30th August 2021

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
Chartered Accountants
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Sri Lanka

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APAG/RM/LDPC/JJ

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LOLC HOLDINGS PLC

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 2021, 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 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Key Audit Matter	How our audit addressed the key audit matter
Impairment allowance for advances and other loans and finance lease receivables and operating leases ("Loans and receivables"): As at 31 March 2021, 48% of its total assets of the Group consisted of loans and receivables, net of impairment allowance amounting to Rs. 424 Bn (Note 20 and 21). As described in notes 3.4.3 and 9, impairment allowance on such financial assets carried at amortised cost is determined in accordance with Sri Lanka Accounting Standard – SLFRS 9 Financial Instruments (SLFRS 9).	We assessed the alignment of the Group's expected credit loss computations and underlying methodology with the requirements of SLFRS 9 with consideration of COVID 19 impacts and related industry responses based on the best available information up to the date of our report. Our audit procedures included amongst others with the involvement of the component auditors where required. • We evaluated the design effectiveness of controls where relevant over estimation of impairment of loans and receivables, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management. • We checked the completeness and accuracy of the underlying data used in the computations by agreeing significant details to source documents and accounting records of the Group. • We checked the underlying calculations. • In addition to the above, following focused procedures were performed.

Key Audit Matter	How our audit addressed the key audit matter
This was a key audit matter due to: • materiality of the reported impairment allowance which involved spread sheets calculations; and • the degree of assumptions, judgements and estimation uncertainties associated with the calculations. Key areas of significant judgements, estimates and assumptions used by management in the assessment of the impairment allowance included the following: • the probable impacts of COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the group); • forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impacts from COVID-19 that may impact future expected credit losses.	For loans and receivables individually assessed for impairment: - Assessing the appropriateness of the criteria used by the management to determine whether there are any indicators of impairment; and - Evaluating the reasonableness of the provisions made with particular focus on the impact of COVID-19 on elevated risk industries, strategic responsive actions taken, collateral values, and the value and timing of future cashflows. For loans and receivables collectively assessed for impairment: - Assessing the reasonableness of assumptions and estimates used by management including the reasonableness of forward-looking information and scenarios; and - As relevant, assessing the basis for and data used by management to determine overlays in consideration of the probable effects of the COVID-19 pandemic. • We assessed the adequacy of the related financial statement disclosures as set out in notes 3.4.3,9,20 and 21.
Impact of moratoriums and other relief measures on recognition of interest income: Moratoriums and other relief measures were granted by the Group to customers affected by the COVID – 19 Pandemic. Impact of moratoriums and other relief measures on the recognition of interest income on loans and receivables was a key audit matter due to: • Significant judgments that were applied in determining whether such moratoriums and other relief measures have resulted in substantial modifications or not, to contracts with customers. • Use of spread sheet-based calculations by management to quantify the impacts of such moratoriums and other relief measures on the amount of revenue recognised for the period.	**Our audit procedures included the following with the involvement of the component auditors where required;** • We gained an understanding of the process adopted by the Group to grant, record and account for moratoriums and other relief measures provided to customers. • We assessed the reasonableness of judgements applied by management in determining whether moratoriums and other relief measures have resulted in substantial modifications or not, to customer contracts. This included evaluating whether interest income on modified contracts have been recognised in line with its accounting policy for interest income recognition. • We checked the arithmetic accuracy of underlying spread sheet-based calculations. Our procedures included testing the completeness and accuracy of the data used in such spread sheet-based calculations, by agreeing to source documents and moratorium customer returns.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
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Valuation of significant non – current assets

The Group as of reporting date carried the following significant non-current assets at fair value. These assets accounted for 15% of total assets of the Group.

- Land and Buildings of Rs. 66.2 Bn classified under Property, Plant & Equipment
- Investment Properties of Rs. 46.2 Bn and;
- Right of Use Assets relating to leasehold land amounting to Rs. 18.9Bn

Valuation of these significant non-current assets was a key audit matter due to:

- materiality of the amounts reported
- the degree of assumptions, judgements and estimation uncertainties associated with the valuations amplified by the impact of the COVID-19 pandemic.
- impacts of COVID -19 on the leisure and entertainment segment have been considered a trigger for testing impairment of related Non-Current Assets

Key areas of significant assumptions, judgments and estimates included the following:

- estimate of per perch value of the land and per square foot value of the buildings.
- capitalisation rate for Right of Use Assets relating to Leasehold Land.

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Our audit procedures included the following with the involvement of the component auditors where require;

- We evaluated the competence, capability and objectivity of the external valuers engaged by the Group.
- We read the reports of the external valuers and understood the key estimates made and the approaches taken by the valuers in determining the valuations of land & buildings, investment properties and right of use assets.
- We checked the underlying calculations and cross checked the data to relevant accounting records to evaluate their reasonableness.
- We engaged our internal specialised resources to assist us in assessing the appropriateness of the valuation techniques used and the reasonableness of the significant assumptions, judgements and estimates such as per perch price, value per square foot and capitalisation rate.
- we assessed the reasonableness of management's impairment assessment of significant non – current assets in the leisure and entertainment segment of the Group by evaluating the fair values estimated of such assets.
- We also assessed the adequacy of the disclosures made in notes 27,28 and 35 to the financial statements.

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Divestment of subsidiary and accounting for the remaining equity stake

As disclosed in note 18.3, the Group entered into an agreement to divest 70% of its equity stake in its subsidiary, PRASAC Micro Finance Institution Limited in Cambodia. This divestment resulted in a disposal gain of Rs.42.9 Bn relating to the sale of a stake of 49% while the remaining equity stake of 21% has been classified as fair value through profit or loss and carried at Rs. 39.1 Bn.

The divestment of the subsidiary coupled with the accounting for the remaining equity stake was a key audit matter due to:

- The significance of the transaction and the related amounts reported.
- Management use of judgements in accounting for the remaining equity stake as disclosed in note 18.3.

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Our audit procedures included the following;

- We read the Shareholders' Agreement in connection with the divestiture and obtained an understanding of the key contractual terms that are relevant to account for the divestment and the remaining equity stake.
- We checked the underlying calculations of the recognised gain arising from the transaction.
- We evaluated the reasonableness of the significant management judgments used by the Management in accounting for the remaining equity stake and its carrying value.
- We assessed the adequacy of the related financial statement disclosures as set out in notes 18.3 and 31.7.1 to the financial statements.

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INDEPENDENT AUDITOR'S REPORT

Other information included in the Group's 2021 Annual Report

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

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

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

Responsibilities of 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 August 2021

Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Assets					
Cash in hand and favourable bank balances	17.1	58,233,361	56,135,056	1,698,848	1,611,459
Trading assets - fair value through profit or loss	18	54,009,659	6,639,075	4,898,917	263,429
Investment securities	19	67,241,121	49,289,886	17,497,242	3,261,861
Assets directly associated with the assets held for sale and discontinued operations	52	4,794	630,111,845	-	-
Financial assets at amortised cost/ Finance lease receivables and operating leases	20	60,832,278	58,101,503	2,381	2,440
Financial assets at amortised cost/ Advances and other loans	21	362,954,556	331,358,634	9,215,716	5,510,840
Insurance premium receivables	22	1,521,396	1,530,695	-	-
Inventories	23	9,569,013	7,208,772	280,255	380,379
Current tax assets	24	1,750,335	2,051,283	229,275	198,824
Trade and other current assets	25	24,596,286	19,147,150	32,820,827	32,995,281
Prepaid lease rentals on leasehold properties	26	-	-	-	-
Right of use assets	27	22,232,060	8,844,199	574,131	642,362
Investment properties	28	46,202,228	31,723,414	1,064,850	1,017,250
Biological assets;					
Consumable biological assets	29	4,007,383	3,642,998	-	-
Bearer biological assets	30	2,423,963	2,144,552	-	-
Investments in group of companies;					
Subsidiary companies	31	-	-	92,504,806	90,943,740
Equity accounted investees	32	23,766,575	21,262,046	4,666,193	4,227,113
Deferred tax assets	33.1	1,635,625	1,259,639	-	-
Intangible assets	34	4,145,330	3,741,289	336,810	413,539
Property, plant and equipment	35	129,817,565	101,726,889	5,320,318	4,772,440
Total assets		874,943,528	1,335,918,924	171,110,570	146,240,958

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Liabilities and equity					
Liabilities					
Bank overdrafts	17.2	4,130,481	4,022,416	587,043	1,039,522
Trading liabilities - fair value through profit or loss	36	-	114,349	-	-
Liabilities directly associated with the assets held for sale and discontinued operations	52	-	533,937,982	-	-
Financial liabilities at amortised cost/ Deposits liabilities	37	263,592,537	220,985,129	-	-
Financial liabilities at amortised cost/ Interest bearing borrowings	38	315,609,582	323,027,082	105,175,385	95,412,795
Insurance provision - life	39.1	5,423,423	4,283,247	-	-
Insurance provision - general	39.2	4,737,157	4,358,359	-	-
Current tax payables	40	7,240,881	5,250,922	694,370	660,323
Trade and other payables	41	29,127,290	20,340,533	7,023,207	1,390,054
Deferred tax liabilities	33.3	7,650,172	5,010,253	711,023	384,999
Deferred income	42	143,175	161,509	-	-
Retirement benefit obligations	43	2,020,562	1,850,445	304,986	320,392
Total liabilities		639,675,260	1,123,342,226	114,496,015	99,208,085
Equity					
Stated capital	44	475,200	475,200	475,200	475,200
Reserves	45	40,593,434	28,790,432	11,439,802	10,680,953
Retained earnings	46	97,388,049	63,267,075	44,699,552	35,876,720
Equity attributable to shareholders of the Company		138,456,683	92,532,707	56,614,554	47,032,873
Non-controlling interests		96,811,585	120,043,991	-	-
Total equity		235,268,268	212,576,698	56,614,554	47,032,873
Total liabilities & equity		874,943,528	1,335,918,924	171,110,570	146,240,958

The accounting policies and notes as set out in pages 143 to 369 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 August 2021, Rajagiriya (Greater Colombo)

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Continuing operations					
Gross income	4	160,481,846	130,441,678	25,077,001	9,243,797
Interest income	4.1	89,330,200	81,299,986	5,636,494	3,904,229
Interest expenses	6	(49,318,958)	(54,851,694)	(9,507,935)	(10,669,704)
Net interest income/ (expenses)		40,011,242	26,448,292	(3,871,441)	(6,765,475)
Revenue	4.2	33,026,926	24,944,735	2,530,699	2,480,478
Cost of sales		(23,105,187)	(17,139,918)	(2,457,398)	(2,315,799)
Gross profit		9,921,739	7,804,817	73,301	164,679
Income	4.3	18,815,735	14,200,638	1,958,500	3,727,614
Other income/(expenses)	5	19,308,985	9,996,319	14,951,308	(868,524)
Profit/(loss) before operating expenses		88,057,701	58,450,066	13,111,668	(3,741,706)
Operating expenses					
Direct expenses excluding finance expenses	7	(7,069,044)	(7,953,138)	(12,644)	(4,427)
Personnel expenses	8	(19,587,317)	(16,795,392)	(1,108,309)	(1,259,400)
Net impairment loss on financial assets	9	(29,733,185)	(17,223,797)	(5,998)	(83,268)
Depreciation and amortisation	10	(4,807,043)	(4,123,926)	(748,612)	(732,379)
Other operating expenses	11	(15,021,486)	(15,976,699)	(2,171,681)	(3,272,841)
Results from operating activities	12	11,839,626	(3,622,886)	9,064,424	(9,094,021)
Share of profits of equity accounted investees, net of tax	13.1	1,216,388	1,019,970	-	-
Results on acquisition and divestment of group investments	14	44,078,681	5,979,044	-	-
Profit/ (loss) before tax expense from continuing operations		57,134,695	3,376,128	9,064,424	(9,094,021)
Income tax expense	15	(3,902,163)	(2,563,759)	(275,988)	(118,834)
Profit/ (loss) for the year from continuing operations		53,232,532	812,369	8,788,436	(9,212,855)

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Discontinued operations					
Profit/(loss) after tax for the year from discontinued operations and assets held for sale	52	(36,684)	18,979,489	-	-
Profit/ (loss) for the year		53,195,848	19,791,858	8,788,436	(9,212,855)
Profit/ (loss) attributable to; (Continuing operations)					
Equity holders of the company		28,062,644	4,127,279	8,788,436	(9,212,855)
Non-controlling interests		25,169,888	(3,314,910)	-	-
		53,232,532	812,369	8,788,436	(9,212,855)
Profit attributable to; (Discontinued operations)					
Equity holders of the Company		(21,944)	6,766,717	-	-
Non-controlling interests		(14,740)	12,212,772	-	-
		(36,684)	18,979,489	-	-
Profit attributable to;					
Equity holders of the Company		28,040,700	10,893,996	8,788,436	(9,212,855)
Non-controlling interests		25,155,148	8,897,862	-	-
		53,195,848	19,791,858	8,788,436	(9,212,855)

The accounting policies and notes as set out in pages 143 to 369 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 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Profit/ (loss) for the year		53,195,848	19,791,858	8,788,436	(9,212,855)
Other comprehensive income					
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:					
Revaluation surplus of property, plant and equipment					
Revaluation of property, plant and equipment		26,366,122	1,129,021	501,998	-
Transfer on Impairment		-	(679,190)	-	(679,190)
Related tax	15.9	(2,573,338)	-	(110,850)	-
Defined benefit plan actuarial gains / (losses)					
Re-measurement of defined benefit liabilities	43	142,554	(218,369)	45,256	66,351
Related tax	15.9	(42,395)	47,887	(10,860)	(18,578)
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		364,063	41,309	400,202	-
Related tax	15.9	68,833	(68,501)	(71,818)	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	337,551	244,964	-	-
Net other comprehensive income not to be reclassified to income statement in subsequent periods		24,663,390	497,121	753,928	(631,417)
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods:					
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		36,061	64,733	-	-
Related tax	15.9	20	120	-	-
Foreign currency translation differences for foreign operations					
Exchange gain/ (losses) from translation of foreign operations		9,224,476	9,399,732	-	-
Transfer of translation reserve on disposed foreign Subsidiary		(4,623,648)	-	-	-

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Fair value differences on cash flow hedges					
Net movement in cash flow hedges		60,433	(54,045)	-	-
Net change in costs of hedging		123,401	(53,125)	-	-
Related tax	15.9	(36,829)	30,008	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	548,350	504,596	-	-
Net other comprehensive income to be reclassified to income statement in subsequent periods		5,332,264	9,892,019	-	-
Total other comprehensive income/ (expense) for the year, net of tax		29,995,654	10,389,140	753,928	(631,417)
Total comprehensive income for the year, net of tax		83,191,502	30,180,998	9,542,364	(9,844,272)
Total comprehensive income attributable to;					
Equity holders of the Company		38,160,673	14,990,891	9,542,364	(9,844,272)
Non-controlling interests		45,030,829	15,190,106	-	-
		83,191,502	30,180,997	9,542,364	(9,844,272)
Basic earnings/ (loss) per share	16.1				
Basic, profit/ (loss) for the year attributable to ordinary equity holders of the parent		59.01	22.93	18.49	(19.39)
Diluted, profit/ (loss) for the year attributable to ordinary equity holders of the parent		59.01	22.93	18.49	(19.39)
Earnings/ (loss) per share for continuing operations					
Basic, profit/ (loss) from continuing operations attributable to ordinary equity holders of the parent		59.05	8.69	18.49	(19.39)
Diluted, profit/ (loss) from continuing operations attributable to ordinary equity holders of the parent		59.05	8.69	18.49	(19.39)

The accounting policies and notes as set out in pages 143 to 369 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY - COMPANY

	Note	Stated Capital Rs.'000
Balance as at 31 March 2019		475,200
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		-
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		-
Total other comprehensive income/(expense) for the period		-
Total comprehensive income/(expense) for the period		-
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 2020		475,200

	Equity attributable to the shareholders of the Company					
	Revaluation Reserve	Fair Value Reserve	Future Taxation Reserve	Merger/ Amalgamation Reserve	Retained Earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	2,715,503	(92,223)	205,000	(115,592)	45,041,802	48,229,690
	-	-	-		(9,212,855)	(9,212,855)
	(679,190)	-	-		-	(679,190)
	-	-	-	-	66,351	66,351
	-	-	-	-	(18,578)	(18,578)
	-	-	-	-	-	-
	(679,190)	-	-	-	47,773	(631,417)
	(679,190)	-	-	-	(9,165,082)	(9,844,272)
	-	-	-	8,647,455	-	8,647,455
	-	-	-	8,647,455	-	8,647,455
	2,036,313	(92,223)	205,000	8,531,863	35,876,720	47,032,873

STATEMENT OF CHANGES IN EQUITY - COMPANY

	Note	Stated Capital
		Rs.'000
Balance as at 01 April 2020		475,200
Total comprehensive income for the period		
Profit for the year		-
Other comprehensive income		
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:		
Revaluation surplus		-
Related tax		-
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		-
Total other comprehensive income for the period		-
Total comprehensive income for the period		-
Other movements of equity		
Amalgamation Gain/(loss)		
Total other movements		-
Balance as at 31 March 2021		475,200

The accounting policies and notes as set out in pages 143 to 369 form an integral part of these financial statements.

Figures in brackets indicate deductions.

	Equity attributable to the shareholders of the Company					
	Revaluation Reserve	Fair Value Reserve	Future Taxation Reserve	Merger/ Amalgamation Reserve	Retained Earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	2,036,313	(92,223)	205,000	8,531,863	35,876,720	47,032,873
	-	-	-	-	8,788,436	8,788,436
	501,998	-	-	-	-	501,998
	(110,850)	-	-	-	-	(110,850)
	-	-	-	-	45,256	45,256
	-	-	-	-	(10,860)	(10,860)
		400,202				400,202
	-	(71,818)	-	-	-	(71,818)
	391,148	328,384	-	-	34,396	753,928
	391,148	328,384	-	-	8,822,832	9,542,364
				39,317		39,317
	-	-	-	39,317	-	39,317
	2,427,461	236,161	205,000	8,571,180	44,699,552	56,614,554

STATEMENT OF CHANGES IN EQUITY - GROUP

	Note	Stated Capital	Revaluation Reserve
		Rs.' 000	Rs.' 000
Balance as at 01 April 2019		475,200	8,891,827
Total comprehensive income for the period			
Profit for the period from continuing operations		-	-
Profit for the period from discontinuing 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		-	721,932
Transfer upon disposal		-	(4,480)
Transfer upon impairment		-	(679,190)
Re-measurement of defined benefit liabilities	42	-	-
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
Net Other comprehensive income that will never be reclassified to profit or loss in subsequent periods		-	76,656
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		-	-
Net change in costs of hedging		-	-
Related tax	15.9	-	-
Share of other comprehensive income of equity accounted investees (net of tax)		-	-
Net Other comprehensive income that will never be reclassified to profit or loss in subsequent periods		-	-
Total other comprehensive income for the period		-	76,656
Total comprehensive income for the period		-	76,656

Equity attributable to the shareholders of the Company								
Cash Flow Hedge Reserve	Fair Value Reserve	Translation Reserve	Future Taxation Reserve	Statutory Reserve Fund and Other Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
(98,127)	(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)
-	-	-	-	-	(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
-	43,425	-	-	-	(48,777)	71,304	425,817	497,121
-	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)	-	-	-	-	-	(53,591)	(454)	(54,045)
(43,345)	-	-	-	-	-	(43,345)	(9,780)	(53,125)
27,142	-	-	-	-	-	27,142	2,866	30,008
(18,672)	491,608	2,557	-	-	-	475,493	29,102	504,595
(88,466)	552,447	3,561,610	-	-	-	4,025,591	5,866,427	9,892,018
(88,466)	595,872	3,561,610	-	-	(48,777)	4,096,895	6,292,244	10,389,139
(88,466)	595,872	3,561,610	-	-	10,845,219	14,990,891	15,190,106	30,180,997

STATEMENT OF CHANGES IN EQUITY - GROUP

	Note	Stated Capital Rs.' 000	Revaluation Reserve Rs.' 000
Transactions with owners directly recorded in the Equity			
Transactions due to changes in group holding			
Non-controlling interests recognised on acquisition of subsidiaries	30.7	-	-
NCI contribution for subsidiary share issues	30.8	-	-
Acquisition of non-controlling interests	30.7	-	-
Disposal of subsidiaries		-	-
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		-	
Net transfers to / (from) statutory reserve fund		-	-
Total other movements		-	-
Balance as at 31 March 2020		475,200	8,968,483
Balance as at 01 April 2020		475,200	8,968,483
Total comprehensive income for the period			
Profit for the period from continuing operations		-	-
Profit for the period from discontinuing 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	-	11,275,912
Related tax	15.9	-	(1,310,139)
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)	32.7	-	252,464
Net Other comprehensive income that will never be reclassified to profit or loss in subsequent periods		-	10,218,237

Equity attributable to the shareholders of the Company								
Cash Flow Hedge Reserve	Fair Value Reserve	Translation Reserve	Future Taxation Reserve	Statutory Reserve Fund and Other Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
-	-	-	-	-	-	-	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)	-	-	-
(186,593)	58,047	8,017,646	205,000	11,727,849	63,267,075	92,532,707	120,043,991	212,576,698
(186,593)	58,047	8,017,646	205,000	11,727,849	63,267,075	92,532,707	120,043,991	212,576,698
-	-	-	-	-	28,062,644	28,062,644	25,169,888	53,232,532
-	-	-	-	-	(21,944)	(21,944)	(14,740)	(36,684)
-	-	-	-	-	761	11,276,673	15,089,449	26,366,121
-	-	-	-	-	-	(1,310,139)	(1,263,199)	(2,573,338)
-	-	-	-	-	94,924	94,924	47,630	142,554
-	-	-	-	-	(34,297)	(34,297)	(8,098)	(42,395)
-	396,002	-	-	-	-	396,002	(31,939)	364,063
-	48,522	-	-	-	-	48,522	20,311	68,833
-	226,644	-	-	-	(185,840)	293,268	44,283	337,551
-	671,168	-	-	-	(124,452)	10,764,953	13,898,437	24,663,391

STATEMENT OF CHANGES IN EQUITY - GROUP

	Note	Stated Capital Rs.' 000	Revaluation Reserve Rs.' 000
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		-	-
Transfer of translation reserve on disposed foreign Subsidiary		-	-
Net movement in cash flow hedges		-	-
Net change in costs of hedging		-	-
Related tax	15.9	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	32.7	-	-
Net Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods		-	-
Total comprehensive income for the period		-	10,218,237
Transactions with owners directly recorded in the Equity			
Contributions by and distributions to owners			
Shares Issued - Private Placements		-	-
Dividend forfeited during the period		-	-
Buy Back to NCI		-	-
Total contribution by / (distributions to) owners of the Company		-	-
Transactions due to changes in group holding			
Disposal of Subsidiaries		-	-
Recognition of NCI on Acquisition of subsidiary		-	-
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 2021		475,200	19,186,720

The accounting policies and notes as set out in pages 143 to 369 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Equity attributable to the shareholders of the Company								
Cash Flow Hedge Reserve	Fair Value Reserve	Translation Reserve	Future Taxation Reserve	Statutory Reserve Fund and Other Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
-	35,332	-	-	-	-	35,332	729	36,061
-	20	-	-	-	-	20	-	20
-	-	4,558,820	-	-	-	4,558,820	4,665,656	9,224,476
-	-	(4,623,648)	-	-	-	(4,623,648)	-	(4,623,648)
59,986	-		-	-	-	59,986	447	60,433
102,040	-		-	-	-	102,040	21,361	123,401
(33,494)	-		-	-	-	(33,494)	(3,335)	(36,829)
12,151	485,262	21,750	-	-	-	519,163	29,187	548,350
140,683	520,614	(43,078)	-	-	-	618,219	4,714,045	5,332,264
140,683	1,191,782	(43,078)	-	-	27,916,248	39,423,872	43,767,630	83,191,503
-	-	-	-	-	-	-	10,103,717	10,103,717
-	-	-	-	-	-	-	17,600	17,600
-	-	-	-	-	-	-	(34,028,703)	(34,028,703)
-	-	-	-	-	-	-	(23,907,386)	(23,907,386)
-	-	-	-	-	-	-	(25,316,279)	(25,316,279)
-	-	-	-	-	-	-	2,256,141	2,256,140
-	-	-	-	-	6,500,108	6,500,108	(20,032,519)	(13,532,409)
-	-	-	-	-	6,500,108	6,500,108	(43,092,658)	(36,592,548)
-	-	-	-	-	6,500,108	6,500,108	(67,000,044)	(60,499,934)
-	-	-	-	295,382	(295,382)	-	-	-
-	-	-	-	295,382	(295,382)	-	-	-
(45,910)	1,249,829	7,974,568	205,000	12,023,231	97,388,049	138,456,683	96,811,585	235,268,268

STATEMENT OF CASH FLOWS

ACCOUNTING POLICY
The Cash Flow Statement has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the LKAS 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.

		GROUP		COMPANY	
For the year ended 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax expense from continuing operations		57,134,695	3,376,128	9,064,424	(9,094,021)
Profit/(loss) before tax from discontinued operations		(36,684)	23,749,036	-	-
Profit before tax		57,098,011	27,125,164	9,064,424	(9,094,021)
Adjustments for:					
Profit on sale of property, plant and equipment	5	(202,056)	(98,652)	(55,487)	(30,767)
Depreciation and amortisation	10	3,842,581	3,938,939	610,500	612,356
Amortisation of right of use asset	27	964,462	1,310,535	138,111	120,023
Insurance provision		1,518,973	1,464,218	-	-
Change in fair value of forward contracts	5	(1,064,419)	(1,507,651)	-	-
Provision for gratuity	43.1	428,260	962,098	66,109	69,479
Net impairment (loss) / reversal on financial assets	9	29,733,185	19,348,265	(47,450)	221,260
Provision for fall/(increase) in value of investments	5	(5,470,178)	(593,994)	(56,859)	22,306
Investment Income		(5,815,778)	(3,934,610)	(117,134)	(11,436)
Net finance costs	6	49,318,958	86,869,725	3,871,441	6,765,477
(Profit)/loss on sale of quoted and non-quoted shares	5	(270,374)	407,812	(12,016,130)	2,531,552
Foreign exchange gain / (loss)	5	(745,241)	1,620,217	-	-
Share of profits of equity accounted investees	13.1	(1,216,388)	(1,019,970)	-	-
Results on acquisition and divestment of group investments	14 / 31.5	(44,078,683)	(5,979,044)	-	-
(Gain)/ Loss on fair value of consumer biological assets	29.1	(560,453)	136,816	-	-
Change in fair value of investment properties	28	(3,936,831)	(3,915,140)	(47,600)	(27,933)
Amortisation of deferred income	42	(7,633)	(7,033)	-	-
Provision/ (reversal) for slow moving inventories	23.1	(210,445)	482,825	-	-
Sale of timber	25.1.1	(560)	(71,134)	-	-
Impairment loss on biological assets & PPE		16,991	205,788	-	-
Operating profit before working capital changes		79,342,382	126,745,173	1,409,925	1,178,296

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Working capital changes					
Increase/(decrease) in trade and other payables		4,246,586	2,028,656	4,956,506	(1,374,216)
(Increase)/decrease in investment in leases, hire purchase and others		(6,261,490)	(2,981,688)	59	847
(Increase)/decrease in investment in advances and other loans		(49,349,086)	(204,753,695)	(3,741,237)	(3,034,688)
(Increase)/decrease in premium receivables		13,565	(303,188)	-	-
(Increase)/decrease in inventories		(2,119,417)	128,815	100,123	(39,390)
(Increase)/decrease in trade and other receivables		(549,819)	3,224,098	1,012,691	(15,439,576)
Increase/(decrease) in customer deposits		39,256,918	111,867,426	-	-
Cash generated from operations		64,579,637	35,955,597	3,738,067	(18,708,727)
Finance cost paid		(50,372,896)	(85,359,280)	(8,875,883)	(9,703,224)
Income tax and Economic Service Charge paid		(3,791,137)	(9,220,755)	(139,897)	(174,570)
Defined benefit plan costs paid	43	(193,909)	(744,841)	(36,258)	(26,663)
Net cash from/(used in) operating activities		10,221,695	(59,369,279)	(5,313,971)	(28,613,184)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment in subsidiary companies		-	-	(15,578,914)	(17,594,527)
Net cash and cash equivalents on acquisition of subsidiary	30.6.1.5	(694,165)	(4,520,049)	253	146
Net cash and cash equivalents on further acquisition of subsidiary		(13,532,409)	-	-	-
Disposal of associates	32.5	1,282,064	-	(439,080)	(713,112)
Net cash and cash equivalents received on disposal of subsidiary		(23,288,264)	1,597,438	25,486,205	9,987,724
Investment in equity accounted investees	32.6	(826,572)	(1,433,295)	-	-
Acquisition of Investment properties	28	(12,162,357)	(2,272,955)	-	(712,382)
Acquisition of PPE	35	(4,952,319)	(9,523,433)	(615,401)	242,918
Prepayment of lease rentals		(701,933)	(1,648,354)	(69,881)	(642,361)
Acquisition / (Disposal) of intangible assets	34.5	(206,869)	(278,264)	(39,773)	(65,078)
Net additions to trading assets		(8,240,049)	2,979,685	(8,819,776)	11,043,835
Net additions to investment securities		(15,914,696)	69,245,407	(9,716,994)	784,597
Proceeds from the disposal of PPE		1,061,710	450,089	130,980	104,112
Investment income received	5	4,088,682	3,561,380	5,636,494	3,904,228
Dividend received	5	243,492	93,097	117,134	11,436
Net additions of biological assets	30	(553,452)	(612,911)	-	-
Sale of Consumable Biological assets	29	221,536	-	-	-
Net cash flow from investing activities		(74,175,600)	57,637,835	(3,908,753)	6,351,536

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
CASH FLOW FROM FINANCING ACTIVITIES					
Net cash proceeds /(Repayments) from short term borrowings		5,708,902	67,845,749	(12,697,147)	26,613,191
Principal repayment under finance lease liabilities	38.2.2	(921,988)	(413,087)	(34,806)	(37,702)
Proceeds from long term borrowings	38.3	83,891,686	118,584,523	17,213,543	201,021
Repayments of long term borrowings	38.3	(110,880,367)	(92,836,408)	(4,727,158)	(1,913,225)
Issue / (repayment) of debentures		10,415,073	(5,786,850)	10,019,089	-
Net increase/(decrease) Operating Lease Payable on ROU Assets		-	-	(10,929)	653,848
Receipt of deferred income	42	5,429	14,887	-	-
NCI contribution to subsidiary share issues	31.9	10,103,717	2,614,250	-	-
Redemption non-controlling interests		(34,028,703)	-		-
Acquisition of non-controlling interests		-	(103,549)	-	-
Net cash generated from financing activities		(35,706,251)	89,919,515	9,762,592	25,517,133
Net increase/(decrease) in cash and cash equivalents during the year		(99,660,156)	88,188,071	539,868	3,255,485
Cash and cash equivalents at the beginning of the year		153,763,036	65,574,965	571,937	(2,683,548)
Cash and cash equivalents at the end of the year		54,102,880	153,763,036	1,111,805	571,937
Analysis of cash and cash equivalents at the end of the year					
Cash in Hand and Favourable Bank Balances		58,233,361	157,785,673	1,698,848	1,611,459
Unfavourable Bank Balances used for cash management purposes		(4,130,481)	(4,022,637)	(587,043)	(1,039,522)
		54,102,880	153,763,036	1,111,805	571,937

The accounting policies and notes as set out in pages 143 to 369 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 2021 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

1.2.1 Company

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

1.2.2 Group

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 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 in the note no 31.3 and 32 of the 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 31st 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.

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 Notes no 3 on pages 148 to 369.

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 55 (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 which are measured on an alternative basis on each reporting date,

Items	Basis of measurement	Note No/s	Page/s
Fair value through profit and loss	Fair value	18	182
Derivative financial instruments	Fair value	18	186
Fair value through other comprehensive income	Fair value	19	188
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	310
Freehold Lands and Buildings , Reclaimed Lands & Right of Use Lands	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	35 & 27	278 and 220
Investment properties	Fair value	28	228
Agricultural produces	Fair value less cost to sell	23	213
Consumable Biological assets	Fair value less cost to sell	29	232
Insurance Provision - Life	Provision Liability is determined as the sum of the present value of future benefits, the expected future management and distribution expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate discount rate as specified by the insurance regulatory commission of Sri Lanka.	39.1	300
Insurance Provision - General	This liability comprises claims liabilities and premium liabilities. Claims liabilities – Sum of claims reported, claims incurred but not reported (“IBNR”) together with related claims handling costs. Premium Liabilities – Higher of aggregate of the Unearned Premium Reserve (UPR) and the best estimate value of the insurer’s unexpired risk reserve (“URR”) at over the term of the contract.	39.2	303

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 379 and 381 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

In preparing 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 period 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
Financial instruments – fair value disclosure	53
Impairment of financial investments	9
Revaluation of Property, Plant and Equipment and Right of Use Lands	35.2
Determination in fair value of investment properties	28.4
Useful lives of intangible assets	10
Useful lives of property, plant and equipment	10
Useful lives of bearer biological assets	10
Determination in fair value of consumable biological assets	29.7
Goodwill on acquisition	31.4
Gain on bargain purchase	31.6
Insurance provision – life	29.1
Insurance provision – general	29.2
Unearned premium reserve	3.27.4.3
Deferred acquisition cost	3.27.4.6
Defined benefit obligation	43
Deferred tax	30
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
Net Realisable value of Inventories	23
Determination of Incremental Borrowing Rate for the assessment of Lease Liabilities and ROU Assets	27
Extension policy of the lease term of operating lease agreements	27
Accounting for remaining stake in PRASAC Remaining Stake Holding	18.3
Modification to Financial Assets	3.4.8

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.

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

In determining the basis of preparing the financial statements for the year ended 31 March 2021, based on available information, the management has assessed the prevailing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis.

It is the view of the management there are no material uncertainties that may cast significant doubt on the Groups' ability to continue to operate as a going concern due to the improved operating environment despite the ongoing effects of the pandemic and the operationalisation of risk mitigation initiatives and continuous monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group. The management has formed judgment that the Company, its subsidiaries, associates and joint ventures 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.

In determining the above significant management judgements, estimates and assumptions, the impact of the COVID-19 pandemic has been considered as of the reporting date and specific considerations have been disclosed under the relevant notes.

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 2021 including comparatives) were approved and authorised for issue by the Board of Directors on 31st May 2021.

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 the following.

While there are other amendments to the existing standards which are also effective from 1st January 2020, those do not have a material effect on the Group/separate financial statements.

2.12.1 Subsequent Measurement of Right-Of-Use Assets

The Company/Group has voluntarily changed the accounting policy on Right-Of-Use Assets relating to Lands which meets the definition of a property, plant and equipment from cost model to revaluation model with effect from 1st October 2020, by carrying out a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the lands being valued. This was done to provide more reliable and more relevant information by reflecting the Fair Market Value of Right-Of-Use Assets.

The change in accounting policy from cost model to revaluation model has not led for a retrospective restatement due to the exemption available in the Paragraph 17 of LKAS 8 "Accounting Policies, Change in Accounting Estimates and Errors". As per Paragraph 17 of LKAS 8, the initial application of a policy to revalue assets in accordance with LKAS 16 "Property, Plant and Equipment" is a change in an accounting policy to be dealt with as are valuation in accordance with LKAS 16, rather than in accordance with LKAS 8. LKAS 16 provides that when an item of property, Plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount at the date of revaluation.

2.12.2 Definition of a business as per SLFRS 3

The Group applied Definition of a Business (Amendments to SLFRS 3) to business combinations whose dates of acquisition are on or after 1stJanuary 2020 in assessing whether it had acquired a business or a group of assets. The amendments do not have a material effect on the Group's financial statements. However, the Group has amended its accounting policies for acquisitions on or after 1stJanuary 2020.

2.13. New accounting standards issued but not yet effective

The following new accounting standards and amendments/ improvements to the existing standards were issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). A number of new standards and amendments to standards are effective for annual periods beginning after 1st January 2020 and earlier application is permitted; however, the Group has not early adopted these new standards/amendments when preparing these consolidated financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

2.13.1 Sri Lanka Accounting Standard – SLFRS 17 "Insurance Contracts"

Accounting Standard - SLFRS 17 "Insurance Contracts", is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosures. Once effective, SLFRS 17 replaces existing SLFRS 4 "Insurance contracts". The overall objective of SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

SLFRS 17 is effective for reporting periods beginning on or after 1st January 2023. Early application is permitted, if the entity is applying both Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments" and Sri Lanka Accounting Standard - SLFRS 15 "Revenue from Contracts with Customers" on or before the date on which it first apply SLFRS 17.

2.13.2 Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments" - Temporary Exemption from SLFRS 9

SLFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1st

January 2018. However, for an insurer that meets the criteria in paragraph 20B of SLFRS 9, it provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 rather than SLFRS 9 for annual periods beginning before 1st January 2021.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

(a) it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss in paragraphs 5.7.1(c), 5.7.7 – 5.7.9, 7.2.14 and B5.7.5 – B5.7.20 of SLFRS 9; and

(b) its activities are predominantly connected with insurance, as described in paragraph 20D, at its annual reporting date that immediately precedes 1st April 2016, or at a subsequent annual reporting date as specified in paragraph 20G of SLFRS 9.

Since LOLC General Insurance Limited and LOLC Life Assurance Limited are predominantly connected with Insurance activities, having considered the above criteria, both the companies may continue to apply LKAS 39 rather than SLFRS 9 for annual periods beginning before 1st January 2023.

The Group is in the process of estimating the possible impact from implementing SLFRS 9 with SLFRS 17.

2.12.3 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/ or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01st January 2021.

2.12.4 Amendments to SLFRS 16 - COVID - 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS 16 if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1st June 2020.

CA Sri Lanka is in the process of adopting amendments made by IASB with a future effective date to LKAS 1, Conceptual Framework, LKAS 16, LKAS 37, SLFRS 1, SLFRS 9 and LKAS 41. Management intend to assess the probable implications of such amendments on financial statements, once those are locally adopted.

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 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 ended 31 March of the above mentioned subsidiaries and associates are considered.

3.1.2 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.

3.1.3 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.

3.1.4 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.

3.2. 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 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

The "Day 1 loss" arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using effective interest rate (EIR) in "Interest Income" and "Personal Expense" over the remaining service period of employment or tenure of the loan which is lower.

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.

3.4.2.3.4 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.

3.4.2.3.5 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.

3.4.2.3.6 Investment securities measured at amortised cost

Investment securities measured at amortised cost include investments in corporate bonds , Government Securities and investment in term deposits which are kept to collect the contractual cash flows from the investments.

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:

> Cash in hand and favourable bank balances
> Financial assets at amortised cost – Finance Lease receivables, hire purchases and operating lease
> Financial assets at amortised cost – Advances and Other Loans
> financial investments that are debt instruments measured at amortised cost
> financial investments that are debt instruments measured at Fair Value through Other Comprehensive income
> 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.

3.4.4.3 Trade Payable Balances

Trade payable balances include amounts payable to vendors and suppliers of the group.

3.4.6 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 2020 /21.

3.4.7 Derecognition of financial assets and financial liabilities

3.4.7.1 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 contractual rights to receive cash flows from the financial asset have expired.
- The Group has transferred its rights to receive cash flows from the financial 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 financial 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.

3.4.7.2 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.

3.4.8 Modification of Financial assets and Financial Liabilities

3.4.8.1 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 Group 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.

The Group has granted payment deferrals to eligible customers affected by COVID-19 by modifying the original contract as per the instructions issued by respective Regulatory Institutes. For other loans various types of interest rate concessions were given to the customers.

Thus, the group has made an assessment on the impact of above modifications to financial assets due to COVID-19 Related Concessions and respective impact has been recognised in profit or loss during the year. In the absence of any prescribed guidelines within SLFRS 9, group entities developed their own policies and methods while performing the quantitative and qualitative evaluation of such modifications.

3.4.8.2 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.

3.4.9 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. 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.

3.6. 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.

3.7. Capital Management

The Board of Directors monitors the return on capital investment on a regular 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.

3.8. Impact Due To The Covid-19

The outbreak of COVID-19 in the last quarter of the last quarter of the previous 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.

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

ACCOUNTING POLICY

Gross income comprises of interest Income, revenue, income and other income other than those relating to contributions from equity participants.

The following are the main components of the Gross Income;

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 items and providing related services
Leisure And entertainment	Accommodation sales, service charges, food & beverages income and 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

		GROUP		COMPANY	
For the year ended 31 March		**2021**	**2020**	**2021**	**2020**
	Note	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Interest income	4.1	89,330,200	81,299,986	5,636,494	3,904,229
Revenue	4.2	33,026,926	24,944,735	2,530,699	2,480,478
Income	4.3	18,815,735	14,200,638	1,958,500	3,727,614
Other income/(Expenses)	5	19,308,985	9,996,319	14,951,308	(868,524)
		160,481,846	130,441,678	25,077,001	9,243,797

4.1 Interest income

ACCOUNTING POLICY

Interest income is recognised in the Income Statement using the effective interest rate (EIR) method.

Interest income and expense presented in the Income Statement include:

- Interest on financial assets measured at amortised cost (AC) calculated using EIR method;
- Interest on financial assets measured at fair value through other comprehensive income (FVOCI) calculated using EIR method;
- Interest on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;

Interest income on all trading assets 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 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.

Effective interest rate (EIR)
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.

		GROUP		COMPANY	
For the year ended 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Leasing interest income		16,498,444	14,815,801	-	-
Advances and other loans interest income		65,362,547	59,503,694	5,556,090	3,776,980
Operating lease and hire rental income		340,613	403,237	75,522	85,699
Overdue interest income		4,740,486	3,703,324	4,882	41,550
Debt factoring income		2,388,110	2,873,930	-	-
		89,330,200	81,299,986	5,636,494	3,904,229

Interest income on loans and advances includes interest accrued on impaired loans of Rs. 599.2Mn in 2021. (LKR 948.25mn for 2020).

Recognition of interest income for credit facilities under moratoriums
"The Group recognises the interest income on gross carrying amount based on the concessionary rate for the moratorium period, while fully recognising the interest income forgone resulting from the said concession within the moratorium period itself. Accordingly, the Group has fully recognised the loss resulting from interest income forgone during the financial year ended 31 March 2021 and there is no any remaining interest income forgone to be recognised for the future accounting periods.

Interest concessions and refunds along with the modification losses relating to COVID-19 relief measures amounting to Rs. 182.5 Mn. (approx) have been netted off in the interest income.

4.2 Revenue

ACCOUNTING POLICY

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers the promised good or service to a customer. Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intragroup sales.

As per SLFRS 15, The Group recognises revenue from contracts with customers when control of the goods or services is transferred to the customer at an amount that reflects the consideration that the Group is to be entitled in exchange for those goods or services. Determining the timing of the transfer of control of goods or services, at a point in time or over time, requires judgments taking into consideration the nature of goods or services that Group/Company offers.

Revenue from Goods Sold
Revenue from sale of goods is recognised on accrual basis at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties and free maintenance). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Revenue from 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.

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.

		GROUP		COMPANY	
For the year ended 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sectorial revenue					
Manufacturing		451,559	301,243	-	-
Trading		23,976,902	17,894,451	2,423,266	1,491,716
Hotelier revenue		1,249,757	1,273,272	-	-
Health Care		-	593,073	-	-
Real Estate		182,212	197,112	-	-
IT Services		432,565	501,209	-	-
Other services		203,646	274,594	-	-
Plantation		2,587,909	1,808,214	-	-
Ethanol sales		904,919	41,883	-	-
Travel and tours		1,498	55,678	107,433	988,762
Construction contract revenue		2,610,523	1,573,385	-	-
Supply of electricity		425,437	430,621	-	-
		33,026,926	24,944,735	2,530,699	2,480,478

4.3 Income

ACCOUNTING POLICY
Income comprises of net fee and commission income , earned premium on insurance contracts , recovery of contract written off and other operational income. **Net Fee and Commission 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..

