Elevate.
Empower.
Enrich.

Fintrex Finance Limited

Annual Report 2021/22

Fintrex Finance Limited

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Contents

Rising from adversity that impacted the nation we at Fintrex Finance are growing along with our customers by enhancing our unique products and services to serve them in more ways than before. Our promise to create value resulted not just in profit but also in the strengthening of our qualitative factors ranging from exceptional service, a sound governance framework and unshakeable teamwork. Teamwork, that is carried out by young, dynamic professionals who bring an unmatched level of energy and great methodologies to every aspect of the business. Therefore we celebrate our exceptional accomplishments this year as through our vital work we are helping to elevate, empower and enrich ourselves as well as our country's potential.

Elevate. Empower. Enrich.

Vision

Be within the top 5 financial solution providers by creating value to everyone we engage with.

Mission

Create Value to:

- Our customers by offering services at their convenience through innovative technology.
- Our staff by developing and empowering to offer superior service.
- Our shareholders by optimizing returns.
- Our society by committing good governance.
- Our nation by contributing to their wellbeing.

Values

Fairness	We treat people equitably
Innovation	We seek creativity in everything we do
Nurture	We develop our employees and customers
Transparent	We will be open and honest in all our dealings
Respect	We treat all individuals with dignity
Elevate	We help in uplifting the social wellbeing of our nation
Xenial	We are sincere to all our stakeholders

About this Report

Fintrex Finance Limited is pleased to present its First Integrated Annual report for the financial year 2021/2022 in accordance with the **'TAGS'** (**Transparency, Accountability, Governance, Sustainability**) guidelines given by the Institute of Chartered Accountants in Sri Lanka and the reporting requirement of the integrated reporting framework which considers six-capital management reporting structure providing our stakeholders with a comprehensive portrait of the Company and its performance during the period under consideration.

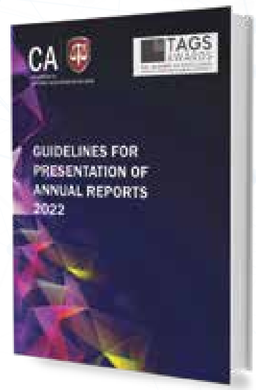
SCOPE AND BOUNDARY

The Integrated Report covers the operations of Fintrex Finance Limited from 1st April 2021 to 31st March 2022 and contains information relating to financial and non-financial developments of the Company including an inclusive coverage of operational results, financial performance, risk management, and an overview of corporate governance and practices, among other themes.

The most recent past report for the Financial Year 2020/21 is available for viewing and download on the corporate website – www.fintrexfinance.com

STANDARDS AND PRINCIPLES OF PREPARATION

The financial statements presented on this Report have been prepared in accordance with the Sri Lanka Financial Reporting Standards, and the requirements of the Companies Act No.7 of 2007. The narrative on Corporate Governance complies with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.



FORWARD LOOKING STATEMENTS

Certain information contained in this Integrated Report may constitute "forward- looking statements". It is important to note that the actual results and the Company's performance at a later date, may differ from those implied by such statements due to many factors. Readers are therefore cautioned not to place undue reliance on such "forward-looking statements".

INQUIRIES

Queries and clarifications, if any, on this annual report are to be directed to:

Name	: Mr. Jayathilake Bandara
Designation	: Chief Executive Officer
Address	: Fintrex Finance Limited, No 851, Dr. Danister De Silva Mawatha, Colombo 14
E-mail	: bandara@fintrexfinance.com
Telephone	: 0117200100

Elevating our service standards

"Fintrex has undoubtedly been my Trusted Financial Partner in my business success. The company takes a very practical view of my business requirements, and stands hand in hand with me through the good times and the bad."

Mr. Rachitha Buddhika
Chairman

Surado Campus of Business Management Private Limited Pannipitya

Education

About Fintrex Finance Limited

Fintrex Finance Limited is owned by Bluestone 1 (Pvt) Limited, backed by a consortium of world-class investors including global insurance giant Fairfax Holdings who holds 70% along with MAS and Hirdaramani Group who together hold 24% of the equity shareholding. The investors of the company are represented on the Board by Mr. Ajit Gunewardene Chairman, Mr. Ronnie Peiris and Mr. Shantanu Nagpal, who are well-known professionals in the corporate arena.

Fintrex was formerly known as Melsta Regal Finance Ltd and was a fully owned subsidiary of Melstacorp PLC. The ownership moved from a trusted Sri Lankan conglomerate to another trusted multinational, giving Fintrex the continued strength to forge ahead and pursue its corporate goals.

The name '**Fintrex**' is derived from the words **'financial entrepreneurs**' and '**experts**' and resonates the uniqueness that distinguishes the Company from its competitors. As experts with strong financial acumen, Fintrex comprises a team that is competent and proactive in driving prosperity creating value for the customers.

The Company is steadfast in adhering to industry best practices and encourages the employees to follow the same inculcating these values and principles in Company's strategies and objectives. With a highly skilled team of individuals who are nurtured through professional development, Fintrex has succeeded in developing a cadre who are skilled and competent to confront the challenging business environment.

Capitalising on advanced technology to improve efficiencies and satisfy the needs of the emerging requirements of the modern clientele, the Company goes a step beyond supporting the clientele to achieve financial wellbeing, utilising Fintrex's financial expertise and entrepreneurship.

Product Offerings

Leasing

Fintrex Finance offers a wide range of Leasing products that are customized to meet the specific requirements of our diverse customer base who are seeking to realize their dream of a vehicle. Our product range includes vehicle leasing facilities, vehicle loans, hire purchase facilities for 2W, 3W and 4W vehicles for the customers across the island to purchase their dream vehicle, be it brand new, registered, or unregistered, petrol, hybrid or electric through getting in touch with the Company's island-wide network.

These leasing products coupled with speedy service delivery, the flexibility in personal guarantor requirement and down payments, and flexible repayment structure based on future cash flows targets attracting salaried employees, individuals engaged in businesses, SMEs, and corporate clients.

Our product 'Smart Cash' for 4W vehicles enables the customer to acquire brand new, reconditioned and registered motor cars/vans & SUVs, the highest possible advances repayable up to 5 years.

Draft facilities are available on flexible terms where funds can be drawn when needed.

Business Loans

We strongly believe in serving the SME sector and therefore, facilitate quick access to financing for the entrepreneurial SMEs offering them a range of financing options that would suit the cash flows of their business and help them grow their enterprise. The three types of business loans we provide including short terms loans, revolving loans, and long-term loans to purchase stocks and raw material, meeting the recurring expenditure, and investing in capital goods, respectively.

Long-term loan

The long-term loan facility is available to purchase property, vehicles and machinery. While personal guarantees can be offered as security, it provides a repayment period between 13 months to 60 months along with a grace period based on the business cash flows and nature of projects.

Short-term loans

The short-term loans are offered for the working capital requirements of businesses and is provided with a repayment period of 12 months or below.

Trade Finance

Our trade finance facility is available for importers of vehicles and other trading goods including Letters of Credit facilities and post-import loans for importers by pledging original import documents for vehicles and pledging the imported goods. We also provide import loans for custom duty payments, as well as for warehousing facilities and inventory management for pledged goods. The entire value chain is monitored and handled from port to warehouse.

This facility provides a flexible repayment period of less than 12 months.

Fixed Deposits

The Company introduced the "Vishvasa" fixed deposit product to the public in its initiative to expand the product portfolio of the Company. This product is accompanied by a competitive interest rate providing people with a higher return incentive for their savings, especially during challenging times.

We offer Fixed Deposit (FD) investment schemes at competitive interest rates for investments and loans up to 90 percent of the value of the deposit. Backed by world-class investors and robust governance and risk management system, we guarantee our clients reliable investment plans to suit their convenience.

These deposit products have several deposit terms for the customers to choose from, while the interest is payable at maturity or monthly. In addition, we allow cashback facilities against the fixed deposit of up to 90 percent of the value of the investment.

Eligible deposit liabilities are insured with the Sri Lanka Deposit Insurance Scheme, implemented by the Monetary Board, for compensation up to a maximum of Rs.1,100, 000/- per depositor.

Savings

For inculcating the habit of saving amongst our customers, particularly amongst the entrepreneurs of the SME sector that represent the future of the nation, we have introduced two savings products; 'Vishishta' savings account for those who are above the age of 18 and 'Shreshta' senior citizens' savings account. Similarly, we have also introduced a 'Pravishta' children's savings account for children who are below the age of 18 years.

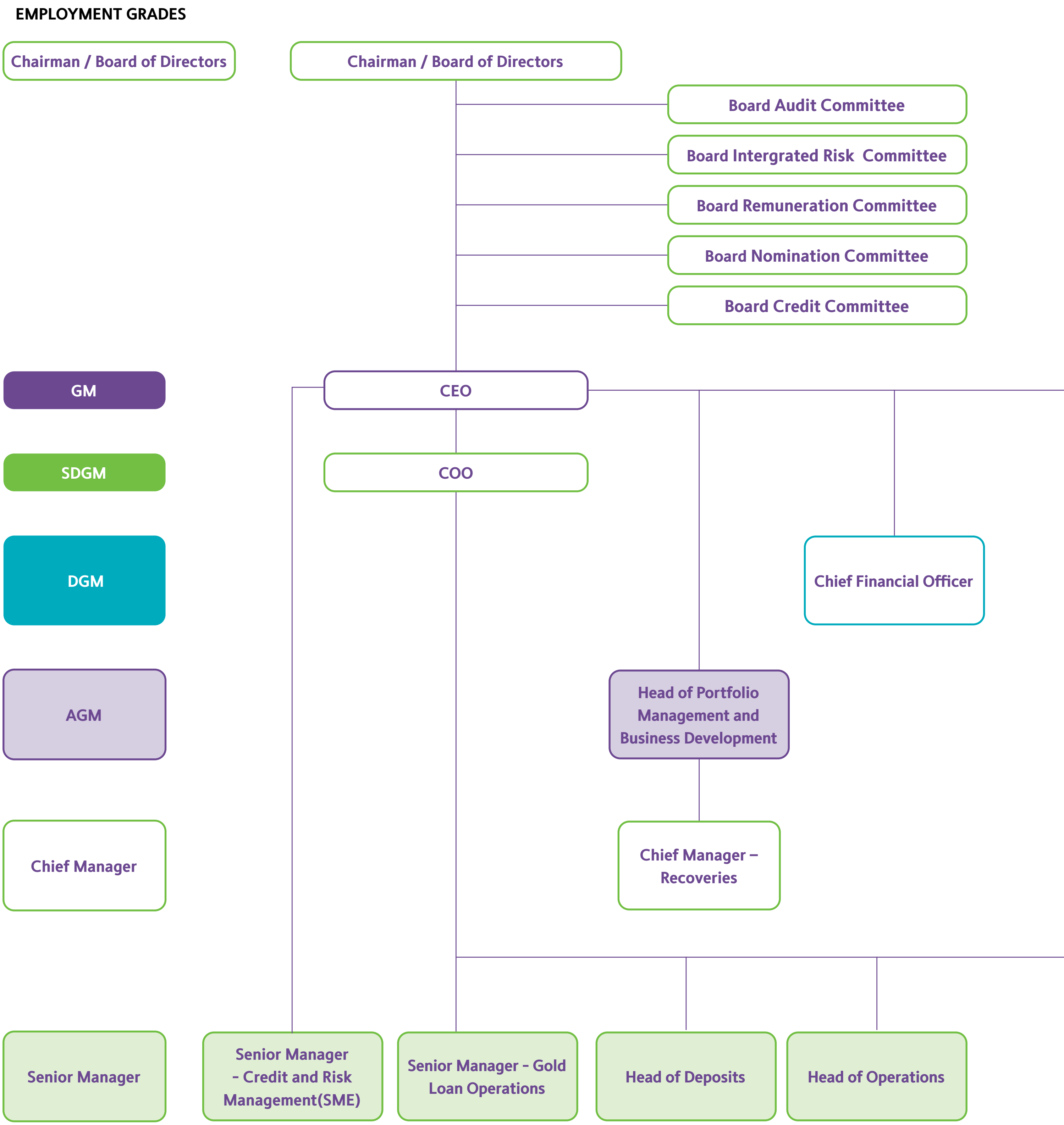
These savings products allow convenient cash deposits, withdrawals, fund transfers through the island-wide network with a standing order facility and offer competitive interest rates which are calculated daily with a monthly credit.

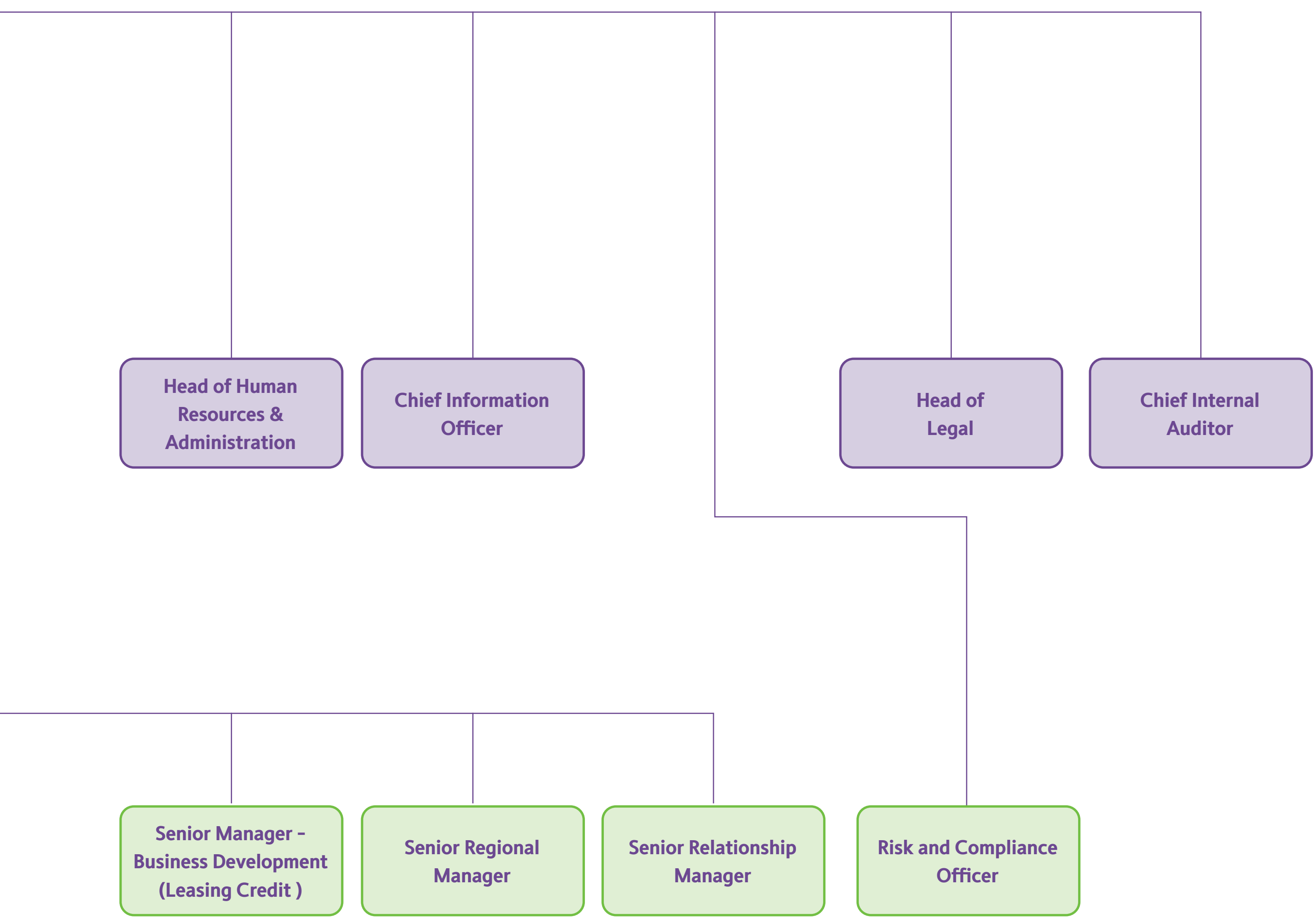
During the year, the Company introduced the 'Flexi Fix' savings money market savings product to the public in its initiative to expand the product portfolio of the Company. This product is accompanied by a competitive interest rate providing people with a higher return incentive for their savings, especially during challenging times.