		GROUP		COMPANY	
For the year ended 31 March		**2021**	**2020**	**2021**	**2020**
	Note	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Securities trading income		560,756	84,029	-	-
Earned premium on insurance contracts long term		3,362,072	2,610,178	-	-
Earned premium on insurance contracts general		4,529,127	4,060,342	-	-
Rentals & sales proceeds - contracts written off		5,603,077	1,166,278	12,088	18,172
Transfer fees and profit on termination		2,348,019	2,273,312	59	54
Arrangement / documentation fee & other	4.3.1	2,376,791	3,927,592	120	1
Management fee income		21,137	-	-	-
Shared service income		-	-	1,946,233	3,709,387
Other operational income		14,756	78,907	-	-
		18,815,735	14,200,638	1,958,500	3,727,614

4.3.1 Arrangement / documentation fee & other

		GROUP		COMPANY	
For the year ended 31 March		**2021**	**2020**	**2021**	**2020**
	Note	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Loans and advances related services		2,293,755	3,826,267	120	1
Credit and debit cards related services		260	-	-	-
Deposits related services		449	523	-	-
Other financial services		82,326	100,801	-	-
		2,376,791	3,927,592	120	1

5 OTHER INCOME/(EXPENSES)

ACCOUNTING POLICY

Other Income/(expenses) comprises of net trading income related to trading assets and liabilities, income from government grant amortisation, disposal gains or losses from non-current assets, fair value gains or losses related to investment property and income generated from various other sources.

Net Trading Income

Net trading income comprise of gains or losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

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.

Gains/(losses) on sale of property, plant and equipment

The gains or losses on disposal of property, plant and equipment are determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item in “other income” in the year in which the Group transfers control of the asset to the buyer.

Dividend Income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net gains/ (losses) from trading, net gains/(losses) from financial investments or other income (net) based on the underlying classification of the equity investment.

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.

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.

Basis of recognition

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.

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Rental income		129,585	114,702	-	-
Royalty income		-	-	520,898	488,981
Dividends income		50,964	25,430	117,134	11,436
Franchise fees		1,840	21,760	-	566
Insurance policy fees		238,401	152,488	-	-
Treasury handling charges		-	-	-	3,207
Asset hire income		20,058	-	239,393	248,169
Guarantee fee income		-	-	38,137	40,344
Interest received from government securities & other interest earning assets		4,088,682	3,675,834	179,699	70,053
Debenture interest income		141,840	233,346	20,115	12,009
Gain / (loss) on disposal of quoted and non-quoted shares		270,374	(407,812)	204,001	(55,552)
Gain / (loss) on Disposal of Group Investments		-	-	11,812,128	(2,476,000)
Gain on disposal of property, plant and equipment		202,056	86,813	55,487	30,767
Change in fair value of investment properties	28	3,936,831	3,915,140	47,600	27,933
Gain/(loss) on change in fair value of consumable biological assets	29.1	560,453	(136,816)	-	-
Gain/ (Loss) on fair valuation of other FVTPL Instruments		5,470,178	593,994	55,586	(22,306)
Gain/ (Loss) on Disposal of Government Securities		209,394	-	47,026	-
Foreign exchange gain / (loss)		745,241	(1,620,217)	702,695	(164,147)
Change in fair value of derivatives - forward contracts		1,064,419	1,507,651	(2,235)	(38)
Amortisation of deferred income		7,633	7,033	-	-
Penalty and early settlement interests		17,471	514,291	-	-
Commission income		254,038	84,682	5	506
Interest income on deposits		1,324,898	552,743	239,932	348,819
Rent income		-	-	47,400	53,400
Sale of timber		560	990	-	-
Income from Showback		5,461	-	416,369	370,060
Sale of refuse tea		-	71,134	-	-
Sundry income		568,608	603,133	209,938	143,269
Total		19,308,985	9,996,319	14,951,308	(868,524)

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

ACCOUNTING POLICY
Interest expense is recognised in the Income Statement using the effective interest rate (EIR) method. Interest income and expense presented in the Income Statement include: • Interest on financial liabilities measured at amortised cost (AC) calculated using EIR method; • Interest on financial liabilities measured at fair value through profit or loss (FVTPL) calculated using EIR method;

	GROUP		COMPANY	
For the year ended 31 March	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Financial liabilities at amortised cost				
Customer deposits	19,611,510	21,804,575	-	-
Commercial papers and promissory notes	4,565,894	2,914,097	4,654,702	3,046,871
Overdraft and other short-term borrowings	4,417,537	7,257,330	2,648,664	5,534,700
Long term borrowings	16,914,504	17,913,322	981,668	1,009,097
Finance leases	36,635	160,295	9,903	15,392
Debenture interests	2,539,921	2,753,951	1,123,621	980,405
Finance Cost on RIU Assets	538,882	200,293	89,377	83,239
Charges on forward rate contracts	694,075	1,847,831	-	-
	49,318,958	54,851,694	9,507,935	10,669,704

7 DIRECT EXPENSES EXCLUDING FINANCE EXPENSES

ACCOUNTING POLICY

Direct Expenses excluding Finance Expenses includes expenses related to taxes other than income tax and Other direct Expenses.

Following are the main taxes applicable to the Group;

Income Tax
Refer Note No 15.3 - Current tax expense

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 years as per the relevant provision in the Act.

Economic Service Charge has been abolished with effect from 1st January 2020.

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 provisions of the Act.

Nations Building Tax has been abolished with effect from 1st December 2019.

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%.
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.

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.

	GROUP		COMPANY	
For the year ended 31 March	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Value Added Tax (VAT) on leases & VAT on financial services	1,353,575	1,643,224	10,324	-
Nation Building Tax (NBT), debits tax and others	103,423	709,820	72	1,997
Insurance benefits, losses and expenses	2,419,426	2,558,830	-	-
Increase in long term insurance fund	1,076,358	703,790	-	-
Insurance expenses	1,670,382	1,891,437	-	-
Other direct expenses	445,880	446,037	2,248	2,430
	7,069,044	7,953,138	12,644	4,427

8 PERSONNEL EXPENSES

ACCOUNTING POLICY

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.

Employees' Trust Fund (ETF)
The Group entities contributes 3% of the salary of each employee to the Employees' Trust Fund.

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.

	GROUP		COMPANY	
For the year ended 31 March	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Salaries, wages and other benefits	15,078,880	13,117,405	452,571	757,700
Contribution to EPF/CCPS/ESPS	701,673	697,827	98,223	109,999
Contribution to ETF	145,112	145,067	24,556	27,490
Post-employment defined benefit plans cost	428,260	350,140	66,109	69,479
Amortisation of prepaid staff cost	61,048	59,877	-	-
Staff compensation	18,452	-	-	-
Staff bonus	1,691,468	894,163	145,803	70,467
Staff training and development	58,479	165,121	1,157	4,268
Other staff related expenses	1,403,945	1,365,792	319,890	219,997
	19,587,317	16,795,392	1,108,309	1,259,400

9 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

ACCOUNTING POLICY

Impairment charges as per SLFRS 9
The Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at FVTPL;

- Cash and cash equivalents
- Debt Securities Measured at Amortised Cost
- Debt Securities Measured at Fair Value Through Other Comprehensive Income
- Financial Assets at Amortised Cost - Finance Lease Receivables, Hire Purchases and Operating Leases
- Financial Assets at Amortised Cost - Advances and Other Loans
- Insurance Premium Receivables
- Trade Receivables

No impairment loss is recognised on equity investments.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Computation of Expected Credit Losses

The Group computes ECL using three main components; a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data and then adjusted to reflect forward-looking information.

Probability of Default (PD)

The probability of default represents the likelihood of a borrower defaulting on its financial obligations either over the next 12 months (12m PD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due (DPD) is the primary input into the determination of the term structure of PD for exposures. DPD are determined by counting the number of days since the due date. The Group employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Loss Given Default (LGD)

The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties. They are calculated on a discounted cash flow basis using EIR as the discounting factor. LGD is usually expressed as a percentage of the EAD.

Exposure At Default (EAD)

The exposure at default represents the expected exposure in the event of a default. The Group estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities.

To calculate EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months. For all other loans, the EAD is considered for default events over the lifetime of the financial instrument.

Forward-looking information

The Group incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group also obtained experienced credit judgement from economic experts and Credit and Risk Management Departments to formulate a base case, a best case and a worst case scenario. The base case represents a most-likely outcome and is aligned with information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk both quantitative and qualitative for various portfolio segments.

Quantitative economic factors are based on economic data and forecasts published by the Respective Central Banks and other reliable sources.

Write-off of financial assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

		GROUP		COMPANY	
For the year ended 31 March	Note	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Net impairment loss / (reversal) on;					
Cash in hand and favourable bank balances	17.3	20,298	23,374	-	-
Investment securities					
Financial assets at amortised cost					
Corporate bonds	19.2.1.1	43,832	(204)	-	-
Government securities	19.2.2.1	87,586	-	-	-
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	20				
Finance lease receivables	20.1.5	3,531,505	1,111,414	-	-
Operating lease receivables	20.2.1.3	59	630	59	630
Financial assets at amortised cost/ Advances and other loans	21				
Advances and loans	21.1.1	9,860,223	5,106,230	(20,077)	2,942
Factoring receivables	21.2.1	6,239,218	889,964	-	-
Gold Loan Receivables	21.3.1	(72,522)	62,019	-	-
Premium receivables	22	(4,266)	4,396	-	-
Trade and other current assets	25.1.2	(9,443)	415,580	56,381	3,932
Contingent liabilities and commitments		2,207	(1,397)	-	-
Bad debts written off net of reversals		10,034,489	9,611,791	(30,365)	75,764
		29,733,185	17,223,797	5,998	83,268

10 DEPRECIATION AND AMORTISATION

Depreciation of Property, Plant and Equipment

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
Reclaimed Lands	Lower of 50 Years or Lease Period
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
Linen	3 years
Swimming pool	10 years
Solar power plant	10 – 20 years

Amortisation of Intangible Assets

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

Depreciation of Bearer Biological Assets

Depreciation is recognised in Profit or Loss on a straight-line basis over the estimated useful life of each component of an item of Bearer Biological Asset.

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

Amortisation of Right of Use Assets

Amortisation is recognised in the Statement of statement of profit or loss on a straight-line basis over the Lease Term of respective Operating lease liabilities of the Right of Use Assets.

		GROUP		COMPANY	
For the year ended 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amortisation of intangible assets	34.5	217,948	220,043	116,501	142,418
Depreciation of property, plant and equipment	35	3,269,563	2,972,103	493,999	469,938
Amortisation of bearer biological assets	30.1	355,070	293,719	-	-
Amortisation of right of use asset	27	964,462	638,061	138,112	120,023
		4,807,043	4,123,926	748,612	732,379

11 OTHER OPERATING EXPENSES

	GROUP		COMPANY	
For the year ended 31 March	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Administration cost	10,670,957	12,365,117	1,712,601	2,591,794
Operating and marketing cost	4,350,529	3,611,582	459,080	681,047
	15,021,486	15,976,699	2,171,681	3,272,841

12 RESULTS FROM OPERATING ACTIVITIES

ACCOUNTING POLICY

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 in arriving at the profit for the year.

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.

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.

Directors' emoluments
Directors' emoluments represent the salaries paid to both Executive and Non-Executive Directors of the Group and the Company.

Results from operating activities are stated after charging all expenses including following:

		GROUP		COMPANY	
For the year ended 31 March		**2021**	**2020**	**2021**	**2020**
	Note	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Remuneration to executive directors		175,085	296,500	22,760	33,709
Auditors' remuneration	12.1	91,266	73,885	4,488	5,380
Legal expenses		6,815	168,150	7,910	26,376
Secretarial fees		15,168	54,795	9,007	44,653
Professional fees		803,228	905,451	201,691	238,941
Deposit insurance premium	12.2	641,200	672,443	25,955	47,327
Advertising related expenses		610,567	652,014	6,691	1,635
Donations		99,940	50,817	27,086	36,043

12.1 Auditors' remuneration

	GROUP		COMPANY	
For the year ended 31 March	**2021**	**2020**	**2021**	**2020**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Remuneration for				
Audit related services	86,135	67,228	4,125	4,265
Non-audit related services	4,952	5,273	363	1,115
Non-audit related services	179	1,384	-	-
	91,266	73,885	4,488	5,380

12.2 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.

13 RESULTS OF EQUITY ACCOUNTED INVESTEES GROUP

		GROUP	
For the year ended 31 March		2021	2020
	Note	Rs.'000	Rs.'000
13.1 Share of profits of equity accounted investees, net of tax			
Associates	32.7	1,216,388	1,019,970
		1,216,388	1,019,970
13.2 Share of other comprehensive income of equity accounted investees (net of tax)			
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:			
Associates	32.7	337,551	244,964
		337,551	244,964
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods :			
Associates	32.7	548,346	504,596
		548,346	504,596
		885,897	749,560

NOTES TO THE FINANCIAL STATEMENTS

14 RESULTS ON ACQUISITION AND DIVESTMENT OF GROUP INVESTMENTS

		GROUP	
For the year ended 31 March		2021	2020
	Note	Rs.'000	Rs.'000
Acquisition of Sunbird Bioenergy (SL) Ltd	31.6.2.1	-	5,395,369
Disposal of Browns Health Care Group	31.7.2.1	-	507,918
Disposal of PRASAC Micro Finance Institute	31.7.1.1	42,904,644	-
Acquisition of SHOT Group	31.6.1.1	151,168	-
Investment in Seylan Bank PLC	32.5.1	582,705	75,758
Disposal of BPPL PLC	32.6.1	440,164	-
		44,078,681	5,979,044

15 INCOME TAX EXPENSE

ACCOUNTING POLICY

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in Equity or in OCI.

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.

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:

ACCOUNTING POLICY

Current Tax

"Current tax" comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted, as at the reporting date. Current tax also includes any tax arising from dividends.

Provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, effective from April 1, 2018. This also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on "Income Taxes".

Provision for taxation on the overseas operations is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the relevant statutes in those countries, using the tax rates enacted or substantively enacted as at the reporting date.

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 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."

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available, against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available, against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted as at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects as at the reporting date to recover or settle the carrying amount of its assets and liabilities.

		GROUP		COMPANY	
For the year ended 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current tax expense	15.3	4,482,896	3,264,286	143,493	119,456
Deferred tax expense	33.5	(580,733)	(700,527)	132,495	(622)
		3,902,163	2,563,759	275,988	118,834

NOTES TO THE FINANCIAL STATEMENTS

15.2 Numerical Reconciliation of accounting profits to income tax expense

		GROUP		COMPANY	
For the year ended 31 March	Note	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Profit/ (loss) before tax expense from continuing operations		57,134,695	3,376,128	9,064,424	(9,094,021)
(+)Disallowable expenses		30,026,867	38,007,024	8,262,132	7,820,059
(-)Allowable expenses		(13,997,036)	(12,909,062)	(877,385)	(835,006)
(-) Tax exempt income		(30,412,019)	(19,051,328)	(19,060,932)	(4,175,412)
(-) Allowable tax credits		(1,233,132)	(834,463)	-	-
(+)Tax losses incurred	15.6	8,280,034	11,464,149	2,611,762	6,284,380
(-)Tax losses utilised	15.6	(2,666,408)	(1,919,313)	-	-
(-) Others/Consolidation adjustments		5,418,377	2,093,864		-
Taxable Income		52,551,378	20,226,999	-	-
Income tax @					
31%		16,904	27,724	-	-
28%		491,337	1,276,445	-	-
25%		186,092	234,395	-	-
24%		1,377,852	258,809	-	-
20%		2,084,204	1,039,128	-	-
17%		492	440	-	-
14%		73,291	6,243	-	-
Total tax expense		4,230,172	2,843,184	-	-
Average tax rate		8.05%	14.06%	-	-

15.3 Current tax expense

		GROUP		COMPANY	
For the year ended 31 March	Note	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Tax expense	15.2	4,230,172	2,843,184	-	-
(Over provision)/under provision in respect of previous years		249,544	419,846	143,493	119,456
Irrecoverable economic service charge		3,180	1,256	-	-
		4,482,896	3,264,286	143,493	119,456

15.4 Effective Tax Rate

For the year ended 31 March	Note	GROUP 2021 %	GROUP 2020 %	COMPANY 2021 %	COMPANY 2020 %
		6.83	75.94	3.04	(1.31)

15.5 A reconciliation of effective tax rate is as follows;

For the year ended 31 March	GROUP 2021 Rs.'000	2021 %	2020 Rs. '000	2020 %
Accounting profit/(loss) before income tax	57,134,695		3,376,128	
Income tax expense at the average statutory income tax rate	4,599,110	8.05%	474,561	14.06%
Disallowable expenses	2,417,041	4.23%	5,342,412	158.24%
Allowable expenses	(1,126,704)	-1.97%	(1,814,547)	-53.75%
Tax exempt income	(2,448,044)	-4.28%	(2,677,927)	-79.32%
Allowable tax credits	(99,262)	-0.17%	(117,295)	-3.47%
Tax losses incurred	666,509	1.17%	1,611,444	47.73%
Tax losses utilised	(214,635)	-0.38%	(269,786)	-7.99%
Consolidation adjustments	436,157	0.79%	295,577	8.75%
Under / (over) provision in respect of previous years	249,544	0.44%	419,846	12.44%
Irrecoverable economic service charge	3,180	0.01%	-	0.00%
Deferred tax expense	(580,734)	-1.02%	(700,527)	-20.75%
Current tax expense	3,902,162	6.83%	2,563,759	75.94%

For the year ended 31 March	COMPANY 2021 Rs.'000	2021 %	2020 Rs. '000	2020 %
Accounting profit/(loss) before income tax	9,064,424		(9,094,021)	
Under / (Over) provision in respect of previous years	143,493	1.58%	119,456	-1.31%
Deferred tax expense	132,495	1.46%	(622)	0.01%
Current tax expense	275,988	3.04%	118,834	-1.31%

NOTES TO THE FINANCIAL STATEMENTS

15.6 Tax Losses

	GROUP		COMPANY	
For the year ended 31 March	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Losses brought forward	29,451,494	21,490,547	10,002,020	3,438,163
Adjustments for brought forward tax losses	(40,488)	(45,232)	(1,761,729)	279,477
Losses incurred	8,280,034	11,464,149	2,611,763	6,284,380
Losses utilised	(2,666,408)	(1,919,313)	-	-
Acquisition of subsidiaries	801,755	23,748	-	-
Disposal of subsidiaries	-	(1,821,575)	-	-
Discontinued operations	-	259,170	-	-
Losses carried forward	35,826,387	29,451,494	10,852,054	10,002,020

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 Inland Revenue Amendments Act No 10 of 2021.

The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No. 24 of 2017, incorporating announcements implemented by the Inland Revenue Circular Nos. PN/IT/2020-03 (Revised) and PN/IT/2021-01 was Gazetted on 18 March 2021.

As the Bill has been Gazetted and also printed by order of Parliament as of the reporting date, the Group's management, having applied significant judgement, have concluded the provisions of the Inland Revenue (Amendment) Bill to be substantially enacted, and have relied upon the income tax rates specified therein to calculate the income tax liability and deferred tax provision for the 2020/21 financial year of the Group

Aforementioned bill was certified on 13 May 2021.

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 24%.

- 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 2020 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%.

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.

During the year, the Group has adopted SLFRS 16 – "Leases" and recognised the impact on current tax and deferred tax.

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.

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 24% 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 ended 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 1st 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.

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	29%
PRASAC Micro Finance Institution Limited	Kingdom of Cambodia	20%
PT LOLC Management Indonesia	Republic of Indonesia	22%
PT Sarana Sumut Ventura	Republic of Indonesia	22%
Sunbird Bioenergy (SL) Ltd	Republic of Sierra Leone	30%
LOLC Philippines Corporation	Republic of Philippines	25%
LOLC Philippines Holdings Incorporated	Republic of Philippines	25%
LOLC Philippines Capital Holdings Corporation	Republic of Philippines	25%
LOLC Bank Philippines	Republic of Philippines	25%
LOLC ASKI Finance Inc.	Republic of Philippines	25%
Holista Incorporated	Republic of Philippines	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 01st 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 01st 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 No 15.7, the Group's management, having applied significant judgement, have concluded the provisions of the Inland Revenue (Amendment) Bill to be substantially enacted, and have relied upon the income tax rates specified therein to calculate the income tax liability.

As per the Inland Revenue Amended Act No 10 of 2021, standard rate for corporate income tax has been reduced from 28% to 24%. Proposed notice also provides income tax exemptions and concessionary tax rates.

Income tax on Share of Profit of Equity Accounted Investee

Income tax expense excludes, the Group's share of tax expense of the equity-accounted investees recognised in profit/(loss) of Rs. 1,374 million (2019/2020 - Rs. 1,020 Mn) 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	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Tax (benefit) / expense on;				
Items that will not be reclassified to profit or loss				
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:				
Deferred tax charge/(reversal) on revaluation surplus	2,573,338	-	(110,850)	-
Deferred tax charge/(reversal) on actuarial gains/(losses)	42,394	(47,887)	(10,860)	18,578
Deferred tax charge/(reversal) on change in fair value on investments in equity instruments at FVTOCI	(68,834)	68,501	(71,818)	-
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 FVTOCI	(21)	(120)	-	-
Deferred tax charge/(reversal) on changes in fair value of cash flow hedge	36,829	(30,008)	-	-
	2,583,706	(9,514)	(193,528)	18,578

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

ACCOUNTING POLICY

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.

16.1 Basic earnings per share

		GROUP		COMPANY	
For the year ended 31 March	Note	**2021** **Rs.'000**	**2020** **Rs.'000**	**2021** **Rs.'000**	**2020** **Rs.'000**
Profit attributable to equity holders of the Company					
Continuing operations		28,062,644	4,127,279	8,788,436	(9,212,855)
Discontinued operations		(21,944)	6,766,717	-	-
Profit attributable to ordinary equity holders of the parent for basic earnings		28,040,700	10,893,996	8,788,436	(9,212,855)
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		59.01	22.93	18.49	(19.39)
Diluted, profit for the year attributable to ordinary equity holders of the parent		59.01	22.93	18.49	(19.39)
Earnings per share for continuing operations					
Basic, profit for the year attributable to ordinary equity holders of the parent		59.05	8.69	18.49	(19.39)
Diluted, profit for the year attributable to ordinary equity holders of the parent		59.05	8.69	18.49	(19.39)
Earnings per share for discontinued operations					
Basic, profit from continuing operations attributable to ordinary equity holders of the parent		(0.05)	14.24	-	-
Diluted, profit from continuing operations attributable to ordinary equity holders of the parent		(0.05)	14.24	-	-

16.2 Weighted average number of ordinary shares

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 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

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand, demand placements with banks and loans at call/short notice and highly liquid financial assets with original maturities within three months or less from the date of acquisition. These are subject to an insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments. These items are brought to Financial Statements at face values or the gross values, where appropriate. There were no cash and cash equivalents held by the Group companies that were not available for use by the Group.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

The maturity analysis of cash and cash equivalents is given in Note 55.1 on pages 344 to 350.

17.1 Cash in hand and favorable bank balances

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Cash in hand – local currency		1,097,624	575,170	2,136	9,540
Cash in hand – foreign currency		6,208,307	4,971,717	-	-
Balances with local banks		18,504,768	13,665,453	1,696,712	1,601,919
Balances with foreign banks		31,589,878	35,989,282	-	-
Other instruments which are less than 3 months maturity		930,257	958,203	-	-
Less: Expected credit loss/impairment allowance	17.3	(97,473)	(24,769)	-	-
		58,233,361	56,135,056	1,698,848	1,611,459

17.2 Unfavorable bank balances used for cash management purposes

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Bank overdrafts		(4,130,481)	(4,022,416)	(587,043)	(1,039,522)
Net cash and cash equivalents as in cash flow statement		54,102,880	52,112,640	1,111,805	571,937

17.3 Movement in provision for impairment during the year

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Movement in Stage 1 Impairment					
Balance as at April 01		24,769	-	-	-
Charge/(write back) to the Income Statement		20,298	23,374	-	-
Transfers and Other Movements		47,432	-	-	-
Exchange Translation Difference		4,974	1,395		
Balance as at March 31		97,473	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

ACCOUNTING POLICY

This includes financial assets that are held for trading purposes. The financial assets are classified as held for trading if:

- They are acquired principally for the purpose of selling or repurchasing in the near term; or
- They are held as part of portfolio that is managed together for short-term profit or position taking; or
- They form part of derivative financial instruments entered into by the Group that are not financial guaranteed contracts or designated as hedging instruments in effective hedging relationships.

Financial assets held for trading are measured at fair value through profit or loss in the Statement of Financial Position. Interest and dividend income are recorded in “Interest Income” and “Net Gains/(Losses) from Trading” respectively in the Income Statement, according to the terms of the contract, or when the right to receive the payment has been established.

Financial assets held for trading include instruments such as Government and other debt securities and equity instruments that have been acquired principally for the purpose of selling or repurchasing in the near term.

Further as per SLFRS 9, financial assets recognised through profit or loss includes all financial assets other than those classified under FVOCI and amortised cost.

The maturity analysis of financial assets recognised through profit or loss is given in Note 55.1 on pages 344 to 350.

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Debt Securities					
Corporate securities	18.1	12,304,660	4,694,045	4,300,000	-
Government securities	18.2	8,584	8,043	-	-
		12,313,244	4,702,088	4,300,000	-
Equity securities	18.3	40,534,302	1,556,659	183	263,429
Derivative assets held for risk management	18.4	1,162,113	380,328	598,734	-
		54,009,659	6,639,075	4,898,917	263,429

18.1 Corporate securities

As at 31 March	GROUP 2021 No. of Units	GROUP 2021 Cost Rs.'000	GROUP 2021 Fair Value Rs.'000	GROUP 2020 No. of Units	GROUP 2020 Cost Rs.'000	GROUP 2020 Fair Value Rs.'000
Investments in unit trusts	353,455,641	10,280,451	11,026,388	403,923,122	3,568,424	4,210,801
Investment in mutual funds	36,101,710	1,150,000	1,278,272	1,571,015,386	438,101	483,244
		11,430,451	12,304,660		4,006,525	4,694,045

As at 31 March	COMPANY 2021 No. of Units	COMPANY 2021 Cost Rs.'000	COMPANY 2021 Fair Value Rs.'000
Investments in unit trusts	208,919,824	4,300,000	4,300,000
		4,300,000	4,300,000

18.2 Government securities

As at 31 March	GROUP Cost Rs.'000	GROUP Fair Value Rs.'000	GROUP Cost Rs.'000	GROUP Fair Value Rs.'000
Investments in treasury bills	7,473	8,584	6,932	8,043
	7,473	8,584	6,932	8,043

18.3 Equity securities

Details of the equity trading portfolio

As at 31 March	COMPANY 2021 No. of Units	2021 Cost Rs.'000	2021 Fair Value Rs.'000	2020 No. of Units	2020 Cost Rs.'000	2020 Fair Value Rs.'000
Chemical & Pharmaceuticals						
Chemanex PLC	-	-	-	604	81	24
Diversified Holding						
Hayleys PLC	-	-	-	1,700,000	667,518	263,330
Manufacturing						
Acme Printing & Packaging PLC	25,876	602	168	25,876	602	70
Power & Energy						
Laugfs Gas PLC	500	28	11	500	28	5
Laugfs Power PLC	500	-	4	-	-	-
Laugfs Eco Sri Limited	500	-	-	-	-	-
		630	183		668,229	263,429

As at 31 March	GROUP					
	2021			2020		
	No. of Units	Cost Rs.'000	Fair Value Rs.'000	No. of Units	Cost Rs.'000	Fair Value Rs.'000
Banking, Finance & Insurance						
DFCC Bank PLC	3,810	380	227	3,848	380	234
Hatton National Bank PLC	510	62	69	495	62	56
Nation Lanka Finance PLC	181,327	920	127	181,327	920	127
Vallibel Finance PLC	33,900	497	3,568	33,900	497	1,817
Beverage Food & Tobacco						
Raigam Wayamba Salterns PLC	26,200	66	136	26,200	66	47
Chemical & Pharmaceuticals						
Chemanex PLC	-	-	-	604	81	24
Construction & Engineering						
Colombo Dockyard PLC	-	-	-	4,315	86	217
Diversified Holding						
Expolanka Holdings PLC	4,470	1,653	4,104	1,000,000	18,000	2,000
Hayleys PLC	287,050	52	17,518	2,462,954	884,373	381,492
John Keells Holdings PLC	348	26	40	343	26	39
Investment Trust						
Ambeon Holdings PLC	100	1	1	100	1	1
Land & Property						
Cargo Boat Development Company PLC	300	10	36	300	10	36
C T Land Development PLC	19,500	470	523	19,500	470	398
Overseas Realty (Ceylon) PLC	12,877,626	206,110	199,603	113,680	1,665	1,705
Manufacturing						
ACME Printing & Packaging PLC	25,876	602	168	25,876	602	70
Sierra Cables PLC	7,400	22	42	7,400	22	16
Motors						
Lanka Ashok Leyland PLC	100	293	84	100	295	70
Power & Energy						
Lanka IOC PLC	27,800	751	528	27,800	751	439
Laugfs Gas PLC	500	28	11	500	28	5
Laugfs Power PLC	500	-	4	-	-	-
Laugfs Eco Sri Limited	500	-	-	-	-	-
Plantations						
Hapugastenne Plantations PLC	100	1	1	100	1	1
Malwatte Valley Plantations PLC	500	11	6	500	11	2
Designated equity investment at Fair Value						
Banking, Finance & Insurance						
PRASAC Micro Finance Institute	48,300,000	33,206,149	39,093,826	-	-	-
Transportation						
Digital Mobility (Private) Limited	26,417,846	133,457	1,213,680	26,417,846	133,457	1,167,863
		33,551,561	40,534,302		1,041,804	1,556,659

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.

Investment in PRASAC Micro Finance Institute

On 6th January 2020, LOLC International Private Limited of Singapore (subsidiary of LOLC Holdings PLC) along with the other minority shareholders of PRASAC Microfinance Institution Limited of Cambodia (PRASAC) entered into a Share Purchase Agreement and a Shareholders Agreement with Kookmin Bank, the largest Commercial Bank in the Republic of South Korea, for the sale of PRASAC's entire shareholding. The total payment to be received by LOLC International Private Limited for the sale of its 70% stake in PRASAC is USD 603 million. LOLC International Private Limited has received USD 422 Mn from Kookmin Bank being the first tranche of the sales proceeds for the transaction. In terms of the above-mentioned Share Purchase Agreement the balance USD 181 Mn will be received in 2022.

As per the Sales and Purchase Agreement entered with Kookmin Bank, LOLC will act as a passive investor during the transaction completion period and will not actively engage on financial and operating policy decisions in business perspective (even the Group have Non-executive representation in the Board). Thus the management concluded that the Group does not hold significant influence over PRASAC even we hold 21% equity ownership of the entity.

Accordingly, Group recorded the remaining Stake of 21% in PRASAC Micro Finance Institute as a Financial asset measured at Fair Value Through Profit or Loss.

Fair Value as at 31st March 2021 was derived based on recent market transaction and based on a pre agreed mechanism with Kookmin Bank. Accordingly, fair valuation was categorised as a level 2 valuation as per SLFRS 13.

18.4 Derivative assets held for risk management

ACCOUNTING POLICY

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.

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.

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.

ACCOUNTING POLICY

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.

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.

	GROUP		COMPANY	
As at 31 March	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Forward rate contracts				
Sales	837,084	107,133	598,734	-
Purchases	325,029	273,195	-	-
Total	1,162,113	380,328	598,734	-

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	2021		2020	
Instrument type:	Assets Rs.'000	Liabilities Rs.'000	Assets Rs.'000	Liabilities Rs.'000
Forward rate contracts	1,162,113	-	380,328	-
Notional amount	31,087,268	-	4,563,936	15,669,826

	COMPANY			
As at 31 March	2021		2020	
Instrument type:	Assets Rs.'000	Liabilities Rs.'000	Assets Rs.'000	Liabilities Rs.'000
Forward rate contracts	598,734	-	-	-
Notional amount	25,374,700	-	-	-

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The maturity analysis of cash flows of the hedge item is given below.

	COMPANY			
	2021		2020	
	Group	Company	Group	Company
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Forecasted payable cash flows				
Up to 3 Months	28,477,160	25,374,700	14,756,812	-
4 to 12 Months	2,610,108	-	5,476,950	-
Total	31,087,268	25,374,700	20,233,762	-

19 INVESTMENT SECURITIES

		GROUP		COMPANY	
As at 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets measured at fair value through other comprehensive income	19.1	27,913,985	20,908,173	4,440,002	321,816
Financial assets at amortised cost	19.2	39,327,136	28,381,713	13,057,240	2,940,045
		67,241,121	49,289,886	17,497,242	3,261,861

19.1 Financial assets measured at fair value through other comprehensive income

ACCOUNTING POLICY

As per SLFRS 9, this comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

Debt instruments at FVOCI

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

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, foreign exchange gains and losses, ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

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

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss in “Net other operating income” when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

The maturity analysis of Investment Securities is given in Note 55.1 on pages 344 to 350

		GROUP		COMPANY	
As at 31 March		**2021**	**2020**	**2021**	**2020**
	Note	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Corporate securities	19.1.1	-	3,245,240	-	273
Government securities	19.1.2	27,227,236	17,194,717	4,017,498	-
Designated FVOCI investment securities	19.1.3	362,510	244,938	98,265	98,265
Equity securities with readily determinable fair values	19.1.4	324,239	223,278	324,239	223,278
		27,913,985	20,908,173	4,440,002	321,816

19.1.1 Corporate securities

	GROUP			
As at 31 March	**2021**		**2020**	
	Cost	**Fair Value**	**Cost**	**Fair Value**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Investments in unit trusts	-	-	3,114,604	3,244,967
Investment in mutual funds	-	-	273	273
	-	-	3,114,877	3,245,240

As at 31 March	COMPANY			
	2021		2020	
	Cost	Fair Value	Cost	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investment in mutual funds	-	-	273	273
	-	-	273	273

19.1.2 Government securities

As at 31 March	GROUP			
	2021		2020	
	Cost	Fair Value	Cost	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investments in Treasury Bills	23,518	23,968	10,680,382	11,550,216
Investments in Treasury Bonds	26,620,057	27,203,268	5,465,829	5,644,501
	26,643,575	27,227,236	16,146,211	17,194,717

For the year ended 31 March	COMPANY	
	Cost	Fair Value
	Rs.'000	Rs.'000
Investments in Treasury Bonds	3,200,000	4,017,498
	3,200,000	4,017,498

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.

	GROUP					
As at 31 March	2021			2020		
	No. of Shares	Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Fair Value Rs.'000
Lanka Century Investments PLC (Preference Shares)	18,616	37	37	18,616	37	37
Credit Bureau Investment under CMA	100	10	2,996	28,167	4,281	2,856
Credit Information Bureau Limited	285	548	548	385	758	558
Equity Investments Lanka Limited	16,875	169	169	16,875	173	169
Finance Houses Consortium (Private) Limited	20,000	200	200	20,000	200	200
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
ODOC Private Limited	167,058	50,002	50,002	167,058	50,002	50,002
Rain Forest Eco Lodge (Private) Limited	8,016,376	76,364	33,357	6,483,375	64,834	38,051
Sri Lanka Institute of Nanotechnology	9,525,450	137,500	137,500	9,525,450	137,500	137,500
Venture Frontier Lanka	1,575	15,765	15,765	1,575	15,765	15,765
Jada Resorts & Spa (Pvt) Ltd.	24,449,480	318,106	122,137	-	-	-
Provision for impairment 19.1.3.1	-	-	(10,200)	-	(10,200)	(10,200)
		608,701	362,510		273,350	244,938

19.1.3.1 Movement in provision for impairment during the year

For the year ended 31 March	2021 Rs.'000	2020 Rs.'000
Movement in Stage 1 Impairment		
Balance as at April 01,	10,200	10,200
Charge/(write back) to the Income Statement	-	-
Balance as at March 31,	10,200	10,200

As at 31 March	COMPANY					
	2021			2020		
	No. of Shares	Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Fair Value Rs.'000
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
Sri Lanka Institute of Nanotechnology	5,715,270	82,500	82,500	5,715,270	82,500	82,500
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		108,265	98,265

19.1.3.1 Movement in provision for impairment during the year

For the year ended 31 March	2021 Rs.'000	2020 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					
	2021			2020		
	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	324,239	9,707,740	451,700	223,278
		451,700	324,239		451,700	223,278

As at 31 March	COMPANY					
	2021			2020		
	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	324,239	9,707,740	451,700	223,278
		451,700	324,239		451,700	223,278

19.2 Financial assets at amortised cost

ACCOUNTING POLICY

Financial assets at amortised cost" includes amounts due from Corporate Bonds, Government Securities and Investment in Term Deposits hold by the Group.

As per SLFRS 9, Financial assets at amortised cost are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement, Financial assets at amortised cost are subsequently measured at gross carrying amount using the EIR, less provision for impairment, except when the Group designates these assets at fair value through profit or loss. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in "Interest Income" while the losses arising from impairment are recognised in "Impairment charges and other losses" in the Income Statement.

As per SLFRS 9, Financial assets are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

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

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

The maturity analysis of Investment Securities is given in Note 55.1 on pages 344 to 350.

As at 31 March	Note	GROUP		COMPANY	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Corporate bonds	19.2.1	6,583,933	3,503,108	199,116	165,779
Government securities	19.2.2	17,665,370	4,827,561	9,501,799	-
Investments in term deposits	19.2.3	15,077,833	20,051,044	3,356,325	2,774,266
		39,327,136	28,381,713	13,057,240	2,940,045

19.2.1 Corporate bonds

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Investment in debentures		6,050,926	967,716	-	-
Investment in commercial papers		596,439	2,553,990	199,116	165,779
Provision for impairment	19.2.1.1	(63,432)	(18,598)	-	-
		6,583,933	3,503,108	199,116	165,779

19.2.1.1 Movement in provision for impairment during the year

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Movement in Stage 1 Impairment					
Balance as at April 01		18,598	18,802	-	-
Charge/(write back) to the Income Statement		43,832	(204)	-	-
Exchange rate variance on foreign currency provisions		1,002	-	-	-
Balance as at March 31		63,432	18,598	-	-

19.2.2 Government securities

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Reverse Repo Instruments		12,724,694	4,816,507	9,501,799	-
Investments in Treasury Bonds		11,943	11,054	-	-
Investments in Treasury Bills		140,126	-	-	-
Investments in Sovereign Bonds		4,881,146	-	-	-
Provision for impairment	19.2.2.1	(92,539)	-	-	-
		17,665,370	4,827,561	9,501,799	-

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.

19.2.2.1 Movement in provision for impairment during the year

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Movement in Stage 1 Impairment					
Balance as at April 01		-	-	-	-
Charge/(write back) to the Income Statement		87,586	-	-	-
Exchange rate variance on foreign currency provisions		4,952	-	-	-
Balance as at March 31		92,538	-	-	-

19.2.3 Investments in term deposits

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Placements		15,163,563	20,136,774	3,356,325	2,774,266
Provision for impairment	19.2.3.1	(85,730)	(85,730)	-	-
Net placements		15,077,833	20,051,044	3,356,325	2,774,266

19.2.3.1 Movement in provision for impairment during the year

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Movement in Stage 1 Impairment					
Balance as at April 01		85,730	85,730	-	-
Charge/(write back) to the Income Statement		-	-	-	-
Balance as at March 31		85,730	85,730	-	-

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 International Sovereign 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.

NOTES TO THE FINANCIAL STATEMENTS

20 FINANCIAL ASSETS AT AMORTISED COST/ FINANCE LEASE RECEIVABLES AND OPERATING LEASES

ACCOUNTING POLICY

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.

Rental Receivables on Finance Leases

Rentals receivable on leased 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.

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.

The maturity analysis of Financial assets at amortised cost/ Finance lease receivables and operating leases is given in Note 55.1 on pages 344 to 350.