Gold Loan

Ran Shakthi Gold Loan facility offers our customers the convenience and highest cash advances against gold, when they need it the most, with accurate assessment and flexibility in repayment and redeeming. We guarantee the most accurate assessment with the help of latest technology and quick service while ensuring maximum security for the assets.

Organisational Structure




Head of Human Resources & Administration
Chief Information Officer
Head of Legal
Chief Internal Auditor
Senior Manager - Business Development (Leasing Credit)
Senior Regional Manager
Senior Relationship Manager
Risk and Compliance Officer

Our Journey

2012

FEBRUARY
Received the finance license from Central Bank of Sri Lanka to commence finance business

OCTOBER
Opening of the Head office premises by Governor of Central Bank of Sri Lanka A N Cabral & Group Chairman D H S Jayawardena & commenced business operations

2013

MAY
The Company was rated Fitch A+(lka)

SEPTEMBER
Opening of first Branch in Kurunegala by Group Chairman - Deshamanya D H S Jayawardena

NOVEMBER
Opening of Matara branch

2014

MARCH
Opening of Kandy branch
Right Issue of Rs. 650 Mn
SLITAD People Development Award 2014 Bronze Winner

JULY
Opening of Negombo branch

OCTOBER
First Foreign Currency Loan of USD 10Mn

2015

MARCH
Recorded PBT of Rs. 100 Mn and Total Assets reached to Rs. 5 Bn

AUGUST
Opening of Kiribathgoda Service Center
Opening of Kegalle branch

OCTOBER
Relocation of Kandy branch

2021

- Awarded Great Place to Work Certification
- Awarded as Fastest Growing Finance Company in Sri Lanka
- Opening of new 5 branches
- Recorded Profit After Tax of Rs. 327.5 Mn and Total Assets reached to Rs. 12.6 Bn

2016

MARCH
Opening of Kuliyapitiya Branch

NOVEMBER
Opening of Gampaha Branch

DECEMBER
Opening of Kaluthara Branch

2018

APRIL
Change of ownership- Acquired by Bluestone 1 (Pvt) Ltd

SEPTEMBER
Name changed to Fintrex Finance Limited

2019

JANUARY
Opening of Dambulla Branch

MARCH
Recorded PBT of Rs. 200 Mn and Total Assets reached to Rs. 8 Bn

2020

FEBRUARY
Opening of City Branch

JUNE
Rating upward from Fitch B (lka) to B+ (lka)

10 YEARS
2012-2022
OF FINANCIAL EXCELLENCE







FINTREX
finance

Achievements

Fastest Growing Finance Company in Sri Lanka 2021

INTERNATIONAL BUSINESS MAGAZINE

Financial Highlights

Solid Financial Position

RS. **12.62** Bn
TOTAL ASSETS
2020/21- Rs. 8.95 Bn
41%

RS. **3.15** Bn
SHAREHOLDERS' FUNDS
2020/21- Rs. 2.23 Bn
41%

RS. **11.29** Bn
NET PORTFOLIO
2020/21- Rs. 8.37 Bn
35%

RS. **1.86** Bn
DEPOSITS
2020/21- Rs. 455 Mn
308%

Sound Profitability

RS. **327.5** Mn
PROFIT AFTER TAX
2020/21- Rs. 194.3 Mn
69%

RS. **2.11** Bn
GROSS INCOME
2020/21- Rs. 1.63 Bn
30%

12.16 %
RETURN ON EQUITY (ROE)
2020/21- 9.09%
34%

3.04 %
RETURN ON ASSETS (ROA)
2020/21- 2.32%
31%

Strong Recoveries

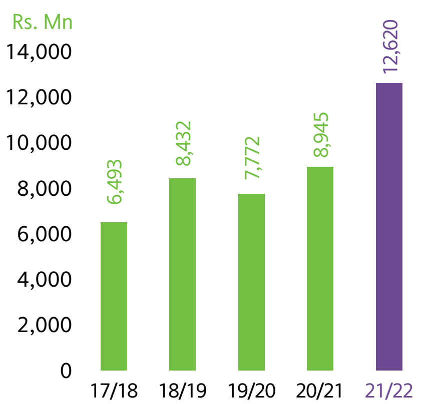
6.50 %
GROSS NPA
2020/21- 9.80%
34%

0.29 %
NET NPA
2020/21- 3.04%
90%

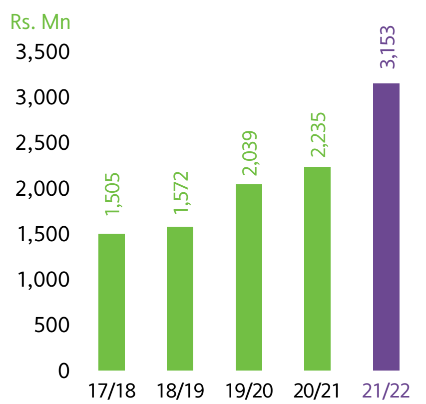
Performance Highlights

	2022 Rs. '000	2021 Rs. '000	Change %
Results for the year			
Gross Income	**2,106,329**	1,625,409	30%
Interest Income	**1,955,827**	1,549,448	26%
Interest Expenses	**660,299**	510,691	29%
Impairment Charge	**117,544**	236,407	-50%
Operating Expenses	**753,479**	541,992	39%
Profit before tax	**440,018**	250,795	75%
Profit after income tax	**327,498**	194,315	69%
Financial Position			
Shareholder's fund	**3,152,601**	2,234,628	41%
Deposits from customers	**1,858,225**	455,374	308%
Leases,loans and advances	**11,287,520**	8,369,424	35%
Borrowings	**7,077,781**	5,705,517	24%
Total Assets	**12,620,432**	8,945,412	41%
Investor Information			
Earnings per share (Rs.)	**1.80**	1.10	64%
Net assets per share (Rs.)	**13.30**	12.63	5%
Financial Indicators			
Return on shareholders' funds (%)	**12.16**	9.09	34%
Return on average assets (%)	**3.04**	2.32	31%
Net interest margin (%)	**12.58**	12.87	-2%
Cost to income ratio (%)	**52.11**	48.62	7%
Gross non performing loan (%)	**6.50**	9.80	-34%
Net non performing loan (%)	**0.29**	3.04	-90%
Statutory Ratios			
Core Capital Ratios (%)- Minimum requirement- 7%	**23.63**	23.10	2%
Total Risk Weighted Capital Ratio (%)- Minimum requirement - 11%	**23.51**	22.90	3%
Capital Funds to Deposit Liabilities Ratio (%) Minimum Requirment -10%	**169.66**	490.72	-65%

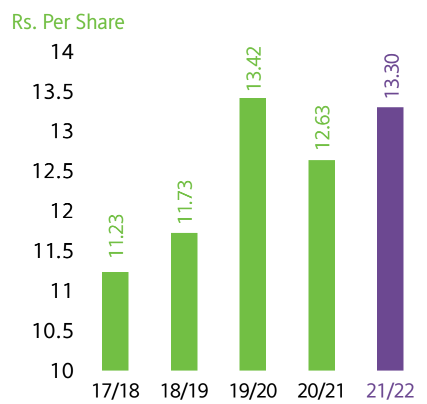
Total Assets



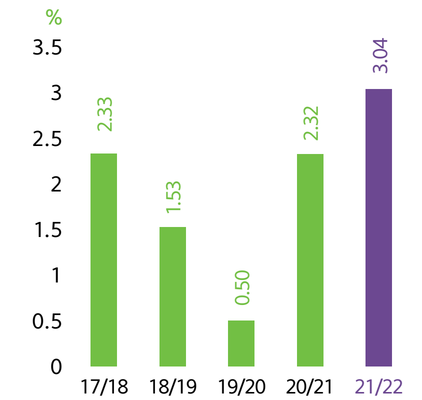
Total Equity



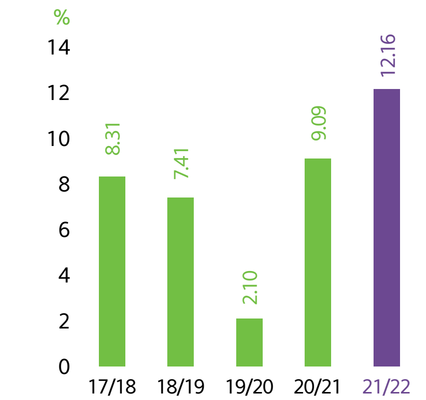
Net Assets Per Share (NPS)



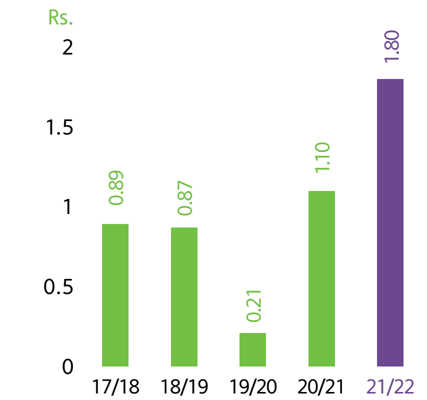
Return on Assests (ROA)



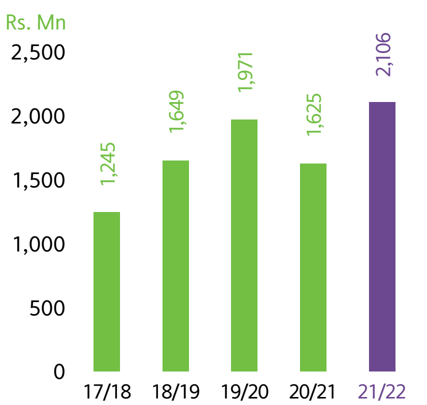
Return on Equity (ROE)



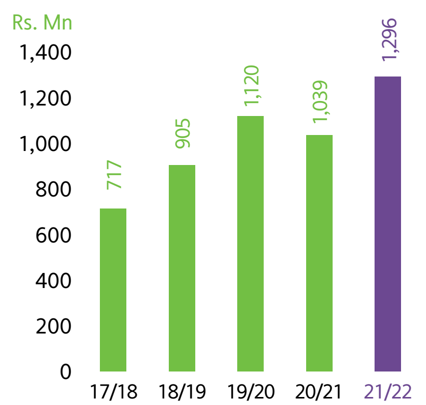
Earnings Per Share (EPS)



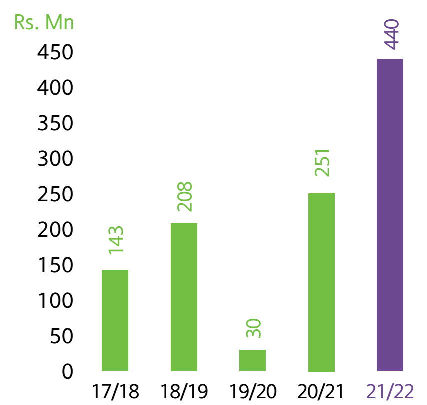
Gross Income



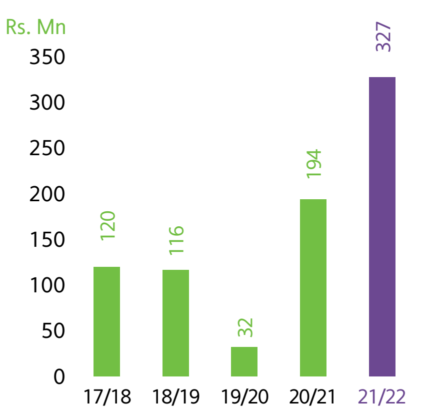
Net Interest Income



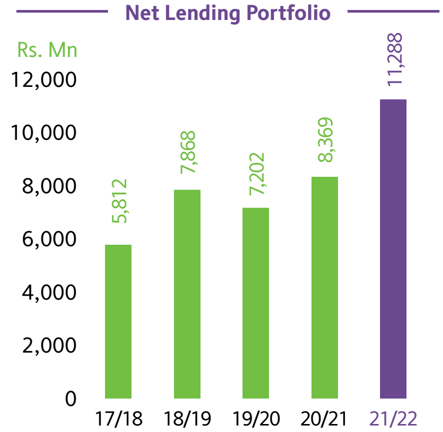
Profit before Tax



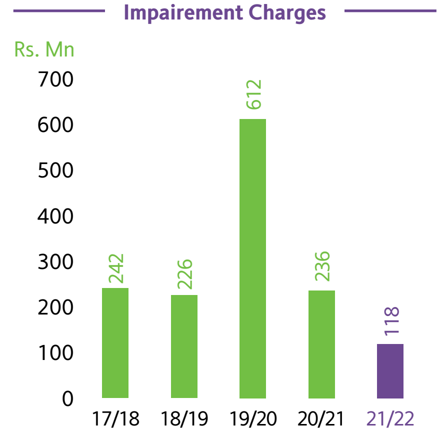
Profit After Tax



Net Lending Portfolio



Impairement Charges



Nurturing ESG Goals

For our stakeholders, Fintrex is more than a financing partner, it is a force that nurtures their financial aspirations and translates them into realizable goals. Cognizant of our role in the lives of our clients, customers, employees, communities and the society at large, we remain committed to staying engaged with them through their life cycle journeys. We are continually investing in their sustainable future growth to ensure sustained value creation.

Our Environment, Social and Governance (ESG) framework is aligned with this ethos. With environmental awareness among our shareholders and stakeholders increasing, we realize the importance of adopting ESG compliant sustainable business practices for long-term business continuity. At Fintrex, business responsibilities are the foremost consideration in how we conduct our business, including our risk management and controls, human capital management, support for local communities, corporate governance, as well as our attitude towards clients and customers. As a leading finance company, we understand there would be many risks associated with the market. We look at ESG as an integral part of business and take utmost care while framing strategies around this, as we do with other business operations.

Defining ESG

ENVIRONMENT

Environmental criteria addresses the environmental impact of a company's operations, along with its environmental stewardship.

GOVERNANCE

Governance criteria refer to a company's leadership and management philosophy, practices, policies, internal controls and shareholder rights.

SOCIAL

Social criteria refers to how a company manages relationships with, and creat value for stakeholders.