	GROUP		COMPANY	
As at 31 March	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Gross Portfolio	66,325,358	60,456,968	12,533	12,533
Stage 1	37,614,159	52,149,531	-	-
Stage 2	21,241,635	4,968,503	-	-
Stage 3	7,469,564	3,338,934	12,533	12,533
Expected credit loss	5,493,080	2,355,465	10,152	10,093
Stage 1	516,479	562,935	-	-
Stage 2	2,066,796	504,658	-	-
Stage 3	2,909,805	1,287,872	10,152	10,093
Net Portfolio	60,832,278	58,101,503	2,381	2,440

Analysis of gross portfolio

		GROUP		COMPANY	
As at 31 March	Note	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
By product					
Finance lease receivables	20.1	60,829,897	58,099,063	-	-
Operating lease receivables	20.2	2,381	2,440	2,381	2,440
		60,832,278	58,101,503	2,381	2,440

20.1 Finance lease receivables and Operating Lease Receivables

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Gross rentals receivable		96,684,605	92,138,208	-	-
Unearned finance income		(25,019,825)	(25,213,159)	-	-
Net investments in finance leases		71,664,780	66,925,049	-	-
Expected credit loss	20.1.5	(5,482,928)	(2,345,372)	-	-
Prepayments received from lessees		(5,351,955)	(6,480,614)	-	-
Balance as at 31 March		60,829,897	58,099,063	-	-

20.1 Finance lease receivables

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Receivables within one year	20.1.1	25,857,821	17,480,519	-	-
Receivable from one to five years	20.1.2	36,280,472	37,977,162	-	-
Receivable later than five years	20.1.3	1,499	-	-	-
Overdue rental receivable	20.1.4	4,173,033	4,986,754	-	-
Expected credit loss	20.1.5	(5,482,928)	(2,345,372)	-	-
		60,829,897	58,099,063	-	-

20.1.1 Receivables within one year

As at 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Gross rentals receivable	38,221,476	30,282,834	-	-
Unearned finance income	(12,363,655)	(12,802,315)	-	-
	25,857,821	17,480,519	-	-

20.1.2 Receivable from one to five years

As at 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Gross rentals receivable	54,288,561	56,868,620	-	-
Unearned finance income	(12,656,134)	(12,410,844)	-	-
Prepayments received from lessees	(5,351,955)	(6,480,614)	-	-
	36,280,472	37,977,162	-	-

20.1.3 Receivable later than five years

As at 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Gross rentals receivable	1,535	-	-	-
Unearned finance income	(36)	-	-	-
	1,499	-	-	-

20.1.4 Overdue rental receivable

As at 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Gross rentals receivable	4,173,033	4,986,754	-	-
	4,173,033	4,986,754	-	-

20.1.5 Expected credit loss

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Balance as at 1 April	2,345,372	1,650,515	-	-
Net expected credit loss	3,531,505	1,111,414	-	-
Net write-off/(recoveries) during the year	(394,798)	(427,144)	-	-
Exchange rate variance on foreign currency provisions	849	103	-	-
Other movements/ Transfers	-	10,484	-	-
Balance as at 31 March	5,482,928	2,345,372	-	-

20.1.5.1 Movements in expected credit loss

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Movements in expected credit loss				
Stage 1				
Balance as at 1 April	562,935	396,143	-	-
Charge/(Write back) to income statement	(46,620)	165,649	-	-
Exchange rate variance on foreign currency provisions	164	58	-	-
Other movements/ Transfers	-	1,085	-	-
Balance as at 31 March	516,479	562,935	-	-
Stage 2				
Balance as at 1 April	504,658	337,622	-	-
Charge/(Write back) to income statement	1,562,079	167,034	-	-
Exchange rate variance on foreign currency provisions	59	2	-	-
Balance as at 31 March	2,066,796	504,658	-	-
Stage 3				
Balance as at 1 April	1,277,779	916,750	-	-
Charge/(Write back) to income statement	2,016,046	778,731	-	-
Net write-off/(recoveries) during the year	(394,798)	(427,144)	-	-
Exchange rate variance on foreign currency provisions	626	43	-	-
Other movements/ Transfers	-	9,399	-	-
Balance as at 31 March	2,899,653	1,277,779	-	-

20.2 Operating lease receivables

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Net investments in finance leases		12,533	12,533	12,533	12,533
Expected credit loss	20.2.1.3	(10,152)	(10,093)	(10,152)	(10,093)
Balance as at 31 March		2,381	2,440	2,381	2,440

20.2.1 Operating lease receivables

		GROUP		COMPANY	
For the year ended 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Receivables within one year	20.2.1.1	1,508	1,508	1,508	1,508
Overdue rental receivable	20.2.1.2	11,025	11,025	11,025	11,025
(-) Expected credit loss	20.2.1.3	(10,152)	(10,093)	(10,152)	(10,093)
		2,381	2,440	2,381	2,440

20.2.1.1 Receivables within one year

		GROUP		COMPANY	
For the year ended 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross rentals receivable		(15,156)	(15,156)	(15,156)	(15,156)
Unearned finance income		16,664	16,664	16,664	16,664
		1,508	1,508	1,508	1,508

20.2.1.2 Overdue rental receivable

		GROUP		COMPANY	
For the year ended 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross rentals receivable		11,025	11,025	11,025	11,025
		11,025	11,025	11,025	11,025

20.2.1.3 Expected credit loss

		GROUP		COMPANY	
For the year ended 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 April		10,093	9,463	10,093	9,463
Net expected credit loss		59	630	59	630
Balance as at 31 March		10,152	10,093	10,152	10,093

Movements in expected credit loss

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Movement in provision for impairment (under SLFRS 09)				
Stage 3				
Balance as at 1 April	10,093	9,463	10,093	9,463
Charge/(Write back) to income statement	59	630	59	630
Balance as at 31 March	10,152	10,093	10,152	10,093

20.4 Total finance lease receivables and operating leases

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Gross rentals receivable		96,680,474	92,134,077	(4,131)	(4,131)
Unearned finance income		(25,003,161)	(25,196,495)	16,664	16,664
Net investments in finance leases		71,677,313	66,937,582	12,533	12,533
Expected credit loss	20.4.4	(5,493,080)	(2,355,465)	(10,152)	(10,093)
Prepayments received from lessees		(5,351,954)	(6,480,614)	-	-
Balance as at 31 March		60,832,279	58,101,503	2,381	2,440

20.4 Total finance lease receivables and operating leases

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Receivables within one year	20.4.1	25,859,329	17,482,027	1,508	1,508
Receivable from one to five years	20.4.2	36,280,473	37,977,162	-	-
Receivable later than five years	20.4.3	1,499	-	-	-
Overdue rental receivable	20.4.3	4,184,058	4,997,779	11,025	11,025
(-) Expected credit loss	20.4.4	(5,493,080)	(2,355,465)	(10,152)	(10,093)
		60,832,279	58,101,503	2,381	2,440

20.4.1 Receivables within one year

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Gross rentals receivable		38,206,320	30,267,678	(15,156)	(15,156)
Unearned finance income		(12,346,991)	(12,785,651)	16,664	16,664
		25,859,329	17,482,027	1,508	1,508

20.4.2 Receivable from one to five years

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Gross rentals receivable	54,288,561	56,868,620	-	-
Unearned finance income	(12,656,134)	(12,410,844)	-	-
Prepayments received from lessees	(5,351,954)	(6,480,614)	-	-
	36,280,473	37,977,162	-	-

20.4.3 Receivable later than five years

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Gross rentals receivable	1,535	-	-	-
Unearned finance income	(36)	-	-	-
	1,499	-	-	-

20.4.3 Overdue rental receivable

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Gross rentals receivable	4,184,058	4,997,779	11,025	11,025
	4,184,058	4,997,779	11,025	11,025

20.4.4 Expected credit loss

For the year ended 31 March	GROUP		COMPANY	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Balance as at 1 April	2,355,465	1,659,978	10,093	9,463
Net expected credit loss	3,531,564	1,112,044	59	630
Net write-off/(recoveries) during the year	(394,798)	(427,144)	-	-
Exchange rate variance on foreign currency provisions	849	103	-	-
Other movements/ Transfers	-	10,484	-	-
Balance as at 31 March	5,493,080	2,355,465	10,152	10,093

20.4.4.1 Movements in expected credit loss

	GROUP		COMPANY	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Movements in expected credit loss				
Stage 1				
Balance as at 1 April	562,935	396,143	-	-
Charge/(Write back) to income statement	(46,620)	165,649	-	-
Exchange rate variance on foreign currency provisions	164	58	-	-
Other movements/ Transfers	-	1,085	-	-
Balance as at 31 March	516,479	562,935	-	-
Stage 2				
Balance as at 1 April	504,658	337,622	-	-
Charge/(Write back) to income statement	1,562,079	167,034	-	-
Exchange rate variance on foreign currency provisions	59	2	-	-
Balance as at 31 March	2,066,796	504,658	-	-
Stage 3				
Balance as at 1 April	1,287,872	926,213	10,093	9,463
Charge/(Write back) to income statement	2,016,105	779,361	59	630
Net write-off/(recoveries) during the year	(394,798)	(427,144)	-	-
Exchange rate variance on foreign currency provisions	626	43	-	-
Other movements/ Transfers	-	9,399	-	-
Balance as at 31 March	2,909,805	1,287,872	10,152	10,093

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20.5 Analysis of gross portfolio receivables by currency

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Sri Lankan Rupee		66,208,879	60,309,052	12,533	12,533
United States Dollar		116,479	147,916	-	-
Gross loans and receivables		66,325,358	60,456,968	12,533	12,533

20.6 Concentration by Sector

20.6.1 Lending portfolio

As at 31 March	2021 Finance lease and operating leases Rs. '000	2021 Expected credit loss Rs. '000	2021 Total Rs. '000	2020 Finance lease and operating leases Rs. '000	2020 Expected credit loss Rs. '000	2020 Total Rs. '000
Group						
Industry category						
Agriculture and fishing	18,091,182	(870,697)	17,220,485	9,886,004	(337,376)	9,548,628
Arts, entertainment and recreation	6,368	-	6,368	299	-	299
Construction	1,135,622	(220,312)	915,310	4,162,072	(132,466)	4,029,606
Education	659,748	(42,743)	617,005	4,188	-	4,188
Financial services	1,124,192	(100,565)	1,023,627	47,266	-	47,266
Healthcare, social services and support services	6,098,614	(404,861)	5,693,753	3,189,561	(104,661)	3,084,900
Information technology and communication services	398,236	(31,916)	366,320	4,749	-	4,749
Infrastructure development	12,003	(1,171)	10,832	178,634	(7,548)	171,086
Lending to overseas entities	-	-	-	2,149	-	2,149
Manufacturing	5,448,279	(447,518)	5,000,761	3,092,291	(98,225)	2,994,066
Professional, scientific and technical activities	2,432,451	(321,705)	2,110,746	45,390	(745)	44,645
Tourism	605,380	(77,214)	528,166	496,265	(18,792)	477,473
Transport and storage	17,466,597	(1,546,092)	15,920,505	9,536,757	(358,385)	9,178,372
Wholesale and retail trade	5,686,510	(351,274)	5,335,236	4,847,827	(145,134)	4,702,693
Others	7,160,176	(1,077,012)	6,083,164	24,963,516	(1,152,133)	23,811,383
	66,325,358	(5,493,080)	60,832,278	60,456,968	(2,355,465)	58,101,503
Company						
Others	12,533	(10,152)	2,381	12,533	(10,093)	2,440
	12,533	(10,152)	2,381	12,533	(10,093)	2,440

21 FINANCIAL ASSETS AT AMORTISED COST/ ADVANCES AND OTHER LOANS

ACCOUNTING POLICY

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.

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.

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.

The maturity analysis of Financial assets at amortised cost/ Advances and Other Loans is given in Note 55.1 on pages 344 to 350.

		GROUP		COMPANY	
As at 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Portfolio		388,375,589	346,296,099	9,237,299	5,552,500
Stage 01		317,544,228	305,946,552	-	-
Stage 02		28,866,673	11,309,927	-	-
Stage 03		41,964,689	29,039,620	9,237,299	5,552,500
Expected credit loss		25,421,033	14,937,465	21,583	41,660
Stage 1		3,722,252	1,835,300	-	-
Stage 2		3,855,937	1,380,270	-	-
Stage 3		17,842,845	11,721,896	21,583	41,660
Net Portfolio		362,954,556	331,358,634	9,215,716	5,510,840
Analysis of gross portfolio					
By product					
Advances and loans	21.1	348,524,228	319,752,014	9,215,716	5,510,840
Factoring receivables	21.2	3,569,365	4,896,713	-	-
Gold loan advances receivables	21.3	10,860,963	6,709,907	-	-
		362,954,556	331,358,634	9,215,716	5,510,840

21.1 Rentals receivable on Advances and Loans

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Rentals receivable on loans to customers		366,091,420	328,618,463	9,132,515	5,423,226
Capital outstanding of revolving loans		13,905,444	7,081,739	-	-
Gross rental receivables		379,996,864	335,700,202	9,132,515	5,423,226
Future interest		(22,848,383)	(18,161,226)	-	-
Net rental receivables		357,148,481	317,538,976	9,132,515	5,423,226
Overdue loan instalments		10,216,551	12,912,509	104,784	129,274
Expected credit loss	21.1.1	(18,840,804)	(10,699,471)	(21,583)	(41,660)
		348,524,228	319,752,014	9,215,716	5,510,840

21.1.1 Expected credit loss

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Balance as at 1 April	10,699,471	11,189,015	41,660	38,718
Net expected credit loss from continuing operations	9,860,222	5,106,230	(20,077)	2,942
Net expected credit loss from discontinuing operations	-	362,829	-	-
Net write-off/(recoveries) during the year	(1,781,358)	(1,405,740)	-	-
Exchange rate variance on foreign currency provisions	515,649	560,756	-	-
Interest accrued on impaired loans and advances	132,146	-	-	-
Acquisition of Subsidiaries	187,584	-	-	-
Other movements/ Transfers	5,772	(534,804)	-	-
Reclassified to discontinuing operations	-	(4,578,815)	-	-
Financial assets derecognised or repaid (excluding write-offs)	(778,682)			
Balance as at 31 March	18,840,804	10,699,471	21,583	41,660

21.1.1.1 Movements in expected credit loss

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Movements in expected credit loss				
Stage 1				
Balance as at 1 April	1,684,575	3,218,953	-	-
Charge/(Write back) to income statement from continuing operations	2,405,110	900,716	-	-
Charge/(Write back) to income statement from discontinuing operations	-	921,847	-	-

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Net write-off/(recoveries) during the year	(250,878)	(37,582)	-	-
Exchange rate variance on foreign currency provisions	350,476	425,280	-	-
Interest accrued/(reversals) on impaired loans and advances	11,516	-	-	-
Other movements/ Transfers	(787,177)	(1,031,025)	-	-
Acquisition of Subsidiaries	65,165	(2,713,614)	-	-
Disposal of Subsidiaries	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	(650,424)	-	-	-
Balance as at 31 March	3,478,787	1,684,575	-	-
Stage 2				
Balance as at 1 April	1,280,065	1,023,700	-	-
Charge/(Write back) to income statement from continuing operations	2,432,364	470,545	-	-
Charge/(Write back) to income statement from discontinuing operations		124,544	-	-
Net write-off/(recoveries) during the year	(10,750)	(64,906)	-	-
Exchange rate variance on foreign currency provisions	25,041	15,051	-	-
Interest accrued/(reversals) on impaired loans and advances	8,619	-	-	-
Other movements/ Transfers	(1,221)	9,033	-	-
Acquisition of Subsidiaries	23,805	(297,902)	-	-
Balance as at 31 March	3,757,923	1,280,065	-	-
Stage 3				
Balance as at 1 April	7,734,831	6,946,362	41,660	38,718
Charge/(Write back) to income statement from continuing operations	5,022,748	3,734,969	(20,077)	2,942
Charge/(Write back) to income statement from discontinuing operations	-	(683,562)	-	-
Net write-off/(recoveries) during the year	(1,519,730)	(1,303,252)	-	-
Exchange rate variance on foreign currency provisions	140,132	120,425	-	-
Interest accrued/(reversals) on impaired loans and advances	112,011	-	-	-
Other movements/ Transfers	15,488	487,188	-	-
Acquisition of Subsidiaries	98,614	-		
Reclassified to discontinuing operations	-	(1,567,299)	-	-
Balance as at 31 March	11,604,094	7,734,831	21,583	41,660

21.2 Factoring receivables

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Factoring receivables		10,112,092	9,024,558		-
Expected credit loss	21.2.1	(6,542,727)	(4,127,845)	-	-
Balance as at 31 March		3,569,365	4,896,713	-	-

21.2.1 Expected credit loss

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Balance as at 1 April		4,127,846	3,647,763	-	-
Net expected credit loss		6,239,218	889,964	-	-
Net write-off/(recoveries) during the year		(3,824,337)	(409,882)	-	-
Balance as at 31 March		6,542,727	4,127,845	-	-

21.2.1.1 Movements in expected credit loss

	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Movements in expected credit loss				
Stage 1				
Balance as at 1 April	125,117	557,217	-	-
Charge/(Write back) to income statement	98,024	(432,100)	-	-
Balance as at 31 March	223,141	125,117	-	-
Stage 2				
Balance as at 1 April	68,943	92,319	-	-
Charge/(Write back) to income statement	(2,835)	(23,376)	-	-
Balance as at 31 March	66,108	68,943	-	-
Stage 3				
Balance as at 1 April	3,933,786	2,998,228	-	-
Charge/(Write back) to income statement	6,144,029	1,345,440	-	-
Net write-off/(recoveries) during the year	(3,824,337)	(409,882)	-	-
Balance as at 31 March	6,253,478	3,933,786	-	-

21.3 Gold loan advances receivables

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Gross receivables		10,898,466	6,820,056	-	-
Expected credit loss	21.3.1	(37,503)	(110,149)	-	-
Balance as at 31 March		10,860,963	6,709,907	-	-

21.3.1 Expected credit loss

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Balance as at 1 April	110,149	48,130	-	-
Net expected credit loss	(72,522)	62,019	-	-
Net write-off/(recoveries) during the year	(124)	-	-	-
Balance as at 31 March	37,503	110,149	-	-

21.3.1.1 Movements in expected credit loss

	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Movements in expected credit loss				
Stage 1				
Balance as at 1 April	25,608	14,076	-	
Charge/(Write back) to income statement	(5,284)	18,704	-	-
Other movements/ Transfers	-	(7,172)	-	-
Balance as at 31 March	20,324	25,608	-	-
Stage 2				
Balance as at 1 April	31,261	23,144	-	
Charge/(Write back) to income statement	644	14,086	-	-
Other movements/ Transfers	-	(5,969)	-	-
Balance as at 31 March	31,905	31,261	-	-
Stage 3				
Balance as at 1 April	53,279	10,910	-	
Charge/(Write back) to income statement	(67,882)	29,229	-	-
Net write-off/(recoveries) during the year	(124)	-	-	-
Other movements/ Transfers	-	13,140	-	-
Balance as at 31 March	(14,727)	53,279	-	-

NOTES TO THE FINANCIAL STATEMENTS

21.4 Analysis of gross advance and other loans receivables by currency

As at 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Sri Lankan Rupee	162,163,846	168,001,387	8,835,124	5,552,500
United States Dollar	122,114,024	115,416,007	402,175	-
Cambodian Riel	56,541,448	35,966,805	-	-
Pakistani Rupee	4,029,984	2,217,097	-	-
Myanmar Kyat	25,341,431	14,673,790	-	-
Indonesian Rupiah	2,415,383	736,839	-	-
Philippine Peso	4,969,237	-	-	-
Others	10,800,236	9,284,174	-	-
Gross loans and receivables	388,375,589	346,296,099	9,237,299	5,552,500

21.5 Maturities of the total advances and other loans

GROUP

As at 31 March	2021 Advances and loans Rs. '000	2021 Factoring receivables Rs. '000	2021 Pawning advances Rs. '000	2020 Advances and loans Rs. '000	2020 Factoring receivables Rs. '000	2020 Pawning advances Rs. '000
Receivables within one year	98,339,123	9,272,251	9,958,128	86,877,850	7,383,264	6,820,056
Receivable from one to five years	216,656,024	839,840	940,340	230,277,282	974,133	-
Receivable later than five years	33,957,130	-	-	3,354,364	667,162	-
Overdue rental receivable	18,667,189	-	-	9,941,989	-	-
Less: Expected credit loss	(19,095,238)	(6,542,726)	(37,505)	(10,669,471)	(4,127,845)	(110,148)
	348,524,227	3,569,365	10,860,963	319,782,014	4,896,713	6,709,908

COMPANY

As at 31 March	2021 Advances and loans Rs. '000	2021 Factoring receivables Rs. '000	2021 Pawning advances Rs. '000	2020 Advances and loans Rs. '000	2020 Factoring receivables Rs. '000	2020 Pawning advances Rs. '000
Receivables within one year	2,622,313	-	-	-	-	-
Receivable from one to five years	6,510,203	-	-	5,423,226	-	-
Overdue rental receivable	104,784	-	-	129,274	-	-
Less: Expected credit loss	(21,583)	-	-	(41,659)	-	-
	9,215,716	-	-	5,510,840	-	-

21.6 Concentration by Sector

	GROUP					
	2021			2020		
As at 31 March	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	71,831,117	(3,872,165)	67,958,952	79,294,720	(2,410,163)	76,884,557
Arts, entertainment and recreation	87,289	(6,267)	81,022	3,366	-	3,366
Construction	16,361,393	(737,201)	15,624,192	27,109,835	(854,893)	26,254,942
Education	2,495,357	(112,281)	2,383,076	50,710	(766)	49,944
Financial services	2,242,518	(129,943)	2,112,575	501,547	(40,075)	461,472
Healthcare, social services and support services	46,716,088	(1,927,838)	44,788,250	31,954,304	(813,175)	31,141,129
Information technology and communication services	1,137,350	(206,307)	931,043	42,509	(7)	42,502
Infrastructure development	25,782	(1,309)	24,473	2,469,067	(105,879)	2,363,188
Lending to overseas entities	-	-	-	11,150	-	11,150
Manufacturing	19,626,317	(1,755,239)	17,871,078	18,821,126	(1,290,097)	17,531,029
Plantation	8,849,062	(529)	8,848,533	5,376,718	(652)	5,376,066
Professional, scientific and technical activities	6,195,213	(1,119,701)	5,075,512	439,956	(2,019)	437,937
Tourism	2,569,696	(295,712)	2,273,984	3,038,159	(181,585)	2,856,574
Transport and storage	10,847,085	(891,599)	9,955,486	13,979,475	(400,849)	13,578,626
Wholesale and retail trade	78,533,185	(3,925,056)	74,608,129	75,990,165	(2,641,063)	73,349,102
Consumptions	72,624,841	(1,653,407)	70,971,434	-	-	-
Others	48,233,296	(8,786,479)	39,446,817	87,213,292	(6,196,242)	81,017,050
	388,375,589	(25,421,033)	362,954,556	346,296,099	(14,937,465)	331,358,634

	COMPANY					
	2021			2020		
As at 31 March	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
Financial services	16,240	(1,373)	14,867	14,393	(1,180)	13,213
Manufacturing	5,466	(1,347)	4,119	6,319	(2,018)	4,301
Plantation	725,410	(529)	724,881	1,120,541	(652)	1,119,889
Tourism	61,229	-	61,229	22,895	(22,895)	-
Wholesale and retail trade	8,008,704	(4,468)	8,004,236	4,309,320	(3,221)	4,306,099
Others	420,249	(13,866)	406,383	79,032	(11,693)	67,339
	9,237,299	(21,583)	9,215,715	5,552,500	(41,659)	5,510,840

22 INSURANCE PREMIUM RECEIVABLES

ACCOUNTING POLICY

Insurance Sector 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.

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.

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.

		GROUP		COMPANY	
As at 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Insurance premium receivables		1,849,317	1,622,913	-	-
(-) Expected credit loss/impairment allowance		(327,921)	(92,218)	-	-
		1,521,396	1,530,695	-	-

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

	GROUP		COMPANY	
As at 31 March	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Balance at 01 April	92,218	87,822	-	-
Provision for the period	(4,266)	4,396	-	-
Write offs / (write backs)	(4,396)	-	-	-
Other Adjustments	244,366	-	-	-
	327,921	92,218	-	-

23 INVENTORIES

ACCOUNTING POLICY

Inventories are measured at the lower of cost and net realizable 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 realizable 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

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Raw materials		1,612,984	1,011,073	162,810	370,956
Work-in-progress		1,710,343	447,900	-	-
Finished goods and trading stocks		3,159,202	3,737,901	107,466	11,024
Input materials		36,693	33,011	892	879
Ethanol		1,555,506	1,038,930	-	
Harvested crops					-
- Tea		345,186	161,371	-	-
- Rubber		716	6,842	-	-
- Coconut		15	4	-	-
- Cinnamon		1,051	106	-	-
- Commercial cane		79,550	89,126	-	-
Unharvested produce stock at fair value		-	14,680	-	-
Consumables, maintenance and spares		1,138,342	1,208,677	-	-
Vehicle stocks		289,381	68,149	12,415	54,702
Food and beverages		39,245	30,467	-	-
Goods in transit		218,877	219,946	-	-
Real Estate Stock		2,376	-	-	-
Others		37,144	11,088	-	-
		10,226,611	8,079,271	283,583	437,561
(-) Allowance for slow moving inventories	23.1	(657,598)	(870,499)	(3,328)	(57,182)
		9,569,013	7,208,772	280,255	380,379

23.1 Allowance for slow moving inventories

As at 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Balance at 01 April	870,499	340,429	57,182	-
Provision for the period	(210,445)	482,825	(53,448)	57,182
Write offs / (write backs)	(8,334)	(4,366)	-	-
Other Adjustments	(406)	-	(406)	-
Acquisition of Subsidiaries	-	50,000	-	-
Disposal of Subsidiaries	-	(378)	-	-
Foreign currency translations	6,284	1,989	-	-
Balance as at 31 March	657,598	870,499	3,328	57,182

During the year the Group reversed an provision of Rs. 210 million against the inventory provision after re-assessing the net realisable value of the inventory as at 31st March 2021. The above reversal is recognised in the income statement under other expenses.

None of the inventories are pledged as security for facilities obtained by the Group or Company from banks as at 31st March 2021. (Group and Company 2019/2020-nil).

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		**2021**	**2020**	**2021**	**2020**
	Note	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Income tax recoverable	24.1	177,853	67,515	-	-
Value added tax (VAT) recoverable		898,401	779,224	44,939	14,488
Advanced Corporate Tax (ACT) recoverable		-	1,840	-	-
With-holding tax (WHT) recoverable		6,645	434,445	46,499	46,499
Economic service charge (ESC) recoverable		262,633	396,463	137,837	137,837
Other tax recoverable		404,803	371,796	-	-
		1,750,335	2,051,283	229,275	198,824

24.1 Income tax recoverable

		GROUP		COMPANY	
As at 31 March		**2021**	**2020**	**2021**	**2020**
	Note	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Balance at the beginning of the year		67,515	47,810	-	-
Transfer to Income Tax Payables		(14,869)	(33,378)	-	-
Over/(Under) provision in respect of previous years		(104,252)	(67,216)	-	-
Provision for the Period		(4,557)	(10,191)	-	-
Payments made during the year		222,974	130,780	-	-
Acquisition of Subsidiaries		8,860	-	-	-
Foreign currency translations		2,181	(290)	-	-
Balance at the end of the year		177,853	67,515	-	-

25 TRADE AND OTHER CURRENT ASSETS

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Financial Assets					
Trade receivables	25.1	10,719,558	7,675,395	1,357,532	632,706
Amount due from related parties		2,053,279	2,552,061	31,005,964	31,973,061
Loans given to employees	25.2	181,732	232,698	2,355	3,937
Refundable deposits	25.3	145,377	74,486	-	-
Dividend receivables		1,015	1,015	-	-
Insurance commission receivable		41,727	27,353	-	-
Re-insurance receivable		164,763	719,085	-	-
Other financial receivables		2,655,119	618,173	316,644	72,618
		15,962,570	11,900,266	32,682,495	32,682,322
Non-financial Assets					
Prepayments & advances		5,482,459	6,593,121	93,178	302,135
Prepaid staff costs		35	123,704	-	-
Non refundable deposits		207,523	133,613	-	-
Other non-financial receivables		2,943,699	396,446	45,155	10,824
		8,633,716	7,246,884	138,333	312,959
		24,596,286	19,147,150	32,820,827	32,995,281

25.1 Trade receivables

ACCOUNTING POLICY
Trade receivables are stated at the amounts they are estimated to realize, 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.

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Trade receivables	25.1.1	11,993,850	8,930,011	1,431,162	641,832
(-) Expected credit loss	25.1.2	(1,274,292)	(1,254,616)	(73,630)	(9,126)
		10,719,558	7,675,395	1,357,532	632,706

25.1.1 Age Analysis of Trade Receivables

As at 31 March	GROUP		COMPANY	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Neither past due nor impaired				
0 Days	1,207,302	369,595	-	-
Past due but not impaired				
0-30 days	3,682,706	1,928,199	276,445	121,319
31-60 days	2,916,963	2,367,624	278,917	286,358
61-90 days	2,143,933	1,688,685	262,573	130,896
> 91 days	2,042,946	2,575,909	613,227	122,828
Gross carrying value	11,993,850	8,930,011	1,431,162	661,401
Allowance for expected credit losses	(1,274,292)	(1,254,616)	(73,630)	(9,126)
Total	10,719,558	7,675,395	1,357,532	652,275

25.1.2 Expected credit loss

As at 31 March	GROUP		COMPANY	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Balance as at 1 April	1,254,616	1,076,743	9,126	4,955
Net expected credit loss/impairment during the year	(9,443)	415,580	56,381	4,171
Net write-off/(recoveries) during the year	(5,113)	(305,174)	(2,905)	-
Interest accrued on impaired loans and advances	22,959	319	-	-
Other movements/ Transfers	-	65,657	-	-
Acquisition of Subsidiaries	11,273	-	11,028	-
Disposal of Subsidiaries	-	(2,810)	-	-
Exchange rate variance on foreign currency provisions	-	4,301	-	-
Balance as at 31 March	1,274,292	1,254,616	73,630	9,126
Movements in expected credit loss				
Allowances for individually significant impairment				
Balance as at 1 April	305,454	424,940	9,126	4,955
Charge/(Write back) to income statement	(3,997)	119,305	56,381	4,171
Net write-off/(recoveries) during the year	4,689	(233,024)	(2,905)	-
Interest accrued/(reversals) on impaired loans and advances	-	319	-	-
Other movements/ Transfers	-	(10,387)	-	-
Acquisition of Subsidiaries	11,273	-	11,028	-
Exchange rate variance on foreign currency provisions	-	4,301	-	-
Balance as at 31 March	317,419	305,454	73,630	9,126

As at 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Allowances for individually non-significant impairment				
Balance as at 1 April	949,162	651,803	-	-
Charge/(Write back) to income statement	(5,446)	296,275	-	-
Net write-off/(recoveries) during the year	(9,802)	(72,150)	-	-
Acquisition of Subsidiaries	22,959	-	-	-
Other movements/ Transfers	-	76,044	-	-
Disposal of Subsidiaries	-	(2,810)	-	-
Balance as at 31 March	956,873	949,162	-	-

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. During the year, LKR. 9.4 Mn Reversal (2020 - LKR 415.6 Mn charge) was recognised on trade receivables.

25.2 Loans given to employees

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Balance at 01 April	232,698	466,188	3,937	7,947
Granted during the period	86,093	2,757,929	2,708	1,001
Recovered during the period	(148,919)	(3,006,622)	(4,290)	(4,734)
Adjustment of fair value of prepaid staff cost	-	3,157	-	-
Transfers and other adjustments	2,888	14,333	-	(277)
Acquisition of Subsidiaries	4,301	-	-	-
Disposal of Subsidiaries	-	(2,287)	-	-
Exchange Differences	4,671			
Balance as at 31 March	181,732	232,698	2,355	3,937

25.3 Refundable deposits

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Balance at 01 April	74,486	90,159	-	-
Additions during the period	99,844	29,874	-	-
Adjustment of fair value	-	1,488	-	-
Refunded during the period	(39,558)	(44,716)	-	-
Acquisition of Subsidiaries	8,447	-		
Disposal of Subsidiaries	-	(2,319)	-	-
Exchange Differences	2,158	-	-	-
Balance as at 31 March	145,377	74,486	-	-

26 PREPAID LEASE RENTALS ON LEASEHOLD PROPERTIES

	GROUP	
As at 31 March	2021 Rs.'000	2020 Rs.'000
Cost		
Balance at the beginning of the period	-	2,641,322
Transfer (to)/from Investment Property		(4,800)
Transfer to Right to use assets		(2,636,522)
Balance at the end of the period	-	-
Accumulated amortisation		
Balance at the beginning of the period	-	235,587
Transfer (to)/from Investment Property		(800)
Transfer to Right to use assets		(234,787)
Balance at the end of the period	-	-
Carrying Amount		
As at 31 March	-	-

27 RIGHT OF USE ASSETS

ACCOUNTING POLICY

SLFRS 16 – "Leases"

Group acting as a lessee

As a lessee, the Group leases properties, motor vehicles and equipment that are used to carry out business operations. Under SLFRS 16, the Group recognizes right-of-use assets and lease liabilities for leases of properties, vehicles and equipment.

At commencement or modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its stand-alone price.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The Group presents the right-of-use asset and the lease liability as separate line items in the Statement of Financial Position.

Right-of-use Assets

Initial Recognition

The Company recognises right of use assets when the underlying asset is available for use. Right-of-use assets are initially recognised at cost.

The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are 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.

Subsequent Measurement

Right-of-use assets in the consolidated financial statements are subsequently measured at cost , less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities except in following;

If right-of-use assets relate to a class of property, plant and equipment to which the group applies the revaluation model in LKAS 16, a lessee may elect to apply that revaluation model to all of the right-of-use assets that relate to that class of property, plant and equipment.

Unless the Company 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.

Change of Accounting Policy from Cost model to Revaluation Model

The Group has voluntarily changed the accounting policy on Right-Of-Use Assets relating to Lands which meets the definition of a property, plant and equipment from cost model to revaluation model with effect from 1st October 2020, by carrying out a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the lands being valued. This was done to provide more reliable and more relevant information by reflecting the Fair Market Value of Right-Of-Use Assets.

The change in accounting policy from cost model to revaluation model has not led for a retrospective restatement due to the exemption available in the Paragraph 17 of LKAS 8 "Accounting Policies, Change in Accounting Estimates and Errors". As per Paragraph 17 of LKAS 8, the initial application of a policy to revalue assets in accordance with LKAS 16 "Property, Plant and Equipment" is a change in an accounting policy to be dealt with as a revaluation in accordance with LKAS 16, rather than in accordance with LKAS 8. LKAS 16 provides that when an item of property, Plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount at the date of revaluation.

Lease Liabilities

Refer Note No 38.4 - Operating Lease Liability.

ACCOUNTING POLICY
The Group acting as a lessor When the Group acts as the lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Group makes and overall assessment of whether the lease transfers substantially all of risks and rewards incidental to ownership of the underlying asset. If this is the case, lease is a finance lease; if not it is an operating lease. The Group sub – leases some of its properties. Under SLFRS 16, the right of use assets recognised from the head leases are presented in investment property, and measured at fair value at that date. The Group assessed the classification of the sub – lease contracts with reference to the right of use asset rather than the underlying asset, and concluded that they are operating leases under SLFRS 16.

		GROUP			
		2021			
As at 31 March	Notes	ROU - Lands Rs. '000	ROU - Buildings Rs. '000	ROU - Vehicles Rs. '000	ROU Total Rs. '000
Cost					
Balance at the beginning of the period		6,286,927	3,653,281	-	9,940,208
Recognition on initial application of SLFRS 16 - Leases		-	-	-	-
Transferred from prepayments		-	-	-	-
Transferred from lease equalization		-	-	-	-
Transferred from leasehold properties (note 26)		-	-	-	-
Adjusted balance as at 01st April 2020		6,286,927	3,653,281	-	9,940,208
Additions during the period		3,569	1,029,330	95,993	1,128,892
Transferred to Property, Plant and Equipment		364,578	-	-	364,578
Reversal on early termination		(21,093)	(70,675)	-	(91,768)
Acquisition of Subsidiaries		324,396	-	-	324,396
Disposal of Subsidiaries		-	-	-	-
Adjustment on changes in the estimation		(1,895)	3,505	-	1,610
Revaluation Surplus		11,764,303	-	-	11,764,303
Exchange Differences		893,524	224,479	-	1,118,003
Reclassified to discontinued operations		-	-	-	-
Balance at the end of the period		19,614,309	4,839,920	95,993	24,550,222
Accumulated amortisation					
Balance at the beginning of the period		184,959	911,048	-	1,096,007
Recognition on initial application of SLFRS 16 - Leases		-	-	-	-
Transferred from leasehold properties (note 26)		-	-	-	-
Adjusted balance as at 01st April 2020		184,959	911,048	-	1,096,007
Amortisation for the period from continuing operations		257,352	695,443	11,667	964,462
Amortisation for the period from discontinuing operations		-	-	-	-
Transferred to Property, Plant and Equipment		131,525		-	131,525
Reversal on early termination		(1,356)	(32,800)	-	(34,156)
Acquisition of Subsidiaries		-	-	-	-
Disposal of Subsidiaries		-	-	-	-
Adjustment on changes in the estimation		-	(132)	-	(132)
Reclassified to discontinued operations		-	-	-	-
Revaluations		(6,710)	-	-	(6,710)
Exchange Differences		94,012	73,154	-	167,166
		659,782	1,646,713	11,667	2,318,162
Balance at the end of the period		18,954,527	3,193,207	84,326	22,232,060

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.

GROUP	COMPANY			
2020	2021			2020
ROU Total Rs. '000	ROU - Lands Rs. '000	ROU - Buildings Rs. '000	ROU Total Rs. '000	ROU Total Rs. '000
-	6,341	756,044	762,385	-
10,099,941	-	-	-	669,495
144,277	-	-	-	64,790
(858,056)	-	-	-	-
2,422,821	-	-	-	-
11,808,983	6,341	756,044	762,385	734,285
1,436,934	2,685	68,035	70,720	28,100
-	-	-	-	-
(17,551)	-	(582)	(582)	-
432,575	-	-	-	-
(1,400)	-	-	-	-
-	-	-	-	-
-	-	-	-	-
578,896	-	-	-	-
(4,298,229)	-	-	-	-
9,940,208	9,026	823,497	832,523	762,385
-	1,334	118,690	120,023	-
1,061,364	-	-	-	-
21,086	-	-	-	-
1,082,450	1,334	118,690	120,023	-
638,061	2,476	135,636	138,112	120,023
672,474	-	-	-	-
114,856	-	839	839	-
(1,470)	-	(582)	(582)	-
2,768	-	-	-	-
(269)	-	-	-	-
-	-	-	-	-
(1,525,712)	-	-	-	-
-	-	-	-	-
112,851	-	-	-	-
1,096,009	3,810	254,583	258,392	120,023
8,844,199	5,216	568,914	574,131	642,362

NOTES TO THE FINANCIAL STATEMENTS

27.1 Maturity analysis – Contractual undiscounted cash flows

As at 31 March	Notes	GROUP 2021 ROU - Lands Rs. '000	ROU - Buildings Rs. '000	ROU - Vehicles Rs. '000	ROU Total Rs. '000
Less than one year		311,116	484,578	24,351	820,044
Between one and five years		2,207,969	1,341,064	67,306	3,616,339
More than five years		27,092,552	251,854	-	27,344,406
		29,611,637	2,077,496	91,657	31,780,790

27.2 Amount recognised in income statement

As at 31 March	Notes	GROUP 2021 ROU - Lands Rs. '000	ROU - Buildings Rs. '000	ROU - Vehicles Rs. '000	ROU Total Rs. '000
As per SLFRS 16 – Leases					
Interest on lease liabilities		283,898	247,974	7,010	538,882
Recognised in interest expenses		283,898	247,974	7,010	538,882
Amortisation of Right of Use Assets - Continuing Operations		257,352	695,443	11,667	964,462
Amortisation of Right of Use Assets - Discontinuing Operations		-	-	-	-
Recognised in other expenses		257,352	695,443	11,667	964,462
As per LKAS 17 – Leases					
Lease expense		806,016	135,787	3,586	945,389
Recognised in other expenses		806,016	135,787	3,586	945,389
Total amount recognised in income statement		1,347,266	1,079,204	22,263	2,448,733

27.3 Amounts recognised in cash flow statement

As at 31 March	Notes	GROUP 2021 ROU - Lands Rs. '000	ROU - Buildings Rs. '000	ROU - Vehicles Rs. '000	ROU Total Rs. '000
Payment for lease liabilities		806,016	135,787	3,586	945,389
		806,016	135,787	3,586	945,389

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.

GROUP	COMPANY			
2020	2021			2020
ROU Total	ROU - Lands	ROU - Buildings	ROU Total	ROU Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1,279,847	2,535	177,016	179,551	144,329
4,212,347	4,425	570,909	575,334	685,231
24,746,321	-	135,588	135,588	134,638
30,238,515	6,960	883,513	890,473	964,198

GROUP	COMPANY			
2020	2021			2020
ROU Total	ROU - Lands	ROU - Buildings	ROU Total	ROU Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
878,355	996	88,380	89,376	83,239
878,355	996	88,380	89,376	83,239
638,061	2,476	135,636	138,112	120,023
672,474	-	-	-	-
1,310,535	2,476	135,636	138,112	120,023
1,648,354	2,270	147,349	149,619	126,986
1,648,354	2,270	147,349	149,619	126,986
3,837,244	5,742	371,365	377,107	330,248

GROUP	COMPANY			
2020	2021			2020
ROU Total	ROU - Lands	ROU - Buildings	ROU Total	ROU Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1,648,354	2,270	147,349	149,619	126,986
1,648,354	2,270	147,349	149,619	126,986

27.4 Details on Revalued Right-Of-Use Lands

Entity Name	Country	Location of the Land	Land Extent
Ajax Engineers (Private) Limited	Sri Lanka	Minuwangoda	01A 03R 36.28P
Gurind Accor (Pvt) Ltd	Sri Lanka	Kadawatha	01A 01R 28.95P
Green Paradise Resorts (Private) Limited	Sri Lanka	Dambulla	11A – 0R – 13.27P
Saga Solar Power (Pvt) Ltd	Sri Lanka	Bolhinda Village	44A – 3R- 36.947P
Sunbird Bioenergy (SL) Ltd	Siera Leone	Bombali Sebora	23,791 Ha
Sun & Fun Resorts (Private) Limited	Sri Lanka	Kalkudah	7A 1R 27.43P
Maturata Plantations Ltd	Sri Lanka	In 19 Estates	8504H
Commercial Leasing & Finance PLC	Sri Lanka	Ampara	01A 03R 36.28P
LOLC Holdings PLC	Sri Lanka	Vauniya	01A 0R 0P
Sunbird Bioenergy (SL) Ltd	Siera Leone	Bombali Sebora	23,791 Ha
NPH Investments Pvt Ltd	Maldives	Hulhumale	3R-18.32P
BROWNS Ari Resort (Pvt) Ltd	Maldives	Bodufinolu island in South Ari Atoll	17A-0R-18.125P
Bodufaru Beach Resorts (Pvt) Ltd	Maldives	Kaafu islands (3) located at North Male Atoll	73A-2R-8.125P
BROWNS Raa Resort (Pvt) Ltd	Maldives	Bodufarufinolhu island in Raa Atoll	12A-2R-16.875P

Per Perch Value Range	CCY	Sensitivity Analysis - Total Valuation			
		Capitalization Rate		Per Perch Value	
		1% Increase	1% Decrease	10% Increase	10% Decrease
Rs.673 to Rs. 999,638	LKR	6,416,599	(6,408,266)	3,524,546	(3,524,546)
	LKR	9,801,663	(9,778,168)	5,386,341	(5,375,568)
	LKR	2,300,000	(1,600,000)	2,400,000	(1,500,000)
	LKR	12,000,000	(14,000,000)	6,000,000	(6,000,000)
	USD	4,800,000	(4,000,000)	5,000,000	(4,000,000)
	LKR	16,000,000	(19,000,000)	10,000,000	(10,000,000)
	LKR	396,000,000	(542,000,000)	1,317,756	(1,540,333)
USD 6 to USD 2,800	LKR	564,344	(564,174)	225,737	(1,848,432)
	LKR	3,068,740	(3,075,188)	1,841,060	(225,737)
	USD	4,800,000	(4,000,000)	5,000,000	(4,000,000)
	USD	N/A	N/A	980	(980)
	USD	N/A	N/A	539,012	(539,013)
	USD	N/A	N/A	926,900	(926,900)
	USD	N/A	N/A	462,000	(462,000)

28 INVESTMENT PROPERTIES

ACCOUNTING POLICY

Basis of Recognition

Investment property are 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.

Basis of Measurement

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.

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.

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.

Determining Fair Value

External and independent professional 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.

For the year ended 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Balance at the beginning of the year	31,723,414	26,383,374	1,017,250	956,125
Additions	12,162,357	2,306,752	-	33,192
Additions to Investment Properties from foreclosure of contracts	-	844,055	-	-
Disposals of subsidiaries	-	(4,939)	-	-
Transfers (to)/from property plant and equipment	(1,632,198)	(1,724,968)	-	-
Exchange translation difference	11,824	4,000	-	-
Change in fair value during the year	3,936,831	3,915,140	47,600	27,933
Balance at the end of the year	46,202,228	31,723,414	1,064,850	1,017,250

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 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Owned properties	38,717,854	24,446,363	1,064,850	1,017,250
Properties held under operating leases	7,484,374	7,277,051	-	-
	46,202,228	31,723,414	1,064,850	1,017,250

28.2 Summary of Investment Properties

As at 31 March	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000	COMPANY 2021 Rs.'000	COMPANY 2020 Rs.'000
Land	37,294,558	23,773,103	658,350	629,784
Building	8,907,670	7,950,311	406,500	387,466
	46,202,228	31,723,414	1,064,850	1,017,250

28.3 Relevant income and expenditure relating to investment properties

	GROUP	
For the year ended 31 March	2021 Rs.'000	2020 Rs.'000
Rent income earned	629,883	475,840
Direct operating expenses generating rental income	15,894	22,581
Direct operating expenses not generating rental income	20,683	19,463

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.75,000 to Rs.28,625,000 in the Colombo area and Rs.10,000 to Rs.7,000,000 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. 900 to Rs.16,000 in the Colombo area and Rs. 750 to Rs. 10,000 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 - 8%	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.

28.5 Details on Investment Property Valuation

Province	Per Perch (Rs.)		Per Square Feet (Rs.)	
	Lowest	Highest	Lowest	Highest
Central Province	10,000	7,000,000	2,250	7,500
Eastern Province	40,000	200,000	N/A	N/A
North Western Province	250,000	4,100,000	3,800	10,000
Northern Province	1,000,000	1,200,000	-	-
Northern Central Province	200,000	781,000	1,750	3,500
Sabaragamuwa Province	160,000	4,200,000	1,750	6,000
Southern Province	20,000	3,000,000	750	8,000
Uva Province	2,300,000	2,300,000	-	-
Western Province	75,000	28,625,000	900	16,000

29 CONSUMABLE BIOLOGICAL ASSETS

ACCOUNTING POLICY

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.

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,Sugar Cane and 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.

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.W.M.Chandrasena in determining the fair value of managed Timber Plantation. The valuer has valued the Timber Plantation 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 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.

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.