Environment Initiatives	Description	UN SDGs Impacted
Energy Management	We are conscious about the need for energy management and as a team, we endeavour to contribute to a low carbon environment. We realise this is a continuous process, and are engaged in introducing energy-efficient systems and leveraging technology to boost energy efficiency in our operations.	7 AFFORDABLE AND CLEAN ENERGY
LED fication	We are substituting fluorescent lights with LED lights across our branches.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
VRF systems & Inverter Air Conditioners	New invertors/VRF AC units were installed and many existing ones were replaced during the year.	
Financing for Electric Vehicles	We granted loans for the purchase of eco-friendly Electric Vehicles during the financial year. We plan to augment such financing in the coming quarters.	
Digital Innovation & Paperless Financing	95% of transactions carried out digitally, Implementation & Use of Online Meeting Platform & reduced Paper usage.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Social Initiatives	Description	UN SDGs Impacted
Financial Literacy	Fintrex has launched various schemes for imparting financial literacy through branch level training programmes.	4 QUALITY EDUCATION
Water Supply for Rural Schools	Water Supply Project for rural schools as a CSR project. Most recent project is at Padaviya Mahasenpura School in Anuradhapura.	2 ZERO HUNGER; 6 CLEAN WATER AND SANITATION
COVID-19 Awareness Outdoor Campaign	Fintrex Finance joined hands with local authorities to strengthen COVID-19 Awareness and Prevention Campaign.	17 PARTNERSHIPS FOR THE GOALS

Employee Initiatives	Description	UN SDGs Impacted
Overview of Learning and Development	39 Internal and 22 External Training and Development Programmes.	8 DECENT WORK AND ECONOMIC GROWTH
Being Progressive with Evolving Needs	The health and safety of the employees and their families have been the top priority throughout the pandemic. Eg: Limited Employee Movement, paid leaves for quarantine, All properties are regularly sanitized.	3 GOOD HEALTH AND WELL-BEING
Talent Aqusition	In the recruitment process, there is no discrimination in terms of gender, race, family and religion.	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES

Business Model

Resources we rely on

Financial Capital refers to the Company's monetary resources available to build wealth for the stakeholders and the business

Page 54

Financial Capital

Total Equity: Rs. 3,152.6 Mn
Total Debt: Rs. 7,077.8Mn

Manufactured capital refers to physical infrastructure and the technology available to a Company for the use of service provision

Page 61

Manufactured Capital

Total branches: 15

Intellectual Capital refers to organisational knowledge-based intangibles comprising expertise of employees, organisational processes and the sum of knowledge contained within the organisation

Page 65

Intellectual Capital

Introduction of "MyFintrex" Mobile App for Lending customers

Human Capital refers to the people's knowledge, skills, expertise and the innovative capabilities that contribute to the value creation driving growth of the Company

Page 69

Human Capital

Total employees: 274
Employees below the age of 40 years: 84%

Social & Relationship capital refers to relationships we have nurtured within and between communities, group of stakeholders and other networks to enhance individual and collective well-being

Page 75

Social & Relationship Capital

Water supply project for rural school & renovation of child care center

Natural Capital refers to renewable and non-renewable resources that is available to a Company to carry out its operations in a sustainable manner

Page 80

Natural Capital

Energy management and waste management initiatives

Business Model

Our Business

Raise

Capital through debt and equity sources along with sell-down of assets

Identify

Eligible borrower pool by leveraging on technology

Lend

Credit to the borrowers riding the back of prudent underwriting processes

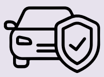
Recover

Payments from borrowers with focus on collecting digitally

For the Best Possible Outcomes

Our Offerings

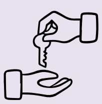
Core Products



Leasing

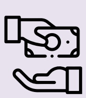
Gold Loans

Business Loans



Vehicle Loans

Term Loans



Smart Draft

Trade Finance

Our Focus

- Expanding physical network
- End-to-end digital loan processing
- Co-lending and co-origination
- Asset-liability management
- Prudent credit management
- Robust risk management
- Framework and asset quality

Return to Shareholders and Investors

- ROE: 12.16%
- ROA: 3.04%
- NIM: 12.58%
- PAT: Rs. 327.5 Mn
- EPS: Rs. 1.80

Customer-centricity

- Total Active Customers: 12,538
- Net Portfolio Growth : 35%

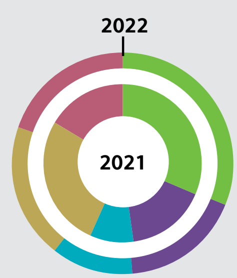
Digital Delivery

- “MyFintrex” app active users:
- 95% Cashless disbursement for Loans and other payments

High Employee Engagement

- Total training hours by all employees: 5,192
- Average training hours per employee: 18.95
- Awarded ‘Sri Lanka’s Best Workplaces in 2021’

Economic Value Distributed



Economic Value Added	2022	2021
To Depositors and Lenders	31.35	31.42
To Employees	17.38	16.43
To the Government	11.91	8.86
To Suppliers	19.93	27.06
Economic Value Retained	19.49	16.23

Empowering our customer's potential

"I'm very happy about all the assistance and expertise that I get from Fintrex, in order to drive my business towards continuous growth. Fintrex has always been there with me in every step of the way."

Mr. Mohommad Imthiyas
Owner

Importer/ Distributor of Dry Rations (Rice/ Potato/Onion)

Chairman's Review

The Current Sustainability is the combined result of the practice of measuring, disclosing and being accountable to all Stakeholders

Dear Shareholders,

I am pleased to present to you the Annual Report of Fintrex Finance Limited for the financial year ended 31st March 2022. The Company recorded commendable results in a year of considerable volatility. From the pandemic to the total implosion of the macro economy, the challenges for businesses and the people were unprecedented.

In this backdrop the NBFI sector saw several debt moratoriums and subdued growth in assets with an increase in non-performing loans. The repossession of assets was curtailed given the limited space for legal action. We were nevertheless able to record a strong performance as a result of our team being nimble and strategically navigating the turbulent external environment.

The Company's Interest Income increased by 26% to Rs. 1.956 Bn compared to Rs. 1.549Bn recorded in the previous year mainly due to the growth in our asset book. Our Impairment charges were reduced by 50% to Rs. 117.5Mn from the last year's charge of Rs. 236Mn which is attributed to proactive collection efforts. After the VAT on financial services of Rs. 135Mn and Income Tax expense of Rs. 112.5Mn, the Company's bottom line for the year was Rs. 327 Mn, up by 69% as against the Rs. 194Mn reported in the corresponding period.

The Company's total assets increased by 41% to Rs. 12.620Bn from last year's Rs. 8.945Bn while the deposit base increased by 308% to Rs. 1.858Bn as against Rs. 455Mn reported in the last financial year. In March 2022, shareholders infused a sum of Rs.600Mn through a rights issue subscription, of which Rs. 400Mn came through FDI (Foreign Direct Investment). Following that infusion, the funds attributable to equity holders, increased to Rs. 3.15Bn from last year's Rs. 2.23Bn.

The Company celebrated its 10th anniversary in February 2022, and we are indeed proud of our achievements during this period. The 'Great Place to Work' certification achieved during the year is a first step towards ensuring a motivated team who would strive towards sustained value creation. We were also bestowed "the Fastest Growing Finance Company in Sri Lanka" in 2021 by the Dubai-based International Business Magazine at its International Business Awards.

Our expansion strategy took a new leap, spreading our wings further across the nation through the opening of four new branches at Galle, Malabe, Maharagama and Pettah and increasing our total branch network to 15 locations. Further, we relocated our Kiribathgoda Branch to spacious new premises along the Colombo Kandy Road offering our customers greater accessibility and convenience.

With our commitment to cater to customer needs, new product development remains an ongoing priority. The launch of the "Fintrex Smart Cash" and "Ran Shakthi" Gold Loan scheme during the year are outcomes of such strategy. These products have attracted a significant number of clientele thereby successfully contributing to our bottom lines.

The robust corporate governance frameworks and practices that we have established were pivotal in navigating the complexities during the year. As such, the Board continued to proactively monitor the emerging developments relating to the economic and industry landscape towards assessing the potential implications on Company performance, stability, and risk profile. Through well-structured Board Sub Committees namely, Board Integrated Risk Management Committee (BIRMC), Board Audit Committee (BAC) and Board Credit Committee (BCC) the Company will continue to strengthen the risk management framework to safeguard the well-being of our employees and customers.

As a result of the short to medium-term stress stemming from the volatility and uncertainty in the country's external financing, foreign exchange markets and rising inflation, the outlook for the industry in general and the Company in particular will be challenging. A recovery of the overall business activity and the resumption of the general business climate are awaited. Fintrex is armed and geared to take advantage of the opportunities at that time. During these times Fintrex will focus its efforts on reviewing, revising and fine-tuning its employee motivation and productivity, credit quality, margin management, return-focused lending, robust recovery efforts and financial position.

I take this opportunity to express my sincere appreciation to the CEO and the Fintrex Team who have been resiliently demonstrating a steadfast commitment to achieving the Company's financial and operational objectives in trying circumstances. I also wish to thank my fellow Board Members for their wise counsel and wisdom in guiding the Company towards its Goals and Objectives.

I also express my gratitude to the four retiring directors, namely, Mr. Mahendra Galgamuwa, Mr. Keith Bernard, Ms. Shivanthi Athukorale, and Mr. Shivan Cooray for the immense contribution they made to the growth of the Company. They served the Company since its inception and retired due to completing the statutory period of 9 years allowed for a Director in a Financial Services company.

Our four new directors Mr. Nilam Jayasinghe, Mr. Sabry Ibrahim, Mr.Shrihan Perera and Mr Kathirgamar Sivaskantharajah who bring with them extensive experience in financial management, leasing, legal expertise and credit skills have already established themselves as key resources of the Company.

My sincere appreciation goes to the Governor of the Central Bank of Sri Lanka and the Director and staff of the Non-Bank Supervision Department for their support and the timely implementation of regulatory reforms and assistance to the sector.

And last, but not least, I also express my gratitude to our Customers, Suppliers and the Public for your continued trust and confidence and the patience you have shown in these turbulent times.

Ajit Gunewardene
Chairman

Chief Executive Officer's Review

Transparency, Accountability and Governance are the Success factors of Sustainable Performance

Dear Shareholders,

The financial year 2021/2022 brought on a multitude of challenges that were beyond our control. The Country that was already exhausted with COVID-19 and its spillover effects further continued to suffer from a weakened economy struggling to emerge out of the pandemic-induced setback. With the macroeconomic landscape confronting high state deficit and public debt, the volatility continues to accelerate evidenced by its frequent balance of payment crisis and instability.

Manipulated by these challenges in the operating environment, the NBFI sector's credit profiles remained pressurised with elevated credit risk, lack of credit expansion and a sharp rise in Non-Performing Loans. NBFIs also remained susceptible to interest rate risks in the current soaring interest rate environment with mostly fixed-rate leases and loans compelled to be repriced slower than their funding/liabilities which continue to increase faster. Meanwhile, the continued import restrictions on motor vehicles caused pressure on the asset growth given the high dependency of the sector on financing motor vehicles through leasing and hire purchase products. However, the sector benefitted from the consolidation master plan of CBSL, remaining well-capitalized with adequate capital buffers maintained throughout the financial year. The monetary policy easing measures introduced by CBSL and the decision to lower the minimum liquid assets requirements also supported the sector to maintain liquidity levels over the regulatory minimum requirements.

On another level, this situation unveiled new opportunities with a heightened focus on the need to adapt and rise to the requirements and expectations of our employees, customers, depositors, and other stakeholders. Leveraging on this opportunity, Fintrex took a proactive stance confidently meeting the challenges and moving ahead sustaining stability.

UPWARD TRAJECTORY

The Company concluded the financial year posting excellent performance supported by the increase in asset book by 41% in 2021/22 and gross income by 30% to Rs. 2.106 Bn in 2021/22 from Rs. 1.625 Bn recorded in 2020/21. Our lending portfolio grew by 35% and deposit portfolio by 308%, an exceptional growth given the business volume contraction within the industry. This is a testament of the confidence placed on us by the public and our sincere effort to create customer centric products sustaining service excellence.

The Interest expenses increased by 29% to Rs. 660Mn for the financial year compared to Rs. 511Mn in the previous year due to a rapid increase in interest rates in line with the policy measures taken by CBSL. On the same note, the Company's operating expenses increased to Rs. 753Mn in 2021/22, an increase of 39% over the previous year. The branch expansion-related expenses and additional staff recruitments for the new branches contributed to this rise.

We were able to maintain a Gross NPL ratio of 6.50%, the best NPL ratio within the NBFI sector and a provision cover of 95.5%, which was again considered the highest in the NBFI sector.

The Company met regulatory capital requirements through internally generated profits and met the core capital requirement of Rs 2.5Bn by 31.12.2021. As we met all regulatory and prudent management requirements stated by CBSL, we were classified as a Category "A" company by CBSL in its Master Consolidation Plan for the NBFI sector.

PRAGMATIC APPROACH

We were open to reality and made decisions accordingly to maintain our growth. Initially, we managed the debt moratorium successfully assisting the COVID-19 and Easter Attacks affected customers providing the facility to almost all the affected customers. Through a win-win approach, we managed to transform 95% of the moratorium portfolio to performing status by the end of the scheme of 31.03.22.

Applying a de-risking approach to the motorbike portfolio based on associated costs, we terminated financing motorbikes as revenues did not justify its continuation. We also made a conscious decision to limit exposures without acceptable security and based the credit decision on a cash flow base as opposed to a security base adopted generally by the NBFI sector. Consequently, we were able to improve the quality of the portfolio exceptionally during the period.

Embracing technology to enhance service delivery and improve operations has been a continuous initiative. We ventured into process automation and digitalization including reviewing the entire in-house operating processes during the FY. As a result, many processes that impact the customer service at Finance, Operations and Recoveries were automated contributing substantially to the improved turnaround times, accuracy and customer commendations. The Company also converted itself to a data-driven enterprise focused on informed decisions through Data, Statistics and MIS.

We also worked diligently to imprint our brand image in the minds of the target audience. Through a multitude of measures to enhance brand visibility such as setting up hoardings in key strategic locations, advertising on print and digital media, close engagement on social media platforms, we were able to increase the brand awareness amongst our clientele.

Aligned with the 10th anniversary celebrations, the company refurbished its head office premises and improved facilities for both staff and customers across the branch network. Branch expansion continued with new branch opening at key locations in Galle, Malabe, Maharagama and Pettah areas while the Kiribathgoda Branch was relocated to a spacious and convenient location along the Colombo Kandy Road.

KEY HIGHLIGHTS

Encouraging the digitalization drive, we launched the 'MyFintrex' mobile App with the premier aim of expanding the reach and providing customers convenience with easy access to information. This internally developed Android-supported

Chief Executive Officer's Review

App is an information portal available to the customers as well as the public to interact and obtain more information about our products and service offerings. This facility can also be easily accessed online via the web link "online.fintrexfinance.com."

We initiated Customer Care Recovery Clinics to assist the customers who face difficulty in repayment by offering payment plans suited to their payment capabilities. Fostering close and friendly dialogue, we facilitated the customers in settling their debts and maintaining good credit history.

The "Fintrex Innovative Ideas" platform we have established to encourage our employees to share their ideas on how to improve customer service, internal systems and processors, reduce costs and increase profitability. This automated feedback mechanism was a successful initiative that provided space to voice their ideas, some of which were implemented during this year.

CELEBRATING EXCELLENCE

We were privileged to receive the prestigious certification for being a "Great Workplace" in March 2021 by the renowned "Great Place To Work" Institute on workplace culture assessment. This was a key milestone that reflects our commitment to providing exceptional financial services through nurturing a progressive and approachable work culture for employees who provide impeccable service. Recognition as the "Fastest Growing Finance Company in Sri Lanka" at the International Business Awards for 2021 by the Dubai-based publication International Business Magazine was another significant landmark that highlights the efforts of the Fintrex team during a tumultuous phase. With the global pandemic, severely impacting multiple industries for over a year, we comprehend the need for innovative thinking and fresh strategic direction adhering to the health regulations. As such, we realigned our approach with the new parameters, changing mindsets and collaborating on virtual platforms to conduct business efficiently. I must say, this was not an easy task though we succeeded, this success was supported by mutual understanding and the collaborative effort of the team at every level.

UPLIFTING COMMUNITIES

Our corporate objectives and the responsibility towards society at large are two aspects that go hand in hand. We do not place one above the other and remain persistently committed to improving the well-being of communities across the nation, as it is the societal well-being that contributes to stronger economic prosperity and sustainable development of the Country.

During the year, we stepped forward to support the local authorities to spread COVID-19 awareness and prevention messages island wide across 22 locations by setting up specially dedicated hoarding sites to share health and safety instructions and prompting the public to obtain necessary vaccination to fight the pandemic.

In our commitment to the wellbeing and welfare of children, we recently completed the refurbishment of the dining and meeting hall of the Vajira Sri Child Development Centre in Pita Kotte in line with the Christmas seasonal celebrations. Over 60 children are being taken care of at the Centre, and Fintrex Finance dedicated their 2021 Christmas Carol Project to share happiness with these children with a full-blown Christmas party with food, music, dancing and gifts.

Education being a key driver of sustainable development, we initiated a Schools Empowerment Programme as part of our Corporate Social Responsibility (CSR). Through the programme, the Company has sought to identify and establish long-term, supportive relationships with schools in remote areas that require urgent assistance. This is an ongoing project where Fintrex has so far established a complete drinking water supply system at Padaviya Mahasenpura Maha Vidyalaya - Anuradhapura. The Company also fully refurbished the library at the school and donated stationery and reading material for the use of the school children.

FORWARD TO THE FUTURE

We will continue with the expansion strategy having approved by CBSL, opening four new branches during the coming financial year provided the economy improves and become conducive for branch expansion. Intending to provide improved service to the customers, we plan to relocate some branches to strategic business locations in the respective cities.