For the year ended 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000
Balance as at 01 April		3,642,998	3,788,540
Increase due to new planting and re-planting		33,759	53,700
Decrease due to harvesting of timber trees		(220,976)	(58,000)
Net increase due to births/deaths (Growing Crop Nurseries)		(8,851)	(4,426)
Change in fair value	29.1	560,453	(136,816)
Balance as at 31 March		4,007,383	3,642,998

29.1 Change in fair value less estimated costs to sell

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000
Due to price changes		339,743	(40,292)
Due to physical changes		220,710	(96,524)
		560,453	(136,816)

29.1.1 The carrying value of Consumable biological assets as at the year end has been computed as follows;

As at 31 March	Note	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000
Valuation of consumer biological assets		3,754,256	3,422,004
Cost of timber plant below three years of age, not considered for valuation		249,763	208,202
Growing Crop Nurseries	29.1.2	3,364	12,792
		4,007,383	3,642,998

Managed timber trees include commercial timber plantations cultivated on estates. The above carrying amount as at 31st March 2021 includes a sum of Rs. 249.8 Mn - (As at 31st March 2020 - Rs. 208.2 Mn) 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. 15.05 Mn (Previous year - Rs. 23.3 Mn) have been capitalised during the year in to immature fields.

29.1.2 Growing crop nurseries

	GROUP 2021 Rs.'000	GROUP 2020 Rs.'000
Balance as at 01 April	12,792	17,218
Additions	(8,851)	(4,426)
Impairment	(577)	-
Balance as at 31 March	3,364	12,792

29.1.3 Plantation area

	GROUP	
For the year ended 31 March	2021 Ha.	2020 Ha.
Mature plantations	734.04	805.25
Immature Plantations	460.70	242.33
	1,194.74	1,047.58

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 16% 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 2020/2021 - 12% (Risk Premium - 4%) 2019/2020 - 14.5% (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. In ascertaining the fair value of timber, a physical verification was carried covering all the estates.

29.4 Timber Trees namely Eucalyptus Torariyana, Albezzia, Graveelia, Eucalyptus Grandis, Astonia, Pinus, Toona, Mahogany, Teak, Jak, 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 14% 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		**2021**	**2020**
	Note	**Rs.'000**	**Rs.'000**
Carrying amount	29.1.1	4,007,383	3,642,998
Sensitivity on sales price	+10%	379,946	342,207
	-10%	(379,946)	(342,207)

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		**2021**	**2020**
	Note	**Rs.'000**	**Rs.'000**
Carrying amount	29.1.1	4,007,383	3,642,998
Sensitivity on Discount Rate	+1%	(147,779)	(77,573)
	-1%	166,098	85,900

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 31st March 2021 was subject to impairment testing which concluded that no material impairment was required.

30 BEARER BIOLOGICAL ASSETS

ACCOUNTING POLICY

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 fertilizing, 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 recognizes 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.

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 fertilizing, incurred between the time of planting and harvesting (When the planted area attains maturity) are recognised as initial cost for capitalization. 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 labor 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/Sugar Cane) 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.

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.

Growing Crop Nurseries

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

		GROUP	
For the year ended 31 March		**2021**	**2020**
	Note	**Rs.'000**	**Rs.'000**
On finance lease	30.3	18,986	26,350
Investments after formation of the plantation companies	30.4	2,400,982	2,113,993
Growing crop nurseries	30.5	3,995	4,209
		2,423,963	2,144,552

NOTES TO THE FINANCIAL STATEMENTS

30.1 Amortisation/ depreciation for the period recognised for bearer biological assets

		GROUP	
For the year ended 31 March		2021	2020
	Note	Rs.'000	Rs.'000
On finance lease	30.3	7,097	7,194
Investments after formation of the plantation companies	30.4	347,973	286,525
		355,070	293,719

30.2 Carrying amount of bearer biological assets

	Note	On finance lease 30.3 Rs.'000	Investments after formation 30.4 Rs.'000	Growing crop nurseries 30.5 Rs.'000	2021 Rs.'000	2020 Rs.'000
Cost		211,772	7,367,453	3,995	7,583,220	6,486,107
Accumulated depreciation		(192,787)	(4,966,471)	-	(5,159,257)	(4,341,555)
Carrying amount		18,986	2,400,982	3,995	2,423,963	2,144,552

30.3 On finance lease

Mature plantations

	Tea Rs.'000	Rubber Rs.'000	Coconut Rs.'000	2021 Rs.'000	2020 Rs.'000
Cost					
Balance as at 01 April	203,272	2,334	8,271	213,877	218,816
Disposal	-	(2,105)	-	(2,105)	(4,940)
Balance as at 31 March	203,272	229	8,271	211,772	213,876
Accumulated depreciation					
Balance as at 01 April	178,295	2,028	7,202	187,526	184,471
Charge for the year from continuing operations	6,801	20	276	7,097	7,194
Disposal	-	(1,836)	-	(1,836)	(4,139)
Balance as at 31 March	185,096	212	7,478	192,787	187,526
Carrying amount	18,176	17	792	18,986	26,350

30.4 Investments after formation of the plantation companies

Immature Plantations

	Tea Rs.'000	Rubber Rs.'000	Cinnamon Rs.'000	Mixed Crops Rs.'000	2021 Rs.'000	2020 Rs.'000
Cost						
Balance as at 01 April	16,496	69,280	123,933	3,055	212,764	399,781
Additions / trasnfer in from growing crop nurseries	4,294	-	66,441	513	71,248	110,717
Transfer In/out	(7,714)	-	(100,460)	-	(108,174)	(201,840)
Written off during the year	(4,919)	-	-	-	(4,919)	(95,894)
Balance as at 31 March	8,157	69,280	89,914	3,568	170,919	212,764

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 34.2. 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 Rs.'000	Rubber Rs.'000	Coconut Rs.'000	Cinnamon Rs.'000	Sugar Cane Rs.'000	2021 Rs.'000	2020 Rs.'000
Cost							
Balance as at 01 April	742,557	370,618	15,646	285,811	4,640,626	6,055,258	1,250,989
Additions	7,714	-	-	100,460	445,741	553,915	445,805
Transfer in/(out)	-	-	-	-	-	-	201,840
Written Offs	-	-	-	-	-	-	(27,958)
Disposals	-	(354)	-	-	-	(354)	(10,239)
Changes due to Business Combinations	-	-	-	-	-	-	4,009,585
Exchange Differences	-	-	-	-	587,715	587,715	185,236
Balance as at 31 March	750,271	370,264	15,646	386,271	5,674,082	7,196,534	6,055,258
Accumulated depreciation							
Balance as at 01 April	336,826	92,175	5,232	20,745	3,699,051	4,154,029	428,848
Charge for the year from continuing operations	24,736	18,289	412	10,431	294,105	347,973	286,525
Charge for the year from discontinuing operations	-	-	-	-	-	-	4,217
Written Offs	-	-	-	-	-	-	(14,488)
Disposals	-	(320)	-	-	-	(320)	(8,988)
Changes due to Business Combinations	-	-	-	-	-	-	3,316,406
Exchange Differences	-	-	-	-	464,789	464,789	141,509
Balance as at 31 March	361,562	110,144	5,644	31,176	4,457,945	4,966,471	4,154,029
Carrying Amount							
As at 31 March	388,709	260,120	10,002	355,095	1,216,138	2,230,063	1,901,229
Total Carrying Amount of Investments after formationW of the plantation companies						2,400,982	2,113,993

30.5 Growing crop nurseries

	Tea Rs.'000	Cinnamon Rs.'000	2021 Rs.'000	2020 Rs.'000
Cost				
Balance as at 01 April	4,026	183	4,209	3,612
Additions	2,152	552	2,704	2,689
Written Offs	(2,918)	-	(2,918)	(721)
Disposals		-	-	(1,371)
Balance as at 31 March	3,260	735	3,995	4,209

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.

	2021		2020	
As at 31 March	Extent Ha	Amount Rs. '000	Extent Ha	Amount Rs. '000
Uprooting				
Cinnamon	3.85	570	-	-
Sugarcane	-	-	782	88,716
	3.85	570	782	88,716
Planting				
Tea	2.15	2,347	5	1,700
Cinnamon	-	-	114	30,946
Sugarcane	-	-	3,742	937,240
	2.15	2,347	3,861	969,885
Upkeep				
Tea	4	1,949	11	14,795
Rubber	-	-	56	69,279
Coconut	3	513	-	1,437
Cinnamon	232	65,871	333	92,988
Mixed Crop	-	-	3	1,617
	239	68,332	404	180,116
	245	71,250	5,046	1,238,717

30.7 Borrowing Costs Capitalised

Borrowing Costs amounting to Rs. 15.05Mn (Previous Year - Rs 23.3Mn) incurred on borrowings obtained to meet expenses relating to immature plantations have been capitalised as part of the cost of immature plantations. Capitalization of borrowing costs will be ceased when the plantations are ready for bearing.

30.8 COVID-19 Impact

Given the impact of COVID-19, the Group's bearer plants and biological assets as at 31st March 2021 was subject to impairment testing which concluded that no material impairment was required.

31 SUBSIDIARY COMPANIES

ACCOUNTING POLICY

Bearer Biological Assets

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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March		2021 No. of Shares	2021 Holding %	2021 Cost Rs. '000	2020 No. of Shares	2020 Holding %	2020 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
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	2,351,313,562	44.79%	10,706,462
				30,209,177			30,292,603
	Non-listed subsidiaries						
6	Browns Tours Limited	17,567,500	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	1,300,000	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
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	53,249,265	100.00%	378,750	2,000,001	100.00%	20,000
16	LOLC Asia Private Limited	1,100,000	2.49%	390,361	1,100,000	2.49%	191,297
17	LOLC Asset Holdings Limited	213,048,951	100.00%	2,130,490	213,048,951	100.00%	2,120,500
18	LOLC Ceylon Property Holdings (Pvt) Limited	1	100.00%	12,665,946	-	-	-
19	LOLC Capital One (Pvt) Limited	15,860,000	100.00%	158,600	15,860,000	100.00%	153,600
20	LOLC Corporate Services Limited	15,400,000	100.00%	154,000	15,400,000	100.00%	154,000
21	LOLC Eco Solutions Limited	64,100,000	100.00%	641,000	64,100,000	100.00%	641,000
22	LOLC Factors Limited	720,000,000	64.91%	7,200,000	370,000,001	64.91%	3,700,000
23	LOLC Financial Sector Holdings Pvt Ltd	45,000	100.00%	1,274,312	45,000	100.00%	1,266,001
24	LOLC International Limited	-	-	-	83,220,000	74.14%	12,601,467
25	LOLC Investments Limited	1,479,920,000	100.00%	15,184,200	1,479,920,000	100.00%	15,184,200
26	LOLC Motors Limited	126,000,000	100.00%	1,260,000	126,000,000	100.00%	1,260,000

31.1 Company

As at 31 March		2021 No. of Shares	2021 Holding %	2021 Cost Rs. '000	2020 No. of Shares	2020 Holding %	2020 Cost Rs. '000
27	LOLC Myanmar Micro Finance Limited	8,119,433	35.43%	1,022,408	8,119,433	35.43%	1,022,408
28	LOLC Private Limited	150,306,584	73.38%	18,264,176	150,306,584	73.38%	18,264,176
29	LOLC Property Eight (Pvt) Ltd	-	-	-	29,120,001	100.00%	-
30	LOLC Property Five (Pvt) Ltd	-	-	-	38,000,001	100.00%	380,000
31	LOLC Property Four (Pvt) Ltd	-	-	-	26,000,001	100.00%	260,000
32	LOLC Eco Technologies (Pvt) Ltd	1	100.00%	-	1	100.00%	-
33	LOLC Property One (Pvt) Ltd	-	-	-	29,100,001	100.00%	291,000
34	LOLC Property Seven (Pvt) Ltd	-	-	-	3,744,001	100.00%	-
35	LOLC Property Six (Pvt) Ltd	-	-	-	18,410,001	100.00%	184,100
36	LOLC Ceylon Holdings (Private) Limited	1	100.00%	-	1	100.00%	-
37	LOLC Property Three (Pvt) Ltd	-	-	-	54,600,001	100.00%	546,000
38	LOLC Property Two (Pvt) Ltd	-	-	-	78,000,001	100.00%	780,000
39	LOLC Securities Limited	50,000,000	100.00%	500,000	40,000,000	100.00%	400,000
40	LOLC Technology Services Limited	1,700,000	100.00%	17,000	1,700,000	100.00%	17,000
41	Prospere Realty (Private) Limited	30,400,001	100.00%	304,000	30,400,001	100.00%	304,000
42	Sundaya Lanka (Private) Limited	624,490	51.00%	6,245	624,490	51.00%	6,245
				63,091,874			61,447,382
	Allowance for Impairment (Note 31.2)			(796,245)			(796,245)
	Total			92,504,806			90,943,740

31.2 Allowance for Impairment

As at 31 March	Note	COMPANY 2021 Rs.'000	COMPANY 2020 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
		796,245	796,245

31.2.1 Movement in allowance for impairment

	COMPANY 2021 Rs.'000	COMPANY 2020 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

ACCOUNTING POLICY

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.

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.

Details of the Group's subsidiaries at the end of the reporting period are as follows;

	Subsidiary		As at 31 March Principal Activities	Details of the Group's subsidiaries at the end of the reporting period are as follows; 2021 No. of Shares	2021 Control Holding %	2020 No. of Shares	2020 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	9,275,581,367	64.55%	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	Dolphin Hotels PLC	DOLPHINPLC	Hotelier	20,609,378	65.18%	-	-
5	Eden Hotels Lanka PLC	Eden	Hotelier	486,545,375	92.15%	93,793,173	88.82%
6	Hotel Sigiriya PLC	SIGIRIYAPLC	Hotelier	3,696,047	63.08%	-	-
7	LOLC Development Finance PLC	LODF	Financial services	237,679,520	99.89%	237,679,520	99.89%
8	LOLC Finance PLC	LOFC	Financial services	4,966,248,481	94.60%	4,966,248,481	94.60%
9	Palm Garden Hotels PLC	Palm	Investments holding	38,671,013	89.38%	38,671,013	89.38%
10	Serendib Hotels PLC	SHOTPLC	Hotelier	62,187,841	55.76%	-	-
	Non-listed subsidiaries						
11	Ajax Engineers (Private) Limited	Ajax	Aluminium Fabrication	469,987	100.00%	469,987	100.00%
12	B G Air Services (Private) Limited	BG Air	Air ticketing and outbound tours	50,000	100.00%	50,000	100.00%
13	BI Logistics and Commodities (Private) Limited	BILOGIS	Pre-operational	35,500,250	100.00%	35,500,250	100.00%
14	BI Zhongtian Holdings (Pvt) Ltd		Pre-operational	25,499,949	51.00%	25,499,949	51.00%
15	Browns Agri Solutions (Pvt) Ltd	BFL	Pre-operational	1,000,000	83.42%	1,000,000	83.42%
16	Browns Engineering & Construction (Pvt) Ltd	BE&C	Construction	45,000,000	50.00%	45,000,000	50.00%
17	Browns Global Farm (Private) Limited	BGFL	Plantations	58,295,328	100.00%	58,295,328	100.00%
18	Browns Group Industries (Private) Limited	BGIL	Providing marine solutions	2,800,000	100.00%	2,800,000	100.00%
19	Browns Group Motels Limited	BGML	Non-operational	15,862,926	99.37%	15,862,926	99.37%
20	Browns Health Care Negambo (Private) Limited	BHNEGAMBO	Health Care	5,000,000	100.00%	5,000,000	100.00%
21	Browns Holdings Limited	BHL	Investments holding	518,290,140	100.00%	518,290,140	100.00%
22	Browns Hotels and Resorts Limited	BHR	Investments holding	1,191,919,624	100.00%	1,191,919,624	100.00%
23	Browns Industrial Park (Private) Limited	BIPL	Renting of properties	15,405,137	100.00%	15,405,137	100.00%
24	Browns Leisure (Pvt) Ltd	BLL	Pre-operational	4,500,001	90.00%	4,500,001	90.00%
25	Browns Metal & Sands (Pvt) Ltd	BM&SL	Pre-operational	1	100.00%	1	100.00%
26	Browns Pharma (Pvt) Ltd	BP	Vet Pharma	10,000,000	100.00%	10,000,000	100.00%
27	BI Holdings LTD (Formerly known as Browns Pharmaceuticals Ltd)	BPL	Pre-operational	1	83.42%	1	83.42%
28	Browns Power Holding Limited	BPHL	Investing in ventures	100,000,000	100.00%	100,000,000	100.00%
29	Browns Properties (Private) Limited	BPL	Real estate business	1	100.00%	1	100.00%

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Subsidiary			As at 31 March Principal Activities	Details of the Group's subsidiaries at the end of the reporting period are as follows; 2021 No. of Shares	2021 Control Holding %	2020 No. of Shares	2020 Control Holding %
30	Browns Real Estate (Private) Limited	BREL	Pre-operational	5,000,000	100.00%	5,000,000	100.00%
31	Browns Teas (Pvt) Ltd		Pre-operational	1	100.00%	1	100.00%
32	Browns Thermal Engineering (Private) Limited	BTEL	Importing and manufacturing Radiators	1,499,997	100.00%	1,499,997	100.00%
33	Browns Tours (Private) Limited	BTL	GSA for Austrian airlines and inbound tour operations	2,030,000	100.00%	2,030,000	100.00%
34	Ceylon Graphene Technologies (Private) Limited	CGTL	Graphene Manufacturing	36,000,000	85.00%	36,000,000	85.00%
35	Ceylon Roots Lanka (Pvt) Ltd	CRL	Inbound tour operations	1	100.00%	1	100.00%
36	CFT Engineering Limited	CFT	Non-operational	147,501	100.00%	147,501	100.00%
37	Commercial Factors (Private) Limited	COMFAC	Non-operational	8,000,001	100.00%	8,000,001	100.00%
38	Creations Wooden Fabricators (Private) Limited	C & C	Manufacturing	10,000	90.00%	10,000	90.00%
39	Dikwella Resort (Private) Limited	DRS	Hotelier	481,314	100.00%	481,314	100.00%
40	Diriya Investments (Private) Limited	Diriya	Investments holding	383,358,564	100.00%	383,358,564	100.00%
41	Dolekanda Power (Private) Limited	Dolekanda	Hydro Power Generation	10,000,000	100.00%	10,000,000	100.00%
42	E.S.L Trading (Private) Limited	ESLT	Pre-operational	1	100.00%	1	100.00%
43	Eagle Recoveries (Private) Limited	ERPL	Real estate	8,000,001	100.00%	8,000,001	100.00%
44	East Coast Land Holdings (Private) Limited	LLHL	Real estate	21,300,000	100.00%	21,300,000	100.00%
45	Engineering Services (Private) Limited	ESL	Selling Generators & Related Services	147,501	100.00%	147,501	100.00%
46	Enselwatte Power (Private) Limited	Enselwatte	Hydro Power Generation	10,000,000	100.00%	10,000,000	100.00%
47	Excel Global Holding Limited	EGHL	Investments holding	53,448,329	100.00%	53,448,329	100.00%
48	Excel Restaurant (Private) Limited	ERL	Operating restaurant	10,004	100.00%	10,004	100.00%
49	Fairview Lands Limited	FLL	Real Estate	1	100.00%	1	100.00%
50	F L C Estates Bungalows (Private) Limited	FLC EB	Leisure	1,000	100.00%	1,000	100.00%
51	F L P C Management (Private) Limited	FLPC	Plantation management	92,052,842	95.34%	92,052,842	95.34%
52	Fortigrains Lanka (Pvt) Ltd	FORTIGRAINSLPL	Advance Technology	1	100.00%	-	-
53	Frontier Capital Lanka (Pvt) Ltd	FRONTIER	Hotelier	3,216,295	100.00%	-	-
54	Galoya Holdings (Private) Limited	GHL	Managing plantations	2,600,000	100.00%	2,600,000	100.00%
55	General Accessories and Coating (Pvt) Ltd	GAC	Powder Coating	100,000	100.00%	100,000	100.00%
56	Green Orchard Property Investments (Private) Limited	GOPIL	Real estate	16,395,660	100.00%	16,395,660	100.00%
57	Green Paradise Resorts (Private) Limited	GPR	Hotelier	5,000,007	100.00%	5,000,007	100.00%
58	Gurind Accor (Pvt) Ltd	GURIND	Glass Processing	12,660,000	85.00%	12,660,000	85.00%
59	I Pay (Pvt) Ltd	IPAY	Real estate	-	-	16,000,001	100.00%
60	ICONIC Property One (Pvt) Ltd	ICONIC1	Property Holding	1	100.00%	-	-
61	ICONIC Property Two (Pvt) Ltd	ICONIC2	Property Holding	1	100.00%	-	-
62	ICONIC Property Three (Pvt) Ltd	ICONIC3	Property Holding	1	100.00%	-	-

Details of the Group's subsidiaries at the end of the reporting period are as follows;

	Subsidiary		As at 31 March Principal Activities	2021 No. of Shares	2021 Control Holding %	2020 No. of Shares	2020 Control Holding %
63	ICONIC Property Four (Pvt) Ltd	ICONIC4	Property Holding	1	100.00%	-	-
64	ICONIC Property Five (Pvt) Ltd	ICONIC5	Property Holding	1	100.00%	-	-
65	ICONIC Property Six (Pvt) Ltd	ICONIC6	Property Holding	1	100.00%	-	-
66	ICONIC Property Seven (Pvt) Ltd	ICONIC7	Property Holding	1	100.00%	-	-
67	ICONIC Property Eight (Pvt) Ltd	ICONIC8	Property Holding	1	100.00%	-	-
68	ICONIC Property Nine (Pvt) Ltd	ICONIC9	Property Holding	1	100.00%	-	-
69	ICONIC Property Ten (Pvt) Ltd	ICONIC10	Property Holding	1	100.00%	-	-
70	ICONIC Property Eleven (Pvt) Ltd	ICONIC11	Property Holding	1	100.00%	-	-
71	ICONIC Property Twelve (Pvt) Ltd	ICONIC12	Property Holding	1	100.00%	-	-
72	ICONIC Property Thirteen (Pvt) Ltd	ICONIC13	Property Holding	1	100.00%	-	-
73	ICONIC Property Fourteen (Pvt) Ltd	ICONIC14	Property Holding	1	100.00%	-	-
74	ICONIC Property Fifteen (Pvt) Ltd	ICONIC15	Property Holding	1	100.00%	-	-
75	ICONIC Property Sixteen (Pvt) Ltd	ICONIC16	Property Holding	1	100.00%	-	-
76	ICONIC Property Seventeen (Pvt) Ltd	ICONIC17	Property Holding	1	100.00%	-	-
77	ICONIC Property Eighteen (Pvt) Ltd	ICONIC18	Property Holding	1	100.00%	-	-
78	ICONIC Property Nineteen (Pvt) Ltd	ICONIC19	Property Holding	1	100.00%	-	-
79	ICONIC Property Twenty (Pvt) Ltd	ICONIC20	Property Holding	1	100.00%	-	-
80	ICONIC Property Twenty One (Pvt) Ltd	ICONIC21	Property Holding	1	100.00%	-	-
81	ICONIC Property Twenty Two (Pvt) Ltd	ICONIC22	Property Holding	1	100.00%	-	-
82	Klevenberg (Private) Limited	KPL	Trading	15,600,000	100.00%	15,600,000	100.00%
83	Lanka Orix Project Development (Private) Limited	LOPD	Non-operational	5,200,000	100.00%	5,200,000	100.00%
84	Leapstitch Technologies (Pvt) Ltd	LEAPSTITCH	Advance Technology	2	66.67%	-	0.00%
85	LOLC Advanced Technologies (Pvt) Ltd	BAT	New venture	19,125,001	100.00%	19,125,001	100.00%
86	LOLC Asset Holdings Limited	LAH	Investments holding	167,048,951	100.00%	167,048,951	100.00%
87	LOLC Ceylon Property Holding Company Ltd	LOLCCPH	Property Holding	1	100.00%	-	-
88	LOLC Capital One (Private) Limited	LOLC Capital	Pre-operational	500,001	100.00%	500,001	100.00%
89	LOLC Corporate Services (Pvt) Ltd	COSER	Secretarial services	8,000,001	100.00%	8,000,001	100.00%
90	LOLC Eco Solutions Limited	LOLC Eco	Investments holding	34,500,000	100.00%	34,500,000	100.00%
91	LOLC Factors Limited	LOFAC	Factoring services	370,000,001	100.00%	370,000,001	100.00%
92	LOLC General Insurance Limited	LGEN	General Insurance	70,000,000	100.00%	70,000,000	100.00%
93	LOLC GEO Technologies Pvt Ltd	LOLCGEO	Graphene Manufacturing	1,000,000	100.00%	1,000,000	100.00%
94	LOLC Investments Limited	LOIV	Investments holding	1,479,920,000	100.00%	1,479,920,000	100.00%
95	LOLC Life Assurance Limited	LLIFE	Life Assurance	80,000,000	100.00%	80,000,000	100.00%
96	LOLC Motors Limited	LOMO	Vehicle trading & repair services	101,000,000	100.00%	101,000,000	100.00%

Subsidiary			As at 31 March Principal Activities	Details of the Group's subsidiaries at the end of the reporting period are as follows; 2021 No. of Shares	2021 Control Holding %	2020 No. of Shares	2020 Control Holding %
97	LOLC Property Eight (Pvt) Ltd	LOLCP8	Real estate	1	100.00%	1	100.00%
98	LOLC Property Five (Pvt) Ltd	LOLCP5	Real estate	1	100.00%	1	100.00%
99	LOLC Property Four (Pvt) Ltd	LOLCP4	Real estate	26,000,001	100.00%	26,000,001	100.00%
100	LOLC ECO Technologies (Pvt) Ltd (formerly known as LOLC Property Nine (Pvt))	LOLCP9	Real estate	1	100.00%	1	100.00%
101	LOLC Property One (Pvt) Ltd	LOLCP1	Real estate	29,100,001	100.00%	29,100,001	100.00%
102	LOLC Property Seven (Pvt) Ltd	LOLCP7	Real estate	1	100.00%	1	100.00%
103	LOLC Property Six (Pvt) Ltd	LOLCP6	Real estate	1	100.00%	1	100.00%
104	LOLC Ceylon Holdings Ltd (Formerly known as LOLC Property Ten (Pvt) Ltd)	LOLCP10	Real estate	1	100.00%	1	100.00%
105	LOLC Property Three (Pvt) Ltd	LOLCP3	Real estate	54,600,001	100.00%	54,600,001	100.00%
106	LOLC Property Two (Pvt) Ltd	LOLCP2	Real estate	78,000,001	100.00%	78,000,001	100.00%
107	LOLC Securities Limited	LOSEC	Stock trading	35,000,000	100.00%	35,000,000	100.00%
108	LOLC Serendib (Private) Limited	LOLC Serendib	Pre-operational	1,000,000	100.00%	1,000,000	100.00%
109	LOLC Technologies Limited	LOTEC	IT services	16,000,001	100.00%	16,000,001	100.00%
110	LOLC Technology Services Limited	LOITS	Software design development and distribution	1,700,000	100.00%	1,700,000	100.00%
111	Masons Mixture Limited	MML	Non-operational	4,289,849	99.67%	4,289,849	99.67%
112	Maturata Plantation Limited	MPL	Plantations	25,200,000	72.00%	25,200,000	72.00%
113	Millennium Development Limited	MDL	Recreational activities	44,390,823	100.00%	44,390,823	100.00%
114	Monkey Beach Estate (Pvt) Ltd	MONKEYBEACH	Property Holding	1	100.00%	-	-
115	Prospere Realty (Private) Limited	LRL	Real estate	23,000,001	100.00%	23,000,001	100.00%
116	Riverina Resort (Private) Limited	RRL	Leisure	35,050,000	100.00%	35,050,000	100.00%
117	S.F.L. Services (Private) Limited	SFL	Lending to related companies	986,591	100.00%	986,591	100.00%
118	Saga Solar Power (Private) Limited	SSP	Solar power generation	38,703,370	50.10%	38,703,370	50.10%
119	Sanctuary Resorts Lanka (Pvt) Ltd	SANCTUARY	Hotelier	2	100.00%	-	-
120	Serendib Leisure Mgt Ltd	LEISUREMGT	Hotelier	6,050,000	100.00%	-	-
121	Sifang Lanka (Private) Limited	Sifang	Importing ,Assembling & Selling of agro equipment's	2,050,000	100.00%	2,050,000	100.00%
122	Sifang Lanka Trading (Private) Limited	SFTL	Non-operational	3,000,002	100.00%	3,000,002	100.00%
123	Singhe 13 (Pvt) Ltd	SINGHE13	Property Holding	1	100.00%	-	-
124	Snowcem Products Lanka (Private) Limited	SPLL	Non-operational	400,000	100.00%	400,000	100.00%
125	Speed Italia Limited	SIL	Non-operational	100,000	100.00%	100,000	100.00%
126	Sumudra Beach Resorts (Private) Limited	Sumudra	Hotelier - pre-operational	33,127,500	100.00%	33,127,500	100.00%
127	Sun & Fun Resorts (Private) Limited	Sun & Fun	Hotelier	16,287,848	51.00%	16,287,848	51.00%

Subsidiary			As at 31 March Principal Activities	Details of the Group's subsidiaries at the end of the reporting period are as follows; 2021		2020	
				No. of Shares	Control Holding %	No. of Shares	Control Holding %
128	Sundaya Lanka (Private) Limited	Sundaya	Non-operational	624,490	51.00%	624,490	51.00%
129	Tea Leaf Resort (Private) Limited	TLRL	Leisure	250,000	50.00%	250,000	50.00%
130	The Hatton Transport & Agency Company (Private) Limited	HTAC	Non-operational	1,000	100.00%	1,000	100.00%
131	Thurushakthi (Private) Limited		Non-operational	8,000,001	100.00%	8,000,001	100.00%
132	Tropical Villas (Private) Limited	TVL	Non-operational	14,959,232	100.00%	14,959,232	100.00%
133	United Dendro Energy Ambalantota (Private) Limited	UDEA	Non-operational	8,000,001	100.00%	8,000,001	100.00%
134	United Dendro Energy Walawewatte (Private) Limited	UDEW	Non-operational	8,000,001	100.00%	8,000,001	100.00%
135	Walker & Greig (Private) Limited	WGL	Non-operational	1	100.00%	1	100.00%
	Foreign subsidiaries using different functional currencies						
136	Bodufaru Beach Resorts (Private) Limited	BBR	Hotelier - pre-operational	235,800	99.96%	235,800	99.96%
137	B Commodities ME(FZE)	BCOM	Wealth Management	150,000	100.00%	150,000	100.00%
138	Browns Ari Resort (Pvt) Ltd	BARM	Hotelier - pre-operational	40,099	100.00%	40,099	100.00%
139	Browns Kaafu N Resort (Pvt) Ltd	BKNRM	Hotelier - pre-operational	99	99.00%	99	99.00%
140	Browns Machinery (Cambodia) Co., Ltd	BMC	Trading	5,000	100.00%	5,000	100.00%
141	Browns Raa Resort (Pvt) Ltd	BRRM	Hotelier - pre-operational	99	99.00%	99	99.00%
142	Fusion X Global FZC (UAE)	Fusion X FZC	Financial services Technologies	300	100.00%	300	100.00%
143	Grey Reach Investments Ltd (GRIL)	GRIL	Investments holding	20,000	66.67%	20,000	66.67%
144	IPay Global FZC (UAE)	I Pay FZC	Financial services Technologies	300	100.00%	300	100.00%
145	LOLC Asia (Pvt) Ltd	LOLC ASIA	Investment Holdings	44,100,000	100.00%	44,100,000	100.00%
146	LOLC (Pvt) Ltd	LOPL	Investment Holdings	70,266,966	76.77%	70,266,966	74.76%
147	LOLC Cambodia Plc	TPC	Financial services	265,015	96.97%	265,015	96.97%
148	LOLC Africa Holdings (Pvt) Ltd - Singapore	LAFRICA	Investments holding	1	100.00%	1	100.00%
149	LOLC Financial Sector Holdings Private Limited	LOLCFSH	Investment Holdings	45,000	100.00%	45,000	100.00%
150	LOLC Finance Zambia Limited	LOLC ZAMBIA	Financial Services	1	100.00%	1	100.00%
151	LOLC International (Pvt) Ltd	LOIL	Investment Holdings	112,253,842	100.00%	112,253,842	100.00%
152	LOLC Mauritius Holdings Limited	LOLC MAURI	Investments holding	9,990,000	100.00%	9,990,000	100.00%
153	LOLC MEKONG Holdings Private Limited	LOLCMEKONG	Investment Holdings	15,000	100.00%	15,000	100.00%
154	LOLC Myanmar Micro-Finance Company Limited	LMML	Financial services	17,385,105	100.00%	17,385,105	100.00%
155	LOLC Philippines Corporation	LOLC PHILCO	Investment Holdings	526,659,203	100.00%	-	-
156	LOLC Philippines Holdings Incorporated	LOLCPHIL HOLD	Investment Holdings	94,161,805	99.99%	-	-
157	LOLC Philippines Capital Holdings Corporation	LOLC PHILCAP HOL	Investment Holdings	149,995,005	100.00%	-	-

NOTES TO THE FINANCIAL STATEMENTS

Subsidiary		As at 31 March Principal Activities	Details of the Group's subsidiaries at the end of the reporting period are as follows; 2021		2020	
			No. of Shares	Control Holding %	No. of Shares	Control Holding %
158 Lefam Holding Incorporation (Holista Holdings Corp)	HOLISTA	Investment Holdings	94,166,796	100.00%	-	-
159 LOLC Bank Philippines	LOLCBP	Micro finance Bank	1,297,673	65.71%	-	-
160 LOLC ASKI Finance Inc.	ASKI	Financial services	1,500,000	88.55%	-	-
161 NPH Investment (Private) Limited	NPH	Leisure	141,555,600	51.00%	141,555,600	51.00%
162 Pak Oman Micro finance Bank Limited	Pak Oman	Financial services	115,648,000	50.10%	115,648,000	50.10%
163 PRASAC Micro Finance Institution Limited	PRASAC	Financial services	23,100,000	21.00%	77,000,000	70.00%
164 PT LOLC Management Indonesia	PTLMI	Investment Holdings	39,438	60.00%	39,438	60.00%
165 PT Sarana Sumut Ventura	PTSSV	Financial services	38,229,021	84.20%	38,229,021	84.20%
166 Sunbird Bioenergy (SL) Ltd	SBSL	Sugar Cane	2,816	75.09%	2,816	75.09%

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			
	No. of Shares	Market value Rs. '000	No. of Shares Ha	Market value Rs. '000
Brown & Company PLC	177,361,879	27,535,432	177,361,879	7,449,199
Browns Investments PLC	9,275,581,367	51,015,698	2,118,045,811	4,024,287
Commercial Leasing & Finance PLC	6,348,876,426	36,823,483	6,348,876,426	11,427,978
Dolphin Hotels PLC	20,609,378	504,930	-	-
Eden Hotels Lanka PLC	486,545,375	5,060,072	93,793,173	1,444,415
Hotel Sigiriya PLC	3,696,047	209,196	-	-
LOLC Development Finance PLC	237,679,520	16,613,798	237,679,520	8,152,408
LOLC Finance PLC	4,966,248,481	27,810,991	4,966,248,481	10,925,747
Palm Garden Hotels PLC	38,671,013	993,845	38,671,013	696,078
Serendib Hotels PLC	62,187,841	793,719	-	-
		167,361,165		44,120,111

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 Creations Wooden Fabricators (Private) Limited - CWF

The group owns one half of the voting power of CWF (50%). However, based on the nature of the business the CWF engaged in, the Group receives substantially all the returns relating to their operations (significant component of the entity's businesses come from the Group), management has determined that the group has the control over the investee.

31.6 Acquisition of subsidiaries

31.6.1 Financial Year 2021

31.6.1.1 Acquisition of Serendib Leisure Group

On 15th December 2020, EDEN Hotel Lanka PLC (EDEN), a fellow subsidiary of the Group has acquired 56.84% of ordinary voting shares and 53.48% of ordinary non-voting shares of Serendib Hotels PLC (SHOT). With the above acquisition EDEN became the controlling shareholder of SHOT Group. Principal activity of the SHOT group is owning and managing leisure sector properties. With the above acquisition Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC, Serendib Leisure Management Ltd, Sanctuary Resorts Lanka (Pvt) Ltd, Frontier Capital Lanka (Pvt) Ltd became subsidiaries of LOLC Group.

Acquisition of Philippines Group of Companies

During September 2020, LOLC Private Limited (LOLCPL), a fellow Subsidiary Company of the Group has acquired following companies which are incorporated in Republic of the Philippines. With the above acquisition LOLCPL became the controlling shareholder of the Group of Companies. Principal activity of the group is providing Micro Financial Services to the customers.

31.6.1.2 Consideration paid

For the year ended 31 March 2021	Control holding acquired	Cash and cash equivalents paid	Intra Group Investment	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
Serendib Hotels PLC (SHOT Group)	56.84%	794,480	-	794,480	-	794,480
LOLC Philippines Corporation	100.00%	1,918,661	-	1,918,661	-	1,918,661

31.6.1.3 The fair values of the identifiable assets and liabilities of the acquire as at the date of acquisition were;

	SHOT Group	Philippines Group	Total
	Rs. '000	Rs. '000	Rs. '000
Assets			
Cash in hand and favourable bank balances	316,936	1,721,672	2,038,609
Inventories	35,905	-	35,905
Current tax recoverable	48,681	-	48,681
Financial assets at amortised cost/ Advances and other loans	-	3,280,662	3,280,662
Trade and other current assets	1,251,746	1,030,747	2,282,493
Investment securities	128,393	-	128,393
Right-of-use assets	324,396	-	324,396
Intangible assets	12,563	-	12,563
Property, plant and equipment	3,964,489	361,229	4,325,719
Total assets	6,083,109	6,394,311	12,477,420
Liabilities			
Interest bearing borrowings	1,075,088	1,910,928	2,986,016
Financial Liabilities at Amortised Cost/ Deposits liabilities	-	1,309,280	1,309,280
Bank overdrafts	19,632	-	19,632
Current tax payables	96,081	-	96,081
Trade and other payables	1,420,465	1,363,381	2,783,846
Deferred tax liabilities	340,506	-	340,506
Retirement benefit obligations	80,321	-	80,321
Total liabilities	3,032,094	4,583,589	7,615,682
Fair value of net assets acquired	3,051,016	1,810,722	4,861,737

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	SHOT Group Rs. '000	Philippines Group Rs. '000
Fair value of the consideration paid	31.6.1.2	794,480	1,918,661
Net Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities		2,105,368	150,773
		2,899,848	2,069,434
Fair value of identifiable net assets	31.6.1.3	3,051,016	1,810,722
Goodwill on acquisition / (Gain on bargain purchase)		(151,168)	258,712

31.6.1.5 Net cash used in acquisition

For the year ended 31 March 2020	Note	SHOT Group Rs. '000	Philippines Group Rs. '000	Total Rs. '000
Purchase consideration paid	31.6.1.2			
Fair value of the consideration paid		794,480	1,918,661	2,713,141
		794,480	1,918,661	2,713,141
(-) Cash & cash equivalents acquired	31.6.1.3			
Positive cash balances		297,304	1,721,672	2,018,976
Net cash used in acquisition		(497,176)	(196,989)	(694,165)

31.6.2 Financial Year 2020

31.6.2.1 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% per cent 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, Graphite Powder for Exports and Local sales.

31.6.2.2 Consideration paid

For the year ended 31 March 2020	Control holding acquired	Cash and cash equivalents paid	Intra Group Investment	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 - Graphene Processing	90.00%	101,612	-	101,612	-	101,612

31.6.2.3 The fair values of the identifiable assets and liabilities of the acquire as at the date of acquisition were;

		GRIL	SBSL	LOLC GEO	Total
		Rs. '000	Rs. '000	Rs. '000	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

31.6.2.4 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 2020	Note	GRIL Group Rs. '000	LOLC GEO Rs. '000
Fair value of the consideration paid	31.6.2.2	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	31.6.2.3	38,461,529	105,215
Goodwill on acquisition / (Gain on bargain purchase)		(5,395,369)	6,919

31.6.2.5 Net cash used in acquisition

For the year ended 31 March 2020	Note	GRIL Group Rs. '000	LOLC GEO Rs. '000	Total Rs. '000
Purchase consideration paid	31.6.2.2			
Fair value of the consideration paid		5,299,803	101,612	5,401,415
		5,299,803	101,612	5,401,415
(-) Cash & cash equivalents acquired	31.6.2.3			
Positive cash balances		881,366	-	881,366
Net cash used in acquisition		(4,418,437)	(101,612)	(4,520,049)

31.7 Disposal of Subsidiaries

ACCOUNTING POLICY
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.

31.7.1 Financial Year 2021

31.7.1.1 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 accordingly, LOLC Group has disposed 70% of it's stake in PRASAC Micro Finance Institution Ltd (49% of the total share capital of PRASAC) to Kookmin Bank and accordingly control holding of PRASAC has been transferred from LOLC to Kookmin Bank. The results of the disposal are as follows;

31.7.1.2 Consideration received

During the current financial year group has divested following subsidiaries;

	Controlling interest sold	Cash and cash equivalents Received	Disposal related costs	Fair value of the consideration received	Fair value of Remaining Stake	Total consideration of disposal
	%	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
PRASAC Microfinance Institution Ltd (PRASAC)	49.00%	77,481,014	(409,401)	77,071,614	33,206,149	110,277,763
Fair value of the consideration received		77,481,014	(409,401)	77,071,614	33,206,149	110,277,763

31.7.1.3 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;

	PRASC Rs. '000	Total Rs. '000
Assets		
Cash in hand and favourable bank balances	100,359,878	100,359,878
Investment securities	5,246	5,246
Financial assets at amortised cost/ Advances and other loans	503,475,294	503,475,294
Trade and other current assets	1,687,528	1,687,528
Right-of-use assets	2,746,547	2,746,547
Deferred tax assets	1,987,349	1,987,349
Intangible assets	277,395	277,395
Property, plant and equipment	1,005,866	1,005,866
Total assets	611,545,103	611,545,103
Liabilities		
Financial Liabilities at Amortised Cost/ Deposits liabilities	338,603,816	338,603,816
Financial Liabilities at Amortised Cost/ Interest bearing borrowings	174,407,230	174,407,230
Current tax payables	1,507,630	1,507,630
Trade and other payables	12,461,178	12,461,178
Retirement benefit obligations	177,652	177,652
Total liabilities	527,157,506	527,157,506
Net assets disposed	84,387,597	84,387,597

31.7.1.4 Gain on disposal of subsidiaries

	Note	Total Rs. '000
Total consideration received	31.7.1.2	110,277,763
Net Assets Attributable to Parent		
De-recognition of non-controlling interests		25,316,279
Fair value of net assets disposed	31.7.1.3	(84,387,597)
Gain realized on disposal		51,206,445
Goodwill on Acquisition of PRASAC Microfinance Institution Ltd		(12,925,451)
Gain/ (Loss) on divestment of subsidiary		38,280,994
Reclassify the previously recognised Foreign Currency Translation Reserve to Income Statement		4,623,650
Total gain recognised in income statement		42,904,644

31.7.1.5 Net cash received from divestment

	Note	Total Rs. '000
Purchase consideration received	31.7.1.2	77,071,614
(-) Disposal related costs		(409,401)
Positive cash balances		(100,359,878)
Net cash received from divestment		(23,697,665)

31.7.2 Financial Year 2020

31.7.2.1 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;

31.7.2.2 Consideration received

During the current financial year group has divested following subsidiaries;

	Controlling interest sold	Cash and cash equivalents Received	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

31.7.2.3 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;

		BHCL	BHCNCL	Total
	Rs. '000	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

31.7.2.4 Gain on disposal of subsidiaries

		Total
	Note	Rs. '000
Total consideration received	31.7.2.2	1,952,260
De-recognition of non-controlling interests		101,330
Fair value of net assets disposed	31.7.2.3	(1,343,012)
Gain on disposal		507,918

31.7.2.5 Net cash received from divestment

	Note	Total Rs. '000
Purchase consideration received	31.7.2.2	1,952,260
(-) Other monetary assets		(352,260)
(-) Cash & cash equivalents acquired	31.7.2.3	
Positive cash balances		(10,655)
Bank overdrafts		8,093
Net cash received from divestment		1,597,438

31.8 Acquisition of non-controlling interests

ACCOUNTING POLICY

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.

During the financial year, Group acquired non-controlling interests from the following subsidiaries.

Subsidiary	% of NCI acquired	Consideration paid Rs. '000	Non-controlling interest acquired Rs. '000	Results on acquisitions Rs. '000
Browns Investments PLC	20.33%	13,532,409	20,032,519	(6,500,110)
		13,532,409	20,032,519	(6,500,110)

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 Investments PLC	9,082,067
Eden Hotels Lanka PLC	296,478
PT LOLC Management Indonesia	38
LOLC (Pvt) Ltd	725,135
	10,103,717

31.10 Amalgamation of I Pay Private Limited with LOLC Holdings PLC

ACCOUNTING POLICY

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 2019/20 has also been given to aid comparability.

In compliance to the Section 242 of Companies Act No. 07 of 2007, I Pay (Private) Limited (IPAY) 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 31st March, 2021.

The carrying amounts of the identifiable assets and liabilities of the acquire as at 31st March, 2021. which is the merger date is as follows;

	31st March, 2021 Rs. '000
Assets	253
Cash and cash equivalents	199,064
Investment securities	199,317
Liabilities	-
	199,317
Carrying amount of identifiable net assets acquired	
Results of the acquisitions of above entity are as follows;	
Investment	160,000
Carrying amount of identifiable net assets merged	199,317
Resulting Loss	39,317

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. 39,317,000/- was recognised in equity of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31.11 Non-controlling interests

ACCOUNTING POLICY
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 is determined based on Group threshold contribution to statement of financial position.

	Financial Services				Leisure & Entertainment	
As at 31 March 2021	**LOFIN**	**PAKOMAN**	**TPC**	**LOLCBP**	**PGH**	**EDEN**
Effective NCI %	**17.31%**	**61.87%**	**26.20%**	**49.99%**	**51.90%**	**53.24%**
	Rs. '000	**Rs. '000**	**Rs. '000**	**Rs. '000**	**Rs. '000**	**Rs. '000**
Total Assets	169,729,674	6,239,036	213,847,860	3,518,729	7,767,609	10,773,798
Total liabilities	133,841,141	3,563,998	175,463,189	3,064,741	4,740,092	6,219,530
Net assets	35,888,534	2,675,038	38,384,671	453,987	3,027,517	4,554,268
Gross Carrying amount of NCI	4,012,283	(90,443)	6,458,004	90,844	(772,232)	(2,664,454)
Gross income	31,536,159	1,008,418	19,961,012	419,632	(158,441)	(617,403)
Profit/ (Loss) for the period	4,365,939	(130,560)	8,522,953	(35,169)	(170,423)	(1,115,965)
OCI for the period	272,503	950	-	(5,478)	75,694	405,052
Profits/ (Loss) allocated to NCI	714,650	(80,777)	2,233,014	(17,581)	(177,762)	(594,140)
OCI allocated to NCI	47,170	588	-	(2,739)	39,285	215,650

	Financial Services				Leisure & Entertainment	
As at 31 March 2020	**LOFIN**	**PAKOMAN**	**TPC**	**LOLCBP**	**PGH**	**EDEN**
Effective 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
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

			Manufacturing & Trading	Investment Holdings		Plantation & Power Generation		
NPHI	GPR	MDL	BCL	LOLCIPL	BIL	Maturata	SBSLL	Total
72.55%	53.24%	46.19%	16.63%	23.89%	46.19%	63.06%	73.06%	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
12,313,230	1,500,855	5,954,227	54,716,957	45,818,150	45,315,773	9,118,525	57,865,486	644,479,910
8,859,850	227,773	1,150,377	24,438,692	762,307	8,619,518	6,266,280	8,221,876	385,439,364
3,453,380	1,273,082	4,803,851	30,278,266	45,055,843	36,696,256	2,852,245	49,643,610	259,040,546
287,290	(25,268)	(199,629)	(2,541,187)	8,289,514	(5,078,037)	875,010	30,289,700	38,931,393
28	93,585	26	3,504,175	61,669,759	793,666	1,969,924	(269,915)	119,910,624
(14,678)	(39,308)	(113,750)	1,760,966	61,653,323	372,292	383,495	(2,605,602)	72,833,513
-	159,964	136	665,838	-	488,103	2,624,058	8,952,702	13,639,520
(10,649)	(20,928)	(52,541)	289,931	955,496	154,089	242,187	(1,903,653)	1,731,336
-	85,165	63	110,729	-	225,455	1,654,731	6,540,844	8,916,940

			Manufacturing & Trading	Investment Holdings		Plantation & Power Generation		
NPHI	GPR	MDL	BCL	LOLCIPL	BIL	Maturata	SBSLL	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
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

32 EQUITY ACCOUNTED INVESTEES

ACCOUNTING POLICY

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 initially recognised at cost and subsequently accounted for using the equity method (equity accounted investees) in the Consolidated Financial Statements and at Cost in Company Financial Statements. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment losses. Group has made an assessment on associates for impairment losses as per LKAS 36 and no impairment provision is required as at reporting date.

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.

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.

32.1 Company

As at 31 March	2021		2021	
	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000
Agstar PLC	100,733,561	390,184	60,213,500	390,184
Galoya Plantations (Private) Limited	27,267,058	348,702	27,267,058	348,702
Seylan Bank PLC	178,564,029	3,927,307	111,968,572	3,488,227
		4,666,193		4,227,113

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			
Investee			2021		2020	
		Investor Company	No. of Shares	Holding %	No. of Shares	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%
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	22,309,412	22.05%	22,309,412	22.05%
		Total GPL	49,576,470	49.00%	49,576,470	49.00%

As at 31 March			Proportion of ownership interest held by the Group				
Investee			2021			2020	
		Investor Company	No. of Shares	Holding %		No. of Shares	Holding %
6	Seylan Bank PLC - Group	LOLC	131,343,515	48.66%	(NV)	111,968,446	44.41%
		LOLC	126	-	(V)	126	-
	V - Voting shares	LOIV	24,019,937	9.55%	(V)	24,019,937	9.55%
	NV - Non-voting shares	BCL	34,892,389	13.87%	(V)	34,892,389	13.87%
		CLC	110,806	0.04%	(NV)	110,806	0.04%
		LOITS	2,201,808	0.87%	(NV)	2,201,808	0.87%
		Total - V	58,912,452	23.43%		58,912,452	23.43%
		Total - NV	133,656,129	49.58%		114,281,060	45.32%
7	Sierra Construction (Private) Limited (SCPL) - Group	BIL	199,812,000	19.99%		199,812,000	19.99%
		Total SCPL	199,812,000	19.99%		199,812,000	20.00%
8	Sierra Holdings Limited (SHL) - Group	BIL	8,988,984	19.98%		8,988,984	19.98%
		Total SHL	8,988,984	19.98%		8,988,984	19.98%
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	2,000,000.00	20.00%		2,000,000	20.00%

NOTES TO THE FINANCIAL STATEMENTS

32.3 The summarized financial information of equity accounted investees for the year ended 31 March 2021 not adjusted for the percentage of ownership held by the Group;

		As at 31 March 2021			For the year ended 31 March 2021			
		Total Assets	Total Liabilities	Equity	Income	Expenses	Profit or loss	Other comprehensive income
Component	Principal Activities	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ABM	Battery manufacturing	2,764,116	2,491,742	272,373	4,450,679	(4,634,916)	(184,237)	-
AFPLC	Fertilizer manufacturing	8,444,063	4,734,807	3,709,256	3,611,145	(3,120,166)	490,979	149,793
Beira	Brush manufacturing	5,853,902	2,601,610	3,252,293	3,433,742	(2,935,949)	497,793	(47,133)
CIB	Insurance broking	705,762	177,699	528,063	278,702	(219,767)	58,935	221,064
GPL	Sugar plantations	4,258,630	11,076,285	(6,817,655)	6,750,273	(6,000,906)	749,367	(45,478)
SBPLC	Banking	562,913,631	510,775,406	52,138,225	3,899,926	(724,049)	3,175,877	1,579,763
SCPL	Construction	23,567,071	21,225,274	2,341,797	12,389,522	(12,725,414)	(335,892)	(14,714)
SHL	Investing	43,659,671	33,245,474	10,414,197	23,152,862	(22,713,517)	439,346	715,448
TPL	Entertainment operations	258,728	444,210	(185,482)	18,098	(93,273)	(75,176)	-
VIL	Non-operational	12,767	12,577	190	-	-	-	-
NPHD	Mix development	4,862,466	4,652,724	209,742	-	(100,170)	(100,170)	-
PATRONUS	Wealth Management	181,545	61,403	120,141	233,065	(364,858)	(131,793)	-
		657,482,353	591,499,211	65,983,141	58,218,013	(53,632,985)	4,585,028	2,558,743

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	2021		2020	
	No. of Shares	Market value Rs. '000	No. of Shares	Market value Rs. '000
Agstar PLC	100,733,561	705,135	100,733,561	312,274
Seylan Bank PLC - voting shares	58,912,452	2,886,710	58,912,452	1,973,567
Seylan Bank PLC - non-voting shares	133,656,129	5,773,945	114,281,060	2,525,611
BPPL Holdings PLC	-	-	80,546,372	612,152
		9,365,790		5,423,604

32.5 Gain on Bargaining Purchase of equity accounted investees

32.5.1 Seylan Bank PLC

LOLC group has increased it's ownership stake in Seylan Bank PLC (SEYB) which was accounted as equity accounted investees (associate) in the LOLC group financials for the year ended 31st March 2021 using equity accounting under LKAS 27. Group increase it's ownership in SEYB by 2.25%.

The results of the disposal shown below;

For the year ended 31 March	GROUP	
	2021 Rs. '000	2020 Rs. '000
Investment made	439,080	34,765
Net assets acquired	1,021,785	110,523
Gain on bargain purchase	582,705	75,758
Increase in Ownership	2.25%	0.24%

The gain on acquisition of SEYB recognised in the profit or loss under "Results on acquisition and divestment of Group investments"

32.6 Disposal of Associates

32.6.1 BPPL PLC

On 7 January 2021, the LOLC Group has disposed its 26.25% control holding of BPPL Holdings PLC which was accounted as Equity Accounted Investee as per LKAS 27. The results of the disposal are as follows.

The results of the disposal shown below;

For the year ended 31 March	GROUP
	2021 Rs. '000
Consideration Received	1,280,341
Carrying amount of the equity accounted investee	(840,177)
Gain on Disposal	440,164

32.7 Equity value of investment in equity accounted investees to the Group

For the year ended 31 March 2021					Share of OCI					
Equity accounted investee	As at 01 April 2020	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	Dividend received	Foreign currency translations	Gain on bargain purchase	As at 31 March 2021
1 ABM	175,193	-	-	(70,931)	-	-	-	-	-	104,261
2 AFPLC	1,233,319	-	-	152,504	46,421	-	-	-	-	1,432,244
3 Beira	646,928	(840,177)	27,392	85,179	69,768	(3,989)	-	14,899	-	-
4 CIB	104,793	-	-	23,574	88,426	-	(8,000)	-	-	208,793
5 SBPLC	16,605,814	439,080	-	1,131,153	61,325	517,500	(184,528)	-	582,708	19,153,052
6 SCPL	1,128,181	-	-	(63,852)	(7,319)	1,642	-	1,915	-	1,060,567
7 SHL	1,078,504	-	-	51,103	78,930	774	-	902	-	1,210,213
8 VIL	4,137	-	-	-	-	-	-	-	-	4,137
9 NPHD	151,472	-	-	(50,084)	-	10,669	-	4,034	-	116,092
10 PATRONUS	129,459	341,242	-	(38,931)	-	-	-	-	-	431,770
11 Venture Capital	4,246	(1,723)	-	-	-	-	-	-	-	2,523
12 TeaCey	-	46,250	-	(3,327)	-	-	-	-	-	42,922
	21,262,046	(15,328)	27,392	1,216,388	337,551	526,596	(192,528)	21,750	582,708	23,766,575

For the year ended 31 March 2020 Equity accounted investee		As at 01 April 2019	Acquisitions/ (disposals)	Other equity movements	Share of profit/ (loss) net of tax	Share of OCI never be reclassified to profit or loss	Share of OCI to be classified to P/L	Dividend received	Foreign currency translations	Gain on bargain purchase	As at 31 March 2020
1	ABM	417,058	-	-	(241,865)	-	-	-	-	-	175,193
2	AFPLC	1,190,333	-	-	42,763	20,367	-	(20,144)	-	-	1,233,319
3	Beira	568,130	-	-	112,627	-	-	(33,829)	-	-	646,928
4	CIB	98,040	-	-	15,125	28	-	(8,400)	-	-	104,793
5	SBPLC	13,149,903	1,433,297	-	1,310,759	146,745	489,352	-	-	75,758	16,605,814
6	SCPL	1,281,202	-	-	(207,307)	55,634	(826)	-	(522)	-	1,128,181
7	SHL	963,048	-	-	94,314	22,190	(642)	-	(406)	-	1,078,504
8	VIL	4,137	-	-	-	-	-	-	-	-	4,137
9	NPHD	158,160	-	-	(24,328)	-	14,154	-	3,486	-	151,472
10	PATRONUS	211,577	-	-	(82,118)	-	-	-	-	-	129,459
11	Venture Capital	4,246	-	-	-	-	-	-	-	-	4,246
		18,045,834	1,433,297	-	1,019,970	244,964	502,038	(62,373)	2,558	75,758	21,262,046

33 DEFERRED TAX ASSETS AND LIABILITIES

ACCOUNTING POLICY

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 where 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 realized 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 realized.

ACCOUNTING POLICY

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.

Accounting for Deferred Tax for the Companies Enjoying Tax Holidays

Group companies enjoying a tax exemption period shall only recognize 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 recognizing deferred tax.

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.

33.1 Recognised deferred tax assets

Deferred tax assets are attributable to the origination of following temporary differences:

As at 31 March	GROUP		COMPANY	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Accelerated depreciation for tax purposes – Own assets	(63,530)	(53,090)	-	-
Accelerated depreciation for tax purposes – Leased assets	97,241	73,789	-	-
Investment Properties	(2,420)	(39,656)	-	-
Lease Receivables	-	(205,307)	-	-
Unutilised Tax Losses	2,945,894	2,799,391	-	-
Provision for inventories	-	3,647	-	-
Employee benefits	192,526	1,357,598	-	-
General Provisions	199,844	668,729	-	-
Operating lease assets unamortised VAT	(1,036)	-	-	-
Provision for loan loss impairment	637,031	114,817	-	-
Unrealized loss on exchange	42,196	28,687	-	-
Others	685,421	(16,350)	-	-
Net deductible temporary difference	4,762,338	4,732,255	-	-
Total recognised deferred tax assets	1,635,625	1,259,639	-	-

33.2 Movement in recognised deferred tax assets

For the year ended 31 March	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Balance as at 01 April		1,259,639	2,123,566	-	275
Originations / Reversal to the Income Statement from continuing operations		636,093	419,499	-	-
Amount originating/(reversing) to retained earnings (Deferred tax on SLFRS 9/15 and 16 Transitional adjustments)		-	13,533	-	-
Directly charged to the equity	33.7	6,396	5,178	-	-
Other adjustments / transfers		(22,443)	214,082	-	(275)
Exchange translation difference		(244,060)	175,357	-	-
Reclassified to discontinuing operations		-	(1,691,576)		-
Balance as at 31 March		1,635,625	1,259,639	-	-

33.3 Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the origination of following temporary differences:

As at 31 March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Accelerated depreciation for tax purposes – Own assets	8,066,408	5,429,866	566,076	632,533
Accelerated depreciation for tax purposes – Leased assets	115,343	406,840	9,441	10,446
Revaluation surplus on freehold buildings	3,249,402	1,915,163	-	-
Revaluation surplus on freehold land	16,683,763	2,928,167	-	-
Investment properties	15,871,583	3,642,289	287,690	99,843
Lease receivables	6,727,408	6,357,996	(83,361)	(55,063)
Unutilised tax losses	(2,677,379)	(1,409,576)	-	-
Provision for inventories	(555,428)	(654,093)	-	-
Employee benefits	(1,602,216)	(986,547)	(304,985)	(320,391)
General provisions	(909,269)	(1,326,109)	-	-
Forward exchange contracts assets	923,763	62,811	598,734	-
Consumable biological assets	3,473,521	3,643,065	-	-
Bear biological assets	999,606	1,176,624	-	-
Unrealised loss on exchange	(98)	-	-	-
Hedging reserve	(8,544)	358,137	-	-
Other movements	487,435	1,497,233	-	-
Net taxable temporary difference	50,845,297	23,041,866	1,073,595	367,368
Total recognised deferred tax liabilities	7,650,172	5,010,253	711,023	384,999

33.4 Movement in recognised deferred tax liabilities

For the year ended 31 March	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Balance as at 01 April		5,010,253	5,296,333	384,999	367,318
Originations / Reversal to the Income Statement from continuing operations		138,579	(281,028)	215,715	(622)
Acquisition of subsidiaries		340,506	-	-	-
Directly charged to the equity	33.7	2,590,104	(4,336)	193,529	18,578
Impact due to rate change		(83,220)	-	(83,220)	-
Other adjustments / transfers		(439,906)	(1,514)	-	(275)
Exchange translation difference		93,855	798	-	-
Balance as at 31 March		7,650,172	5,010,253	711,023	384,999

33.5 Deferred tax expense

For the year ended 31 March	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Deferred tax assets					
Originations / reversal during the period	33.2	(636,093)	(419,499)	-	-
Deferred tax liabilities					
Originations / reversal during the period	33.4	138,579	(281,028)	215,715	(622)
Impact due to rate change		(83,220)	-	(83,220)	(275)
		(580,734)	(700,527)	132,495	(897)

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 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Unutilised tax losses	35,557,872	25,242,527	10,852,054	10,002,020
	35,557,872	25,242,527	10,852,054	10,002,020

33.7 Deferred tax liability charged directly to equity

For the year ended 31 March		GROUP		COMPANY	
		2021	2020	2021	2020
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Charged to / reversed from					
Deferred tax assets	33.2	(6,396)	(5,178)	-	-
Deferred tax liabilities	33.4	2,590,104	(4,336)	193,529	18,578
	15.9	2,583,708	(9,514)	193,529	18,578

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 2020/21.

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 24% 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

ACCOUNTING POLICY

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.

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 is 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.

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.

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.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and are adjusted as appropriate.

As at 31 March		GROUP		COMPANY	
		2021	2020	2021	2020
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Goodwill on acquisition	34.1	3,058,307	2,661,847	-	-
Other intangible assets	34.5				
Computer Software		527,406	516,300	51,161	78,828
License and fees	34.6	265,683	350,348	195,918	280,583
Right to generate solar power	34.9	114,372	121,718	-	-
Capital Work-in-Progress (CWIP)		179,561	91,076	89,732	54,128
Total		4,145,330	3,741,289	336,810	413,539

34.1 Goodwill on acquisition

ACCOUNTING POLICY

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.

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.

Impairment Testing on Goodwill

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.

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.

Material Gains or Losses, Provisional Values or Error correction.

There we no material gains or losses, provisional values or error correction recognised during the year in respect of business combinations that took place in previous periods.

		GROUP	
For the year ended 31 March		2021	2020
	Note	Rs. '000	Rs. '000
Cost recognised at the point of acquisition	34.2	2,515,879	2,257,167
Effect on currency translation	34.4	601,428	463,680
Allowance for impairment	34.1.2	(59,000)	(59,000)
		3,058,307	2,661,847

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 various valuation techniques mentioned in note no 34.1.2 . For Value In Use (VIU) Calculations, Group has used cash flow projections based on financial budgets approved by management. The key assumptions used are given below;

	Range
Business growth – Expected Growth rates has been obtained by referring to the Forecasted GDP Growth rates published by IMF and World Bank .	1%
Discount rate – Risk free rate adjusted for the specific risk relating to the industry.	14.08% - 18.56%

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.

34.1.2 Allowance for Impairment

Following table shows the Impairment provisions for goodwill acquired during the business combinations which have been allocated to respective CGUs. Recoverable amount for the purpose of testing impairment has been determined as follows for each CGU.

	2021			2020	
Entity Name	Cost Rs. '000	Impairment Provision Rs. '000	Carrying Amount Rs. '000	Carrying Amount Rs. '000	Basis of Assessment
Ajax Engineers (Private) Limited	10,390	-	10,390	10,390	VIU
LOLC Development Finance PLC	400,364	-	400,364	400,364	FVLCD
Ceylon Roots (Private) Limited	46,831	-	46,831	46,831	VIU
Commercial Leasing and Finance Company PLC	151,415	-	151,415	151,415	FVLCD
Creations Wooden Fabricators (Private) Limited	8,671	-	8,671	8,671	VIU
Excel Restaurant (Private) Limited	20,524	-	20,524	20,524	VIU
Palm Garden Hotels PLC	180,299	-	180,299	180,299	VIU
Saga Solar Power (Private) Limited	5,038	-	5,038	5,038	VIU
Speed Italia Limited	59,000	(59,000)	-	-	VIU
Sun & Fun Resorts (Private) Limited	57,643	-	57,643	57,643	VIU
LOLC Cambodia Plc - LOCAM	990,000	-	990,000	990,000	FVLCD
Pak Oman Microfinance Bank Ltd (POMB)	100,784	-	100,784	100,784	VIU
NPH Investment (Pvt) Ltd (NPHI)	27,481	-	27,481	27,481	VIU
PT LOLC Management Indonesia (PTLMI)	184,831	-	184,831	184,831	VIU
Gurind Accor (Pvt) Ltd	6,977	-	6,977	6,977	VIU
LOLC GEO Technologies (Pvt) Ltd	6,919	-	6,919	6,919	VIU
LOLC Philippines Corporation	258,712	-	258,712	-	VIU
	2,515,879	(59,000)	2,456,879	2,198,167	

* VIU - Value In Use
* FVLCD - Fair Value Less Cost to Disposal

34.2 Cost of the goodwill recognised at the point of acquisition

As at 31 March	Note	GROUP 2021 Rs. '000	2020 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		-	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		6,977	6,977
LOLC GEO Technologies (Pvt) Ltd	31.6.2.4	6,919	6,919
LOLC Philippines Corporation	31.6.2.4	258,712	
Transfer to assets held for sale		-	(10,414,787)
		2,515,879	2,257,167

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 2021 Rs. '000	2020 Rs. '000
Cost recognised at the point of acquisition		1,303,096	11,717,883
Transfer to assets held for sale		-	(10,414,787)
Accumulated effect on currency translation	34.4	601,428	463,680
		1,904,524	1,766,776

NOTES TO THE FINANCIAL STATEMENTS

34.4 Accumulated effect on currency translation

For the year ended 31 March	Note	GROUP 2021 Rs. '000	2020 Rs. '000
Balance as at 01 April		463,680	1,888,531
Effect on currency translation		137,748	1,085,813
Transfer to assets held for sale		-	(2,510,664)
Balance as at 31 March		601,428	463,680

34.5 Other intangible assets

Group	Computer Software Rs. '000	License and fees Rs. '000	Brand value Rs. '000	Customer base Rs. '000	Right to generate solar power Rs. '000	Capital Work-in-Progress (CWIP) Rs. '000	Total 2020/2021 Rs. '000	Total 2019/2020 Rs. '000
Cost								
Balance as at 01 April 2020	1,716,447	535,141	94,785	49,422	146,919	91,076	2,633,790	2,819,898
Additions	80,854	120	-	-	-	125,895	206,869	278,264
Disposals	(3,413)	-	-	-	-	-	(3,413)	-
Transfers	41,534	-	-	-	-	(41,534)	-	-
Acquisition of Subsidiaries	12,563	-	-	-	-	-	12,563	179,000
Disposal of Subsidiaries	-	-	-	-	-	-	-	(9,921)
Transfer to assets held for sale	-	-	-	-	-	-	-	(700,620)
Exchange translation difference	44,159	-	-	-	-	4,124	48,283	67,167
Balance as at 31 March 2021	1,892,144	535,261	94,785	49,422	146,919	179,561	2,898,092	2,633,788
Accumulated amortisation and Impairment losses								
Balance as at 01 April 2020	1,200,147	184,793	94,785	49,422	25,201		1,554,348	1,486,142
Disposal	(8,089)	-	-	-	-		(8,089)	-
Amortisation for the year from continuing operations	125,818	84,785	-	-	7,345		217,948	220,043
Amortisation for the year from discontinuing operations	-	-	-	-	-		-	60,179
Transfers	-	-	-	-	-		-	(539)
Acquisition of Subsidiaries	-	-	-	-	-		-	178,999
Disposal of Subsidiaries	-	-	-	-	-		-	(9,562)
Transfer to assets held for sale	-	-	-	-	-		-	(419,658)
Exchange translation difference	46,862	-	-	-	-		46,862	38,743
Balance as at 31 March 2021	1,364,738	269,578	94,785	49,422	32,546	-	1,811,069	1,554,347
Carrying amount								
Balance as at 31 March 2021	527,406	265,683	-	-	114,373	179,561	1,087,023	
Balance as at 01 April 2020	516,300	350,348	-	-	121,718	91,076		1,079,442

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 2021 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.

The estimated useful lives are as follows;

For the year ended 31 March	Initial estimation	Remaining useful life
Brand value	10 Yrs	-
Customer base	5 Yrs	-

34.9 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.

34.10 Other Intangible assets - Company

Company	Computer Software Rs. '000	License and fees Rs. '000	Capital Work-in-Progress (CWIP) Rs. '000	Total 2020/2021 Rs. '000	Total 2019/2020 Rs. '000
Cost					
Balance as at 01 April 2020	645,840	437,027	54,128	1,136,996	1,071,917
Additions	4,049	120	35,604	39,773	65,079
Balance as at 31 March 2021	649,889	437,147	89,732	1,176,769	1,136,996
Accumulated Amortisation and Impairment losses					
Balance as at 01 April 2020	567,013	156,444		723,457	581,039
Amortisation during the year	31,716	84,785		116,501	142,418
Transfers				-	-
Balance as at 31 March 2021	598,729	241,229		839,958	723,457
Carrying Amount					
Balance as at 31 March 2021	51,160	195,918	89,732	336,811	
Balance as at 01 April 2020	78,828	280,583	54,128	413,539	

35 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

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.

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.

Items of property, plant and equipment are measured at cost/revaluation less accumulated depreciation and accumulated impairment losses.

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.

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.

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.

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.

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.

ACCOUNTING POLICY
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. **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. **Borrowing Costs Capitalisation** 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.

NOTES TO THE FINANCIAL STATEMENTS

35 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Lands	Leasehold Lands	Reclaimed 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	Rs. '000
Cost/ valuation								
Balance as at 01 April	22,731,612	477,327	-	13,030,796	1,297,775	3,912,014	3,882,001	2,631,383
Additions	270,175	-	-	172,809	(29,901)	391,962	12,500	119,196
Revaluations	3,064,743	-	10,743,379	266,702	-	-	-	-
Disposal	-	-	-	(8,071)	(7,303)	(222,233)	(1,151,273)	(19,460)
Transfers / WIP transfers	-	(100,075)	10,401,440	226,321	(10,956)	6,061	-	15,250
Transfers - Investment Properties	1,642,304	-	-	188,566	-	-	-	-
Acquisition of subsidiaries	1,100,958	-	-	2,598,779	141,000	43,107	-	461,283
Disposal of subsidiaries	-	-	-	-	-	-	-	-
Transfer from/(To) ROU	-	(364,578)	-	-	-	-	-	-
Movement for Discontinued Operations	-	-	-	-	-	-	-	-
Impairment charges	-	-	-	-	-	-	-	-
Transfer to assets held for sale	-	-	-	-	-	-	-	-
Exchange translation difference	10,718	-	838,876	77,293	3,350	217,068	-	14,169
Balance as at 31 March	28,820,510	12,674	21,983,695	16,553,195	1,393,965	4,347,979	2,743,228	3,221,821
Accumulated depreciation and impairment losses								
Balance as at 01 April		146,211	-	1,061,029	308,298	3,115,800	1,330,227	1,665,594
Charge for the year from continuing operations (Note 35.14)		-	164,927	274,540	61,789	168,610	259,264	306,589
Charge for the year from discontinuing operations		-	-	-	-	-	-	-
Revaluations		-	-	(437,982)	-	-	-	-
Disposal		-	-	(766)	(5,132)	(131,748)	(419,716)	(16,926)
Transfers / WIP transfers		(7,444)	-	(2,385)	(2,655)	2,522	-	186
Acquisition of subsidiaries		-	-	(12,356)	13,718	23,883	-	352,534
Disposal of subsidiaries		-	-	-			-	
Transfer from ROU		(131,525)	-	-	-	-	-	-
Movement for Discontinued Operations		-	-	-	-	-	-	-
Exchange translation difference			9,326	86,802	2,744	213,612	-	10,754
Balance as at 31 March		7,242	174,253	968,882	378,762	3,392,679	1,169,775	2,318,731
As at 31 March 2021	28,820,510	5,432	21,809,442	15,584,313	1,015,203	955,300	1,573,453	903,090
As at 31 March 2020	22,731,610	331,116	-	11,969,767	989,478	796,215	2,551,774	965,788

Office Equipment	Computers	Freehold Plant & Machinery	Leasehold Machinery	Assets on Operating Leases	Other Tangible Assets	Immovable (JEDB/SLSPC) Assets on Finance Lease (Other than Bare land)	Capital Work-in-Progress 1(CWIP)	Total 2020/21	Total 2019/20
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1,842,546	2,988,955	32,118,571	9,870	22,105	36,566,936	114,548	17,471,776	139,098,215	68,071,811
198,439	353,825	192,821	26,432	-	96,985	-	4,416,785	6,222,028	9,085,967
-	-	-	-	-	21,303	-	14,720	14,110,847	1,129,020
(10,263)	(85,283)	(10,484)	-	-	(110)	-	-	(1,514,480)	(895,683)
54,837	-	(4,232)	-	-	1,550	-	(10,672,137)	(81,941)	(632,478)
-	-	-	-	-	-	-	(198,671)	1,632,199	1,812,159
24,990	166,257	670,170	-	-	106,172	-	23,230	5,335,946	62,319,635
-	-	-	-	-	-	-	-	-	(1,826,084)
-	-	-	-	-	-	-	-	(364,578)	77,308
-	-	-	-	-			-	-	-
-	-	-	-	-	-	-	-	-	(774,893)
-	-	-	-	-	-	-	-	-	(3,681,638)
10,133	49,386	3,626,900	-	-	3,992,844	-	667,277	9,508,014	4,413,091
2,120,682	3,473,140	36,593,746	36,302	22,105	40,785,680	114,548	11,722,980	173,946,250	139,098,215
1,146,751	1,986,244	11,659,061	3,405	11,660	14,823,485	113,563		37,371,328	11,392,167
277,114	442,764	732,960	828	1,005	927,998	229		3,618,617	2,972,103
-	-	-	-	-	-	-		-	397,027
-	-	-	-	-	(46,280)	-		(484,262)	-
(3,503)	(69,924)	(5,940)	-	-	(110)	-		(653,765)	(544,246)
341	-	3,859	(3,406)	-	(672)	-		(9,654)	(31)
11,843	118,190	475,818	-	-	26,597	-		1,010,227	24,893,443
		-	-	-	-	-		-	(396,480)
-	-	-	-	-	-	-		(131,525)	-
-	-	-	-	-	-	-			(2,604,816)
5,526	31,975	1,317,014	-	-	1,729,966	-		3,407,719	1,262,161
1,438,072	2,509,249	14,182,772	827	12,665	17,460,984	113,792		44,128,685	37,371,328
682,610	963,891	22,410,974	35,475	9,440	23,324,696	756	11,722,980	129,817,565	
695,793	1,002,711	20,459,510	6,465	10,445	21,744,181	259	17,471,776		101,726,889

NOTES TO THE FINANCIAL STATEMENTS

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. '000	Rs. '000	Rs. '000
Cost/ valuation								
Balance as at 01 April	24,334	726,737	179,076	115,243	182,215	18,410,762	16,928,569	36,566,936
Additions	1,277	10,765	456	2,363	-	66,355	15,769	96,985
Revaluations	-	-	-	-	21,303	-	-	21,303
Disposal	-	-	-	-	-	-	(110)	(110)
Transfers / WIP transfers	-	-	1,550	-	-	-	-	1,550
Acquisition of subsidiaries	-	-	26,387	-	79,785	-	-	106,172
Exchange Translation Difference	-	85,694	-	-	-	2,216,047	1,691,103	3,992,844
Balance as at 31 March 2021	25,611	823,196	207,469	117,606	283,303	20,693,164	18,635,331	40,785,680
Accumulated depreciation								
Balance as at 01 April	20,014	705,503	34,831	88,383	26,915	6,957,504	6,990,335	14,823,485
Charge for the year from continuing operations	708	4,241	29,880	10,714	19,172	493,259	370,024	927,998
Revaluations	-	(911)	-	-	(45,369)	-	-	(46,280)
Disposal	-	-	-	-	-	-	(110)	(110)
Transfers / WIP transfers	-	(110)	(300)	-	-	(262)	-	(672)
Acquisition of subsidiaries	-	-	27,314	-	(717)	-	-	26,597
Exchange translation difference	-	84,075	-	-	-	860,546	785,345	1,729,966
Balance as at 31 March 2021	20,722	792,798	91,725	99,097	1	8,311,047	8,145,594	17,460,984
Carrying Amount								
Balance as at 31 March 2021	4,889	30,398	115,744	18,509	283,302	12,382,117	10,489,737	23,324,696
Balance as at 01 April	4,320	21,234	144,245	26,860	155,300	11,453,258	9,938,234	21,743,451

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 2021.

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 Depreciation Charge from Continuing Operations

Depreciation Charge from Continuing Operations consist of following;

For the year ended	31 Mar 2021 Rs. '000
Depreciation Charge to P&L	3,269,563
Depreciation Charge to WIP	14,318
Depreciation Charge to Inventory	277,429
Depreciation Charge to PPE (Capitalised)	57,307
	3,618,617

35.4 Cost 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 2021 Rs. '000	31 Mar 2020 Rs. '000
Cost of the fully depreciated assets	13,551,008	2,796,902

35.5 Temporarily Idle Property, Plant and Equipment

There were no idle property, plant and equipment as at the reporting date (2019/20: Nil)

35.6 Property, Plant and Equipment Retired from Active Use

There were no property, plant and equipment retired from active use as at the reporting date (2019/20: Nil)

35.7 Title Restriction on Property, Plant and Equipment

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

35.8 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.

35.9 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).

35.10 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 capitalization will be ceased when the respective asset is ready for use.

For the year ended	31 Mar 2021 Rs. '000	31 Mar 2020 Rs. '000
Capitalised borrowing costs	814,539	425,139

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.

35.11 Capitalization of Depreciation

The capitalised depreciation costs related to the construction of property, plant & equipment during the year is Rs. 57.3 Mn (2019/20 - Rs. 6.02 Mn).

35.12 Impairment of Property plant and equipments

There has been an impairment of property, plant & equipment amounting to Rs.14.9 Mn (2019/20 - 775 Mn).

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.

The Group has not determined Impairment as at the reporting date due to the COVID-19 pandemic as each business unit implemented its business continuity plans which were operationalised during the early days of the pandemic. Businesses also developed and instituted COVID-19-specific response plans and teams to enable smooth and uninterrupted functioning of businesses and operations to the extent possible, whilst maintaining strict adherence to Government directives and health and safety considerations in situations where normal operations are disrupted.

35.13 Immovable (JEDB/SLSPC) estate assets on Finance Lease (other than bare land)

ACCOUNTING POLICY

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.

Since the fair value of revalued assets differs materially from its carrying amount, the Board of Directors of Maturata Plantations Limited on 20th December 2005 has decided a further revaluation to be carried out as at 31st December 2005. The net amounts have been restated to the new valuation carried out by an independent and qualified valuer, Mr.K.Arther Perera.

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 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

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.

Group As at	Improvements to lands Rs. '000	Buildings Rs. '000	Machinery Rs. '000	Water sanitation Rs. '000	Roads and bridges Rs. '000	Other vested assets Rs. '000	Total Rs. '000
Capitalised value							
Balance as at 01 April 2020	7,073	82,243	16,798	6,610	501	1,323	114,549
Balance as at 31 March 2021	7,073	82,243	16,798	6,610	501	1,323	114,549
Accumulated amortisation							
Balance as at 01 April 2020	6,346	82,243	16,798	6,610	244	1,323	113,564
Charged for the period	229	-	-	-	-	-	229
Balance as at 31 March 2021	6,575	82,243	16,798	6,610	244	1,323	113,792
Carrying Amount							
Balance as at 31 March 2021	498	-	-	-	257	-	757
Balance as at 31 March 2020	727	-	-	-	257	-	985

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 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.

Since the fair value of revalued assets differs materially from its carrying amount, the Board of Directors of Maturata Plantations Limited on 20th December 2005 has decided a further revaluation to be carried out as at 31st 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 31st March 2021 had the asset been carried at initial valuation less accumulated amortisation.

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 24.25 years.

35 PROPERTY, PLANT AND EQUIPMENT

Company	Freehold Lands	Freehold Buildings	Freehold Motor Vehicles	Leasehold Motor Vehicles	Furniture & Fittings	Office Equipment	Computers	Assets on Operating Leases	Capital Work-in-Progress (CWIP)	Total 2020/21	Total 2019/20
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation											
Balance as at 01 April	2,146,500	454,165	1,209,763	315,958	789,899	867,115	1,521,688	22,106	483,905	7,811,099	8,509,102
Additions	31,318	-	276,415	12,500	20,370	30,937	84,535	-	159,325	615,400	562,846
Revaluations	394,682	61,800	-	-	-	-	-	-	-	456,482	-
Disposal	-	-	(131,097)	-	(9,273)	(3,312)	(45,552)	-	-	(189,234)	(500,849)
Transfers - WIP	-	228,200	-	-	188	52,129	-	-	(280,517)	-	-
Impairment charges	-	-	-	-	-	-	-	-	-	-	(760,000)
Balance as at 31 March 2021	2,572,500	744,165	1,355,081	328,458	801,184	946,869	1,560,671	22,106	362,713	8,693,747	7,811,099
Accumulated Depreciation and impairment losses											
Balance as at 01 April		30,903	611,765	106,222	561,379	638,226	1,078,504	11,660		3,038,659	2,830,436
Charge for the year from continuing operations		19,142	86,150	25,551	83,230	107,501	171,420	1,005		493,999	469,938
Revaluations		(45,516)	-	-	-	-	-	-		(45,516)	-
Disposal		-	(69,582)	-	(8,512)	(3,112)	(32,507)	-		(113,713)	(261,715)
Balance as at 31 March 2021		4,529	628,333	131,773	636,097	742,615	1,217,417	12,665		3,373,429	3,038,659
Carrying Amount											
As at 31 March 2021	2,572,500	739,636	726,748	196,685	164,977	204,364	343,254	9,441	362,713	5,320,318	
As at 31 March 2020	2,146,500	423,262	597,998	209,736	228,520	228,889	443,184	10,446	483,905	4,772,439	4,772,440

35.15 Fully Depreciated Assets

Property, plant & equipment of the Company includes fully depreciated assets that are still in use having a gross amount of Rs. 2,296 Mn as at 31st March 2021 (2019/20 - Rs. 1,845 Mn)

35.16 Cost of Revalued Properties

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	Wednesday, March 31, 2021
Method of determining fair value	Sales comparison

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

As at 31 March	31 Mar 2021 Rs. '000	31 Mar 2020 Rs. '000
Cost	908,441	648,924
Accumulated depreciation and impairment	(46,783)	(44,534)
	861,658	604,390

35.17 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.