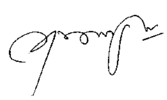
Our venture into technological advancement will continue with investing in a state-of-the-art new Core Banking System to upgrade the Company's IT infrastructure to support the expansion drive and improvement in business volumes. Moving forward, we wish to pursue organic growth and capture quality market share and be within the top 5 players in terms of Return on Equity (ROE) and Return on Assets (ROA).

APPRECIATION

I wish to thank the Chairman and the Board of Directors for their stewardship and guidance in navigating through exceptionally challenging times. I am also indebted to Fintrex Team who rose above all challenges to take the Company forward providing uninterrupted service to our customers. The senior leadership team remained focused on executing our business strategies and achieving corporate goals that resulted in the successful financial performance of Fintrex in a turbulent year. I am privileged to lead such a dynamic young team who strives to reach greater heights and prosper as opportunities emerge.

I am sincerely grateful to all our customers for the confidence and trust placed in Fintrex Finance as well as the Company's shareholders who are steadfast and confident on long-term business strategy and anticipated growth potential.

My appreciation also goes to our bankers for their continued trust in Fintrex Finance, the Governor, and the Non-Bank Supervision Department of CBSL for their valued guidance during the year. I also wish to thank our external auditors, KPMG, for their valuable inputs and timely completion of the audit and the business partners and other stakeholders for their support and dedication during this challenging period.



Jayathilake Bandara
Chief Executive Officer

Empowering inclusivity through accessibility

"I highly recommend Fintrex Finance to all level of entrepreneurs as they ensure the delivery of financial services to masses including privileged and oppressed people at an affordable terms and conditions"

Mr. Rajitha Dulanga Rathnayake
Owner

Dulanga Mobile

Sale of mobiles and accessories

Board of Directors

MR. AJIT GUNEWARDENE
Chairman

MR. RONNIE PEIRIS
Non-Independent Non-Executive Director

MR. SHANTANU NAGPAL
Non-Independent Non-Executive Director

MR. AHAMED SABRY IBRAHIM
Independent Non-Executive Director

MR. SHRIHAN B. PERERA
Independent Non-Executive Director

MR. NILAM JAYASINGHE
Independent Non-Executive Director

MR. K. SIVASKANTHARAJAH
Independent Non-Executive Director

1 MR. AJIT GUNEWARDENE
Chairman

Mr. Ajit Gunewardene is the Founder and CEO of Bluestone Capital Private Limited. He was the Deputy Chairman of John Keells Holdings PLC and was a member of the Board for over 24 years. In addition to this he was the Chairman of Union Assurance PLC a leading life insurance provider in Sri Lanka and Nations Trust Bank. He is currently the Founder, Chairman of Digital Mobility Solutions- the leading ride hailing service provider (Pick Me) in the Country. He is also the Chairman of Ingame Entertainment Ltd which is a pioneer in esports in Sri Lanka. He was a member of the Council of the University of Colombo. He has also served as the Chairman of the Colombo Stock Exchange and a member of the Board of the BOI. Mr. Gunewardene has a degree in Economics and brings over 35 years of management experience

2 MR. RONNIE PEIRIS
Non-Independent Non-Executive Director

Mr. Peiris was, till end December 2017, an Executive Director on the Board of John Keells Holdings PLC (JKH) and was its Group Finance Director. He was also a Director in several Listed and Non-Listed Companies involved in Leisure/Hoteliering, Food and Beverage Manufacturing/ Retailing, Financial Services including Banks, Insurance and Brokering, Property Development/ Real Estate, Information Technology, Plantations/Plantation Services and Transportations, Logistics and Ports. He was, prior to JKH, the Managing Director, Anglo American Corporation (Central Africa) Limited, a subsidiary of Anglo American Plc, a company listed in the UK Stock Exchange. Mr. Peiris has 50 years of Finance and General Management experience with more than 47 of them at Senior Management level in Sri Lanka, Zambia, Zimbabwe and South Africa. Mr Peiris was an active member of the Ceylon Chamber of Commerce (CCC) during the period 2004 to 2017 and was the Chairman of its Taxation Sub Committee for several years. He is a Past President of the Sri Lanka Institute of Directors and was recognized by the Chartered Institute of Management Accountants, Sri Lanka, as its Business Icon of 2014.

In addition to holding a Masters in Business Administration (MBA) from the University of Cape Town, South Africa with specialisation in Marketing and Human Resource Management, Mr Peiris is a Fellow of the Chartered Institute of Management Accountants (FCMA), UK, a Fellow of the Chartered Association of Certified Accountants (FCCA), Scotland, a Fellow Member of the Society of Certified Management Accountants (FSCMA), Sri Lanka and a Fellow of the Zambia Institute of Certified Accountants (FZICA), Zambia. Mr. Peiris is now, a Coach/Mentor to many C-Suite Executives since his formal retirement from JKH. He consults on strategic issues at many prominent organisations. He has been, and is a presenter of Papers on various topics at Workshops, Seminars and other forum and authored "Tough Journey Great Destination" – a behavioural guide for Professionals and Leaders.

3 MR. SHANTANU NAGPAL
Non-Independent Non-Executive Director

Mr. Nagpal is a Co-Founder of Bluestone. Mr Nagpal worked in asset management and equity research for 20 years, in Hong Kong and London before he moved to Sri Lanka. He has worked as portfolio manager for UBS Asset Management, Ellerston Asset Management and Brevan Howard Asset Management. He holds a Bachelor's degree in Philosophy, Politics and Economics from Oxford University where he was a Chevening Scholar, and an MBA with Distinction from INSEAD where he was a Misys Scholar. Mr. Nagpal started his career at the Tata Administrative Service, where he worked with several CEOs of various Tata Group companies on strategic projects. Mr. Nagpal started working in UBS Hong Kong in 1995 in the equity research department and was responsible for three sectors where he covered the automobile, metal and shipping sectors in the region.

Mr. Nagpal's move to asset management that took place in London, where he moved to UBS Asset Management, O'Connor and was subsequently posted to Hong Kong where, as Portfolio Manager, he covered Japan, China, Hong Kong, India and the sub-continent. In 2011, Mr. Nagpal moved to Sri Lanka with his family and joined the Expolanka Group, specifically to restructure their holdings and find an exit for the largest shareholders, which after a 2 year restructure, culminated in a strategic sale of the Company to Sagawa, Japan. He is a Board member of Expolanka Freight Global.

4 MR. AHAMED SABRY IBRAHIM
Independent Non-Executive Director
(w.e.f. 14th June 2021)

Mr. Ahamed Sabry Ibrahim was appointed as a Director at Fintrex Finance Ltd with effect from 14th June 2021. Prior to appointment of Director at Fintrex he was Chief Executive Officer/General Manager at Peoples Leasing and Finance PLC. Mr. Ibrahim has over 37 years of banking experience, primarily in the areas of corporate banking, treasury management and risk management and has held very senior positions both locally and internationally including Senior Deputy General Manager, Wholesale Banking (October 2014 to September 2016) and

Board of Directors

Senior Deputy General Manager, Risk Management (August 2007 to October 2014) of People's Bank, Deputy General Manager, Head of Treasury, Head of Corporate Banking and Recoveries, Chief Risk Officer and Chief Credit Officer of Hatton National Bank PLC (2004 to July 2007) and Head of Credit and GSAM, Standard Chartered Bank (2002 to 2004). Mr. Ibrahim is also a Director of Union Bank of Colombo and Regal Images International Ltd. He has also been a Director of HNB Securities Ltd. (2005 to 2007) and People's Merchant Bank PLC (2009 to 2011). In addition, he held the positions of Director of People's Insurance PLC, People's Micro-commerce Ltd., People's Leasing Fleet Management Limited, People's Leasing Property Development Limited and People's Leasing Havelock Properties Limited, and Lankan Alliance Finance Limited. He holds an Honours Degree (B.Sc) from the University of Colombo and is a Fellow of the Chartered Institute of Bankers – UK (FCIB).

5 MR. SHRIHAN B. PERERA

Independent Non-Executive Director
(w.e.f 17th July 2021)

Mr. Perera holds B.Sc. Mechanical Engineering (Honors) degree from University of Moratuwa and also Fellow Member of the Chartered Institute of Management Accountants/CGMA, UK. Mr. Perera was named CEO of Teejay Group in May 2018. With a decade of experience in the apparel industry, Mr. Shrihan started his career as a Management trainee at Dankotuwa Porcelain. He has served in Al Mulla Group in Kuwait followed by 13 years tenure at Unilever Sri Lanka, before joining Brandix Apparel Solutions as CEO of its Intimate Apparel Division in 2010. At present, he is an Independent Director of Teejay Lanka Prints Pvt Limited, Teejay India Pvt Limited. Mr. Perera has counted many years of experience as CEO and senior management level in diverse sectors encompassing Apparel, Fast Moving Consumer Goods, Porcelain and Service Industry in the corporate sector.

6 MR. NILAM JAYASINGHE

Independent Non-Executive Director
(w.e.f. 01.10.2021)

Mr. Nilam Jayasinghe was appointed as a Director of Fintrex Finance Ltd with effect from 01st October 2021. He is presently an Independent Consultant and was Group Director Finance of the CBL Group (Ceylon Biscuits) and an Executive Director of CBL Investments Limited the Holding Company and certain subsidiaries from 2012 until his retirement in July 2021. Prior to joining CBL, he was Vice President, NDB Bank for sixteen years and also served on the Boards of subsidiary companies of the NDB Group. He was the Group Treasurer of the Aitken Spence Group and a Director of Aitken Spence Corporate Finance Ltd and was responsible in introducing the Corporate Treasury concept in Sri Lanka and certain financial instruments including derivatives. Prior to this, he was Finance and Commercial Manager of Lanka Tiles PLC, when the company was originally set up in 1984. He is an alumnus of KPMG. Mr Jayasinghe is a Fellow of the Chartered Institute of Management Accountants UK, a Past President of CIMA Sri Lanka Division and served on the Global Board of CIMA UK and was the Vice Chair of the Global Markets Committee. He was a past Chairman of the Industrial Association of Sri Lanka affiliated to the Ceylon Chamber of Commerce and has served on the Main Committee of the Ceylon Chamber of Commerce, the Company Law Reforms Commission, and on the Board of the Sri Lanka Accounting and Auditing Standards Monitoring Board. In 2019, he also served as an Independent Director, Bank of Ceylon and chaired its Audit Committee.

Mr Jayasinghe possesses over 35 years of experience in the areas of General Management, Finance & Planning, Corporate Finance, Banking, Treasury, Risk, Audit and Compliance in excess of 35 years.

7 MR. K. SIVASKANTHARAJAH

Independent Non-Executive Director
(w.e.f. 01.10.2021)

K. Sivaskantharajah, is an Attorney-at-Law, Solicitor, (England and Wales) having been admitted to the Bar in October 1981 and has over 40 years of professional experience and is well versed in the field of litigation, commercial law, conveyancing and company secretarial practice. He held the position of Head of Legal (Litigation) at a conglomerate Company from 1993 to 2017, and also served as a Senior Legal position at a leading Finance Company for over 9 years.

Corporate Management

MR. JAYATHILAKE BANDARA
General Manager/ Chief Executive Officer

MR. SAJEEWA SAPUKOTANA
Chief Operating Officer

MR. DESHANTHA DE ALWIS
Chief Financial Officer

MR. NISHANTHA HETTIARACHCHI
Chief Information Officer

MR. SAMANTHA WERAGODA
Head of Portfolio Management and Business Development

MR. SANJEEWA BUWANAKABAHU
Head of Human Resources & Administration

MR. HIRANTHA PERERA
Head of Legal

MR. NIMAL LUXSHMAN
Chief Internal Auditor

Corporate Management

1 MR. JAYATHILAKE BANDARA

General Manager/ Chief Executive Officer

Mr Jayathilake Bandara is one of the most respected professionals in the Banking and Finance industry. He possesses over 35 years' worth of extensive experience in SME Banking, Corporate/Wholesale Banking, Factoring, Leasing and Hire Purchase and other areas of banking. He commenced his banking career at Seylan Bank PLC in 1989. He later joine Emirates Bank International PJSC, Dubai, UAE in 1998, as Officer Credit Administration. Working his way up the legendary ladder in his banking career, he joined Nations Trust Bank (NTB) as the Branch Manager – Kurunegala and progressed his way to the position of Deputy General Manager - SME Banking. At the time of leaving NTB he was designated as Senior Executive Vice President Commercial Banking, Member of the Corporate Management and several other management and Board committees.

He is a results-oriented professional with a strong analytical capability to understand business drivers and implement appropriate business and marketing strategies to create unparalleled value delivery to ensure sustainable stakeholder value. Mr. Bandara's valued contribution is considered noteworthy in the progressive journey of Nations Trust Bank. Mr Bandara holds an MBA from American City University, Wyoming, USA. He is a diploma holder in Financial Management from Wigan and Leigh College, UK and holds Banking qualifications from Institute of Bankers of Sri Lanka. A strong believer of Training and Development he was exposed to some of the renowned leadership and strategic management training programs both locally and internationally.

2 MR. SAJEEWA SAPUKOTANA

Chief Operating Officer

Mr. Sajeewa Sapukotana counts over 26 years of hands-on experience in the finance industry. His professional experience covers senior positions served in The Finance PLC, Commercial Credit and Finance PLC, and Vallibel Finance PLC. He has a varied experience and he has contributed to projects such as real estate, property development, micro finance, consumer durables, term loans, mainly concentrating on fixed deposits, hire purchase and leasing, etc.

Mr. Sapukotana holds an MBA from the University of Cardiff Metropolitan, UK. He obtained a Diploma in Marketing from the Sri Lanka Institute of Marketing. He is an Associate Member of the Chartered Institute of Marketing (CIM) and a Certified Member of Sri Lanka Institute of Marketing (CMSLIM). His passion to inspire, ignite and lead teams through innovation and creativity has resulted in valued contributions across his progressive career. He was instrumental in leading the business development team to work towards placing the Vallibel brand in the industry. He was responsible for leading the team towards a high performance-driven culture, strategic and business planning, corporate governance and compliance, market evaluation and commercializing of business units, development and marketing of products to gain increased market share, credit and risk management and developing people etc.

3 MR. DESHANTHA DE ALWIS

Chief Financial Officer

Mr. Deshantha de Alwis counts over twenty eight years of experience in the finance service sector and out of twenty seven years, thirteen years in Corporate Management.

He has specialized experience in the field of Strategic Planning, Financial Management, MIS, Treasury Management, IFRS Implementation and Process Development. Further, he has gained hands-on experience in the field of Merchant Banking, Human Resources, Recoveries, Compliance and Administration and provided leadership and mentoring for successful implementation of core banking systems.

Mr. Deshantha has held in key managerial positions of Deputy Financial Controller in Alliance Finance, General Manager – Finance and Administration in Mercantile Merchant Bank and Deputy General Manager –Finance and Planning in Sarvodaya Development Finance before joining the Company. He has also served as Acting CEO twice and Acting Compliance Officer and Acting Head of Human Resources twice during his tenure in Sarvodaya Development Finance where he gained a thorough experience at the strategic level of operation in relation to all key functions and business activities of finance industry. He has also worked as a freelance consultant for financial services sector for a shorter period. These multi-disciplined and diverse exposures, he gained during his professional career assisted him to become a high-quality professional in the field of finance and planning.

He is a Fellow member of the Association of Chartered Certified Accountants (FCCA), Institute of the Management Accountants of Sri Lanka (FCMA) and the Cambridge Association of Managers (FCAM).

4 MR. NISHANTHA HETTIARACHCHI

Chief Information Officer

Mr. Hettiarachchi joined the Fintrex in 2018. He counts over 23 years of experience in the Information Technology field, with 19 years in banking sector and 4 years in non-banking financial sector. His tenure includes 12 years in Corporate Management which 9 years in Banking sector and 4 years in non-banking financial sector. Prior to joining Fintrex he was attached to National Development Bank as Assistant Vice President (AVP) of Information Technology department.

He has a vast experience in Managing IT environment by being a Team Leader, Project Manager, Programme Manager for many end-to-end IT projects. He is an expert in the Core Banking Transformation for successful implementation and has provided leadership to several core banking implementation projects. In addition, he has work experience in a multi-national environment serving for an overseas bank in Nigeria as a core banking implementation consultant. He has given the leadership to digital transformation of the business environment by reengineering business process, implementing efficient software solutions, data driven business models and required policy and procedures.

Mr. Hettiarachchi possesses an MSc in IT from the University of Colombo, BSc (Hons) in Industrial Management from the University of Kelaniya and a Diploma in Business Administration from ICFAI University in India. He is a member of the British Computer Society (BCS).

5 MR. SAMANTHA WERAGODA
Head of Portfolio Management and Business Development

Mr. Samantha Weragoda holds a Bachelor of Science (General) degree from the University of Peradeneiya and has been certified as a Lean Black Belt Practitioner by APEX Institute of Management Services. Currently, he is reading for an MBA at the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura.

He commenced his career as a Management Trainee in 2004 in Central Finance. He has held various positions at Central Finance Company PLC and functioned as a Senior Manager (Credit) prior to joining with Fintrex Finance. He has been a valued contributor in strategic teams that he represented in developing and streamlining business processes to elevate the quality of service and level of efficiency.

He counts over 17 years of a diverse experience in the financial sector. He is regarded as a highly effective communicator and team leader with proven ability to build long-term relationships with internal and external customers by establishing a high level of confidence and trust.

6 MR. SANJEEWA BUWANAKABAHU
Head of Human Resources & Administration

Mr. Sanjeewa Buwanakabahu counts over 16 years of hands-on experience in banking and finance, manufacturing, and services sector industries. He possesses experience during his career as a strategic HR Business Partner to the business served for People's Bank, Modern Pack Lanka (Pvt) Ltd, CBL Foods International (Pvt) Ltd, Siyapatha Finance PLC, and Renuka Group of Companies while contributing for planning and execution of projects to ensure availability of right talents, creating a working environment where people feel happy and safe targeting a performance-driven culture with a highly engaged and productive workforce.

Mr. Buwanakabahu holds an MBA from the University of Colombo and recognized as the Human Resources Management - Gold Medalist. He obtained the BSc. Business Administration (Sp) degree from the University of Sri Jayewardenepura. Further, he is a TPM/ Kaizen, and Lean Practitioner, Advanced 5S Lead Auditor/ Instructor, OHSAHS 18001/ Health & Safety Lead Auditor from IRCA/UK, and a certified Corporate Trainer. With a passion for Training and Development, Continuous Improvement, and several other disciplines in HR/ General Management, he has been contributing as a visiting lecturer/trainer at the University of Sri Jayewardenepura, University of Kelaniya, and Vocational Training Authority Sri Lanka.

7 MR. HIRANTHA PERERA
Head of Legal

Mr. Hirantha Perera has over 24 years of experience in the fields of banking, finance, insurance and compliance, of which fourteen years have been in the legal arena. He is an expert in civil and criminal litigation and he was in charge of the LOLC Litigation department which is regarded as one of the largest litigation departments in the banking and finance industry. He commenced his legal career as a Legal Executive at Ceylinco Insurance PLC and joined Nations Trust Bank as Assistant Manager-Legal where he was groomed to become a professional corporate Lawyer. Then he joined Pan Asia Bank PLC as Manager Legal and Recoveries. Prior to joining Fintrex he served for nine years as the Chief Manager- Legal and Head of Litigation LOLC Holdings PLC involved in developing strategic recoveries. He was in the management boards of Commercial Leasing and Finance PLC, LOLC Development Finance Ltd, LOLC General Insurance Ltd, and LOLC Life Assurance Ltd, and further he has been the Compliance Officer for both LOLC Insurance Companies.

Corporate Management

Mr. Hirantha has completed his Bachelor of Laws' degree at the Open University of Sri Lanka and has obtained his Master of Laws' degree from the University of Colombo. He is an Attorney-at-Law and completed his 'Masters of Business Administration' degree from the University of Wolverhampton – UK. Further he is a qualified Banker and a diploma holder from the Frankfurt School of Finance and Management- Germany on Strategic Leadership.

8 MR. NIMAL LUXSHMAN
Chief Internal Auditor

Mr Nimal Luxshman counts over 47 years of experience in the banking and finance industry in Sri Lanka. He began his banking career at Commercial Bank of Ceylon PLC, a reputed Banking institution in Sri Lanka and served that institution for a total period of over 40 years. As a member of the Senior Management of the Bank, he successfully managed the Bank's Travel and NRFC and Off Shore Banking Units and subsequently served as the Chief Manager – Human Resources as well as a Regional Manager. Upon being elevated to the Corporate Management team of the Bank, he performed the role of Deputy General Manager (Personal Banking), where the division consisted of over 200 branches. Prior to retirement from the services, he also functioned as the Deputy General Manager (Management Audit) of the Bank, providing overall leadership to a team of officers who conducted audit assignments of Branches and Departments both in Sri Lanka and overseas. During his tenure of employment in the Bank, he participated in several overseas training programs in Human Resources, General Management, Risk Based Internal Auditing as well as Corporate Management.

After retirement from the Bank Mr Luxshman rendered his extensive overall experience in the Banking industry for the benefit of two finance Companies, namely, Siyapatha Finance PLC and Richard Pieris Finance Limited. At both these institutions, he played the role of Head of Internal Audit and completed a total period of over 5 years.

Mr. Luxshman has successfully completed the Diploma in Bank Management from the Institute of Bankers Sri Lanka and hold a Bachelor's Degree in Social Sciences as well as the Commonwealth Executive Master of Business Administration from the Open University of Sri Lanka.

Senior Management

Mr. Kamal Kumarasinghe
Chief Manager – Recoveries

Mr. Prabath Pathiranage
Senior Manager - Recoveries

Ms .Dulmani Jayasekara
Risk and Compliance Officer

Mr. Senarath Bandara
Senior Regional Manager

Mr. Salika Wijesekara
Senior Manager - Business Development (Leasing Credit)

Mr. Udana Weerasinghe
Senior Manager - Credit and Risk Management

Mr. Aruna Fernando
Senior Relationship Manager - Recoveries

Mr. Nuwan Fernando
Head of Deposits

Mr. Weranga Jayasekara
Senior Manager - Operations

Mr. Upul Ranjan
Senior Manager - Gold Loan Operations

Mr. Ruchika Colombage
Senior Manager - Portfolio Management

Mr. Charitha Vithana
Senior Manager - Finance

Mr. Yenuka Geemal
Senior Manager - Treasury

Branch Managers

Mr. Amila Sandaruwan
Kiribathgoda Branch

Mr. Rasanga Ranawaka Arachchi
Kalutara Branch

Mr. Kalpa Amarasinghe
City Branch

Mr. Amitha Bandara
Kulliyapitiya Branch

Mr. Dilak Wanigathunga
Matara Branch

Mr. Sameera Indrajith
Kurunegala Branch

Mr. Isuru Chandana
Negombo Branch

Mr. Nissanka Amunugama
Kandy Branch

Mr. Danesh Ransara
Gampaha Branch

Mr. Sagara Kumara
Dambulla Branch

Mr. Roshan Maduwantha
Galle Branch

Mr. Gihan Dabare
Malabe Branch

Mr. Himal Gunasekara
Maharagama Branch

Mr. Ranga Gunasekara
Pettah Branch

Mr. Sanjaya Lakmal
Kegalle Branch

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

GLOBAL ECONOMIC ENVIRONMENT

The global economy is on the path to recovery in 2022 from the COVID-19 pandemic though this was disrupted by the Russia-Ukraine war that brought on significant pressure on the economy and the financial markets besides the large-scale humanitarian crisis. As stated by the World Economic Outlook (WEO) of the International Monetary Fund (IMF) released in April 2022, global economic growth is estimated at 6.1% in 2021, compared to a contraction of 3.1% in 2020. Although both the advanced economies and developing economies showed growth during the period under review, it is anticipated to slow down in 2022 mainly due to the spillover effects of the Russia-Ukraine war and the associated sanctions imposed on Russia.

The war between Russia and Ukraine impacted the global economy on many fronts. One is the supply chain disruptions across the world and the inflationary pressure that led to tighter monetary policies in many countries. Prices of energy and food commodities were on a rising trend throughout 2021 and this surge in commodity prices including energy and other commodities such as wheat, corn, metals, and inputs for fertilisers had a notable impact on growth. The countries that carry direct trade with Russia and Ukraine, those that depend on tourist earnings as well as the countries that rely on these two countries for agricultural imports such as fertilizer and grain also had to face the negative implications of the conflict.

The easing of fiscal policy support for the countries affected by the pandemic remained another hindrance to global growth as well as the rising inflation that led to tighter monetary policies by Central Banks leading to financial market volatility. In this milieu, global economic growth rates are projected to remain at 3.3% and 3.8% in 2022 for advanced economies and emerging market and developing economies, respectively while the growth projection for 2023 is revised downwards.

The Chinese economy continues to dominate the economic outlook of Asia. Therefore, the continued large-scale lockdowns due to the COVID-19 pandemic that slowed down the economy had wider implications on the Asian economy. Some of the dominating issues in Asia continue to be the increasing food and energy prices, tighter global financial conditions and the decrease in tourism earnings which will impact the growth of oil-importing countries and gain for oil-exporting countries from high fossil fuel prices.

For low-income economies, the recovery is impacted by the resurgence of the pandemic and unequal access to vaccinations. Given the vaccination shortfalls in low-income countries, the possibility of renewed outbreaks may have serious consequences. With increased public debts and rising interest rates around the world due to the pandemic, there will also be tightening global financial conditions.

The climate emergency continues to be a factor that will impact global growth as the climate change persists to worsen despite the initiatives toward green transition.

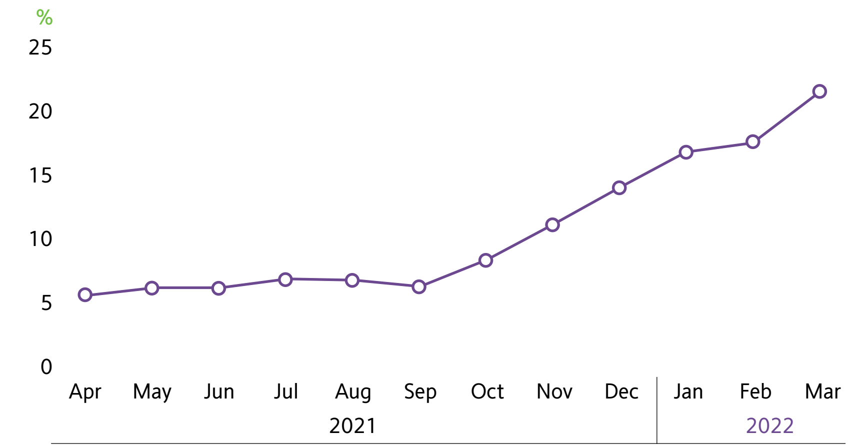
All these risks can have a cascading effect on the longer term outlook.

LOCAL ECONOMIC ENVIRONMENT

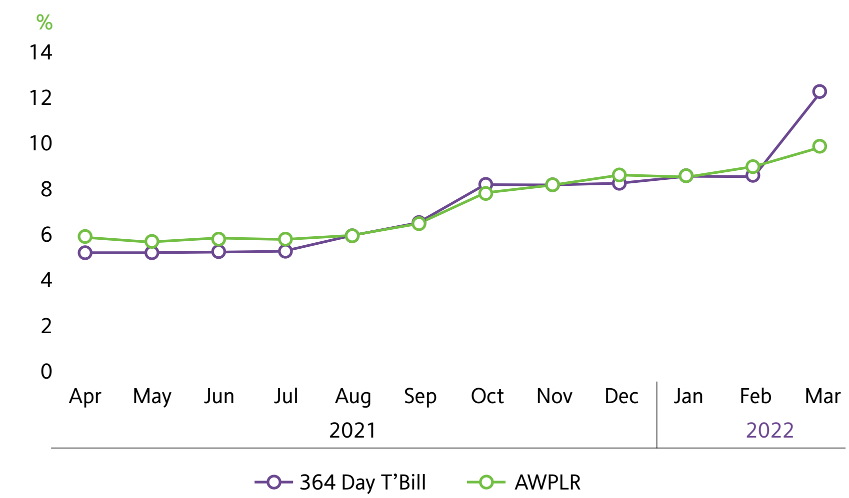
Sri Lankan economy also demonstrated signs of recovery in the initial phase of the financial year though this growth momentum was disrupted by heightened COVID-19 pandemic in the latter part of the year. The several key economic sectors that witnessed growth slowed down pushing the already weakened economy into a plunge. Along with the pandemic related consequences on the economy, there were emerging signs of escalating economic crisis towards the end of 2021 with acute debt sustainability issues, driven by widening trade deficit, the subdued performance of tourism and low worker's remittances, rising inflation, and rapid depreciation of the LKR against the US Dollar. The Country's foreign reserves dropped to distressing levels towards the end of the financial year creating socio-political tension in the early phase of 2022. Sri Lanka was also hit by the oil price surge in the wake of Russia's war in Ukraine.

The economy that was vulnerable owing to the pandemic lacked the strength to withstand the renewed pressure from both the economic and the social front. The inability of policy and fiscal measures to bring out the anticipated outcomes heightened the macroeconomic instability during the financial year creating an acute economic and energy crisis driven by the shortage of foreign exchange. Sri Lanka's forex crisis aggravated to a point where the government was unable to pay for the essential goods and raw materials leading to a shortage in fuel, gas, essential food and medicine. A sudden rise in prices of key commodities and fuel shortage forced tens of thousands of people to queue for hours outside fuel filling stations. The impact of fuel shortage on the power and energy sector created power shortages in February 2022 with the imposition of long hours of daily power cuts. The rising inflation brought immense pressure on people's disposable income leading to sparking protests from citizens.

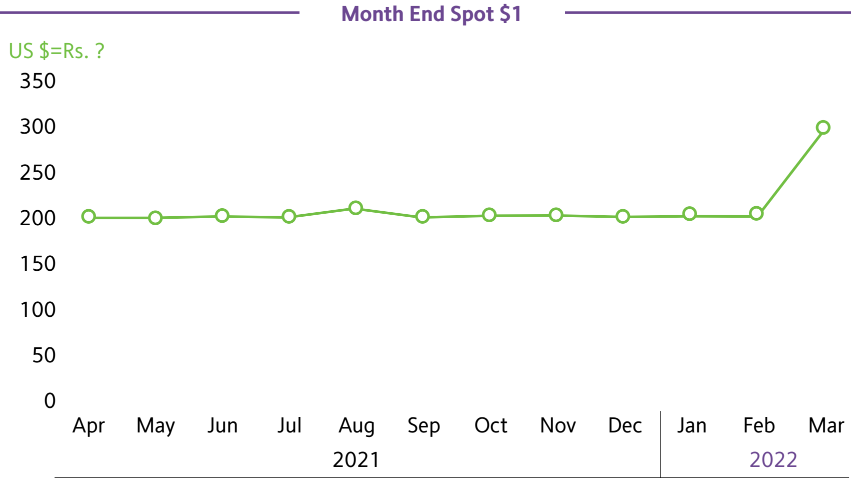
NCPI Headline Inflation



364 Day T'Bill vs AWPLR



Month End Spot $1



INFLATION

Sri Lanka's nationwide inflation continued to be on an increasing trend throughout the financial year with the National Consumer Price Index (NCPI) surging to 21.5% in March from 17.5% reported in February 2022 according to the Department of Census and Statistics.

Consequently, the food inflation also increased from 24.7% in February to 29.5% in March while the moving average inflation for March 2022 stood at 10.6% from 9.3% during the previous month. Food prices rose to 29.5% in the past 12 months hitting the prices of most essential items.

INTEREST RATES

CBSL continue to raise the interest rates amidst growing inflationary pressures urging the government to consider measures including curbing non-essential imports and raising fuel prices to reduce pressure on the ailing economy. Government reserves have plunged to 70% since 2020, dwindling to $2.36 billion at the end of January 2022. The island has debt repayments of approximately $4 billion in the remainder of this year.

EXCHANGE RATE

On 8th March 2022, Sri Lanka's Central Bank devalued the rupee by up to 15%, taking one of several steps needed to obtain an International Monetary Fund loan programme that would boost currency reserves and help negotiate debt restructuring. Following this, the Central Bank of Sri Lanka set an exchange rate limit of 230 rupees per dollar compared to a limit of 200-203 that had prevailed since October.