35.18 Fair Valuation Methodology

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 - Please Refer Note Number 35.15	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)

35.19 Details of Group's land and building stated at Revaluation model are indicated below.

Local Properties

	Per Perch (Rs.)		Per Square Feet (Rs.)	
Province	**Lowest**	**Highest**	**Lowest**	**Highest**
Central Province	85,000	4,600,000	3,300	10,000
Eastern Province	44,000	2,725,000	5,000	8,500
North Western Province	250,000	3,250,000	3,800	10,000
Northern Province	4,250,000	4,400,000	8,500	8,750
Northern Central Province	400,000	4,600,000	3,000	7,500
Sabaragamuwa Province	100,000	3,500,000	2,500	7,000
Southern Province	120,000	1,200,000	3,000	20,100
Uva Province	2,300,000	2,300,000	N/A	N/A
Western Province	75,000	32,000,000	1,300	16,000

Foreign Properties

	Per Perch (Rs.)		Per Square Feet (Rs.)	
Province	**Lowest**	**Highest**	**Lowest**	**Highest**
Central Province	85,000	4,600,000	3,300	10,000
Eastern Province	44,000	2,725,000	5,000	8,500

Foreign Properties

Entity	Location	Land Extent	CCY	Type of Land	Per Perch Value Range
Bodufaru Beach Resort (Pvt) Ltd	Kaafu islands (3) located at North Male Atoll	73A-2R-8.125P	USD	Reclaimed Land	USD 1,952 to USD 8,890
Browns Ari Resort (Pvt) Ltd	Bodufinolu island in South Ari Atoll	17A-0R-18.125P	USD	Reclaimed Land	
Browns Raa Resort (Pvt) Ltd	Bodufarufinolhu island in Raa Atoll	12A-2R-16.875P	USD	Reclaimed Land	

36 TRADING LIABILITIES - FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 March	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Derivative liabilities				
Forward rate agreements	-	114,349	-	-
	-	114,349	-	-

37 FINANCIAL LIABILITIES AT AMORTISED COST/ DEPOSITS LIABILITIES

As at 31 March	Note	GROUP		COMPANY	
		2021	2020	2021	2020
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
37.1 Deposits from customers					
Fixed deposits	37.2	231,564,258	196,983,751	-	-
Saving / Demand deposits	37.3	28,221,005	17,881,792	-	-
Interest / profits payable	37.4	3,807,274	6,119,586	-	-
		263,592,537	220,985,129	-	-
37.2 Fixed deposits					
Local currency deposits					
Conventional deposits		118,861,010	103,570,800	-	-
Islamic - Mudharabah		3,612,070	4,611,074	-	-
Islamic - Wakala		9,348,419	7,386,707	-	-
Foreign currency deposits					
Conventional deposits		99,742,759	81,415,170	-	-
		231,564,258	196,983,751	-	-
37.3 Saving / Demand deposits					
Local currency deposits					
Conventional deposits		12,325,681	8,743,476	-	-
Islamic		856,298	832,622	-	-
Foreign currency deposits					
Conventional deposits		15,039,026	8,305,694	-	-
		28,221,005	17,881,792	-	-
37.4 Interest / profits payable					
Interest payable on conventional deposits		3,559,620	5,902,104		
Profits payable on Islamic deposits		247,654	217,482		
		3,807,274	6,119,586	-	-

37.5 Analysis of Due to Other Customers/Deposits from Customers

a) By currency

As at 31 March	GROUP		COMPANY	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Sri Lankan Rupee	135,446,936	127,507,959	-	-
United States Dollar	111,688,684	85,315,808	-	-
Great Britain Pound	666,139	-	-	-
Euro	1,511,444	-	-	-
Australian Dollar	438,669	-	-	-
Cambodian Riel	7,388,008	5,221,252	-	-
Pakistani Rupee	104,180	7,641	-	-
Myanmar Kyat	3,989,182	2,547,481	-	-
Philippine Peso	1,793,992	-	-	-
Zambian Kwacha	31,780	-	-	-
Others	533,524	384,987	-	-
Gross loans and receivables	263,592,537	220,985,128	-	-

Financial liabilities at amortised cost/ Interest

38. BEARING BORROWINGS

As at 31 March		GROUP		COMPANY	
	Note	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Commercial papers & promissory notes		52,892,141	33,851,128	53,723,529	34,949,429
Short-term loans and others		59,176,810	71,821,448	14,521,257	45,992,504
Debentures	38.1 & 38.5	29,167,444	18,752,371	17,004,927	6,985,839
Finance lease liabilities	38.2	836,202	953,611	60,540	95,346
Long-term borrowings	38.3	164,680,326	189,450,021	19,222,213	6,735,829
Operating Lease Liability	38.4	8,856,659	8,198,503	642,919	653,848
		315,609,582	323,027,082	105,175,385	95,412,795

38.1 Information on Group's Listed Debentures

38.1.2 Interest rate of comparable government security

Buying and selling prices of treasury bond at the auction held on 31 March 2021

	Price Rs.	Buying Yield %	Price Rs.	Buying Yield %
4 Year Bond	111.87	6.88	112.43	6.75
5 Year Bond	106.87	7.13	107.47	6.99

38.1.3 Market prices and yield during the year (ex-interest)

	Market Yeild %	Market Price Rs.
4 Year Bond	6.50	110.70
5 Year Bond	6.74	112.67

Debt to equity	2.02	times
Interest cover	2.16	times
Quick asset ratio	4.77	times

38.1.4 The market prices during the period (ex interest)

	Current period
Highest price	115.37
Lowest price	114.79
Last traded price	114.87

38.2 Finance lease liabilities

As at 31 March		GROUP		COMPANY	
	Note	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
JEDB/SLSPC estates lease liabilities	38.2.1	93,557	95,158	-	-
Other lease liabilities	38.2.2	742,644	858,453	60,540	95,346
		836,202	953,611	60,540	95,346

38.2.1 JEDB/SLSPC estates lease liabilities

	GROUP		COMPANY	
For the year ended 31 March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Gross Liability				
Balance as at 1st April	331,204	82,346	-	-
Impact on adoption of SLFRS 16	-	262,106	-	-
Repayments	(13,540)	(13,248)	-	-
Balance as at 31st March	317,665	331,204	-	-
Finance costs allocated to future years	(224,107)	(236,046)	-	-
Net Liability	93,557	95,158	-	-
Payable within one year				
Gross liability	13,248	13,248	-	-
Finance costs allocated to future years	(12,660)	(12,733)	-	-
Net liability transferred to current liabilities	588	515	-	-
Payable within two to five years				
Gross liability	52,993	52,993	-	-
Finance costs allocated to future years	(49,686)	(50,095)	-	-
Net liability	3,307	2,898	-	-
Payable after five years				
Gross liability	251,423	264,963	-	-
Finance costs allocated to future years	(161,761)	(173,218)	-	-
Net liability	89,662	91,745	-	-

38.2.2 Other lease liabilities

	GROUP		COMPANY	
For the year ended 31 March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Gross lease rentals payable as at 01 April	891,333	504,135	112,603	165,697
Leases obtained during the year	779,162	412,659	6,250	-
Disposal of subsidiaries	-	(1,327)	-	-
Amortised interest	36,635	235,999	-	-
Other movements	305	-		-
Lease rentals paid during the year	(945,389)	(260,133)	(50,959)	(53,094)
Gross lease rentals payable as at 31 March	762,047	891,333	67,894	112,603
Less: Unamortised finance cost	(19,402)	(32,880)	(7,354)	(17,257)
Net lease liability	742,645	858,453	60,540	95,346
Repayable within one year				
Gross lease rentals payable	300,490	394,084	33,056	50,831
Less: Unamortised finance cost	(12,666)	(69,861)	(5,454)	(9,903)
Net lease liability	287,824	324,223	27,602	40,928
Repayable after one year before five years				
Gross lease rentals payable	462,616	579,388	34,838	61,772
Less: Unamortised finance cost	(7,795)	(45,158)	(1,900)	(7,354)
Net lease liability	454,821	534,230	32,938	54,418

38.3 Long-Term Borrowings

	GROUP		COMPANY	
For the year ended 31 March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Gross balance as at 01 April	189,795,616	267,479,655	6,735,829	7,639,515
Received during the year	61,867,282	118,584,523	16,246,595	2,323,069
Amortised interest	16,914,504	2,416,671	857,836	895,219
Acquisition of subsidiaries	2,384,123	1,850,857	138,364	260,773
Repaid during the year	(110,880,367)	(92,836,408)	(4,756,411)	(4,382,747)
Transfer to assets held for sale	-	(122,864,242)	-	-
Exchange translation difference	4,846,830	15,164,560	-	-
Gross borrowings as at 31 March	164,927,988	189,795,616	19,222,213	6,735,829
Less: Unamortised finance cost	(247,662)	(345,595)	-	-
Balance as at 31 March	164,680,326	189,450,021	19,222,213	6,735,829
Long-term borrowings - current	74,965,982	73,527,729	17,080,963	4,056,000
Long-term borrowings - non-current	89,714,344	115,922,292	2,141,250	2,679,829
Total	164,680,326	189,450,021	19,222,213	6,735,829
Analysis of non-current portion of long-term borrowings				
Repayable within 3 years	42,617,549	94,959,190	2,141,250	2,679,829
Repayable after 3 years	47,096,795	20,963,102	-	-
Total	89,714,344	115,922,292	2,141,250	2,679,829

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.

38.4 Operating Lease Liability

ACCOUNTING POLICY

Lease Liabilities

Initial Recognition

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. 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.

Subsequent Measurement

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.

Incremental Borrowing Rate

Incremental borrowing rate is 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 SLFRS 16, the Group determines the incremental borrowing rate by referring to the "Application Guidance Notes on SLFRS 16 – Leases" issued by CA Sri Lanka. As per the guideline, Group determines Incremental Borrowing Rate by incorporating following key elements.

- Risk free rate (Basis rate for economic factors)
- Financial Factors (Lessee specific factors)
- Asset Factor

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.

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.

	GROUP		COMPANY	
For the year ended 31 March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Opening Balance	8,198,503	-	653,848	-
Discounted operating lease commitments balance as at April 1, effect of adoption of IFRS 16		9,208,526	49,314	669,495
Leases obtained during the year	217,075	1,274,843	-	28,100
Amortised interest	538,882	878,355	89,376	83,239
Lease rentals paid during the year	(701,933)	(1,377,498)	(149,619)	(126,986)
Acquisition of Subsidiaries	299,451	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	304,681	400,826	-	-
Net lease liability	8,856,659	8,198,503	642,919	653,848
Repayable within one year				
Gross lease rentals payable	1,126,069	1,279,847	179,551	144,329
Less: Unamortised finance cost	(819,161)	(1,016,424)	(74,294)	(78,190)
Net lease liability	306,908	263,423	105,257	66,139
Repayable after one year before five years				
Gross lease rentals payable	4,993,223	4,212,347	575,334	685,231
Less: Unamortised finance cost	(3,209,895)	(3,205,551)	(156,278)	(214,937)
Net lease liability	1,783,328	1,006,796	419,056	470,294
Repayable after five years				
Gross lease rentals payable	25,661,498	24,746,321	135,588	134,638
Less: Unamortised finance cost	(18,895,075)	(17,818,037)	(16,982)	(17,223)
Net lease liability	6,766,423	6,928,284	118,606	117,415
Total	8,856,659	8,198,503	642,919	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.

38.5 Debenture details

			Interest Payable Frequency				GROUP		COMPANY	
Year of Issue	Year of Redemption	Type of Issue	Fixed Rate Annually	Fixed Rate Semi-Annually	Maturity	Fixed Rate Quarterly	2021	2020	2021	2021
Debentures/ Bonds										
2017	2022	Senior, Unsecured, listed, Redeemable, Rated Debentures	-	13.00%		-	1,775,000	1,775,000	1,775,000	1,775,000
2017	2022	Senior, Unsecured, listed, Redeemable, Rated Debentures	-	13.68%		-	225,000	225,000	225,000	225,000
2015	2020	Senior, Unsecured, listed, Redeemable, Rated Debentures	9.75%	-		-	-	5,000,000	-	-
2018	2023	Senior, Unsecured, listed, Redeemable, Rated Debentures	-	14.75%			-	1,793,799	-	-
2018	2023	Senior, Unsecured, listed, Redeemable, Rated Debentures	20.13%	-		-	-	706,201	-	-
2019	2022	Senior, Unsecured, listed, Redeemable, Rated Debentures	9%-8%	-		-	-	4,000,000	-	-
2019	2024	Senior, Unsecured, listed, Redeemable, Rated Debentures		15%			4,999,840	4,999,840	4,999,840	4,999,840
2019	2024	Senior, Unsecured, listed, Redeemable, Rated Debentures		8%			160	160	160	160
2021	2026	Senior, Unsecured, listed, Redeemable, Rated Debentures	10%				2,931,750	-	2,931,750	-
2021	2026	Senior, Unsecured, listed, Redeemable, Rated Debentures	12%				6,316,110	-	6,316,110	-
2021	2031	Senior, Unsecured, listed, Redeemable, Rated Debentures				10%	752,140	-	752,140	-
2018	2023	Senior, Unsecured, listed, Redeemable, Rated Debentures		14.75%			1,836,568	-	-	-
2018	2023	Senior, Unsecured, listed, Redeemable, Rated Debentures			20.13%		1,086,189	-	-	-
2020	2025	Senior, Unsecured, listed, Redeemable, Rated Debentures		10.50%			3,379,061	-	-	-
2020	2025	Senior, Unsecured, listed, Redeemable, Rated Debentures		8.89%			1,631,886	-	-	-
2019	2022	Listed Corporate Bonds (plain and foreign exchange-indexed bond)		4.00%			2,041,181	-	-	-
2019	2022	Listed Corporate Bonds (plain and foreign exchange-indexed bond)		4.00%			550,774	-	-	-

a) *Debenture Details*

Year of Issue	Year of Redemption	Type of Issue	Interest Payable Frequency: Fixed Rate Annually	Fixed Rate Semi-Annually	Maturity	Fixed Rate Quarterly	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2021
Debentures/ Bonds										
2019	2022	Listed Corporate Bonds (plain and foreign exchange-indexed bond)		4.00%			613,235	-	-	-
2019	2022	Listed Corporate Bonds (plain and foreign exchange-indexed bond)		4.00%			735,882	-	-	-
2019	2022	Listed Corporate Bonds (plain and foreign exchange-indexed bond)		4.00%			142,741	-	-	-
2014	N/A	Redeemable Preference Shares	10.00%				145,000			
		Amortise cost/ disbursement fees					4,927	252,731	4,927	(14,161)
							29,167,444	18,752,731	17,004,927	6,985,839

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 2021 Rs. ‘000	GROUP 2020 Rs. '000
Long-term insurance contracts	39.1	5,423,423	4,283,247
Non-life insurance contracts	39.2	4,737,157	4,358,359
Total insurance contract liabilities		10,160,580	8,641,606

The Group has satisfied liability adequacy test in both life & general insurance businesses.

39.1 Long-term insurance contract liabilities

ACCOUNTING POLICY

Life Insurance Business

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.

Reinsurance Premium

Reinsurance premium expense is accrued on active policies on a monthly basis. Reinsurance recoveries are credited to match the relevant gross claims.

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.

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.

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.

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.

ACCOUNTING POLICY

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 2013;

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	Lapse Rates
1	30%
2	15%
3	10%
4	5%
5	5%
6-Oct	5%
11+	2.50%
30	3.33
53	1.89

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)	5.00%
Non-participating (Regular premium)	6.50%
Non-participating (Single premium)	8.00%

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

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	0.00275
% of renewal premium*	0.0275
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.

	GROUP					
As at 31 March	2021			2020		
	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities	Net	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities	Net
At 01 April	4,617,214	(431,976)	4,185,238	3,709,535	(315,351)	3,394,184
Premiums received	3,588,823	(226,751)	3,362,072	2,820,110	(209,932)	2,610,178
Claims incurred	(684,795)	37,226	(647,569)	(649,739)	80,710	(569,029)
Fees deducted	(408,844)	39,212	(369,632)	(310,608)	12,597	(298,011)
Investment return	470,047	-	470,047	388,859	-	388,859
Expenses	(1,378,557)	-	(1,378,557)	(1,221,181)	-	(1,221,181)
Gratuity - actuarial gain/(loss)	5,789	-	5,789	(4,554)	-	(4,554)
Net gain / (loss) on available-for-sale assets - Life Policyholders	35,981	-	35,981	91,817	-	91,817
Life deficit transfer	(360,002)	-	(360,002)	(207,025)	-	(207,025)
	5,885,656	(582,290)	5,303,366	4,617,214	(431,976)	4,185,238
Claims outstanding	120,057	-	120,057	98,009	-	98,009
At 31 March	6,005,713	(582,290)	5,423,423	4,715,223	(431,976)	4,283,247

39.2 Non-life insurance contract liabilities

ACCOUNTING POLICY

General Insurance Business

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.

Reinsurance Premium

Reinsurance premium expense is accrued on active policies on a monthly basis.

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.

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.

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.

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.

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.

ACCOUNTING POLICY

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.

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.

		GROUP					
		2021			2020		
		Insurance Contract liabilities	Reinsurance of liabilities	Net	Insurance Contract liabilities	Reinsurance of liabilities	Net
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At 01 April							
Provision for reported claims	39.3	1,158,495	(384,993)	773,501	1,216,435	(455,501)	760,934
IBNR		460,200	-	460,200	442,106	-	442,106
Outstanding claims provision		1,618,695	(384,993)	1,233,702	1,658,541	(455,501)	1,203,040
Commission reserves		(192,536)	121,824	(70,712)	(144,597)	132,108	(12,489)
Provision for unearned premiums	39.4	3,773,742	(584,568)	3,189,174	3,261,530	(549,223)	2,712,307
Provision for liability adequacy		-	-	-	-	-	-
Total non-life contract liabilities		5,199,902	(847,738)	4,352,164	4,775,474	(872,616)	3,902,858

39.3 Outstanding claims provision

	2021			2020		
	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	1,216,435	(455,501)	760,934	949,462	(314,916)	634,545
Claims incurred in the current accident year	2,159,658	(287,909)	1,871,749	3,194,638	(1,048,904)	2,145,734
Adjustment to prior year due to changes in assumptions			-	-	1,529	1,529
Claims paid during the year	(2,217,598)	358,417	(1,859,181)	(2,927,665)	906,790	(2,020,875)
Total non-life contract liabilities	1,158,495	(384,993)	773,501	1,216,435	(455,501)	760,934

	2021			2020		
	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	(144,597)	132,108	(12,488)	(106,591)	115,416	8,826
Change in commission reserves	(47,939)	(10,284)	(58,223)	(38,006)	16,692	(21,314)
Total non-life contract liabilities	(192,536)	121,824	(70,711)	(144,597)	132,108	(12,488)

39.4 Provision for unearned premiums

	2021			2020		
	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	3,261,531	(549,223)	2,712,308	2,741,642	(423,040)	2,318,603
Premiums written in the year	6,241,116	(1,298,394)	4,942,722	5,601,256	(1,135,285)	4,465,971
Premiums earned during the year	(5,728,905)	1,263,049	(4,465,856)	(5,081,367)	1,009,102	(4,072,265)
At 31 March	3,773,742	(584,568)	3,189,174	3,261,531	(549,223)	2,712,309

The valuation of the insurance contract liabilities in relation to the life business was performed by an external actuary as at 31 December 2020. 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 2021 as management has determined that it is not required to change the operative assumptions.

40 CURRENT TAX PAYABLES

As at 31 March		GROUP		COMPANY	
		2021	2020	2021	2020
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Income tax payables	40.1	3,627,273	2,799,541	159,072	78,150
Value added tax (VAT) payable		2,635,157	1,951,485	502,103	551,843
GST Payable		3,332	-		-
With-holding tax (WHT) payable		220,587	151,686	7,343	18,165
Economic service charge (ESC) payable		180	2,472	-	-
Nation building tax (NBT) payable		30,698	30,409	16,615	16,614
Other tax payables		723,653	315,329	9,238	(4,449)
		7,240,881	5,250,922	694,370	660,323

40.1 Income tax payables

Balance at the beginning of the year	2,799,541	3,563,910	78,150	55,652
Provision for the Period	4,225,615	9,736,726		22,498
Under/ (over) provision in respect of previous years	145,292	(239,520)	138,007	-
Transfer to Income Tax Receivables	14,869	(7,490)	-	-
Payments made during the year	(3,613,240)	(9,089,992)	(57,085)	-
Acquisition of Subsidiaries	18,126	59,324	-	-
Disposal of Subsidiaries	-	(8,276)	-	-
Transfer to assets held for sale	-	(1,290,896)	-	-
Exchange translation difference	37,071	75,755	-	-
Balance at the end of the year	3,627,274	2,799,541	159,072	78,150

41 TRADE AND OTHER PAYABLES

As at 31 March	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Financial liabilities					
Trade payables		12,802,132	8,361,982	799,780	399,999
Creditors for leased equipment		9,922	-	-	-
Amount due to related companies	51.3.2	4,524,297	3,631,504	6,163,762	903,398
Insurance premium payable		278,418	132,702	-	-
Staff related payments		376,228	145,158	3,449	3,474
Dividend payable		11,208	26,007	495	495
Other financial liabilities		469,486	627,053	17,788	22,534
		18,471,691	12,924,406	6,985,274	1,329,900
Non-financial liabilities					
Accrued expenses/ advance payment		4,337,610	2,970,939	29,723	57,587
Excess payment received		735,529	444,803	8,210	2,567
Security Deposits Received		756,865	722,786	-	-
Provisions made		965,148	323,548	-	-
Advances received		2,073,079	1,144,159	-	-
Other non-financial liabilities		1,787,368	1,807,685	-	-
Expected credit loss allowance on undrawn credit commitments and financial guarantees	41.1	-	2,207	-	-
		10,655,599	7,416,127	37,933	60,154
		29,127,290	20,340,533	7,023,206	1,390,047

41.1 Expected credit loss allowance on undrawn credit commitments and financial guarantees

As at 31 March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Stage 01				
Balance as at 1 April	2,207	3,604	-	-
Adjustment on initial application of SLFRS 9	-	-	-	-
Adjusted balance as at 1 April	2,207	3,604	-	-
Charge/ (reversal) to Income statement	(2,207)	(1,397)	-	-
Balance as at 31 March	-	2,207	-	-

42 DEFERRED INCOME

ACCOUNTING POLICY

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	5	20

Relevant assets are presented separately in the Financial Statements without setting off against the respective grants.

Grants related to Income

Grants related to income are recognised in the Statement of statement of profit or loss in the period in which they are receivable.

	Capital grants	Operating lease receivabels - PHDT	Transfer of shares	Income received in advance	Total 2020/2021	Total 2019/2020
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 2020	160,508	10,735	63,993	49,879	285,115	347,141
Deferred Income received	-	-	-	5,429	5,429	42,967
Transfers/re-classifications /Adjustments	-	-	-	(16,130)	(16,130)	(104,992)
Balance as at 31 March 2021	160,508	10,735	63,993	39,178	274,415	285,115
Accumulated amortisation						
Balance as at 01 April 2020	85,709	7,861	17,051	12,985	123,606	193,485
Amortised to profit & loss	4,341	537	1,861	894	7,633	7,033
Transfers/re-classifications /Adjustments	-	-	-	-	-	(76,912)
Balance as at 31 March 2021	90,050	8,398	18,912	13,879	131,239	123,606
Carrying amount						
Balance as at 31 March 2021	70,458	2,337	45,081	25,299	143,175	
Balance as at 01 April 2020	74,799	2,874	46,942	36,894		161,509

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	**2021**	**2020**
	Rs. '000	**Rs. '000**
Less than one year	537	537
Between one and five years	1,801	2,146
More than five years	-	191
	2,338	2,874

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	**2021**	**2020**
	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	35,775	37,637
	45,081	46,943

43 RETIREMENT BENEFIT OBLIGATIONS

ACCOUNTING POLICY

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.

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 entities 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.

		GROUP		COMPANY	
For the year ended 31 March		2021	2020	2021	2020
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as the beginning of the period		1,850,445	1,600,388	320,391	343,927
Acquisition of subsidiaries	31.6.1.3	80,321	6,263	-	-
Benefits paid by the plan		(193,909)	(757,960)	(36,258)	(26,663)
Expenditure recognised in the income statement from continuing operations	43.1	428,260	350,140	66,109	69,479
Expenditure recognised in the income statement from dis continuing operations		-	611,958	-	-
(Gain)/Loss arising from changes in assumptions		(142,774)	218,369	(45,257)	(66,351)
Transfers during the year		(5,869)	-	-	
Exchange translation difference		4,088	13,120	-	-
Disposal of Subsidiaries		-	(11,847)	-	-
Transfer to assets held for sale		-	(179,986)	-	-
Balance as at the end of the period		2,020,562	1,850,445	304,986	320,392

43.1 Expense recognised in the income statement

For the year ended 31 March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Current service costs from continuing operations	233,647	287,870	30,891	32,191
Interest Costs from continuing operations	194,613	62,270	35,218	37,288
Expense recognised in the income statement from continuing operations	428,260	350,140	66,109	69,479
Current service costs from discontinuing operations	-	503,125	-	-
Interest Costs from discontinuing operations	-	108,833	-	-
Expense recognised in the income statement from discontinuing operations	-	611,958	-	-
	428,260	962,098	66,109	69,479

43.2 Actuarial assumptions

Principal actuarial assumptions at the reporting date;

For the year ended 31 March		GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Discount rate	%	8.0% - 10.5%	10.5-11.5%	8.0% - 10.5%	10.5%
Future salary increases	%	6.50%	8.5% - 9%	6.5% - 8.5%	8.50%
Staff Turnover Factor	%	6.62%	8.06%	6.62%	8.06%
Retirement Age	Yrs	55-60	55-60	55	55

43.3 Sensitivity of the actuarial assumptions

For the year ended 31 March Assumption	Rate change	2021 Financial Position - Liability Rs. '000	2021 Comprehensive Income - Charge for the period Rs. '000	2020 Financial Position - Liability Rs. '000	2020 Comprehensive Income - Charge for the period Rs. '000
Group	+1%	(73,151)	73,151	(116,423)	116,423
Discount rate	-1%	68,943	(68,943)	124,258	(124,258)
	+1%	66,249	(66,249)	115,785	(115,785)
Future salary increases	-1%	(70,614)	70,614	(116,289)	116,289
Company	+1%	16,970	(16,970)	15,425	15,425
Discount rate	-1%	(19,015)	19,015	(17,234)	(17,234)
	+1%	(20,541)	20,541	(16,665)	(16,665)
Future salary increases	-1%	18,634	(18,634)	15,186	15,186

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries as at 31st March 2021. The actuarial present value of the promised retirement benefits as at 31st March 2021 amounted to Rs. 2,021mn/- (Company - Rs. 304.9 Mn/-). 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 8%-10.5% p.a. (2019/20 – 10%-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 31st March 2021.

43.4 Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years

As at 31 March	GROUP		COMPANY	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Within the next 12 months	190,338	254,097	44,653	36,030
Between 1 and 2 years	274,924	291,851	65,352	81,217
Between 2 and 5 years	656,877	586,125	129,799	132,794
Between 5 and 10 years	1,182,785	932,293	228,427	281,031
Beyond 10 years	224,386	240,532	-	-
Total expected payments	2,529,310	2,304,898	468,230	531,072

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries as at 31st March 2020. The actuarial present value of the promised retirement benefits as at 31st March 2020 amounted to Rs. 1,850mn/- (Company - Rs. 320.4mn/-). The liability is not externally funded

44 STATED CAPITAL

ACCOUNTING POLICY
Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

As at 31 March	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 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

As at 31 March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 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

As at 31 March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 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

45 RESERVES

		GROUP		COMPANY	
As at 31 March		2021	2020	2021	2020
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revaluation reserve	45.1	19,186,720	8,968,483	2,427,461	2,036,313
Cash flow hedge reserve	45.2	(45,913)	(186,593)	-	-
Fair value reserve	45.3	1,249,829	58,047	236,161	(92,223)
Translation reserve	45.4	7,974,568	8,017,646	-	-
Future taxation reserve	45.5	205,000	205,000	205,000	205,000
Statutory reserve fund	45.6	12,023,227	11,727,849	-	-
Merger/ Amalgamation Reserve	31.1	-	-	8,571,180	8,531,863
		40,593,434	28,790,432	11,439,802	10,680,953

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 supercedes 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

ACCOUNTING POLICY
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. *Contingent assets are disclosed, where inflow of economic benefit is probable.* 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.

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

As at 31 March	GROUP		COMPANY	
	2021 Rs. ‘000	2020 Rs. '000	2021 Rs. ‘000	2020 Rs. '000
Guarantees issued to banks and other institutions	2,272,303	5,698,216	218,081	319,455
Corporate guarantees given to subsidiaries to obtain loans	8,069,454	8,477,113	2,101,480	3,550,000
	10,341,757	14,175,329	2,319,561	3,869,455

47.2 Commitments

As at 31 March	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Forward contracts	47.2.1	31,196,812	19,557,687	25,374,700	-
Capital commitments	47.2.2	9,787,562	10,437,589	-	-
Letter of credits opened		-	1,130,882	-	-
Undrawn credit commitments		9,578,503	23,343,910	-	-
Operating lease commitments	47.2.3	25,250,220	30,088,515	2,714	48,309
		75,813,096	84,558,583	25,377,414	48,309

47.2.1 Forward Contracts

The Group has commitments for following Forward Exchange contracts and Interest Rate Swap Agreements.

As at 31 March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Forward exchange contracts:				
Forward exchange sales	2,978,554	-	-	-
Forward exchange purchases	2,843,558	19,557,687	-	-
Interest Rate Swap agreements/Currency Swaps:				
Currency swaps	25,374,700	-	25,374,700	-
	31,196,812	19,557,687	25,374,700	-

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:

As at 31 March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Commitments in relation to property, plant & equipment	9,072,158	9,706,880	-	-
Approved and contacted for	715,404	730,709	-	-
Approved but not contacted for	9,787,562	10,437,589	-	-

a) *Browns Ari Resort Private Limited*

The Board of Directors of Browns Ari Resort Private Limited has approved US$ 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 US$ 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 US$ 29 Mn.

d) *Riverina Resort (Private) Limited*

Riverina Resorts (Private) Limited is in the process of putting up a 365 key, 5 star, 20 Acre Resort situated in Golden Mile Bentota. The total cost was estimated to be Rs. 7.2Bn. out of which Rs. 4.7Bn (Including the finance cost 2.5Bn) 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	**2021 Rs. '000**	**2020 Rs. '000**	**2021 Rs. '000**	**2020 Rs. '000**
Within one year	732,587	1,129,847	2,714	23,990
Between one and five years	3,001,721	4,212,347	-	20,044
More than five years	21,515,912	24,746,321	-	4,275
	25,250,220	30,088,515	2,714	48,309

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.

NOTES TO THE FINANCIAL STATEMENTS

47.4 Contractual Maturities of Commitments and Contingencies

Company

	Carrying amount	less than one month	less than one month	1-3 months	4-12 months	13-60 months	> 60 months
Contingent Liabilities							
Guarantees Issued to Banks and Other Institutions	218,081	218,081	-	-	218,081	-	-
Corporate guarantees given to subsidiary companies to obtain loans	2,101,480	2,101,480	-	1,000,000	600,000	501,480	-
Total Contingent Liabilities	2,319,561	2,319,561	-	1,000,000	818,081	501,480	-
Commitments							
Other Contingencies	25,374,700	25,374,700	-	25,374,700	-	-	-
Operating lease commitments	2,714	2,714	-	2,580	134	-	-
Total Commitments	25,377,414	25,377,414	-	25,377,280	134	-	-
Total Commitments and Contingencies	27,696,975	27,696,975	-	26,377,280	818,215	501,480	-

48 EVENTS AFTER THE REPORTING PERIOD

ACCOUNTING POLICY

All material subsequent events have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

48.1 Subsequent events

No circumstances have arisen after the reporting date which would require adjustment to or disclosure in the financial statements other than following.

a) Investment in Hatton National Bank

On 4th May 2021 Browns Investments PLC, subsidiary Company of LOLC Holdings PLC acquired 9.99% of the ordinary voting shares of Hatton National Bank PLC. Total Consideration of the transactions was Rs. 5,526 Mn.

b) Investment in Sanasa Development Bank PLC

On 24th August 2021, Iconic Property Twenty Three Private Limited ("Iconic Property"), a subsidiary of LOLC Group acquired 15% of the shareholding by subscribing to 24,104,800 new shares of Sanasa Development Bank PLC for a consideration of Rs. 51.50 per share with a total consideration of Rs. 1,231 Mn.

c) Investment in PL Resorts Limited in Mauritius

BI leisure Holdings FZE ("BI Leisure") is a wholly owned subsidiary of Browns Investments PLC and is incorporated in the UAE on 13th July 2021, with the objective of acquiring and developing a few Leisure properties outside Sri Lanka. BI Leisure entered into a Share Sale & Purchase Agreement today to acquire 21,500,000 shares (100%) of PL RESORT LED. a private limited company incorporated in Mauritius at a value of USD 12 Mn. The purchase consideration of this acquisition is USD 3.7 Mn after deducting the existing debts from the aforesaid value.

PI. RESORT LTD owns a 100-room luxury beach resort in Mauritius which is managed and operated by the famed Radisson hotel management Company under the Radisson Blu brand.

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	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2021 Rs. '000
Nature of assets	Nature of liability				-
Foreign currency term deposits	Interest bearing loans and borrowings	3,641,235	3,879,579	2,802,833	2,628,538
Lease, hire purchase and loans receivable	Term loan/bank drafts/short -term loan/field and processing developments	47,005,799	30,331,565	-	16,217
Marketable shares and loans	Bank overdrafts/term loans/investments in field development	34,069,827	34,136,307	34,069,827	34,136,307
Leasehold right	Finance lease	-	-	-	-
Leasehold property and vehicles	Term loan	196,685	748,382	196,685	209,736
Freehold land & buildings	Interest bearing loans and borrowings	-	2,558,945	-	-
Promissory Notes, Securitised debt certificates, Stock and book debts	Interest bearing loans and borrowings	-	350,000	-	-
		84,913,546	72,004,778	37,069,344	36,990,798

50 FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were;

As at 31 March		2021		2020	
		Closing Rate	Average Rate	Closing Rate	Average Rate
United States Dollar	USD	199.04	188.39	188.62	179.47
Cambodian Riel	KHR	0.0492	0.0462	0.0468	0.0441
Pakistani Rupee	PKR	1.2016	1.1590	1.1402	1.1656
Myanmar Kyat	MMK	0.1424	0.1278	0.1355	0.1197
Indonesian Rupiah	IDR	0.0137	0.0130	0.0116	0.0127
Euro	Euro	233.09	219.87	207.96	200.00
Philippines Peso	PESO	4.10	3.93	-	-
Zambian Kwacha	ZKW	10.92	9.54	-	-

51 RELATED PARTY DISCLOSURES

ACCOUNTING POLICY
Terms and conditions of transactions with related parties The Group and Company carried out transactions in the ordinary course of business with the parties who are defined as related entities in Sri Lanka Accounting Standard LKAS 24. 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.

51.1 Transactions with key management personnel

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 at 31 March 2021 audited financial statements, which required additional disclosures in the 2020/21 Financial Statements 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 51.2.1 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 2021 audited financial statements, which required additional disclosures in the 2020/21 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13 (c) of the Security Exchange Commission Act.

Transactions with Key Management Personnel (KMP)

ACCOUNTING POLICY
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

For the year ended 31 March	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Includes:					
Director's emoluments		175,085	296,500	22,760	33,709
Other KMP emoluments and other short term benefits	51.1.1.1	422,654	497,127	110,341	209,982
		597,739	793,627	133,101	243,691

51.1.1.1 Other KMP emoluments and other short term benefits are included under Emoluments in the Statement of Profit or Loss.

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

For the year ended 31 March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Advances granted during the period	230,748	300,734	-	-
Advances settled during the period	205,603	356,940	-	-
Relevant interest income	42,691	30,192	-	-
Balance outstanding	67,836	95,429	-	-
Rentals paid	-	324,205	-	-
Deposits taken during the period	6,809,890	925,155	-	-
Deposits balance	67,501	941,923	-	-
Interest paid / charged	420,809	121,512	-	-
Interest payable	35,515	747	-	-

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

		COMPANY	
For the year ended 31 March		2021	2020
	Note	Rs. '000	Rs. '000
Subsidiaries			
Fund transfers in		168,283,586	101,129,181
Fund transfers out		152,873,695	100,054,261
Reimbursement of Expenses		5,335,837	8,192,984
Income from shared services		1,946,233	3,709,387
Asset hire income	5	239,393	248,169
Interest received on fund transfer		4,319,872	3,103,492
Royalty income	5	520,898	488,981
Franchise fee	5	141,448	566
Guarantee fee income	5	38,137	40,344
Investments in subsidiaries		3,818,240	-
Rental income		47,931	47,400
Show back income		416,142	303,794
Secretarial fee		7,161	-
IT Service Fee		71,968	62,588
Amalgamation with I PAY		37,549	-
Interest Expense		57,127	-
Associates			
Dividend received		-	11,405
Interest charged/received		284,138	374,336
Loan granted		378,000	260,000
Repayment of loans and finance leases obtained		(995,339)	(322,255)
Expenses shared		-	1,192
Interest paid		411,280	191,953

			COMPANY	
Balance outstanding on facilities granted to related parties as at 31 March			2021	2020
		Note	Rs. '000	Rs. '000
Subsidiaries	Finance leases and loans granted		2,539,627	579,312
Associates	Finance leases and loans granted		720,951	1,115,666
			3,260,578	1,694,978

For the year ended 31 March	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000
Associates			
Trading transactions			
- Sales		95,253	41,266
- Purchases		3,521,264	2,862,707
Interest charged/received		1,409,069	880,104
Fund transfers		52,527	-
Loans Granted		3,903,000	1,390,796
Loans recovered		5,959,142	-
Interest paid		1,478,821	1,258,973
Expenses shared		7,111	1,193
Dividend income		192,528	62,373
Balances receivables on facilities granted		4,166,674	4,215,527
Commission income received		62,305	57,290

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;

For the year ended 31 March	GROUP		COMPANY	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Loans obtained	25,068,986	3,222,495	-	-
Loans granted	3,000,000	-	17,569,628	4,890,442
Supply of leased vehicles	784,443	162,730	-	-
Rental collections	-	240,015	-	-
Interest income/expense	2,230,285	270,000	735,439	263,828
Deposits held with the company	145,335	264,230	-	-
Settlement of loans obtained	(19,549,693)	(4,696,615)	(16,162,167)	(1,219,576)
Settlement of loans granted	(3,478,121)	-	-	-
Interest paid on loans	(843,040)	(192,073)	(67,705)	(76,254)
Interest received on loans given	356,465	210,078	359,568	925,178
Interest paid on debentures	-	-	-	-
Balances payable on				
- Loans obtained	6,161,912	630,653	398,000	908,400
- Interest payable	377,587	173,172	15,140	24,967
- Debentures	-	-	-	-
Balances receivable on loans granted	1,185,035	1,500,000	5,868,643	5,427,173

51.3 Balances with Related Parties

51.3.1 Amounts due from related parties

For the year ended 31 March	GROUP		COMPANY	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Subsidiaries				
Ajax Engineers (Private) Limited	-	-	37,127	28,100
B G Air Services (Private) Limited	-	-	19,356	14,751
BI Commodities & Logistics (Private) Limited	-	-	9,959	11,481
B Commodities (Private) Limited	-	-	252,296	192,288
Brown and Company PLC	-	-	309,302	111,823
Browns ARI Resort	-	-	2,595	409
Browns RAA Resort Ltd	-	-	425	425
Browns Engineering & Construction (Private) Limited	-	-	181,579	131,953
Browns Global Farm Pvt Ltd	-	-	2,464	2,448
Browns Leisure (Private) Limited	-	-	487	1,219
Browns Hotel and Resorts Limited	-	-	1,646,752	861,852
Browns Healthcare	-	-	8,947	5,496
Browns Holding Ltd	-	-	36	24
Browns Investments PLC	-	-	3,031,831	11,091,262
Browns Metal & Sands (Private) Limited			496	
Browns Tours Pvt Ltd.	-	-	55	7,277
Ceylon Graphene Technologies (Private) Limited	-	-	-	20,922
Commercial Factors (Pvt) Ltd	-	-	251	91
Commercial Leasing & Finance PLC	-	-	258,125	44,291
Creations Constructions Engineering (Pvt) Ltd	-	-	32,650	20,117
Dikwella Resort Limited	-	-	1,053,025	922,174
Diriya Investments (Private) Limited	-	-	-	252
Eagle Recoveries (Pvt) Ltd	-	-	1,153	281
East Coast Land Holdings (Private) Limited	-	-	3,990	3,150
Eden Hotels Lanka PLC	-	-	61,579	378,164
Excel Global Holdings (Private) Limited			16	-
Excel Restaurant (Private) Limited	-	-	70,199	22,989
I Pay (Pvt) Ltd	-	-	-	25,877
Green Orchard Property Investments Limited	-	-	736	572
Green Paradise Resorts (Private) Limited	-	-	13,341	11,963
Gurind Accor (Private) Limited	-	-	8,792	8,924
Leapstitch Technologies(Private) Limited			118,429	-
LOLC Advance Technologies (Pvt) Ltd	-	-	13,326	58,965
LOLC Capital One (Private) Limited	-	-	1,419	189

For the year ended 31 March	GROUP		COMPANY	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
LOLC Ceylon Property Holdings (Private) Limited			139	-
LOLC Corporate Services (Private) Limited	-	-	55,537	52,969
LOLC Development Finance PLC	-	-	485,214	2,645,338
LOLC Factors Limited	-	-	12,839,524	9,091,053
LOLC Finance PLC	-	-	495,350	654,801
LOLC Financial Sector Holdings	-	-	3,207	3,207
LOLC General Insurance Limited	-	-	-	28,083
LOLC GEO Tec Pvt Ltd	-	-	848	19,377
LOLC Investments Limited	-	-	-	148,416
LOLC International (Pvt) Limited			758,528	-
LOLC Myanmar Micro-Finance Company Limited	-	-	19,402	19,402
LOLC PROPERTY 1	-	-	-	12,693
LOLC PROPERTY 2	-	-	-	167
LOLC PROPERTY 3	-	-	-	12,662
LOLC PROPERTY 4	-	-	7,623	202
LOLC PROPERTY 6	-	-	200	79
LOLC PROPERTY 7	-	-	-	24
LOLC PROPERTY 8	-	-	-	11,221
LOLC PROPERTY 9	-	-	35	10
LOLC PROPERTY 10	-	-	48	10
LOLC Pvt Ltd	-	-	12,051	3,007
LOLC Securities Limited	-	-	1,417,506	431,783
LOLC Serendib (Pvt) Ltd	-	-	18,314	18,308
LOLC Technologies Limited	-	-	-	17,968
Maturata Plantations Limited	-	-	20,159	14,562
Millennium Development Limited	-	-	157,565	56,430
PALM Garden Hotels PLC	-	-	3,530,321	1,186,825
Riverina Resort (Private) Limited	-	-	3,911,229	3,465,301
Saga Solar Power (Private) Limited	-		295	-
Samudra Beach (Private) Limited	-		5,678	-
Serendib Leisure Management (Pvt) Ltd	-		922	-
Speed Italia Limited	-	-	43,615	43,615
Sun & Fun Resorts (Private) Limited	-	-	96,252	71,244
Sundaya Lanka (Private) Limited	-	-	231	147
Thurushakthi (Private) Limited			23	-
Tropical Villas (Private) Limited	-	-	5	23
United Dendro Energy Ambalantota (Private) Limited			24,393	-

For the year ended 31 March		GROUP		COMPANY	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
United Dendro Energy Walawewatta (Private) Limited				23	-
United Dendro Energy (Private) Limited		-	-	-	24,312
Pussellawa Plantations			-	1,197	-
Ceylon Estates Teas (Pvt) Ltd			-	105	-
Agalawatta Plantation			-	31	-
Associates					
Associates Battery Manufactures (Ceylon) Limited		996	996	-	-
Galoya Plantations Limited		702,709	732,997	3,882	4,531
Sierra Construction (Private) Limited		-	6,224	-	-
Taprobane Plantations (Private) Limited		-	96,079	705	493
NPH Development Limited		201,050	190,531	-	-
Patronus Wealth Holdings Limited		-	218,963	-	-
INK Investments (Pvt) Ltd		511,421	732,816	-	-
Don & Don Holdings Ltd		637,103	566,542	-	-
Browns Health Care (Private) Limited		-	6,913	-	-
(-) Allowance for impairment	51.3.1.1	-	-	(44,931)	(44,931)
		2,053,279	2,552,061	31,005,964	31,973,061

51.3.1.1 Allowance of impairment

As at 31 March	GROUP		COMPANY	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Speed Italia Limited	-	-	44,931	44,931
	-	-	44,931	44,931

For the year ended 31 March	Note	GROUP		COMPANY	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Opening balance		-	-	44,931	44,931
Closing balance		-	-	44,931	44,931

51.3.2 Amounts due to related parties

	GROUP		COMPANY	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Subsidiaries				
Browns Properties Pvt Ltd	-	-	13,110	3,494
Lanka ORIX Information Technology Services Limited	-	-	664,129	254,370
LOLC Advance Technologies (Pvt) Ltd	-	-		-
LOLC Asset Holdings Limited	-	-	19,507	19,600
LOLC Eco Solutions Limited	-	-	3,432	3,871
LOLC Investments Limited	-	-	4,388,184	-
LOLC Life Assurance Limited	-	-	6,965	2,870
LOLC Micro Investments Limited	-	-		-
LOLC Motors Limited	-	-	263,234	244,440
LOLC Property 5	-	-	160	301
Prospere Reality Limited	-	-	374,368	374,452
LOLC Securities Limited	-	-	-	-
LOLC Technologies Limited	-	-	63,083	-
Palm Gardens Hotel PLC	-	-	-	-
Tropical Villas (Private) Limited	-	-	-	-
Ceylon Graphene Technologies (Private) Limited			18,211	
Diriya Investments (Private) Limited			8,800	
LOLC General Insurance Limited			147	
LOLC PROPERTY 1			1,557	
LOLC PROPERTY 2			7,965	
LOLC PROPERTY 3			2,476	
LOLC PROPERTY 7			37,336	
LOLC PROPERTY 8			291,098	
Associates				
Taprobane Plantations (Private) Limited	16,294	-	-	-
Other related Parties				
Don & Don Holdings Ltd	4,186,693	3,376,862	-	-
INK Investments (Pvt) Ltd	321,310	254,642	-	-
	4,524,297	3,631,504	6,163,762	903,398

52 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

1 Browns Global Farm (Pvt) Ltd - Discontinued Operation as at 31st March 2021

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.

2 PRASAC Microfinance Institution Limited - Discontinued Operation as at 31st March 2020

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.

Group sold 49% of PRASAC Microfinance Institution Limited during the year.

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) in note 12 to the Financial Statements.

As at 31 March	2021	2020	
	BGFL	PRASAC	BGFL
	Rs. '000	Rs. '000	Rs. '000
Gross income			
Interest income	-	67,190,564	-
Interest expenses	-	(32,018,026)	(5)
Net interest income	-	35,172,538	(5)
Revenue	-	-	5,525
Less: cost of sales	(45)	-	(8,621)
Gross profit	(45)	-	(3,096)
Income	-	4,287,568	-
Other income/(expenses)	22,707	1,450,009	-
Profit before operating expenses	22,662	40,910,115	(3,101)
Operating expenses			
Direct expenses excluding finance expenses	-	-	(793)
Personnel expenses	(156)	(11,511,830)	(1,607)
Net impairment loss on financial assets	(818)	(2,124,469)	-
Depreciation and amortisation	-	(1,115,775)	(9,773)
Other operating expenses	(58,372)	(2,346,418)	(47,314)
Results from operating activities	(36,684)	23,811,623	(62,588)
Income tax expense	-	(4,769,546)	-
Profit for the year	(36,684)	19,042,077	(62,588)

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:

As at 31 March	2021	2020	
	BGFL	PRASAC	BGFL
	Rs. '000	Rs. '000	Rs. '000
Assets			
Cash in hand and favourable bank balances	1,982	101,650,233	385
Investment securities	-	5,312	-
Financial assets at amortised cost/ Advances and other loans	-	507,987,226	-
Inventories	-	-	757
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	2,812	1,018,799	58,023
Assets directly associated with the assets held for sale and discontinued operations	4,794	630,050,646	61,199
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	-	533,915,313	22,669

As at 31 March	2021	2020	
	BGFL	PRASAC	BGFL
	Rs. '000	Rs. '000	Rs. '000
Operating	1,818	4,658,192	17,917
Investing	-	(177,039)	(17,099)
Financing	-	23,658,165	(157)
Net cash (outflow)/inflow	1,818	28,139,318	661
Earnings per share			
Basic, profit from discontinued operations attributable to ordinary equity holders of the parent	(0.08)	40.07	(0.13)
Diluted, profit from discontinued operations attributable to ordinary equity holders of the parent	(0.08)	40.70	(0.13)

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 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AND FAIR VALUE HIERARCHY

53.1 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 2020 and 2021.