Operating Environment

NBFI SECTOR PERFORMANCE

Amidst the adverse impacts of COVID-19 and macroeconomic instability, the NBFI sector recorded a higher performance in terms of earning, growth, and quality aspects. Despite certain institutions confronting obstacles to meeting the regulatory requirements at an individual level, the sector showed stability with healthy capital and liquidity levels above the minimum regulatory requirements.

However, as an industry that largely depends on vehicle leasing, the prevailing ban on vehicle imports was a challenge for the industry. This has caused rising demand for second-hand vehicles, inflating vehicle prices by approximately 50% depending on vehicle type. The higher prices have supported loan recoveries from repossession in the near term but may expose licence finance companies to unexpected sharp price corrections. Higher second-hand vehicle prices due to limited new vehicle supplies have reduced affordability and will most likely weaken future demand for vehicle financing.

The total outstanding market liquidity was a deficit of Rs. 718.628 billion by the end of March 2022. Most Banks have already halted lending where funding sources available to NBFIs are limited.

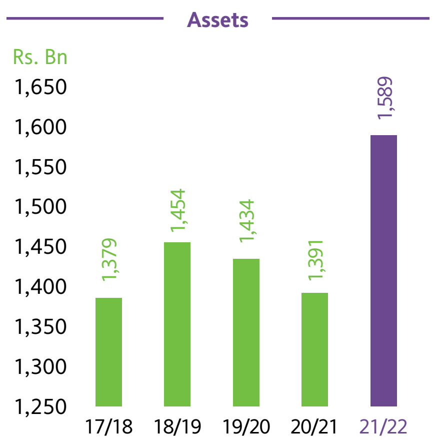
Due to the higher inflation prevailing in the country, peoples' disposable income was reduced drastically impacting their ability to repay their debt obligations. Further, the increasing trend in interest rates would also reduce the demand for loans negatively impacting the interest margins.

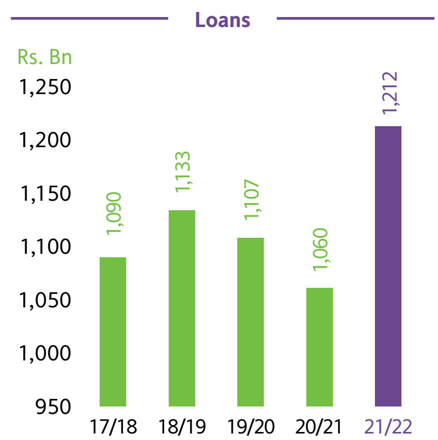
There will also be competition from government securities as the interest rates of government securities seems to be more attractive compared to deposit rates and hence there is a tendency for some depositors to pull out deposits from the NBFI sector and invest in government securities.

Considering the prevailing situation in the country, collecting loan repayments will become a significant challenge due to the limitations in terms of transportation due to unavailability of fuel and the reduction in customers' ability to repay as a result of prevailing higher inflation.

ASSETS

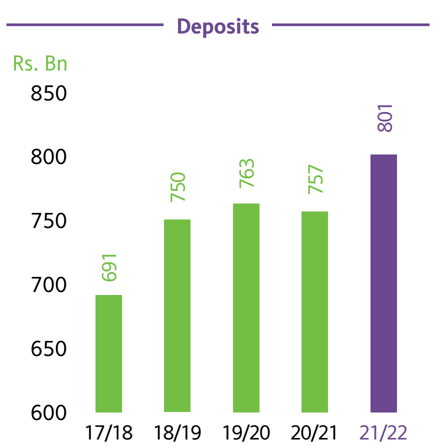
Assets of the sector contracted, exhibiting a positive growth rate of 14.28% (Rs. 198 billion) during the financial year ended 31st March 2022 reaching Rs. 1,589 billion compared to the negative growth of 0.3% reported in the previous financial year. Loans and advances accounted for 76.3% of the total assets of the sector. Finance leases accounted for the highest share of loans and advances, representing 50.75%, followed by the secured loans and advances (42.81%). Lending of the sector decelerated considerably during the year as business activities continued to impede amidst the COVID-19 lockdowns and restriction of vehicle imports.

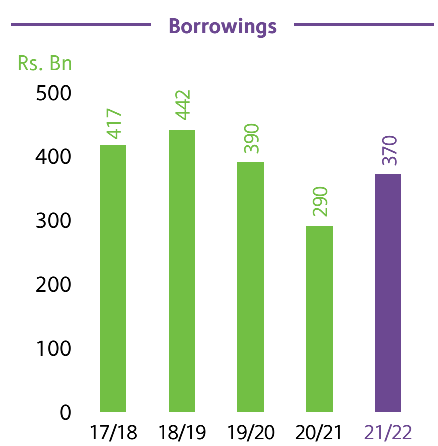


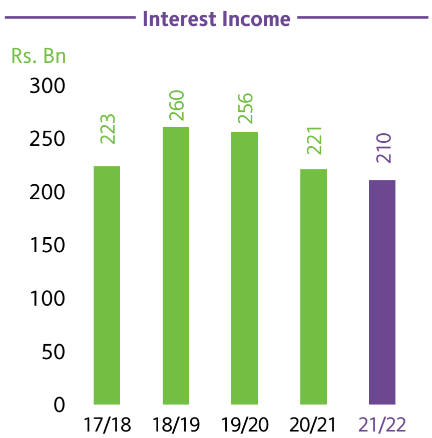


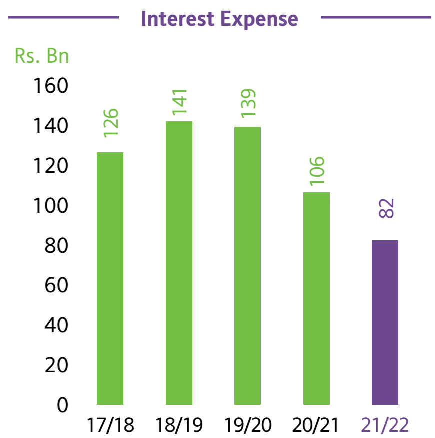
LIABILITIES

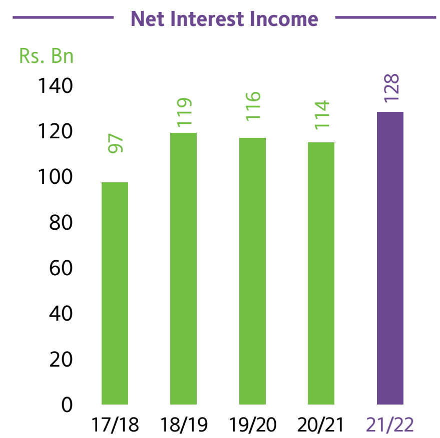
Customer deposits which accounted for 63.82% dominated the liabilities of the NBFI sector. The deposits contracted by 5.88% (Rs. 44 billion) to reach Rs.801.67 billion while borrowings recorded a sharp growth of 27.21% (Rs. 80 billion) reaching Rs. 370.82 billion during the year.











PROFITABILITY

Although the interest income and interest expenses declined respectively by 4.91% (Rs. 10.86 billion) and 22.72% (Rs. 24.12 billion), Net interest income of the sector during the year was Rs. 128.50 billion, a growth of 11.54% (Rs. 13.26 billion) in the financial year ended by 31st March 2022 compared to previous financial year. Net interest margin of the sector (net interest income as a percentage of average assets) declined to 8.16% in 2021/22 from 7.59% in 2020/21.

FINTREX FINANCE OUTPERFORMS THE NBFI SECTOR

Indicator	Ratio	Fintrex (%)		NBFI Sector (%)
Capital Adequacy	Core Capital to Risk Weighted Assets	23.63	↑	16.15
	Capital Base to Risk Weighted Assets	23.51	↑	17.68
Asset Quality	Gross Non Performing Advances to Total Advances	6.50	↑	9.11
	Net Non Performing Advances to Total Advances	0.29	↑	1.90
	Total Net Advances to Total Assets	89.44	↑	76.29
	Provision Coverage Ratio	95.50	↑	69.36
Profitability	Net Interest Margin	12.58	↑	8.16
Liquidity	Regulatory Liquid Assets to Total Assets	7.35	↓	9.81
	Regulatory Liquid Assets to Deposits & Borrowings	10.38	↓	14.11
Growth	Asset Growth (YoY)	41.07	↑	14.28
	Loan Book Growth (YoY)	34.37	↑	14.32
	Deposit Growth (YoY)	308.07	↑	5.81

Stakeholder Engagement

Engaging with our stakeholders is an important aspect of ensuring sustainable value creation and the long-term growth of the Company. By fostering proactive engagement of all our stakeholders to obtain their invaluable opinions and insights, we have been able to develop robust strategy towards positive change.

At Fintrex Finance Limited, we have recognized customers, employees, regulators, and the community as our key stakeholders who impacts the Company's operations determining our growth and profitability. Hence, we remain committed to creating maximum value for all our stakeholders in ensuring sustainable progress of the Company.

Stakeholder	Purpose of Engagemnt	Mode of Engagemnt	Frequency of Engagement
Customers	➤ To Provide a superior service ➤ To create product awareness To obtain customer feedback Maintain good relations"	➤ One on one interaction ➤ Through marketing campaigns, social media platforms, corporate websites ➤ Customer Relationship Management	➤ As needed ➤ Continuous and ongoing ➤ Continuous and ongoing"
Employees	➤ To provide training and development ➤ To improve awareness on issues ➤ To seek opinions/suggestions ➤ To aprreciate higher performance of employees	➤ Training activities/ Perfromance Appraisals ➤ Intranet/ staff meetings ➤ Employee engagement initiatives/ Staff Events ➤ CEO's club monthly rewards	➤ As needed ➤ Continuous and ongoing ➤ Annually
Regulators	➤ Regulatory Compliance ➤ Upholding Labour Standards ➤ Upholding Human Rights	➤ Regulatory Submissions including periodic returns ➤ Directives and Circulars ➤ Annual Report	➤ As needed ➤ Continuous and ongoing ➤ Annually
Community	➤ To strengthen relationships with communities ➤ Groom Young Business Leaders	➤ CSR activities to uplift communities ➤ Provide Career opportunities including Internships	➤ As an when required ➤ Continuous and ongoing
Investors and Shareholders	➤ To report financial performance ➤ To maintian adequate level of liquidity ➤ To ensure sustainable growth	➤ Annual Report and AGM ➤ Establish new funding lines ➤ Investor Presentations	➤ Annually ➤ As needed ➤ Monthly & as needed

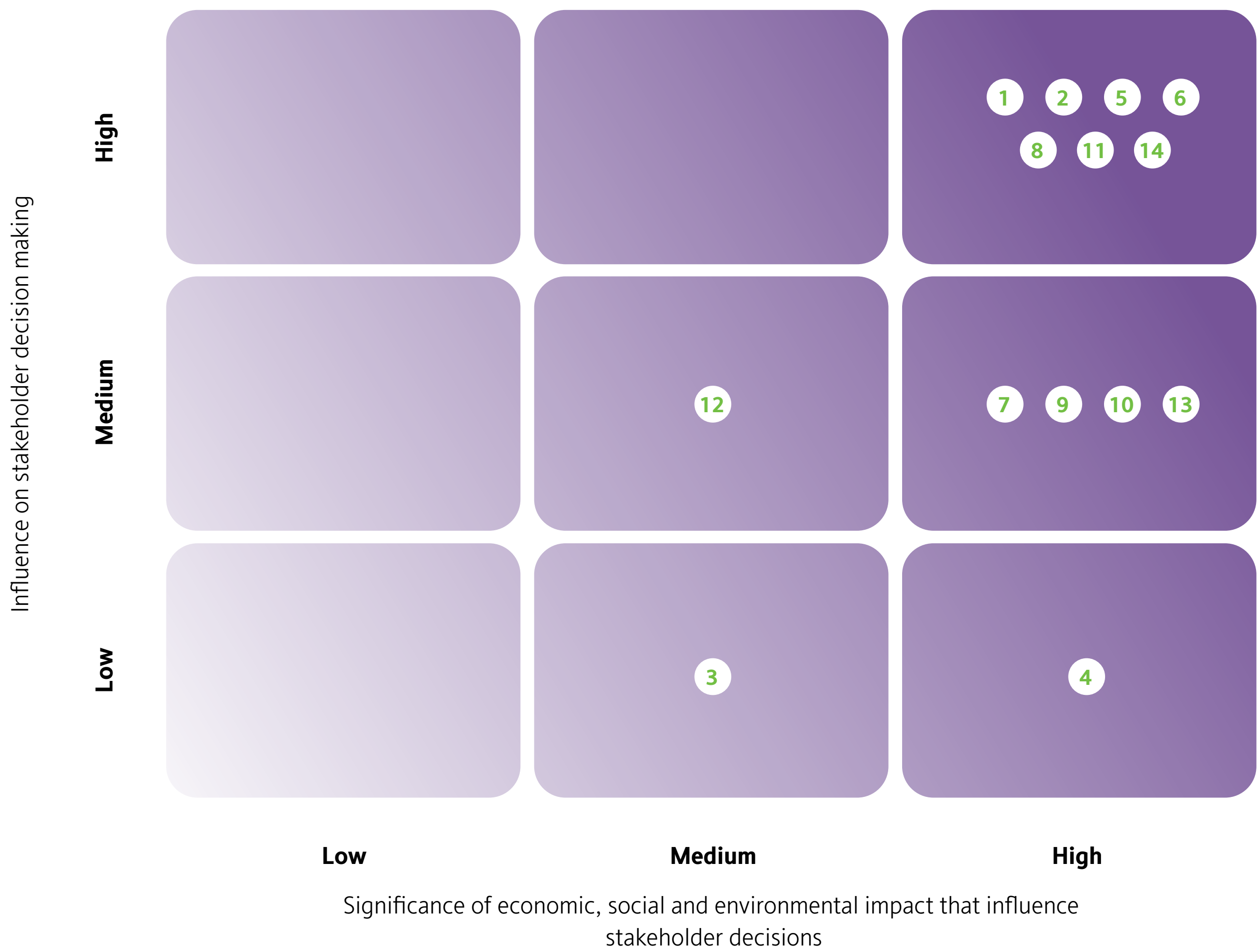
Materiality

Materiality, a concept derived from the GRI (Global Reporting Initiative) standards, refers to the Company's economic, environmental, and societal impacts (internal or external) that may influence the stakeholder decision making. Therefore, in creating economic, social, and environmental values, Fintrex Finance Limited engage with stakeholders in a variety of ways.

MATERIAL ASPECTS RELEVANT TO FINTREX FINANCE LIMITED

Aspect/Material topic	Material matters of concern to Fintrex	Level of Importance	
		To Company	To Stakeholders
ECONOMIC			
Economic Performance	Ensuring financial performance/revenue generation under current market conditions, cost management	H	H
Market Presence	Continued expansion for better reach and increase market share, employees hired from local community and compensated industry par remuneration	H	H
Indirect Economic Impacts	Infrustucture Investments	M	L
Anti Corruption	Risk assessment of operations and related awaressness training and communication, Compliance with CG best practices & internal controls	H	L
ENVIRONMENTAL			
Energy	Reduction of enerey consumption within the organisation	H	H
Water	Efficient water usage	H	H
SOCIAL			
Employment	Effective recruitment and retention strategy, provide benefits for full time employees	H	M
Occupational Health and Safety	Ensuring safe and healthy work environment through educating employees on health and safety, Compliance to safety measures	H	H
Training and Education	Conducting regular training and development programs to develop employee capacities	H	M
Diversity and Equal Opportunity	Maintaining diversity in governance bodies and workforce, ensuring equal basic salary and renumeration to both men and women	H	M
Non-discrimination	Non discrimination of all stakeholders	H	H
Local Communities	Uplift the local communities through CSR initiatives based on community needs and maintain better relations	M	M
Marketing and Labeling	Fair and responsible Marketing Communication Campaigns	H	M
Customer Privacy	Protection of Customer Data Privacy	H	H

Materiality



CAPITAL MANAGEMENT REPORTS

Financial Capital

Financial Capital refers to the Company's monetary resources available to build wealth for the stakeholders and the business

VALUE CREATION ACTIVITIES IN 2021/2022

- Sustain portfolio quality and growth
- Streamlining and strengthening recoveries
- Market sensitive credit
- Forward looking liquidity management
- KPI based performance evaluation

OVERVIEW

The first half of the financial year was a challenging period for the Company due to prolonged COVID-19 pandemic weakening the macroeconomic environment with most businesses found struggling to emerge out of the stresses while setting into new normal. During this period, the Company maintained its business activities by adopting the work-from-home model and sustaining limited operations at Head Office and branch levels. This was a period of consolidation in terms of operations concentrating mainly on maintaining portfolio quality through regular recoveries and continues monitoring.