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 2021).

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.

Group	Note	As at 31st March 2021 Level 1 Quoted prices in active markets Rs. '000	Level 2 Significant observable inputs Rs. '000	Level 3 Significant un-observable inputs Rs. '000	Total Rs. '000
Financial Assets					
Trading assets - fair value through profit or loss					
Corporate securities	18.1	12,304,660	-	-	12,304,660
Government securities	18.2	-	8,584	-	8,584
Equity securities	18.3	226,796	40,307,506	-	40,534,302
Derivative assets held for risk management	18.4	-	1,162,113	-	1,162,113
		12,531,456	41,478,203	-	54,009,659
Investment securities					
Financial assets measured at fair value through other comprehensive income					
Government securities	19.1.2	-	27,227,236	-	27,227,236
Designated FVOCI investment securities	19.1.3	-	-	362,510	362,510
Equity securities with readily determinable fair values	19.1.4	324,239	-	-	324,239
		324,239	27,227,236	362,510	27,913,985
Total financial assets at fair value		12,855,695	68,705,439	362,510	81,923,644
Non-Financial Assets					
Investment Properties	28	-	-	46,202,228	46,202,228
Consumable biological assets	29	-	-	4,007,383	4,007,383
Property, plant & equipment					
- Land	35	-	-	28,820,510	28,820,510
- Buildings (Leasehold & Freehold)	35	-	-	15,584,313	15,584,313
- Reclaimed Lands	35	-	-	21,809,442	21,809,442
Right of Use Lands	27	-	-	18,954,526	18,954,527
Total non-financial assets at fair value		-	-	135,378,403	135,378,403
Total assets at fair value		14,017,808	67,543,326	135,740,913	217,302,047
Financial Liabilities					
Derivative financial liabilities	36	-	-	-	-
Total liabilities at fair value		-	-	-	-

		As at 31st March 2020			
		Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant un-observable inputs	Total
Group	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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	29	-	-	31,723,414	31,723,414
Consumable biological assets	28	-	-	3,642,998	3,642,998
Property, plant & equipment					
- Land	35	-	-	22,731,610	22,731,610
- Buildings (Leasehold & Freehold)	35	-	-	11,969,767	11,969,767
Total non-financial assets at fair value		-	-	70,067,789	70,067,789
Total assets at fair value		8,328,081	18,974,229	70,312,727	97,615,037
Financial Liabilities					
Derivative financial liabilities		-	114,349	-	114,349
Total liabilities at fair value		-	114,349	-	114,349

Company	Note	As at 31st March 2021 Level 1 Quoted prices in active markets Rs. '000	Level 2 Significant observable inputs Rs. '000	Level 3 Significant un-observable inputs Rs. '000	Total Rs. '000
Financial Assets					
Trading assets - fair value through profit or loss					
Corporate securities	18.1	4,300,000	-	-	4,300,000
Government securities	18.2	-	-	-	-
Equity securities	18.3	183	-	-	183
Derivative assets held for risk management	18.4	-	598,734	-	598,734
		4,300,183	598,734	-	4,898,917
Investment securities					
Financial assets measured at fair value through other comprehensive income					
Corporate securities	19.1.1	-	-	-	-
Government securities	19.1.2	-	4,017,498	-	4,017,498
Designated FVOCI investment securities	19.1.3	-	-	98,265	98,265
Equity securities with readily determinable fair values	19.1.4	324,239	-	-	324,239
		324,239	4,017,498	98,265	4,440,001
Total financial assets at fair value		4,624,422	4,616,232	98,265	9,338,918
Non-Financial Assets					
Investment Properties	28	-	-	1,064,850	1,064,850
Property, plant & equipment					
- Land	35	-	-	2,572,500	2,572,500
- Buildings	35	-	-	739,636	739,636
Right Of Use Assets		-	-	5,216	5,216
Total non-financial assets at fair value		-	-	4,382,202	4,382,202
Total assets at fair value		4,624,422	4,616,232	4,480,467	13,721,120

		As at 31st March 2020			
		Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant un-observable inputs	Total
Company	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets					
Trading assets - fair value through profit or loss					
Corporate securities	18.1	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	-	-	423,262	423,260
Total non-financial assets at fair value		-	-	3,587,012	3,587,010
Total assets at fair value		263,429	223,551	3,685,277	4,172,255

53.2 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.

As at 31 March		2021		2020	
		Carrying amount	Fair Value	Carrying amount	Fair Value
Group	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets					
Investment Securities - Financial assets at amortised cost	19.2	39,327,136	43,593,014	28,381,713	28,481,049
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	20	60,832,278	63,879,320	58,101,502	59,386,780
Financial assets at amortised cost/ Advances and other loans	21	362,954,556	349,728,552	331,358,634	341,134,574
		463,113,970	457,200,887	417,841,850	429,002,403
Financial Liabilities					
Financial liabilities at amortised cost/ Deposits liabilities	37.1	263,592,537	262,951,802	220,985,129	216,852,707
Financial liabilities at amortised cost/ Interest bearing borrowings	38	315,609,582	299,481,593	323,027,082	319,008,949
		579,202,119	562,433,395	544,012,211	535,861,656
Company					
Financial Assets					
Investment Securities - Financial assets at amortised cost	19.2	13,057,240	13,057,240	2,940,045	2,940,045
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	20	2,381	2,381	2,440	2,440
Financial assets at amortised cost/ Advances and other loans	21	9,215,716	9,215,716	5,510,840	5,510,840
		22,275,337	22,275,337	8,453,325	8,532,370
Financial Liabilities					
Financial liabilities at amortised cost/ Interest bearing borrowings	38	105,175,385	105,175,385	95,412,795	95,412,795
		105,175,385	105,175,385	95,412,795	95,412,795

For the cash and cash equivalents, short term receivables and payables, the fair value reasonably approximates its costs.

There are various limitations inherent in 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 the 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.

	GROUP			
	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant un-observable inputs	Total
As at 31st March 2021	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets				
Investment Securities - Financial assets at amortised cost	-	43,593,014	-	43,593,014
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-	-	63,879,320	63,879,320
Financial assets at amortised cost/ Advances and other loans	-	-	349,728,552	349,728,552
	-	43,593,014	413,607,873	457,200,887
Financial liabilities				
Financial liabilities at amortised cost/ Deposits liabilities	-	-	262,951,802	262,951,802
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	299,481,593	299,481,593
	-	-	562,433,395	562,433,395
As at 31st March 2020				
Financial assets				
Investment Securities - Financial assets at amortised cost	-	2,940,045	-	2,940,045
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-	-	2,440	2,440
Financial assets at amortised cost/ Advances and other loans	-	-	5,510,840	5,510,840
	-	2,940,045	5,513,280	8,453,325
Financial liabilities				
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	95,412,795	95,412,795
	-	-	95,412,795	95,412,795

	COMPANY			
	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant un-observable inputs	Total
As at 31st March 2021	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets				
Investment Securities - Financial assets at amortised cost	-	13,057,240	-	13,057,240
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-	-	2,381	2,381
Financial assets at amortised cost/ Advances and other loans	-	-	9,215,716	9,215,716
	-	13,057,240	9,218,097	22,275,337
Financial liabilities				
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	105,175,385	105,175,385
	-	-	105,175,385	105,175,385
As at 31st March 2020				
Financial assets				
Investment Securities - Financial assets at amortised cost	-	2,940,045	-	2,940,045
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-	-	2,440	2,440
Financial assets at amortised cost/ Advances and other loans	-	-	5,510,840	5,510,840
	-	2,940,045	5,513,280	8,453,325
Financial liabilities				
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	95,412,795	95,412,795
	-	-	95,412,795	95,412,795

53.3 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 34.7 provides information on significant unobservable inputs used as at March 31, 2021 in measuring fair value of land and buildings categorised as Level 3 in the fair value hierarchy.

Note 34.7 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

Asset Type	Movement Note Reference
Freehold Lands	Note 35
Reclaimed Lands	Note 35
Freehold Buildings	Note 35
Right Of Use Lands	Note 27
Investment Properties	Note 28

54 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 the financial

	Group					
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Other financial liabilities	Total carrying amount	Fair value
As at 31st March 2021	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets						
Cash in hand and favourable bank balances	-	-	58,233,361	-	58,233,361	58,233,361
Trading assets - fair value through profit or loss	54,009,659	-	-	-	54,009,659	54,009,659
Investment securities	-	27,913,985	39,327,136	-	67,241,121	71,506,999
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-	-	60,832,278	-	60,832,278	63,879,320
Financial assets at amortised cost/ Advances and other loans	-	-	362,954,556	-	362,954,556	349,728,552
Trade and other Financial assets	-	-	15,962,570	-	15,962,570	15,962,570
Total financial assets	54,009,659	27,913,985	537,309,901	-	619,233,545	613,320,462
Financial liabilities						
Bank overdrafts	-	-	4,130,481	-	4,130,481	4,130,481
Financial liabilities at amortised cost/ Deposits liabilities	-	-	263,592,537	-	263,592,537	262,951,802
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	315,609,582	-	315,609,582	299,481,593
Trade and other payables	-	-	18,471,691	-	18,471,691	18,471,691
Total financial liabilities	-	-	601,804,291	-	601,804,291	585,035,567

	Group					
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Other financial liabilities	Total carrying amount	Fair value
As at 31st March 2020	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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 Financial 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	-		323,027,082	-	323,027,082	319,008,949
Trade and other payables	-		12,924,406	-	12,924,406	12,924,406
Total financial liabilities	114,349	-	560,959,033	-	561,073,382	555,922,827

Analysis of Financial Instruments by Measurement Basis

	Company					
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Other financial liabilities	Total carrying amount	Fair value
As at 31st March 2021	**Rs. '000**	**Rs. '000**	**Rs. '000**	**Rs. '000**	**Rs. '000**	**Rs. '000**
Financial assets						
Cash in hand and favourable bank balances	-	-	1,698,848	-	1,698,848	1,698,848
Trading assets - fair value through profit or loss	4,898,917	-	-	-	4,898,917	4,898,917
Investment securities	13,057,240	4,440,001	-	-	17,497,241	17,497,241
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-	-	2,381	-	2,381	2,381
Financial assets at amortised cost/ Advances and other loans	-	-	9,215,716	-	9,215,716	9,215,716
Trade and other Financial assets	-	-	-	32,682,495	32,682,495	32,682,495
Total financial assets	17,956,158	4,440,001	10,916,945	32,682,495	65,995,598	65,995,598
Financial liabilities						
Bank overdrafts	-	-	587,043	-	587,043	587,043
Financial liabilities at amortised cost/ Interest bearing borrowings	-	-	105,175,385	-	105,175,385	105,175,385
Trade and other payables	-	-	-	1,329,900	1,329,900	1,329,900
Total financial liabilities	-	-	105,762,428	1,329,900	107,092,328	107,092,328

	Company					
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Other financial liabilities	Total carrying amount	Fair value
As at 31st March 2020	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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
	-		-	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
Trade and other payables						
Total financial liabilities	-	-	96,452,317	1,329,893	97,782,210	96,427,146

54.1 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 2021.

All the listed equity instruments were transferred from level 1 to level 2 as at 31 March 2021 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 2021.

55 MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

55.1 Maturity analysis of financial assets

As at 31st March 2021	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	58,233,361	49,814,227	5,522,154	2,896,980	-	-
Trading assets - fair value through profit or loss							
Corporate securities	18.1	12,304,660	6,547,344	4,300,000	1,457,316	-	-
Government securities	18.2	8,584	8,584	-	-	-	-
Equity securities	18.3	40,534,302	1,960,820	1,201,714	11,577	3,334,442	34,025,749
Derivative assets held for risk management	18.4	1,162,113	598,734	547,639	15,740	-	-
Investment securities							
Financial assets measured at fair value through other comprehensive income	19.1	27,913,985	4,247,330	823,548	6,618,242	16,224,865	-
Financial assets at amortised cost	19.2	39,327,136	16,458,389	15,139,125	5,169,534	1,593,694	965,895
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases							
Finance lease receivables	20.1	60,829,898	2,316,182	1,957,342	10,024,833	45,997,441	534,100
Operating lease receivables	20.2	2,380	605	-	-	1,775	-
Financial assets at amortised cost/ Advances and other loans							
Advances and loans	21.1	348,524,228	25,738,443	144,018,624	55,839,838	86,818,640	36,108,683
Factoring receivables	21.2	3,569,366	357,597	123,129	2,644,940	443,699	-
Gold loan advances receivables	21.3	10,860,963	3,368,787	1,410,637	5,038,583	1,042,956	-
Trade and other current assets							
Financial Assets		15,962,570	6,494,584	4,716,327	1,534,644	1,943,055	1,273,959
		619,233,546	117,911,627	179,760,240	91,252,225	157,401,068	72,908,386

As at 31st March 2021	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	1,698,848	1,698,848	-	-	-	-
Trading assets - fair value through profit or loss							
Corporate securities	18.1	4,300,000	-	4,300,000	-	-	-
Government securities	18.2	-	-	-	-	-	-
Equity securities	18.3	183	183	-	-	-	-
Derivative assets held for risk management	18.4	598,734	598,734	-	-	-	-
Investment securities							
Financial assets measured at fair value through other comprehensive income	19.1	4,440,001	4,017,498	-	-	-	422,503
Financial assets at amortised cost	19.2	13,057,240	10,149,593	925,024	1,982,624	-	-
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases							
Operating lease receivables	20.2	2,381	2,381	-	-	-	-
Financial assets at amortised cost/ Advances and other loans							
Advances and loans	21.1	9,215,716	599,398	-	2,106,115	6,510,203	-
Trade and other current assets							
Financial Assets	25	32,682,494	355,100	31,273,679	1,044,542	9,173	-
		65,995,598	17,421,735	36,498,703	5,133,281	6,519,376	422,503

Maturity analysis of financial assets and liabilities

55.2 Maturity analysis of financial liabilities

As at 31st March 2021	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	4,130,481	4,083,151	30,431	16,898	-	-
Trading liabilities - fair value through profit or loss	35						
Financial liabilities at amortised cost/ Deposits liabilities							
Deposits from customers							
Fixed deposits	37.2	231,564,258	18,076,131	36,911,633	107,383,141	69,193,352	-
Saving / Demand deposits	37.3	28,221,005	25,078,801	1,852,902	1,289,301	-	-
Interest / profits payable	37.4	3,807,274	1,552,482	462,166	1,346,602	446,024	-
Financial liabilities at amortised cost/ Interest bearing borrowings							
Commercial papers & promissory notes		52,892,141	4,555,435	16,813,494	31,523,212	-	-
Short-term loans and others		59,176,810	14,789,990	38,715,029	5,671,791	-	-
Debentures	38.1	29,167,444	-	2,888	331,831	22,585,856	6,246,868
Finance lease liabilities	38.2	836,202	4,882	13,279	213,650	285,025	319,366
Long-term borrowings	38.3	164,680,327	8,673,824	16,472,476	40,451,423	94,338,894	4,743,710
Operating Lease Liability	38.4	8,856,658	150,352	1,563,483	3,540,438	2,877,634	724,751
Trade and other payables							
Financial liabilities	41	18,471,691	2,664,539	548,377	4,927,969	3,728,996	6,601,811
		601,804,292	79,629,587	113,386,159	197,460,549	193,455,782	18,636,506

Maturity analysis of financial assets and liabilities

55.2 Maturity analysis of financial liabilities

As at 31st March 2021	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							
Non-derivative liabilities							
Bank overdrafts	17.2	587,043	587,043	-	-	-	-
Trading liabilities - fair value through profit or loss							
Financial liabilities at amortised cost/ Interest bearing borrowings							
Commercial papers & promissory notes		53,723,529	4,555,435	16,813,494	32,354,599	-	-
Short-term loans and others		14,521,257	14,521,257	-	-	-	-
Debentures	38.1	17,004,927	(1,420)	4,308	143,338	10,611,833	6,246,868
Finance lease liabilities	38.2	60,540	2,128	4,331	20,100	33,981	-
Long-term borrowings	38.3	19,222,213	835,639	3,561,292	5,067,048	9,758,233	-
Operating Lease Liability	38.4	642,919	8,340	14,346	82,570	419,057	118,606
Trade and other payables							
Financial liabilities	41	6,985,273	13,096	6,972,177	-	-	-
		112,747,701	20,521,519	27,369,949	37,667,655	20,823,103	6,365,475

55 MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

55.3 Maturity analysis of financial assets

As at 31st 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
Hire purchase receivables	-	-	-	-	-	-	-
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

As at 31st 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	-					
Derivative assets held for risk management	18.4	263,429	263,429	-	-	-	-
Investment securities							-
Financial assets measured at fair value through other comprehensive income	19.1	-	-	-	-	-	
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	19.2						
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	34,498,648	1,349,793	3,087,693	4,073,343	321,543

NOTES TO THE FINANCIAL STATEMENTS

Maturity analysis of financial assets and liabilities

55.4 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	35	114,349	34,305	65,179	14,865	-	-
Financial liabilities at amortised cost/ Deposits liabilities							
Deposits from customers							
Fixed deposits	36.2	196,983,751	48,055,359	81,379,452	59,087,688	8,461,252	
Saving / Demand deposits	36.3	17,881,792	11,146,369	3,214,316	704,082	2,817,025	
Interest / profits payable	36.4	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		33,851,128	10,577,236	11,531,998	11,741,895	-	-
Short-term loans and others		71,821,448	29,197,911	30,340,422	12,283,115	-	-
Debentures	37.1	18,752,371	-	252,371	5,000,000	13,500,000	-
Finance lease liabilities	37.2	953,611	27,062	94,715	202,962	537,128	91,745
Long-term borrowings	37.3	189,450,021	24,183,032	25,293,951	24,050,746	94,959,190	20,963,102
Operating lease liabilities	37.4	8,198,503	90,433	248,247	512,452	536,502	6,810,869
Trade and other payables							
Financial liabilities	40	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	-	-	-	-
Trading liabilities - fair value through profit or loss		-					
Financial liabilities at amortised cost/ Interest bearing borrowings							
Commercial papers & promissory notes		34,949,429	8,645,693	11,977,049	14,326,687	-	-
Short-term loans and others		45,992,504	-	45,992,504	-	-	
Debentures	37.1	6,985,839	(879)	6,387	34,272	6,946,059	-
Finance lease liabilities	37.2	95,346	3,381	6,880	30,666	54,419	-
Long-term borrowings	37.3	6,735,829	466,356	897,243	2,692,400	2,679,829	-
Operating lease liabilities	37.4	653,848	5,512	16,535	44,092	470,294	117,415
Trade and other payables							
Financial liabilities	40	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 OPERATING SEGMENTS

ACCOUNTING POLICY

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.

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.

For the year ended 31 March 2021	Financial services	Long term & general insurance	Manufacturing & trading	Leisure & entertainment	Plantation & Power Generation	Equity accounted investees	Others & eliminations	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross income	115,563,530	9,271,652	31,080,780	1,762,014	4,753,702	-	(1,949,832)	160,481,846
Net Interest Cost	(45,987,706)	(6,145)	(2,581,330)	(2,782,263)	(1,048,108)	-	3,086,594	(49,318,958)
Cost of Sales	-	-	(21,056,855)	(370,943)	(1,693,331)	-	15,941	(23,105,187)
Profit before Operating Expenses	69,575,825	9,265,507	7,442,595	(1,391,191)	2,012,262	-	1,152,703	88,057,701
Operating Expenses	(60,794,969)	(7,236,060)	(4,294,972)	(2,313,511)	(3,983,922)	-	2,405,360	(76,218,075)
Results from Operating Expenses	8,780,856	2,029,447	3,147,623	(3,704,703)	(1,971,660)	-	3,558,063	11,839,627
Share of profits of equity accounted investees, net of tax	-	-	-	-	-	1,216,388		1,216,388
Results on acquisition and divestment of group investments	-	-	-	-	-	-	44,078,681	44,078,681
Profit before tax from continuing operations	8,780,856	2,029,447	3,147,623	(3,704,703)	(1,971,660)	1,216,388	47,636,744	57,134,695
Discontinued operations								
Profit/(loss) after tax for the year from discontinued operations and assets held for sale	-	-	-	-	(36,684)	-	-	(36,684)
Profit before tax from discontinued operations	-	-	-	-	(36,684)	-	-	(36,684)
Profit before tax of the group	8,780,856	2,029,447	3,147,623	(3,704,703)	(2,008,344)	1,216,388	47,636,744	57,098,011

For the year ended 31 March 2020	Financial services	Long term & general insurance	Manufacturing & trading	Leisure & entertainment	Plantation & Power Generation	Equity accounted investees	Others & eliminations	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross income	103,554,575	7,768,230	24,786,737	1,884,902	2,518,945	-	(10,071,711)	130,441,678
Net Interest Cost	(48,650,679)	(6,486)	(5,313,679)	(3,084,220)	(869,988)	-	3,073,358	(54,851,694)
Cost of Sales	-	-	(15,457,434)	(363,913)	(909,711)	-	(408,861)	(17,139,919)
Profit before Operating Expenses	54,903,896	7,761,744	4,015,624	(1,563,231)	739,246	-	(7,407,214)	58,450,065
Operating Expenses	(53,939,609)	(6,307,706)	(3,031,789)	(1,417,137)	(3,523,222)	-	6,146,512	(62,072,951)
Results from Operating Expenses	964,287	1,454,038	983,835	(2,980,368)	(2,783,976)	-	(1,260,702)	(3,622,886)
Share of profits of equity accounted investees, net of tax	-	-	-	-	-	1,019,970	-	1,019,970
Results on acquisition and divestment of group investments	-	-	-	-	-	-	5,979,045	5,979,045
Profit before tax from continuing operations	964,287	1,454,038	983,835	(2,980,368)	(2,783,976)	1,019,970	4,718,343	3,376,129
Discontinued operations								
Profit/(loss) after tax for the year from discontinued operations and assets held for sale	23,811,624	-	-	-	(62,588)	-	-	23,749,036
Profit before tax from discontinued operations	23,811,624	-	-	-	(62,588)	-	-	23,749,036
Profit before tax of the group	24,775,911	1,454,038	983,835	(2,980,368)	(2,846,564)	1,019,970	4,718,343	23,749,036

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.

For the year ended 31 March 2021	Financial services	Long term & general insurance	Manufacturing & trading	Leisure & entertainment	Plantation & Power Generation	Equity accounted investees	Others & eliminations	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Continuing operations								
Net impairment (loss) / reversal on financial assets	29,610,259	111,158	(85,695)	6,222	3,653	-	87,586	29,733,185
Depreciation and amortisation	1,906,616	70,154	442,973	725,718	1,657,958	-	3,624	4,807,043
Discontinued operations								
Net impairment (loss) / reversal on financial assets	-	-	-	-	(818)	-	-	(818)
Depreciation and amortisation	-	-	-	-	-	-	-	-
Continuing operations								
Total assets (as at 31 March 2021)	1,333,025,970	17,578,439	97,692,803	98,761,826	70,595,751	-	(742,716,054)	874,938,734
Total liabilities (as at 31 March 2021)	1,084,472,879	12,320,070	36,934,002	51,876,302	15,944,379	-	(561,872,372)	639,675,260
Discontinued operations								
Total assets (as at 31 March 2021)	-	-	-	-	4,794	-	-	4,794
Total liabilities (as at 31 March 2021)	-	-	-	-	-	-	-	-
For the year ended 31 March 2020								
Continuing operations								
Net impairment (loss) / reversal on financial assets	16,852,947	4,396	295,507	33,207	-	-	37,739	17,223,797
Depreciation and amortisation	1,848,667	66,763	433,855	264,332	1,390,761	-	119,548	4,123,926
Discontinued operations								
Net impairment (loss) / reversal on financial assets	2,124,468	-	-	-	-	-	-	2,124,468
Depreciation and amortisation	1,115,775	-	-	-	97,730	-	-	1,213,505
Continuing operations								
Total assets (as at 31 March 2020)	653,752,531	16,122,010	66,325,842	67,515,914	52,650,054	-	(150,559,271)	705,807,079
Total liabilities (as at 31 March 2020)	523,458,256	10,655,428	32,909,220	42,905,676	13,883,905	-	(34,408,969)	589,403,517
Discontinued operations								
Total assets (as at 31 March 2020)	630,050,645	-	-	-	61,200	-	-	630,111,845
Total liabilities (as at 31 March 2020)	533,915,312	-	-	-	22,670	-	-	533,937,982

56.1 Geographical segments, based on the location of assets

For the year ended 31 March 2021	Sri Lanka Rs. '000	Singapore Rs. '000	Cambodia Rs. '000	Maldives Rs. '000
From Continuing Operations				
Segmental Income	112,699,935	5,802,912	32,285,491	78,562
Segmental results	3,290,319	3,038,395	53,233,445	(450,979)
From Discontinuing Operations				
Segmental Income	22,707	-	-	-
Segmental results	-36,684	-	-	-
From Continuing Operations				
Segmental Assets	361,865,505	116,958,626	224,475,891	38,002,014
Segmental Liabilities	341,202,207	31,136,907	186,593,790	19,530,692
From Discontinuing Operations				
Segmental Assets	4,794	-	-	-
Segmental Liabilities	-	-	-	-

For the year ended 31 March 2020	Sri Lanka Rs. '000	Singapore Rs. '000	Cambodia Rs. '000	Maldives Rs. '000
From Continuing Operations				
Segmental Income	98,060,001	46,281	27,240,670	77,726
Segmental results	2,868,284	(2,226,072)	5,609,361	29,377
From Discontinuing 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	22,783,140
Segmental Liabilities	287,061,920	32,315,341	167,260,021	13,961,954
From Discontinuing Operations				
Segmental Assets	61,200	-	630,050,645	-
Segmental Liabilities	22,670	-	533,915,312	-

	Myanmar Rs. '000	Indonesia Rs. '000	Pakistan Rs. '000	Africa Rs. '000	Philippines Rs. '000	Other Rs. '000	Group Total Rs. '000
	4,645,436	665,574	1,193,741	1,413,371	881,047	815,777	160,481,846
	714,601	(370,594)	(198,798)	(2,234,206)	153,895	(41,385)	57,134,694
	-	-	-	-	-	-	22,707
	-	-	-	-	-	-	(36,684)
	33,023,164	5,282,866	6,228,951	60,496,736	10,645,066	17,959,916	874,938,734
	27,063,991	4,912,317	3,563,998	8,316,022	6,035,366	11,319,970	639,675,260
	-	-	-	-	-	-	4,794
	-	-	-	-	-	-	-

	Myanmar Rs. '000	Indonesia Rs. '000	Pakistan Rs. '000	Africa Rs. '000	Other Rs. '000	Group Total Rs. '000
	3,376,827	336,816	1,148,780	109,871	47,707	130,444,679
	535,678	(530,523)	(54,214)	(2,223,667)	(632,096)	3,376,128
	-	-	-	-	-	72,933,666
	-	-	-	-	-	23,749,036
	20,133,835	2,019,092	5,049,899	16,915,719	44,584,630	705,807,079
	15,987,544	1,298,556	2,399,062	7,356,018	6,297,566	533,937,982
	-	-	-	-	-	630,111,845
	-	-	-	-	-	533,937,982

57 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 to the Credit Risk

The uncertainty of the impact of COVID-19 introduces significant uncertainty in relation to the measurement of the Group's credit losses. The rapidly evolving consequences of COVID-19 and government, business and consumer responses in relation to same could result in significant adjustments to the allowance for expected credit losses in future financial years.

Estimation uncertainty in preparation of financial statements due to the economic implications of COVID-19 pandemic

The post-lockdown implications have increased the uncertainty of estimates made in preparation of the Financial Statements. The estimation uncertainty is associated with:

* The extent and duration of the disruption to businesses arising from the actions of stakeholders such as government, businesses and customers.
* The extent and duration of the expected economic downturn due to impact on GDP capital markets, credit risk of our customers , impact of unemployment and possible decline in consumer discretionary spending.
* the effectiveness of government and central bank measures that have and will be put in place to support businesses through this disruption and economic downturn.

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 companies 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	58,233,361	-	1,698,848	-
Trading assets - fair value through profit or loss	54,009,659	-	4,898,917	-
Investment securities	67,241,121	-	17,497,241	-
Loan and lease portfolio	410,224,596	13,562,238	9,102,288	115,809
Insurance Premium Receivable	1,521,396	-	-	-
Trade and other Financial assets	15,962,570	-	32,682,495	-

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	58,233,361	58,233,361	1,698,848	1,698,848
Trading assets - fair value through profit or loss	54,009,659	54,009,659	4,898,917	4,898,917
Investment securities	67,241,121	67,241,121	17,497,241	17,497,241
Loan and lease portfolio	423,786,834	423,786,834	9,218,097	9,186,362
Insurance Premium Receivable	1,521,396	1,521,396	-	-
Trade and other Financial assets	15,962,570	15,962,570	32,820,827	32,820,827

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	58,233,361	9.38%	1,698,848	2.57%
Trading assets - fair value through profit or loss	54,009,659	8.70%	4,898,917	7.42%
Investment securities	67,241,121	10.83%	17,497,241	26.51%
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	60,832,278	9.80%	2,381	0.00%
Financial assets at amortised cost/ Advances and other loans	362,954,556	58.47%	9,215,716	13.96%
Insurance premium receivables	1,521,396	0.25%	-	0.00%
Trade and Other Financial Assets	15,962,570	2.57%	32,682,494	49.52%
	620,754,941		65,995,598	
Maximum credit exposure	620,754,941	100.00%	65,995,598	100.00%

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	%	
Loan Category					
Overdrafts/ Speed drafts	1,384,285	5,445	692,349	308,618	377,873
Credit cards	80,703	-	80,703	-	-
Pawning	26,525	-	-	25,431	1,095
Staff loans	42,622	892	6,431	9,579	25,720
Housing development loans	390,904	158,809	194,800	28,196	9,100
Enterprise development loans	4,152,358	3,759,264	249,673	65,488	77,934
Personal loans	950,362	534,816	253,196	82,449	79,901
Micro finance/ Group loans	3,530,440	1,084,573	1,589,254	617,354	239,260
Loans against fixed deposits	562,058	1,481	398,456	79,238	82,883
Short term	1,710,801	584,714	394,091	150,355	581,640
Long term	6,494,996	1,480,572	2,484,454	587,288	1,942,682
Finance Lease	5,747,730	1,086,121	3,699,660	816,899	145,050
Non revolving	3,160,397	-	1,267,732	1,221,625	671,040
	28,234,181	8,696,687	11,310,798	3,992,518	4,234,177

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 rigour 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.

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.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. An analysis of the Groups' 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

	1% parallel increase	net interest income 1% parallel decrease	1% parallel increase	net interest income 1% parallel decrease
	Rs. '000	%	Rs. '000	%
For the year ended 31 March 2021	(3,356,084)	3,356,084	(2,550,624)	2,550,624

Sensitivity of projected

Company

	1% parallel increase	net interest income 1% parallel decrease	1% parallel increase	net interest income 1% parallel decrease
	Rs. '000	%	Rs. '000	%
For the year ended 31 March 2021	(807,810)	807,810	(613,935)	613,935

NOTES TO THE FINANCIAL STATEMENTS

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
Fusion X Global FZC (UAE)	UAE	United State Dollar - USD
Grey Reach Investments Ltd (GRIL)	British Virgin Island	United State Dollar - USD
IPay Global FZC (UAE)	UAE	United State Dollar - USD
Lefam Holding Incorporation (Holista Holdings Corp)	Republic of Philippines	Philippines Peso
LOLC Philippines Corporation	Republic of Philippines	Philippines Peso
LOLC Philippines Holdings Incorporated	Republic of Philippines	Philippines Peso
LOLC Philippines Capital Holdings Corporation	Republic of Philippines	Philippines Peso
LOLC Bank Phillipines	Republic of Philippines	Philippines Peso
LOLC ASKI Finance Inc.	Republic of Philippines	Philippines Peso
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, EURO and MMK against all other currencies as at 31 March 2021, 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.

	100 basis points movement in	
	strengthening Rs. '000	Weakening Rs. '000
As at 31 March 2021		
KHR	360,143	(360,143)
MMK	53,469	(53,469)
USD	271,774	(271,774)
IDR	4,471	(4,471)
PKR	25,802	(25,802)
EURO	566,692	(566,692)

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	40,534,302	686,749	41,221,051

	Impact on Income Statement Rs. '000	Impact on OCI Rs. '000	Impact on Equity Rs. '000
Stress Level			
Shock of 10% on equity price (upward)	4,053,430	68,675	4,122,105
Shock of 10% on equity price (downward)	(4,053,430)	(68,675)	(4,122,105)

NOTES TO THE FINANCIAL STATEMENTS

57 FINANCIAL RISK MANAGEMENT

As at 31 March 2021	GROUP Carrying amount Rs.'000	GROUP Non-current Rs.'000	GROUP Current Rs.'000	GROUP % of allocation Rs.'000	COMPANY Carrying amount Rs. '000	COMPANY Non-current Rs.'000	COMPANY Current Rs.'000	COMPANY % of allocation Rs.'000
Assets								
Cash in hand and favourable bank balances	58,233,361	-	58,233,361	10.02%	1,698,848	-	1,698,848	2.58%
Trading assets - fair value through profit or loss	13,475,357	-	13,475,357	2.32%	4,898,735	4,898,734	-	7.44%
Investment securities	66,554,372	18,784,953	47,769,419	11.45%	17,074,737	422,503	16,652,234	25.95%
Assets directly associated with the assets held for sale and discontinued operations	4,794	-	4,794	0.00%	-	-	-	-
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	60,832,278	46,533,316	14,298,962	10.47%	2,381	-	2,381	0.00%
Financial assets at amortised cost/ Advances and other loans	362,954,556	124,413,979	238,540,577	62.44%	9,215,716	-	9,215,716	14.01%
Premium Receivable	1,521,396	-	1,521,396	0.26%	-	-	-	0.00%
Current tax assets	1,750,335	-	1,750,335	0.30%	229,275	-	229,275	0.35%
Trade and other current assets	15,962,570	-	15,962,570	2.75%	32,682,495	-	32,682,495	49.67%
Total credit risk exposure	581,289,019	189,732,248	391,556,771	100.00%	65,802,187	5,321,238	60,480,948	100%
Financial assets at fair value through P&L	40,534,302	-	40,534,302	62.37%	183	183	-	0.00%
Financial assets at fair value through OCI	686,749	-	686,749	1.06%	422,504	-	422,504	0.43%
Subsidiary companies	-	-	-	0.00%	92,504,806	92,504,806	-	94.79%
Equity accounted investees - Associates	23,766,575	23,766,575	-	36.57%	4,666,193	4,666,193	-	4.78%
Total equity risk exposure	64,987,626	23,766,575	41,221,051	100.00%	97,593,686	97,171,182	422,504	100.00%
Total	646,276,645	213,498,823	432,777,822		163,395,873	102,492,420	60,903,452	

58 CURRENT/NON-CURRENT DISTINCTION

As at 31 March 2021	GROUP			COMPANY		
	Carrying amount	Non-current	Current	Carrying amount	Non-current	Current
	Rs.'000	Rs.'000	Rs.'000	Rs. '000	Rs.'000	Rs.'000
Assets						
Cash in hand and favourable bank balances	58,233,361	-	58,233,361	1,698,848	-	1,698,848
Trading assets - fair value through profit or loss	54,009,659	-	54,009,659	4,898,918	-	4,898,918
Investment securities	67,241,121	18,784,953	48,456,168	17,497,241	422,503	17,074,738
Assets directly associated with the assets held for sale and discontinued operations	4,794	-	4,794	-	-	-
Financial assets at amortised cost/ Finance lease receivables operating leases	60,832,278	46,533,316	14,298,962	2,381	-	2,381
Financial assets at amortised cost/ Advances and other loans	362,954,556	124,413,979	238,540,577	9,215,716	6,510,203	2,705,514
Insurance premium receivables	1,521,396	-	1,521,396	-	-	-
Inventories	9,569,013	-	9,569,013	280,255	-	280,255
Current tax assets	1,750,335	-	1,750,335	229,275	-	229,275
Trade and other current assets	24,596,286	3,217,015	21,379,271	32,820,827	105,330	32,715,497
Right of use assets	22,232,060	22,232,060	-	574,130	441,645	132,485
Investment properties	46,202,228	46,202,228	-	1,064,850	1,064,850	-
Biological assets;	-	-	-	-	-	-
Consumer biological assets	4,007,383	4,007,383	-	-	-	-
Bearer biological assets	2,423,963	2,423,963	-	-	-	-
Investments in group of companies;	-	-	-	-	-	-
Subsidiary companies	-	-	-	92,504,806	92,504,806	-
Equity accounted investees - Associates	23,766,575	23,766,575	-	4,666,193	4,666,193	-
Deferred tax assets	1,635,625	1,635,625	-	-	-	-
Intangible assets	4,145,330	4,145,330	-	336,810	336,810	-
Property, plant and equipment	129,817,565	129,817,565	-	5,320,319	5,320,319	-
Total assets	874,943,528	427,179,992	447,763,536	171,110,570	111,372,660	59,737,911

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2021	GROUP			COMPANY		
	Carrying amount	Non-current	Current	Carrying amount	Non-current	Current
	Rs.'000	Rs.'000	Rs.'000	Rs. '000	Rs.'000	Rs.'000
Liabilities and equity						
Liabilities						
Bank overdrafts	4,130,481	-	4,130,481	587,043	-	587,043
Financial liabilities at amortised cost/ Deposits liabilities	263,592,537	69,639,377	193,953,160	-	-	-
Financial liabilities at amortised cost/ Interest bearing borrowings	315,609,582	132,122,105	183,487,477	105,175,385	27,188,578	77,986,807
Insurance provision - life	5,423,423	5,423,423	-	-	-	-
Insurance provision - general	4,737,157	4,737,157	-	-	-	-
Current tax payables	7,240,881	-	7,240,881	694,370	-	694,370
Trade and other payables	29,127,290	10,330,807	18,796,483	7,023,207	-	7,023,207
Deferred tax liabilities	7,650,172	7,650,172	-	711,024	711,024	-
Deferred income	143,175	143,175	-	-	-	-
Retirement benefit obligations	2,020,562	2,020,562	-	304,985	304,985	-
Total liabilities	639,675,260	232,066,777	407,608,483	114,496,015	28,204,588	86,291,428

59 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, less cash and short-term deposits, excluding discontinued operations.

	GROUP		COMPANY	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Bank overdrafts	4,130,481	4,022,416	587,043	1,039,522
Deposits Liabilities	263,592,537	220,985,129	-	-
Loan & Borrowings	315,609,582	323,027,083	105,175,385	95,412,795
Less: cash and short-term deposits	(58,233,361)	(56,135,056)	(1,698,848)	(1,611,459)
Net debt	525,099,239	491,899,571	104,063,580	94,840,858
Total Equity	235,268,268	212,576,698	56,614,554	47,032,873
Capital and Net Debt	760,367,507	704,476,269	160,678,134	141,873,731
Gearing ratio	69.06%	69.82%	64.77%	66.85%

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

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	Ampara Yard			1
3	No. 189, Puttalam Road, Kurunegala	1A-1R-12.83P		
4	No. 538 & 538A, Main Street, Kalutara South, Kalutara	0A-1R-10.76P		
5	Attikkagahawatta, Kochchikade	0A-0R-30P		
6	Athimunai Veli, Arugambay Village, Arugambay	2A-2R-0P		
	Investment Property Details			
1	No.246/56, Kandy Road, Eldeniya, Kadawatha	0A-0R-23.37P	1,831	1
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	2021	2020
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
535,795	149,205	-	1,978,000	489,000	2,467,000	2,095,000
-	7,165	4,528	-	-	2,636	3,353
261,999	-	-	407,000	-	407,000	351,000
94,694	111,000	-	101,000	116,000	217,000	101,000
42,679	117,200	-	46,500	132,000	178,500	46,500
31,318	-	-	40,000	-	40,000	-
966,485	384,570	4,528	2,572,500	737,000	3,312,136	2,596,853
11,000	-	-	22,000	3,500	25,500	24,000
20,000	-	-	65,000	-	65,000	61,800
64,630	81,829	-	164,000	87,000	251,000	243,500
18,130	75,362	-	58,500	97,500	156,000	148,500
20,919	8,400	-	55,000	57,000	112,000	100,000
2,647	2,355	-	29,000	3,000	32,000	29,000
27,500	71,399	-	64,000	91,000	155,000	150,000
63,925	48,904	-	116,500	67,500	184,000	181,000
8,760	-	-	12,000	-	12,000	11,000
23,999	-	-	32,000	-	32,000	30,000
1,559	-	-	1,750	-	1,750	1,700
8,339	-	-	5,000	-	5,000	4,750
25,287	-	-	33,600	-	33,600	32,000
296,694	288,249	-	658,350	406,500	1,064,850	1,017,250

SUPPLEMENTARY INFORMATION

UNPARALLELED IMPACT

AS A CONGLOMERATE WITH A WIDE-RANGING IMPACT LOLC HOLDINGS IS COMMITTED TO REFINE OUR BUSINESSES TO HAVE A POSITIVE IMPACT ON OUR STAKEHOLDERS ACROSS THE WORLD. EVEN AMID ADVERSITY, THIS HAS BEEN OUR DRIVING FORCE, POSITIONING US TO ENHANCE OUR OFFERING.

TEN YEAR SUMMARY

For the year ended 31 - March	2012	2013	2014
Group			
Operating results			
Gross income	35,532,754	42,391,175	40,204,723
Revenue	16,849,174	16,988,149	10,783,295
Cost of sales	(10,958,288)	(10,721,916)	(7,430,790)
Income	18,020,866	22,890,876	27,524,846
Other income/(expenses)	662,714	2,512,150	1,896,582
Interest costs	(9,345,806)	(14,527,658)	(14,849,178)
Profit before operating expenses	15,228,660	17,141,601	17,924,755
Other operating expenses	(11,345,046)	(15,182,502)	(15,516,766)
Results from operating activities	3,883,615	1,959,099	2,407,989
Negative goodwill	2,914,536	1,500,943	493,586
Profit/(loss) on disposal of subsidiaries and associates	-	-	79,845
Share of profit of associate companies	269,649	246,129	1,454,158
Profit before tax	7,067,801	3,706,171	4,435,578
Income tax expense	(1,364,033)	(1,153,884)	(1,366,889)
Net profit after tax	5,703,768	2,552,287	3,068,689
As at 31 March			
Assets			
Net lending portfolio	79,113,885	87,814,685	90,544,883
Total assets	145,204,176	162,981,531	167,175,043
Liabilities			
Total liabilities	101,990,824	119,608,773	127,519,528
Shareholders' funds			
Share capital	475,200	475,200	475,200
Reserves	19,093,875	20,413,040	22,162,352
Non-controlling interests	23,644,277	22,484,518	17,017,963
Shareholders' funds	43,213,352	43,372,758	39,655,515
Investor ratios			
Return on assets (%)	4.42	2.00	3.82
Return on equity (%)	14.62	5.90	7.05
Other information			
No. of branches	80	80	87
No. of service centres	112	112	47
No. of subsidiary companies	66	84	69
No. of associate companies	9	10	13
No. of joint ventures	18	19	18

	2015	2016	2017	2018	2019	2020	2021
	44,585,605	66,765,048	91,715,284	149,516,214	178,048,213	130,441,678	160,481,846
	10,728,830	20,228,126	23,441,032	22,602,826	24,833,228	24,944,735	33,026,926
	(7,239,535)	(12,702,851)	(14,112,059)	(15,428,148)	(17,109,822)	(17,139,918)	(23,105,187)
	32,527,184	45,406,578	62,260,539	116,804,210	140,165,495	96,053,367	108,145,935
	1,329,591	1,130,344	6,013,713	10,109,178	13,049,490	9,443,576	19,308,985
	(12,508,370)	(18,850,392)	(33,159,212)	(58,517,709)	(71,126,873)	(54,851,694)	(49,318,958)
	24,837,700	35,211,805	44,444,013	75,570,357	89,811,518	58,450,066	88,057,701
	(19,286,758)	(26,499,091)	(34,478,017)	(52,741,405)	(64,102,817)	(62,072,952)	(76,218,075)
	5,550,942	8,712,714	9,965,996	22,828,952	25,708,701	(3,622,886)	11,839,626
	538,138	50,963	-	-	-	-	-
	-	-	10,594,331	63,774	-	5,979,044	44,078,681
	2,080,221	3,094,237	3,827,962	1,763,093	1,108,860	1,019,970	1,216,388
	8,169,301	11,857,914	24,388,289	24,655,819	26,817,561	3,376,128	57,134,695
	(1,870,647)	(2,526,527)	(3,458,452)	(5,466,316)	(7,181,623)	(2,563,759)	(3,902,163)
	6,298,654	9,331,387	20,929,837	19,189,503	19,635,938	812,369	53,232,532
	139,860,426	212,782,765	418,696,357	549,975,971	707,277,599	389,460,136	423,786,834
	244,917,412	379,594,558	640,924,840	822,239,491	1,043,747,286	1,335,918,925	874,943,528
	188,830,107	313,218,333	538,309,003	704,706,936	891,526,951	1,123,342,227	639,675,260
	475,200	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	137,981,483
	27,853,620	28,677,845	43,766,139	47,070,543	66,167,884	120,043,991	96,811,585
	56,087,305	66,376,225	102,615,837	117,532,555	152,220,835	212,576,698	235,268,268
	3.06	2.99	4.10	2.62	2.10	0.07	0.05
	13.16	15.24	24.76	15.05	14.56	0.45	0.24
	85	89	99	100	103	103	107
	55	52	42	40	37	37	32
	121	105	102	100	100	100	166
	12	11	11	11	11	11	12
	-	-	-	-	-	-	-

TEN YEAR SUMMARY

For the year ended 31 - March	2012	2013	2014
Company			
Operating results			
Gross income	7,561,277	4,683,628	5,460,558
Revenue	-	-	-
Cost of sales	-	-	-
Income	3,016,783	3,541,670	2,111,378
Other income/(expenses)	4,544,494	1,141,958	3,349,180
Interest costs	(2,571,566)	(3,464,147)	(2,720,484)
Profit before operating expenses	4,989,712	1,219,481	2,740,074
Other operating expenses	(1,917,994)	(1,151,579)	(2,051,032)
Profit before tax	3,071,718	67,902	689,042
Income tax expense	(94,464)	(33,718)	5,218
Net profit after tax	2,977,254	34,184	694,260
As at 31 March			
Assets			
Total assets	58,028,455	53,239,340	49,254,147
Liabilities			
Total liabilities	24,776,791	20,518,752	15,124,870
Shareholders' funds			
Share capital	475,200	475,200	475,200
Reserves	32,776,464	32,245,388	33,654,077
Shareholders' funds	33,251,664	32,720,588	34,129,277
Investor ratios			
Gross dividends	-	237,600	-
Total assets to shareholders' funds (times)	1.75	1.63	1.00
Return on assets (%)	5.31	0.06	1.35
Return on equity (%)	9.32	0.10	2.08
Other information			
No. of employees	948	1,007	1,075

	2015	2016	2017	2018	2019	2020	2021
	2,914,376	7,762,465	20,265,814	16,304,439	10,093,582	9,243,797	25,077,001
	-	-	-	-	-	2,480,478	2,530,699
	-	-	-	-	-	(2,315,799)	(2,457,398)
	1,046,238	4,885,984	7,799,736	7,228,336	7,491,770	7,977,289	7,594,994
	1,868,138	2,876,481	12,466,078	9,076,103	2,601,812	(1,213,970)	14,951,308
	(1,686,278)	(3,191,053)	(5,270,261)	(6,066,902)	(8,020,071)	(10,669,704)	(9,507,935)
	1,228,098	4,571,412	14,995,553	10,237,537	2,073,511	(3,906,385)	13,038,367
	(769,894)	(3,736,480)	(4,846,183)	(5,474,857)	(5,320,110)	(5,352,315)	(4,047,244)
	458,204	834,932	10,149,370	4,762,680	(3,246,599)	(9,258,700)	8,991,123
	45,408	(146,152)	(372,071)	(63,328)	(77,451)	(118,834)	(275,988)
	503,612	688,780	9,777,299	4,699,352	(3,324,050)	(9,377,534)	8,715,135
	62,609,260	75,493,914	102,007,361	110,723,053	124,995,559	146,240,954	171,110,570
	27,712,892	39,992,477	55,015,661	59,087,697	76,755,306	99,208,081	114,496,015
	475,200	475,200	475,200	475,200	475,200	475,200	475,200
	34,421,168	35,026,237	46,516,500	51,160,156	47,765,055	46,557,673	56,614,554
	34,896,368	35,501,437	46,991,700	51,635,356	48,240,255	47,032,873	57,089,754
	-	-	-	-	-	-	-
	1.79	2.13	2.17	2.14	2.59	3.11	3.00
	0.90	1.00	11.02	4.42	(2.82)	(6.91)	5.49
	1.46	1.96	23.70	9.53	(6.66)	(19.69)	16.74
	1,086	1198	1,235	1,269	1,208	905	571

SUMMARISED QUARTERLY STATISTICS

Income Statement - Rs '000	2020/21				2019/20			
For the 3 months ended	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Group								
Gross income	31,960,678	40,276,874	40,342,288	47,910,407	28,574,195	32,596,511	32,242,138	37,019,834
Interest income	21,579,406	21,713,402	21,658,288	24,719,036	18,623,617	19,913,610	20,656,550	22,649,952
Interest expense	(13,924,099)	(11,850,767)	(11,555,475)	(11,990,759)	(13,140,787)	(13,516,315)	(13,509,448)	(14,685,144)
Net interest income	7,655,307	9,862,635	10,102,813	12,728,277	5,482,830	6,397,295	7,147,102	7,964,808
Revenue	5,136,441	9,192,275	7,657,752	11,611,561	4,861,438	6,688,924	6,554,993	6,839,380
Cost of sales	(3,460,417)	(6,044,325)	(5,267,243)	(8,366,831)	(3,397,915)	(4,543,168)	(4,296,400)	(4,902,621)
Gross profit	1,676,024	3,147,950	2,390,509	3,244,730	1,463,523	2,145,756	2,258,593	1,936,759
Income	5,223,917	5,393,435	4,668,848	3,873,358	3,860,104	4,565,417	3,986,351	1,788,766
Other income/(expenses)	20,914	3,977,762	6,357,400	7,706,452	1,229,036	1,428,560	1,044,244	5,741,736
Profit before operating expenses	14,576,162	22,381,782	23,519,570	27,552,817	12,035,493	14,537,028	14,436,290	17,432,069
Other operating expenses	(19,320,704)	(18,060,297)	(18,690,360)	(20,120,457)	(10,965,304)	(15,815,512)	(16,760,230)	(18,522,720)
Results from operating activities	(4,744,542)	4,321,485	4,829,210	7,432,360	1,070,189	(1,278,484)	(2,323,940)	(1,090,651)
Results on acquisition and divestment of group investments	42,904,642	-	91,456	1,082,583	5,234,707	-	-	35,801
Share of profit of associate companies	91,081	310,949	365,042	449,316	275,074	329,248	379,847	744,337
Profit before tax from continuing operations	38,251,181	4,632,434	5,285,708	8,964,259	6,579,970	(949,236)	(1,944,093)	(310,513)
Income tax expense	(999,015)	(606,432)	(1,238,973)	(1,055,318)	(959,895)	(914,280)	76,326	(765,910)
Profit for the year from continuing operations	37,252,166	4,026,002	4,046,735	7,908,941	5,620,075	(1,863,516)	(1,867,767)	(1,076,423)
Discontinued operations								
Profit/(loss) after tax for the year from discontinued operations and assets held for sale	(298)	1,000	(31)	(37,355)	4,335,199	4,726,724	5,277,847	4,639,719
Profit for the year	37,251,868	4,027,002	4,046,704	7,871,586	9,955,274	2,863,208	3,410,080	3,563,296

Balance Sheets - Rs '000	2020/21				2019/20			
As at	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Group								
Assets	755,981,865	778,282,853	819,956,513	869,540,941	1,144,878,136	1,221,164,174	1,278,447,030	1,335,918,925
Liabilities	572,759,100	565,181,520	594,914,907	636,751,640	955,084,703	1,023,478,775	1,071,060,813	1,123,342,227
Net Assets	183,222,765	213,101,333	225,041,606	232,789,301	189,793,433	197,685,399	207,386,217	212,576,698
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	96,002,898	105,073,533	111,687,450	135,542,303	92,800,262	84,983,238	89,830,202	92,057,507
Non controlling interest	86,744,667	107,552,600	112,878,956	96,771,798	96,517,971	112,226,961	117,080,815	120,043,991
Share capital,reserves & NCI	183,222,765	213,101,333	225,041,606	232,789,301	189,793,433	197,685,399	207,386,217	212,576,698

Income Statement - Rs '000	2020/21				2019/20			
For the 3 months ended	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Company								
Gross income	14,662,052	3,469,555	2,705,534	4,239,859	2,609,955	906,264	3,299,045	2,428,533
Interest income	1,475,595	1,542,452	1,402,372	1,216,075	735,656	868,468	969,485	1,330,620
Interest expense	(2,644,962)	(2,341,617)	(2,327,281)	(2,194,075)	(2,365,652)	(2,521,618)	(2,739,772)	(3,042,662)
Net interest income	(1,169,367)	(799,165)	(924,909)	(978,000)	(1,629,996)	(1,653,150)	(1,770,287)	(1,712,042)
Revenue	493,572	677,556	503,432	856,139	434,198	554,342	686,452	805,486
Cost of sales	(474,837)	(640,433)	(494,776)	(847,352)	(404,933)	(494,117)	(623,412)	(793,337)
Gross profit	18,735	37,123	8,656	8,787	29,265	60,225	63,040	12,149
Income	643,787	782,573	509,162	254,621	1,239,447	1,173,764	842,112	817,737
Other income	12,049,098	466,974	290,568	1,913,024	200,654	(1,690,310)	800,996	(525,310)
Profit before operating expenses	11,542,253	487,505	(116,523)	1,198,432	(160,630)	(2,109,471)	(64,139)	(1,407,466)
Other operating expenses	(912,771)	(1,228,142)	(966,244)	(940,089)	(1,355,057)	(1,443,292)	(1,322,155)	(1,231,811)
Results from operating activities	10,629,482	(740,637)	(1,082,767)	258,343	(1,515,687)	(3,552,763)	(1,386,294)	(2,639,277)
Income tax expense	-	(18,625)	(5,486)	(251,877)	-	(29,864)	(29,864)	(59,106)
Net profit after tax	10,629,482	(759,262)	(1,088,253)	6,466	(1,515,687)	(3,582,627)	(1,416,158)	(2,698,383)

Balance Sheets - Rs '000	2020/21				2019/20			
As at	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Group								
Assets	146,904,869	151,656,719	165,351,673	171,110,568	133,625,162	139,272,972	140,945,043	146,240,953
Liabilities	89,176,375	94,639,064	109,408,680	114,496,018	78,251,396	87,440,090	90,497,254	99,208,080
Net Assets	57,728,494	57,017,655	55,942,993	56,614,550	55,373,766	51,832,882	50,447,789	47,032,873
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	57,253,294	56,542,455	55,467,793	56,139,350	54,898,566	51,357,682	49,972,589	46,557,673
Share capital, reserves & NCI	57,728,494	57,017,655	55,942,993	56,614,550	55,373,766	51,832,882	50,447,789	47,032,873

VALUE ADDITION

	2020/21 Rs. '000	%	2019/20 Rs. '000	%
Group				
Value added				
Income	118,067,674		175,333,220	
Other income	19,308,985		10,893,585	
Cost of borrowing and services	(69,989,174)		(110,792,138)	
Provisions	(29,733,185)		(19,348,265)	
Results on acquisition and divestment of Group investments	44,078,681		5,979,044	
Share of profits of associate companies	1,216,388		1,019,970	
	82,949,369		63,085,416	
Distribution of value added				
To employees				
Remuneration and other benefits	19,587,317	24	28,357,735	45
To government				
Indirect taxes	1,456,998	2	2,353,044	4
Direct taxes	3,902,163	5	7,333,305	12
To Providers of capital				
Dividends to shareholders	-	-	-	
Minority interest	25,155,148	30	8,897,862	14
To expansion and growth				
Retained profits	28,040,700	34	10,893,996	17
Depreciation and amortisation	4,807,043	6	5,249,474	8
	82,949,369	100	63,085,416	100

	2020/21 Rs. '000	%	2019/20 Rs. '000	%
Company				
Value added				
Income	10,125,693		10,112,321	
Other income/ (expense)	14,951,308		(868,524)	
Cost of borrowing and services	(14,139,262)		(16,260,774)	
Provisions	(5,998)		(83,268)	
Value added tax	-		-	
	10,931,741		(7,100,245)	
Distribution of value added				
To employees				
Remuneration and other benefits	1,108,309	10	1,259,400	(18)
To government				
Indirect taxes	10,396	0.1	1,997	(0.03)
Direct taxes	275,988	3	118,834	(2)
To Providers of capital				
Dividends to shareholders	-		-	
Minority interest	-		-	
To expansion and growth				
Retained profits/ (loss)	8,788,436	80	(9,212,855)	130
Depreciation and amortisation	748,612	7	732,379	(10)
	10,931,741	100	(7,100,245)	100

INDICATIVE US DOLLAR FINANCIAL STATEMENTS

Statement of Financial Position for Information Purposes Only		GROUP		COMPANY	
As at 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets					
Cash in hand and favourable bank balances	17.1	292,575	297,604	8,535	8,543
Trading assets - fair value through profit or loss	18	271,354	35,197	24,613	1,397
Investment securities	19	337,831	261,313	87,909	17,293
Assets directly associated with the assets held for sale and discontinued operations	52	24	3,340,578	-	
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	20	305,632	308,029	12	13
Financial assets at amortised cost/ Advances and other loans	21	1,823,547	1,756,719	46,301	29,216
Insurance premium receivables	22	7,644	8,115	-	-
Inventories	23	48,076	38,218	1,408	2,017
Current tax assets	24	8,794	10,875	1,152	1,054
Trade and other current assets	25	123,576	101,510	164,898	174,927
Prepaid lease rentals on leasehold properties	26	-	-	-	-
Right of use assets	27	111,698	46,888	2,885	3,406
Investment properties	28	232,128	168,184	5,350	5,393
Biological assets;					
Consumable biological assets	29	20,134	19,314	-	-
Bearer biological assets	30	12,178	11,369	-	-
Investments in group of companies;					
Subsidiary companies	31	-	-	464,760	482,144
Equity Accounted Investees	32	119,407	112,722	23,444	22,410
Deferred tax assets	33.1	8,218	6,678	-	-
Intangible assets	34	20,827	19,835	1,692	2,192
Property, plant and equipment	35	652,226	539,312	26,730	25,301
Total assets		4,395,868	7,082,459	859,689	775,306

INDICATIVE US DOLLAR FINANCIAL STATEMENTS

Statement of Financial Position for Information Purposes Only		GROUP		COMPANY	
As at 31 March	Note	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Liabilities and equity					
Liabilities					
Bank overdrafts	17.2	20,752	21,325	2,949	5,511
Trading liabilities - fair value through profit or loss	36	-	606	-	-
Liabilities directly associated with the assets held for sale and discontinued operations	52	-	2,830,706	-	-
Financial Liabilities at Amortised Cost/ Deposits liabilities	37	1,324,335	1,171,567	-	-
Financial Liabilities at Amortised Cost/ Interest bearing borrowings	38	1,585,677	1,712,549	528,419	505,837
Insurance provision - life	39.1	27,248	22,708	-	-
Insurance provision - general	39.2	23,800	23,106	-	-
Current tax payables	40	36,379	27,838	3,489	3,501
Trade and other payables	41	146,341	107,837	35,286	7,369
Deferred tax liabilities	33.3	38,436	26,562	3,572	2,041
Deferred income	42	719	856	-	-
Retirement benefit obligations	43	10,152	9,810	1,532	1,699
Total liabilities		3,213,840	5,955,470	575,248	525,958
Equity					
Stated capital	44	2,387	2,519	2,387	2,519
Reserves	45	203,948	152,634	57,476	56,626
Retained earnings	46	489,294	335,414	224,578	190,203
Equity attributable to shareholders of the Company		695,630	490,568	284,441	249,348
Non-controlling interests		486,398	636,421	-	-
Total equity		1,182,029	1,126,989	284,441	249,348
Total liabilities & equity		4,395,868	7,082,459	859,689	775,306
Net assets per share (USD.)		1.46	1.03	0.60	0.52
Exchange rate USD/LKR		199.04	188.62	199.04	188.62

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 199.04 (2020 : 188.62) have been used to convert the income statement and statement of financial position

Income Statement for Information Purposes Only		GROUP		COMPANY	
For the year ended 31 March		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross income	4	806,289	691,545	125,991	49,007
Interest Income	4.1	448,810	433,947	28,319	20,699
Interest expenses	6	(247,787)	(290,800)	(47,770)	(56,566)
Net interest income		201,023	143,148	(19,451)	(35,868)
Revenue	4.2	165,933	132,246	12,715	13,150
Cost of sales		(116,084)	(90,868)	(12,346)	(12,277)
Gross profit		49,849	41,378	368	873
Income	4.3	94,534	75,286	9,840	21,594
Other income/(expenses)	5	97,012	50,066	75,118	(6,436)
Profit before operating expenses		442,417	309,877	65,875	(19,837)
Operating expenses					
Direct expenses excluding finance expenses	7	(35,516)	(42,164)	(64)	(23)
Personnel expenses	8	(98,410)	(89,042)	(5,568)	(6,677)
Net impairment loss on financial assets	9	(149,385)	(91,313)	(30)	(441)
Depreciation and amortisation	10	(24,151)	(21,863)	(3,761)	(3,883)
Other operating expenses	11	(75,471)	(84,701)	(10,911)	(17,351)
Results from operating activities	12	59,484	(19,207)	45,541	(48,213)
Share of profits of equity accounted investees, net of tax	13.1	6,111	5,407	-	-
Results on acquisition and divestment of Group investments	14	221,459	31,698	-	-
Profit/ (loss) before tax expense from continuing operations		287,055	17,899	45,541	(48,213)
Income tax expense	15	(19,605)	(14,556)	(1,387)	(630)
Profit/ (loss) for the year from continuing operations		267,449	3,343	44,155	(48,843)
Discontinued operations					
Profit/(loss) after tax for the year from discontinued operations and assets held for sale		(184)	107,758	-	-
Profit/ (loss) for the year		267,265	111,101	44,155	(48,843)
Profit/ (loss) attributable to; (Continuing operations)					
Equity holders of the company		140,992	23,433	44,155	(48,843)
Non-controlling interests		126,458	(18,821)	-	-
		267,449	4,612	44,155	(48,843)
Profit attributable to; (Discontinued operations)					
Equity holders of the Company		(110)	38,419	-	-
Non-controlling interests		(74)	69,340	-	-
		(184)	107,758	-	-
Profit attributable to;					
Equity holders of the Company		140,881	61,852	44,155	(48,843)
Non-controlling interests		126,384	50,519	-	-
		267,265	112,371	44,155	(48,843)
Basic earnings per share (USD.)		0.30	0.13	0.09	(0.10)
Exchange rate USD/LKR		199.04	188.62	199.04	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 199.04 (2020 : 188.62) 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 Ms. D.E.Amarasinghe (Alternate Director to Mrs.K U Amarasinghe)
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	L Jayarathne U H E Silva T Dharmarajah T Sanakan D M D K Thilakaratne
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 Indrajith Wijesiriwardena
Serendib Microinsurance PLC	B C G de Zylva K A K P Gunawardena F K C P N Dias D S K Amarasekera I Wijesiriwardena
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 T Sanakan S Lankathilake

Company	Director/s
Browns Hotels and Resorts Ltd	K A K P Gunawardena Mrs. V G S S Kotakadeniya J B W Kelegama D S K Amarasekera
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
Palm Garden Hotels PLC	W D K Jayawardena Mrs. K U Amarasinghe D S K Amarasekera Dr. J M Swaminathan
Serendib Hotels PLC	W D K Jayawardena Mrs. K U Amarasinghe D S K Amarasekera Dr. J M Swaminathan J P S Kurumbalapitiya E J D Rajakarier W A T M Wijesinghe S A Chojnacki
Dolphin Hotels PLC	W D K Jayawardena Mrs. K U Amarasinghe D S K Amarasekera Dr. J M Swaminathan B S M De Silva Mrs. A R Gamage J P S Kurumbalapitiya
Hotel Sigiriya PLC	W D K Jayawardena Mrs. K U Amarasinghe D S K Amarasekera Dr. J M Swaminathan B S M De Silva Mrs. A R Gamage J P S Kurumbalapitiya
Serendib Leisure Management Limited	K A K P Gunawardena Mrs. K U Amarasinghe D S K Amarasekera Dr. J M Swaminathan J P S Kurumbalapitiya E J D Rajakarier
Frontier Capital Lanka (Private) Limited	K A K P Gunawardena Mrs. K U Amarasinghe D S K Amarasekera Dr. J M Swaminathan J P S Kurumbalapitiya

LIST OF GROUP COMPANIES

Company	Director/s
Sanctuary Resorts Lanka (Private) Limited	K A K P Gunawardena Mrs. K U Amarasinghe D S K Amarasekera Dr. J M Swaminathan J P S Kurumbalapitiya
Kammala Hoteliers (Private) Limited	K A K P Gunawardena Mrs. K U Amarasinghe D S K Amarasekera Dr. J M Swaminathan B S M De Silva
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	P D G Jayasena J B W Kelegama
United Dendro Energy Walawewatte (Pvt) Ltd	P D G Jayasena
United Dendro Energy Ambalantota (Pvt) Ltd	P D G Jayasena
Thurushakthi (Pvt) Ltd	P D G Jayasena
Sundaya Lanka (Pvt) Ltd	M R Adema J B W Kelegama P D G Jayasena
LOLC Motors Ltd	K A K P Gunawardena P D G Jayasena Mrs. V G S S Kotakadeniya
Dickwella Resorts (Pvt) Ltd	J B W Kelegama P D G Jayasena
Tropical Villas (Pvt) Ltd	D S K Amarasekera P D G Jayasena 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	J B W Kelegama S Gurusinghe B D T R Perera

Company	Director/s
LOLC Corporate Services (Pvt) Ltd	K A K P Gunawardena Mrs. R T Seneviratne Mrs. J K Vaas
East Coast Land Holdings (Pvt) Ltd	P D G Jayasena J B W Kelegama
Prospere Realty (Pvt) Ltd	P D G Jayasena J B W Kelegama
Green Orchard Property Investments (Pvt) Ltd	P D G Jayasena J B W Kelegama
Eagle Recoveries (Pvt) Ltd	P D G Jayasena J B W Kelegama
Diriya Investments (Pvt) Ltd	Mrs. R N A Nanayakkara K A K P Gunawardena
LOLC Property One (Pvt) Ltd	P D G Jayasena
LOLC Property Two (Pvt) Ltd	P D G Jayasena
LOLC Property Three (Pvt) Ltd	P D G Jayasena
LOLC Property Four (Pvt) Ltd	P D G Jayasena
LOLC Property Five (Pvt) Ltd	P D G Jayasena
LOLC Property Six (Pvt) Ltd	P D G Jayasena
LOLC Property Seven (Pvt) Ltd	P D G Jayasena
LOLC Property Eight (Pvt) Ltd	P D G Jayasena
LOLC Eco Technologies (Pvt) Ltd	K A K P Gunawardena
LOLC Ceylon Holdings Limited	I C Nanayakkara K A K P Gunawardena W R A Dharmarathne Dr. J M Swaminathan T Sanakan
LOLC Ceylon Property Holdings (Pvt) Ltd	I C Nanayakkara
Ceylon Graphene Technologies (Pvt) Ltd	I C Nanayakkara W D K Jayawardena R A Fernando M S Gunawardana K A K P Gunawardena Dr. A M Mubarak R M S J Gunasekera Dr. N B Handagama
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

LIST OF GROUP COMPANIES

Company	Director/s
LOLC Geo Technologies (Pvt) Ltd	I C Nanayakkara M S Gunawardana K A K P Gunawardena P Weerasinghe R R B Wadugodapitiya
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 M I I Ibrahim S Adikari S S B Dissanayake P B I Somarathna
Fortigrains Lanka (Pvt) Ltd	I C Nanayakkara A Hettiarachchy K A K P Gunawardena M S Gunawardana D W Batagoda W K D T Abeyrathne Ms. R A C H Seneviratne Ms. C H Rosa
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 G S Kalidasa F K C P N Dias

Company	Director/s
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 S Tun R Batagoda
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	H H J J S Al Said I C Nanayakkara B Khan R Kumara R Ghani A S Abbasi F A I Al Siyabi A A A Al Ghassani P L C Wijewarnasooriya
PRASAC Micro Finance Institution Ltd	J K Sang M H Brian I C Nanayakkara S Senacheert 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
LOLC ASKI Finance Inc.	I C Nanayakkara Z M Libunao D R Samaraweera F K C P N Dias P Yap J Manucdoc M G Pena

LIST OF GROUP COMPANIES

Company	Director/s
LOLC Bank Philippines	I C Nanayakkara R G Leus F K C P N Dias R.V. Tan J D Sy R G Leus G V Rubio H J Matute S Senevirathna
PT Sarana Sumut Ventura	I Mutyara I C Nanayakkara R Kumara
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 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

Company	Director/s
Brown & Company PLC	I C Nanayakkara H P Janaka De Silva W D Kapila Jayawardena Mrs K U Amarasinghe Tissa Bandaranayake Danesh Abeyrathne Ms D E Amarasinghe (Alternate Director to Mrs K U Amarasinghe)
Associated Battery Manufacturers (Ceylon) Limited	Arun Mittal A K Mukherjee K Aniruddha T Sanakan M S Gunawardena I C Nanayakkara Partha Sarkar
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 Limited	Mrs R L Nanayakkara K A K P Gunawardena
Browns Group Motels Ltd	Mrs R L Nanayakkara T Sanakan
C.F.T.Engineering Ltd	Mrs R L Nanayakkara T Sanakan
Browns Group Industries (Pvt) Ltd	Mrs R L Nanayakkara T Sanakan
The Hatton Transport and Agency Company (Pvt) Ltd	Mrs R L Nanayakkara T Sanakan
Walker &Greig (Pvt) Ltd	Mrs R L Nanayakkara T Sanakan
Klevenberg(Pvt) Ltd	Mr Danesh Abeyrathne T Sanakan
SifangLanka (Pvt) Ltd	Mrs R L Nanayakkara T Sanakan
Galoya Holdings (Private) Ltd	K A K P Gunawardena W K D T Abeyrathne S G Kaliyadasa J M S N Jayasinghe

LIST OF GROUP COMPANIES

Company	Director/s
Galoya Plantations (Pvt) Ltd	K A K P Gunawardena MDanesh Abeyrathne Wasantha Batagoda Lional Bandaranayake Gayan Dissanayake K B Kotagama Dr Asiri Dissanayake Ms Damitha Rathnayake VirajWijewardena
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	Danesh Abeyrathne T Sanakan
Browns Holdings Ltd	Mrs K U Amarasinghe K A K P Gunawardena
Browns Pharma Ltd	T Sanakan Manju Gunawardena
Browns Agri Solutions (Pvt) Ltd	K A K P Gunawardena Danesh Abeyrathne Manju Gunawardena
B.I.Holdings Limited	T Sanakan Mangala Wijesinghe
Browns Leisure (Pvt) Ltd	K A K P Gunawardena T Sanakan
Ceylon Nano Diagnostics (Pvt) Ltd	Danesh Abeyrathne Wasantha Batagoda M S Gunawardena N B Handagama A M Mubarak S D N KumaraBathige
Browns Investments PLC	I C Nanayakkara Kamantha Amarasekera Stefan Furkhan Mrs Kalsha Amarasinghe W D Kapila Jayawardena J M Swaminathan Ms D E Amarasinghe (Alternate Director to Mrs K U Amarasinghe)

Company	Director/s
Browns Tours (Pvt) Ltd	Mrs R N ANanayakkara I C Nanayakkara (Alt Dir for Mrs Nilmini Nanayakkara) D S K Amarasekera P A Dishan Frank Perera S A Nishantha 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 Mrs R L Nanayakkara K A K P Gunawardena Mrs Sunjeewani Kotakadeniya
Millennium Development (Pvt) Ltd	D S K Amarasekera T Sanakan EksathChamikara Wijeratne
Excel Global Holdings (Pvt) Ltd	D S K Amarasekera T Sanakan
Taprobane Plantations Ltd	Mrs R N A Nanayakkara Mrs M S Rohini Jayaweera
Excel Restaurants (Pvt) Ltd	D S K Amarasekera T Sanakan Eksath Chamikara Wijeratne
Ajax Engineers (Pvt) Ltd	D S K Amarasekera Mrs Sunjeevani 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
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 Sunjeevani Kotakadeniya Gunendra Jayasena Danesh Abeyrathne Manju Gunawardena A A G Vithanage

LIST OF GROUP COMPANIES

Company	Director/s
BI Zhongtian Holdings (Pvt) Ltd	D S K Amarasekera K A K P Gunawardena 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
Browns Metal & Sands (Private) Ltd	D S K Amarasekera K A K P Gunawardena Mrs Sunjeevani Kotakadeniya
Browns Engineering and Construction (Pvt) Ltd	Mrs Sunjeevani Kotakadeniya K A K P Gunawardena J K Pathirena J P Shantha Kurumbalapitiya
General Accessories and Coating (Pvt) Ltd	K A K P Gunawardena D S K Amarasekera S Kotakadeniya
GurindAccor (Pvt) Ltd	Gurmeet Singh K A K P Gunawardena D S K Amarasekera Mrs S Kotakadeniya
Sri Spice (Private) Limited	K B Kotagama W D Danesh Abeyrathne M S Gunawardena Mrs S Kotakadeniya D Mallawarachchi (Alternate Director for Mrs S Kotakadeniya) N M Wickramasinghe N Janaka Wickramasinghe
Tropical Island Commodities (Private) Limited	K B Kotagama W D Danesh Abeyrathne M S Gunawardena Mrs S Kotakadeniya D Mallawarachchi (Alternate Director for Mrs S Kotakadeniya) N M Wickramasinghe N Janaka Wickramasinghe
Ceylon Real Estate Holdings (Pvt) Ltd	I C Nanayakkara D S K Amarasekera K A K P Gunawardena

Company	Director/s
Colombo Marina Development (Pvt) Ltd	I C Nanayakkara D S K Amarasekera K A K P Gunawardena
Marina Hotel Holdings (Pvt) Ltd	I C Nanayakkara D S K Amarasekera K A K P Gunawardena
F L P C Management (Pvt) Ltd.	D S K Amarasekera Mrs Sunjeewani Kotakadeniya Kithsiri Gunawardena
Browns Power Holdings (Pvt) Ltd	D S K Amarasekera Mrs Sunjeewani Kotakadeniya Kithsiri Gunawardena
Browns Properties (Pvt) Ltd	D S K Amarasekera Mrs Sunjeewani Kotakadeniya Kitisiri Gunawardena
Maturata Plantations Ltd	Mrs Sunjeewani Kotakadeniya D S K Amarasekera Kithsiri Gunawardena M J R Puviraj K B Kotagama
Sagasolar Power (Pvt) Ltd	A S Kumara Vidanagamage P D Rajeeva Hettiaratchi Anand Raheja Mrs Sunjeevani Kotakadeniya D S K Amarasekera M A Sanjaya Fernando (Alternate Director to AnandRaheja) D F J Pradeep Gamlath (Alternate Director to Mr A S Kumara Vidanagamage) K A K P Gunawardena
Creations Wooden Fabricators (Pvt) Ltd	A P Weeratunga T Sanakan D S K Amarasekera Mrs Sunjeevani Kotakadeniya V S Kumarasinghe D S K Amarasekera K A K P Gunawardena
Iconic Property Twenty Three (Private) Limited	D S Samaraweera I I I Mohamed

INVESTOR INFORMATION

1 MARKET PRICE PER SHARE AS AT 31 MARCH

	2021 Rs	2020 Rs
Highest during the year	574.00	194.90
Lowest during the year	86.10	86.00
Last traded as at the end of the year	292.00	90.80

2 COMPOSITION OF SHAREHOLDERS AS AT 31ST MARCH

	2021		2020	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Institutions				
Resident	331,087,945	69.67	319,845,243	67.31
Non Resident	1,565,602	0.33	19,331,430	4.07
Individuals				
Resident	141,821,248	29.84	135,408,376	28.49
Non Resident	725,205	0.15	614,951	0.13
Total	475,200,000	100	475,200,000	100.00

3 DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH

		2021			2020		
		No. of Shareholders	No. of Shares	% of Shares	No. of Shareholders	No. of Shares	% of Shares
1	1,000	4,144	1,134,901	0.24	2,130	655,036	0.14
1,001	10,000	1,547	5,472,136	1.15	827	3,192,774	0.67
10,001	100,000	532	16,156,005	3.40	272	8,518,399	1.79
100,001	1,000,000	66	17,321,411	3.65	44	13,580,721	2.86
Over 1,000,000 Shares		12	435,115,547	91.56	11	449,253,070	94.54
Total		**6301**	**475,200,000**	**100.00**	**3,284**	**475,200,000**	**100.00**

4 TOP 20 SHAREHOLDERS

		2021		2020	
	Name of Shareholder	No. of Shares	% of Shares	No. of Shares	% of Shares
1	L O L C Capital (Private) Limited	147,265,983	30.99	147,265,983	30.99
2	Mr. 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/Ishara Chinthaka Nanayakkara	61,774,000	13.00	61,774,000	13.00
5	Mrs. K.U. Amarasinghe	20,160,000	4.24	23,760,000	5.00
6	Employees Provident Fund	15,182,259	3.19	15,182,259	3.19
7	Kashyapa Capital (Pvt) Ltd	8,671,625	1.82	8,671,625	1.82
8	Seylan Bank Plc/K U Amarasinghe	3,600,000	0.76	NIL	NIL
9	Mrs. I. Nanayakkara	2,827,948	0.60	2,827,948	0.60
10	People's Leasing & Finance Plc/Don And Don Holdings (Private) Limited	1,979,532	0.42	344,201	0.07
11	Paints & General Industries Limited	1,622,004	0.34	NIL	NIL
12	Gf Capital Global Limited	1,418,404	0.30	943,404	0.20
13	Hatton National Bank Plc/Capital Trust Holdings Limited	978,325	0.21	545,158	0.11
14	Mrs. S.N. Fernando	818,440	0.17	818,440	0.17
15	Dr. M. Ponnambalam	722,616	0.15	722,616	0.15
16	Swastika Mills Ltd	585,000	0.12	735,000	0.15
17	Mr. S. V.Somasunderam	512,878	0.11	70,000	0.01
18	Mr.R .Maheswaran	500,000	0.11	500,000	0.11
19	Miss A.Radhakrishnan	500,000	0.11	500,000	0.11
20	Miss M.P.Radhakrishnan	500,000	0.11	500,000	
		440,232,806	92.64	435,774,426	91.60
	Others	34,967,194	7.36	39,425,574	8.40
	Total	475,200,000	100.00	475,200,000	100.00

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

Deshamanya 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
M/s L O L C Corporate Services (Private) Limited
No. 100/1, Sri Jayewardenepura
Mawatha, Rajagiriya, Sri Lanka
Tel: 011-5880880, 011-5880358-9

AUDITORS
M/s Ernst & Young,
Chartered Accountants

LAWYERS
Julius & Creasy
Nithya Partners

REGISTRARS
M/s 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
Peoples Bank,
DFCC Bank,
Standard Chartered Bank

GLOSSARY

A

ACCRUAL BASIS
Recognising the effects of transactions and events when they occur, without waiting for receipt or payment of cash or cash equivalent.

AMORTISATION
Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

ASSOCIATE
An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor a joint venture.

AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS
Non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

C

CASH BASIS
Recognising the effects of transactions and events when receipt or payment of cash or cash equivalent occurs.

CASH EQUIVALENTS
Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in change in value.

CONSOLIDATED FINANCIAL STATEMENTS
Financial Statements of a Group presented as those of a single company.

CORPORATE GOVERNANCE
The process by which corporate entities are governed. It covers the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

D

DEPRECIATION
Depreciation is the allocation of the depreciable amount of an asset over its estimated useful life. Depreciation for the accounting period is charged to profit or loss for the period either directly or indirectly.

E

EXECUTIONS
Advances granted to customers under leasing, hire purchase, installment sales and loan facilities.

Earned Premium The proportion of net written premium recognised for accounting purposes as income in a given period.

F

FAIR VALUE
Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

FINANCIAL ASSET
Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

FINANCE LEASE
A lease that transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee. Title may or may not eventually be transferred.

FINANCIAL LIABILITY
Contractual obligation to deliver cash or another financial asset to another entity.

G

GOODWILL
Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction and is recognised as an asset.

GROSS DIVIDEND
The proportion of profit distributed to shareholders inclusive of tax withheld.

GROSS PORTFOLIO
Total rental installment receivable of the advances granted to customers under leasing, hire purchase, installment sales and loan facilities.

H

HIRE PURCHASE
A hire purchase is a contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

I

IMPAIRMENT
Amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

INSURANCE PROVISIONS
Amounts set aside on the basis of actuarial calculations to meet obligations to policyholders.

Intangible Asset An intangible asset is an identifiable non- monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

GLOSSARY

INTEREST COST
The sum of monies accrued and payable to the sources of borrowed working capital.

INTEREST IN SUSPENSE
Interest income of non-performing portfolio; these interests are accrued but not considered as part of income.

INVESTMENT PROPERTY
Investment property is property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

J

JOINT VENTURE
A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

K

KEY MANAGEMENT PERSONNEL
Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L

LEASE
A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

M

MINORITY INTEREST
Part of the net results of operations and of net assets of a subsidiary attributable to interests who are not owned, directly or indirectly through subsidiaries, by the Parent.

N

NEGATIVE GOODWILL
Any excess, as at the date of the exchange transaction, of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition and is treated as income in the period it arises.

NET PORTFOLIO
Total rental installment receivable excluding interest of the advances granted to customers under leasing, hire purchase, installment sales and loan facilities.

NON-PERFORMING PORTFOLIO
Facilities granted to customers who are in default for more than six months.

O

OPERATING LEASE
An operating lease is a lease other than a finance lease.

P

PROVISION
Amounts set aside against possible losses on net receivable of facilities granted to customers, as a result of them becoming partly or wholly uncollectible.

R

REINSURANCE
An arrangement whereby Insurers transferring portions of risk portfolios to other parties (Reinsurers) in order to reduce part or all of the liability assumed by the insurer under a policy or policies of insurance.

RELATED PARTIES
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

RELATED PARTY TRANSACTIONS
A transfer of resources or obligations between related parties, regardless of whether a price is charged.

RESIDUAL VALUE
The estimated amount that is currently realisable from disposal of the asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

REVENUE RESERVE
Reserves set aside for future distribution and reinvestment.

S

SEGMENTAL ANALYSIS
Analysis of information by segments of an enterprise, specifically the different industries and the different geographical areas in which it operates.

SHAREHOLDERS' FUNDS (EQUITY)
Total of issued and fully-paid ordinary share capital and reserves.

STATED CAPITAL
All amounts received by the Company or due and payable to the Company - (a) in respect of the issue of shares, (b) in respect of calls on shares.

SUBSIDIARY COMPANY
Subsidiary is a company that is controlled (power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities) by another company known as the Parent.

SUBSTANCE OVER FORM
The consideration that the accounting treatment and the presentation in Financial Statements of transactions and the events should be governed by their substance and financial reality and not merely by legal form.

U

UNEARNED PREMIUM
Premiums received by an insurer outside the current accounting period (unearned premium). Such premiums are not treated as income until they become earned during the period to which they relate.

V

VALUE ADDITION
Value of wealth created by providing leasing and other related services considering the cost of providing such services.

RATIOS
Method of computation and indicates:

C

COST TO INCOME RATIO
Operating expenses excluding provision for bad and doubtful debts as a percentage of total operating income, net of interest cost. Efficiency of cost management in generating income.

D

DEBT TO EQUITY (GEARING) RATIO
Total debts divided by equity. The extent to which debt contributes to fund total assets, compared to the contribution from equity.

DIVIDEND COVER
Profit attributable to ordinary shareholders divided by gross dividends of ordinary shares. Number of times dividend is covered by current year's distributable profits.

DIVIDEND PER SHARE (DPS)
Value of the dividend proposed and paid out to ordinary shareholders divided by the number of ordinary shares in issue. Share of current year's dividend distributable to an ordinary share in issue.

E

EARNINGS PER SHARE (EPS)
Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year. Share of current year's earnings attributable to an ordinary share in issue.

I

INTEREST COVER
Earnings before interest and tax divided by interest charges. Ability to cover or service interest charges of the debt holders.

M

MARKET CAPITALISATION
Number of ordinary shares in issue multiplied by market value of a share. Total market value of all ordinary shares in issue.

N

NET ASSET VALUE PER ORDINARY SHARE
Ordinary shareholders' funds divided by the number of ordinary shares in issue. Book value of an ordinary share.

NON-PERFORMING FACILITIES RATIO
Total gross non-performing portfolio divided by total gross portfolio. Percentage of total gross non-performing portfolio against the total gross portfolio.

P

PRICE EARNING RATIO (PER RATIO)
Market price of a share divided by Earnings Per Share (EPS). Number of years that would be taken to recoup shareholders' capital outlay in the form of earnings.

R

RETURN ON ASSETS (ROA)
Net profits expressed as a percentage of average total assets. Overall effectiveness in generating profits with available assets; earning power of invested total capital.

RETURN ON EQUITY (ROE)
Net profit, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' funds. Earning power on shareholders' book value of investment (equity).

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 42ND ANNUAL GENERAL MEETING of the Company will be held on Friday, 24th September at 11.30 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 2021 with the Report of the Auditors thereon.

2. To re-elect as a Director Mr. I C Nanayakkara 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 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."

4. To re-appoint M/s Ernst and Young Chartered Accountants as auditors for the ensuring financial year at a remuneration to be fixed by the Directors.

5. 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.

By order of the Board
LOLC HOLDINGS PLC

LOLC Corporate Services (Private) Limited
Secretaries

30th August 2021
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
Deshamanya 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, 24th September 2021 at 11.30 a.m. and at any adjournment thereof and at every poll which maybe taken in consequence of the aforesaid Meeting.

		For	Against
1)	To re-elect as a Director Mr. I C Nanayakkara who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.		
2)	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.		
3)	To re-appoint M/s Ernst and Young Chartered Accountants as auditors for the ensuring financial year at a remuneration to be fixed by the Directors.		
4)	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.		

dated this ………………………….. day of ……………., Two Thousand Twenty One.

…………………………………

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.

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