The second half of the financial year brought about the much-anticipated normalcy for the businesses to function providing prospects to substantially grow our business in terms of volumes, portfolio growth and quality. The economy started in a fresh direction with new opportunities for business regeneration that provided us space for progress. Towards the latter part of the financial year, the loan disbursement that was largely concentrated on vehicle loans, namely 'Smart Draft', significantly contributed to the growth of the business. Our SME-focused 'Revolving Loans' and 'Term Loans' also grew alongside the 'Smart Draft' facility. Similarly, the leasing facilities which were mainly concentrated on four-wheelers contributed to the growing volume during the financial year enabling us to achieve the anticipated business volumes with an increase in the loan portfolio.

By the end of the financial year, we were able to maintain healthy liquidity levels embarking on providing financial facilities at an aggressive rate sustaining a remarkable growth in the bottom line. The considerable growth in our portfolio contributed to the overall increase in income while the meticulous recovery process aided in reducing the Non-Performing Loan (NPL) portfolio generating additional income on overdue and early termination.

REVENUE GROWTH

Fintrex's gross revenue grew to Rs.2.11 billion from Rs.1.63 billion in the previous financial year. The 29.6% growth in gross revenue is a noteworthy achievement given the severe economic meltdown created by the COVID 19 pandemic making the sustainability of most businesses uncertain. The principal contributor to the growth of revenue was interest income, which grew by 26.2% to Rs.1.96 billion from Rs.1.55 billion reported in 2021.

Despite the gross leasing portfolio grew by Rs.1.2 billion, the interest income on this portfolio contracted by Rs.93.1 million due to reprising and new lending at very competitive rates compared to the previous financial year. Hence, the biggest contributor to the growth in interest income was vehicle loans which grew by 281.7% or Rs.238.5 million to Rs.323 million due to the contribution made by the new product category, 'Smart Draft'. Similarly, the Company witnessed an increased demand for SME loans in the second half of the financial year which resulted in Interest income growth from secured loans by Rs.93.9 million or 56.5% to Rs.260 million

One of the key focus of the Company was to maintain a high-quality portfolio while growing the portfolio strategically through a few selected high quality products; such as leasing, SME and 'Smart Draft'. Against this backdrop, the Company deployed additional resources and implemented close screening and monitoring to improve loan recoveries. Various strategic initiatives were launched to improve NPA recoveries, such as customer counselling, legal and recovery clinics, and continuous task force efforts to educate and convince customers to voluntarily hand over vehicles. The vehicles which were voluntarily handed over were then auctioned at regular intervals. With the rise in vehicle prices, these auctions proved to be very productive and profitable.

These prudent measures brought in substantial improvements in NPA recoveries thereby, creating a sizeable improvement in the recovery of overdue interest income and net gain generated through early termination of facilities. The overdue interest income grew by Rs.86.4 million or 41.2% to Rs.296.2 million and the net gain on early terminations grew by Rs.74.6 million or 103.5% to Rs.146.7 million compared to the last year.

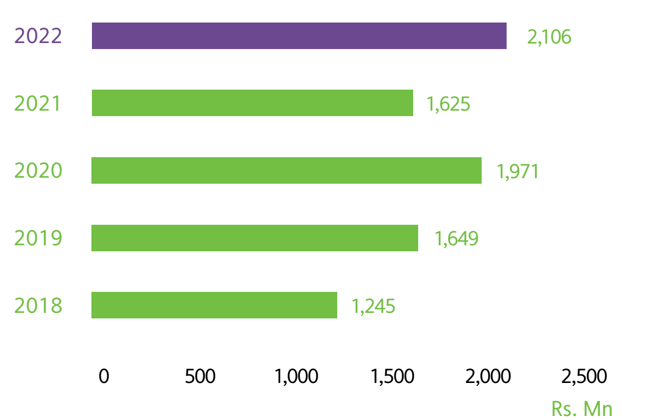
NET INTEREST INCOME (NII)

98.6% of the total interest income consists of interest income from loans given to customers.

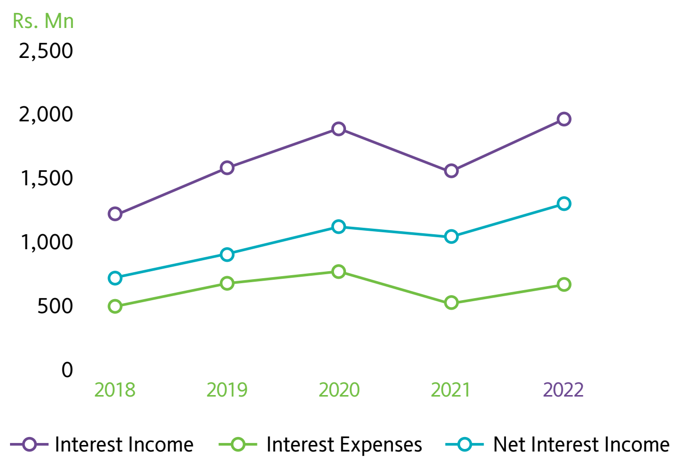
The net interest income of the Company grew to Rs.1.3 billion registering a growth of 24.7% over the financial year 2021/22. The interest spread marginally narrowed down from 10.5% (2020/21) to 10.4% for the year under review due to lending at competitive rates to build up a high-quality asset base at a faster rate. This strategic move impacted the Net Interest Margin (NIM) and it declined to 12.6% in 2021/22 from 12.9% in 2020/21. A marginal decline reflected in both net interest income and interest spread compared to the previous year financial performances.

For the year ended	2022 %	2021 %	Change %
Net Interest Margin (NIM)	12.6	12.9	-0.3
Interest Spread	10.4	10.5	-0.1

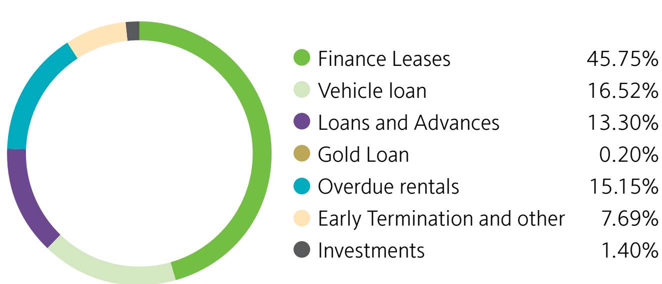
Gross Income



Interest Income, Interest Expenses and NII



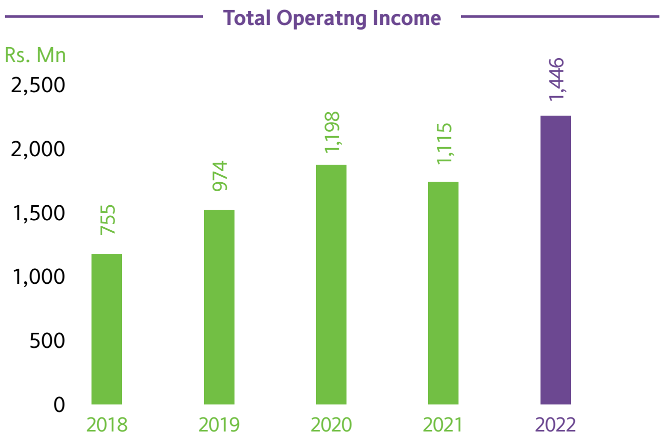
Interest Income Composition



Financial Capital

TOTAL OPERATING INCOME

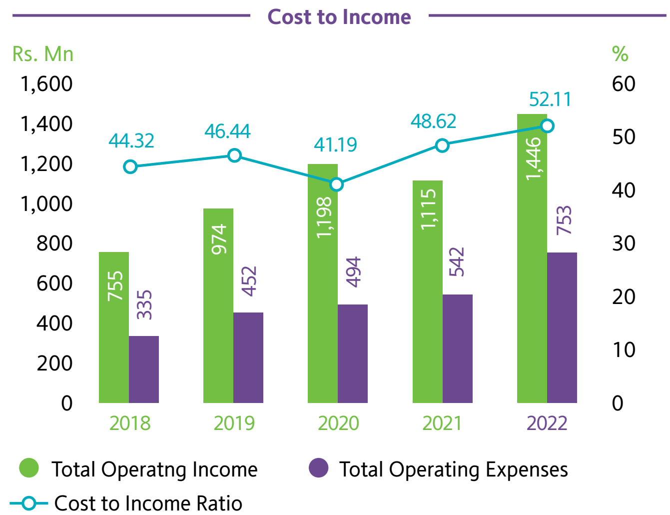
The growth of the total operating income was 29.7% from Rs.1.1 billion to Rs.1.4 billion in financial year 2021/22. The major contributory factor other than interest income was Rs.61.7 million or 815.8% increase in income of recoveries from written off loans to Rs.69.3 million (Rs.7.6million in 2020/21) as a result of strong recovery procedures adopted during the year under review. Fee and Commission income grew by 20.5% to Rs.36 million compared to previous year of Rs.29.9 million.



OVERHEAD COST MANAGEMENT

The operating expenses increased to Rs.753.5 million or by 39.0% compared to the financial year 2020/21 (Rs.542.0 million). The main contributor to this increase was the personnel expenses increasing by Rs.99.0 million and other operating expenses increasing by Rs.102.6 million. The personnel expenses increased due to annual salary adjustments, branch expansion, and recruitment of new talent at various levels including at the senior management level at negotiated market rates to increase volumes and productivity.

The operating expenses also increased due to our aggressive marketing drive to expand our customer reach, grow our business, promote and position our brand in the market place and our continuous visits and recovery programs at our branches. During the year, the Company refurbished and upgraded its Head Office building which further contributed to the increase in operating expenses. Moreover, the cost to income ratio of the company further increased 52.11% in financial year 2021/22 (48.62% in 2020/21) due to the greater increase in operating expenses than operating income as expansion in branch network and new recruitments.



TAXATION

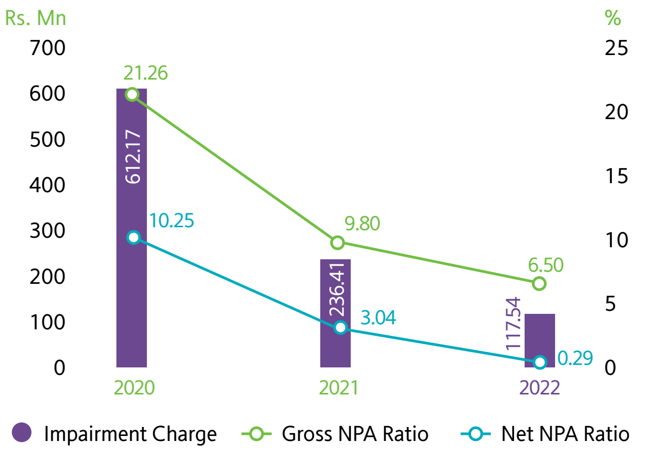
The income tax increased by 99.2% to Rs.112.5 million. The current tax expense for the period was Rs.172.6 million which was over 100% increase compared to financial year 2020/21. A deferred tax asset of Rs.33.6 million was reported in the financial year compared to a deferred tax liability of Rs.19.3 million reported in prior year. The VAT on financial services on the other hand, increased to Rs.135.0 million or by 57.8% from Rs.85.5 million in 2020/21. The increase was mainly due to the increase in the operating profit of the Company and increase in personal expenses by Rs.99.0 million as it disallowed in the computation of profit attributable to VAT on financial services. Moreover, increase in rate of VAT on financial services from 15% to 18% from 01st January 2022 also had impact for the aforementioned hike in VAT on Financial Services for the year under review.

IMPAIRMENT CHARGES AND ASSETS QUALITY

The impairment charge on loans and receivables amounted to Rs.117.5 million which was a reduction of 50% compared to the previous financial year. The Company witnessed a substantial improvement in portfolio quality during the year under review which was achieved through focused recoveries on the NPA portfolio. As a result, the absolute value of the NPA portfolio came down to Rs.782.6 million from Rs.884.0 million in the previous financial year despite the gross portfolio growth of 33.7% during the year under review.

This improvement in NPA recoveries brought in a sizable improvement in Probability of Default (PD) and Loss Given Default (LGD) of assets. This contributed positively to the significant reduction in the impairment charges. The Company has successfully maintained both gross Non-Performing Advances (NPA) ratio and net NPA ratio below the industry average. The improvements recorded in the gross NPA ratio from 9.8% in 2020/21 to 6.5% in 2021/22 and the net NPA ratio from 3.0% in 2020/21 to 0.3% in financial year 2021/22 demonstrate the robustness of management strategies deployed in recovering the NPA portfolio. The provision covers 95.5% and provides ample coverage to absorb any potential future impacts that may arise from the NPA portfolio of the Company.

Asset Quality

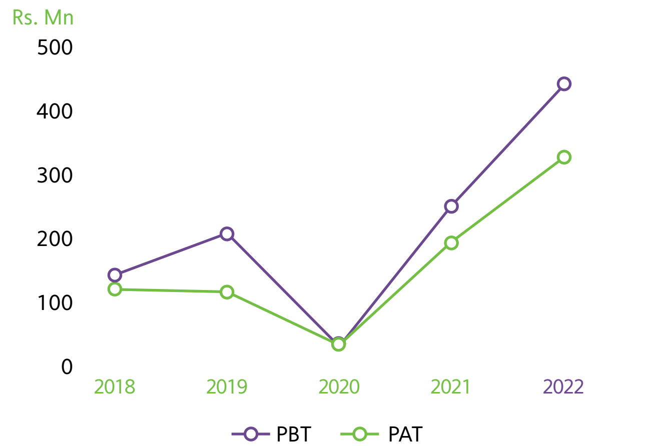


PROFITABILITY

Despite the many challenges faced by the Company throughout the period under review, the Company was able to successfully conclude the financial year 2021/22 recording a remarkable profit before tax of Rs.440.0 million which was an improvement of Rs.189.2 million or 75.5% compared to prior year 2020/21. The profit after tax of Rs.327.5 million was recorded in the year ended 31st March 2022 compared to the profit after tax of Rs.194.3 million in the previous year which was an Improvement of Rs.133.2 million or 68.5%.

This exhibits the effective management of the Company's assets by the management in generating sustainable income and profitability for the shareholders of the Company. The total comprehensive income for the year of Rs.318.0 million was Rs.122.1 million or 62.4% higher than in 2020/21. The profit of the Company in an increasing trend since 2020 after the Covid Pandemic.

Profit Before Tax Vs. Profit After Tax



ASSET MANAGEMENT

Portfolio Growth

The Company concentrated on improving the quality of the portfolio by streamlining and strengthening recoveries during the first half of financial year 2021/22 following a phase of prolonged COVID-19 pandemic and its related lockdowns that disrupted our operations. In this background, the portfolio growth remained subdued during the period maintaining the same growth levels that were recorded in the first half of the previous financial year (2020/21). The average monthly lending during the first half of the financial year 2021/22 was Rs.339 million which was inadequate to overpower the contraction in the portfolio and support portfolio growth through recoveries.

The second half of the financial year 2021/22 was a period where the economic activities resumed with the country fully opening up following extended lockdowns at various intervals. During this period, the Company capitalised on the new market opportunities created by the renewed economic upheaval, embarking on an aggressive growth trajectory.

Subsequently, the average monthly lending grew to Rs.882 million and as a result, the gross portfolio grew by Rs.3.0 billion or 33.7% at the end of the financial year. Leasing as well as Loans and advances, remained the key contributors to this growth. Gross leasing portfolio grew by Rs.1.2 billion or 21.9% to Rs.6.6 billion and Loans and advances grew by Rs.1.8 billion or 51.9% to Rs.5.4 billion. The new vehicle loan product, 'Smart Draft', which was launched in October 2021, contributed Rs.1.4 billion or 76% to the growth in loans and advances.

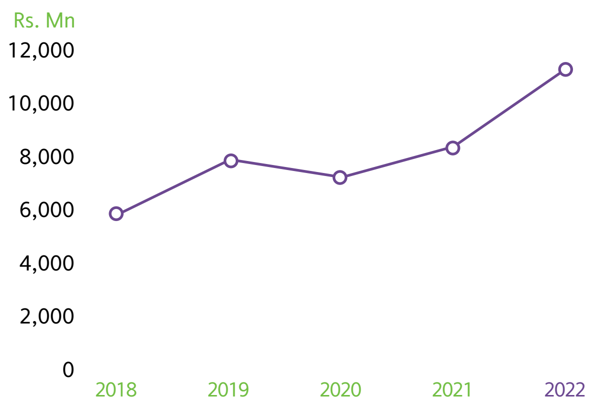
Financial Capital

The 'Gold Loan' product which was launched in October 2021 contributed Rs.139.2 million to the growth. The net portfolio, on the other hand, grew by Rs.2.9 billion or 34.9%. Net Leasing portfolio grew by Rs.1.2 million or 24.5% to Rs.6.2 billion while the loans and advances grew by Rs.1.7 billion or 50.5% to 5.0 billion.

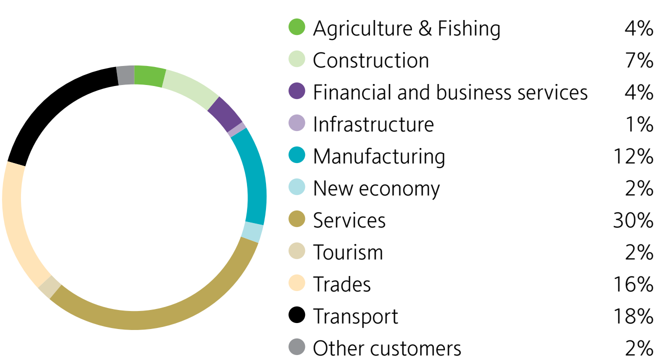
The Company monitors credit concentration risk by referring degree of credit exposure by various sectors.

Composition of Gross Portfolio

Net Portfolio



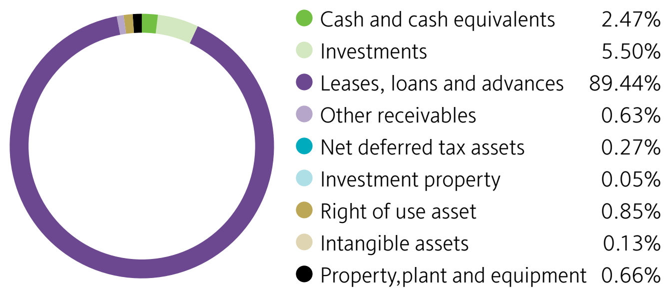
Industry Analysis of Gross Portfolio



TOTAL ASSETS

During the year under review, the company's total assets base reflected a remarkable growth of 41.1% to Rs.12.6 billion from Rs.8.9 billion in 2020/21. This growth was instrumented by Rs.2.9 billion growth in net portfolio and Rs.465.5 million growth in financial investments due to the funds raised through the right issue. Cash and cash equivalent grew by 87.4% to Rs.312.0 million and property, plant and equipment increased by Rs.44.1 million to record at Rs.82.9 million.

Assets Composition



LIQUIDITY MANAGEMENT

The Company has an unblemished and proven track record in repaying its financial obligations in a timely manner. Likewise, the Company has demonstrated over many years its financial richness and sound stewardship by showcasing year-on-year growth in its assets and profitability. Through these demonstrated performances, the Company has established a strong relationship with its financial partners, banking institutions and other fund arrangers, who in turn assisted the Company with continuous financial assistance to support the growth of its assets despite many uncertainties that prevailed in the country throughout the financial year.

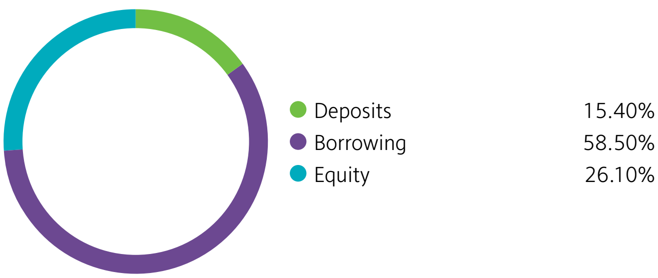
FUNDING AND INVESTMENTS

The Company was able to secure Rs.2.7 billion funding assistance in the current financial year 2021/22, Rs.1.8 billion in the form of bank borrowings and Rs.887 million in the form of securitization. These facilities obtained, assisted the Company to grow its assets base to the desired level while maintaining adequate liquidity generated through other sources such as loan recoveries and growth in customer deposits. The available amount of liquid assets improved significantly to Rs.927.5 million registering 204.3% growth over the previous financial year. This accounted for over 300% of the regulatory required minimum amount of liquid assets that is mandatory to be maintained in the balance sheet.

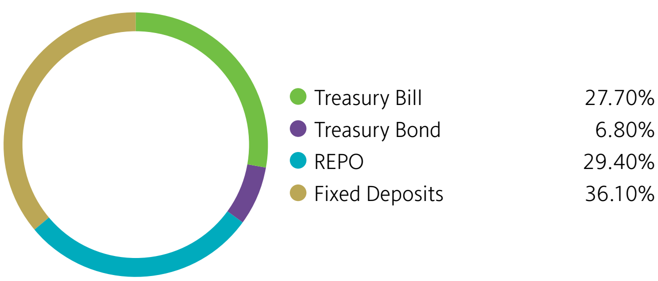
The customer deposits of the Company grew to Rs.1.9 billion registering a remarkable 308.1% growth year-on-year. This showcases the growing acceptance of Fintrex as a trusted and top-of-mind brand reflecting the continuous trust and confidence that our depositors have placed in the Company.

The Company invested excess funds mainly in Fixed Deposits, Repurchase Agreements and Treasury Bills as short-term investments due to the volatile economic conditions. The total investment portfolio grew by 190.9% to Rs.694.0 million compared to prior year of Rs.238.6 million.

Funding Mix



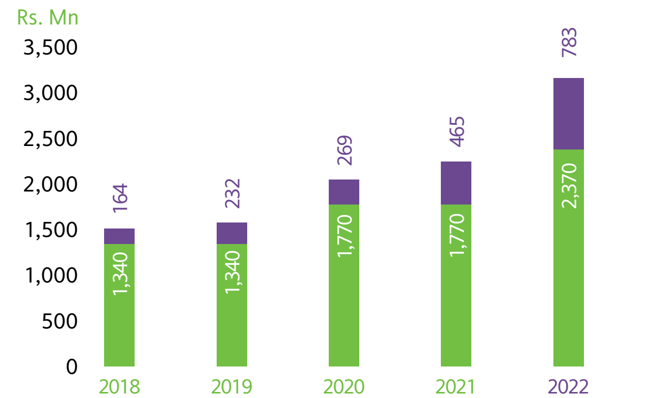
Investment Mix



SHAREHOLDERS' FUNDS AND CAPITAL ADEQUACY

The Company's primary objective is to maximize the shareholders' wealth while managing the trade-off between risk and return. The shareholders' funds increased to Rs.3.12 billion from Rs.2.23 billion compared to the previous year, demonstrating a growth of 41.1% or Rs.918.0 million. Other than the profit for the year, Rs.600 million equity capital infused in March 2022 through a right issue contributed to this increase in the shareholders' funds.

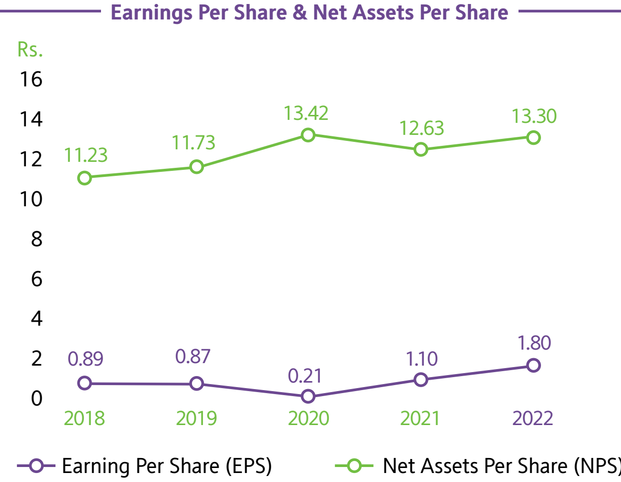
Equity and Reserves



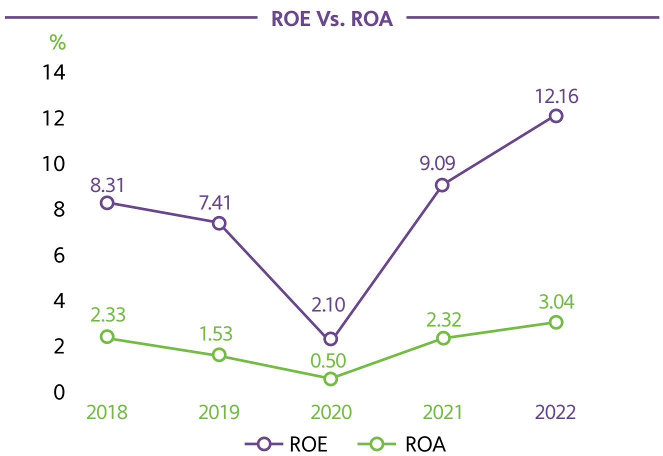
Capital Adequacy Ratios (CAR) measures the financial strength of the Company as a ratio of its capital to risk weighted assets. The Company's Tier 1 capital amounted to Rs.3,150 million which reflected a core capital to risk-weighted assets ratio (Tier I) of 23.6% (minimum - 7%) while the total capital to risk weighted assets (Tier II) ratio stood at 23.5% (minimum - 11%) whereby the Company succeeded in maintaining capital ratios well above the regulatory requirements as well as the industry average.

Both earning per share and net assets per share slightly improved by Rs.0.70 and Rs.0.67 respectively.

Earnings Per Share & Net Assets Per Share



Financial Capital



Return on Equity (ROE) and Return on Assets (ROA) are key measures for evaluating the effectiveness and efficiency of asset management of the Company. Return on Equity improved by 33.7% from 9.1% in 2021/21 to 12.2% in 2021/22 due to the significant increase in profit after tax. Further, Return on Assets improved by 30.7% to 3.04% in 2021/22 compared to previous year of 2.32%.

ECONOMIC CONTRIBUTION

Our sustainability agenda aims to create economic value to our depositors, lenders, employees, suppliers as well as to the Government. In turn this leads to the sustainable growth of the Company. The economic value created by the Company was Rs.2.1 billion in the financial year 2021/22 compared to Rs.1.6 billion in previous year which was an improvement of Rs.480.9 million. From the economic value generated, highest economic value distributed to our lenders and depositors which was 31.35%. Economic value provided for our employees increased from 16.43% to 17.38% during the financial year 2021/22.

With the considerable growth of profit in financial year 2021/22 the economic value distributed towards the Government increased to 11.91% compared to the previous year of 8.86%.

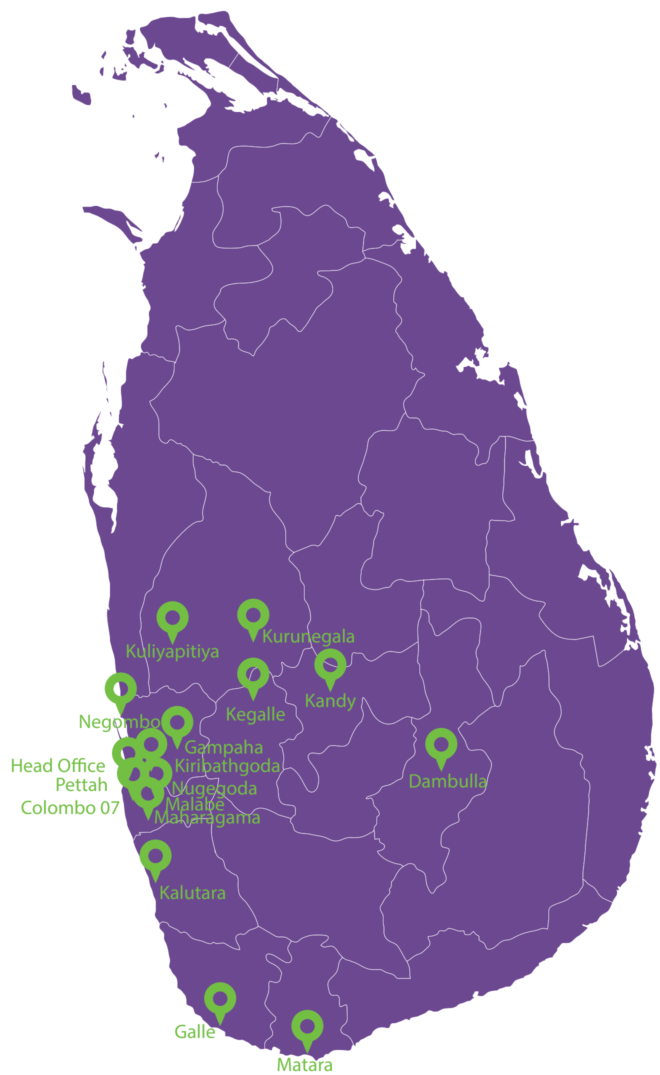
	2022		2021		Change	
	Rs. Million	%	Rs. Million	%	Rs. Million	%
Economic Value Generated						
Interest Income	**1,955.83**		1,549.45		406.38	
Other income	**150.50**		75.96		74.54	
Total	**2,106.33**		1,625.41		480.92	
Economic Value Distributed						
To Depositors and Lenders						
Interest Expenses	**660.30**		510.69		149.61	
	660.30	**31.35%**	510.69	31.42%	149.61	31.11%
To Employees						
Salaries and other benefits	**366.03**		267.02		99.01	
	366.03	**17.38%**	267.02	16.43%	99.01	20.59%
To the Government						
Income tax	**112.52**		56.48		56.04	
VAT on financial service	**134.99**		85.52		49.46	
Crop Insurance Leavy	**3.32**		1.99		1.33	
	250.83	**11.91%**	143.99	8.86%	106.83	22.21%
To Suppliers						
Other Operating Expenses	**242.82**		140.42		102.40	
Impairment charges	**117.54**		236.41		-118.86	
Depreciation and amortization	**59.50**		63.09		-3.59	
	419.86	**19.93%**	439.91	27.06%	-20.05	-4.17%
Economic Value Retained	**409.31**	**19.43%**	263.79	16.23%	145.52	30.26%
Total	**2,106.33**	**100.00%**	**1,625.41**	**100.00%**	**480.92**	

Manufactured Capital

Manufactured capital refers to physical infrustucture and the technology available to a Company for the use of service provision

VALUE CREATION ACTIVITIES IN 2021/2022

- 16 branches islandwide
- 5 new branches opened and 1 branch relocated
- Introduce "MyFintrex App", CMS, Golds Loan Solution
- Continues system upgrades & process automations
- Introduce & rebrand 4 products to the market
- New products on the pipeline



OUR APPROACH

As a burgeoning business, we continually scale up our operations in response to the sudden changes in the business environment and the market requirement. With a clearly defined expansion plan in line with our growth strategy, we prudently invest in physical and digital infrastructure on an ongoing basis in improving our expandability.

At Fintrex, we consider the physical assets ranging from the head office building, branch network and the digital channels that include IT infrastructure and network architecture as our manufactured capital.

Branch Network

Head office Building

IT Platform

PHYSICAL INFRASTRUCTURE

Our Head Office Building and branch network are the key physical touch points for the customers, and we have established 16 branches mainly concentrated around the western province including other main geographical locations in the country in enhancing our regional footprint. During the financial year, several new branches were opened covering key strategic locations.

Manufactured Capital

In the near term, we also plan to open five (5) more branches in Wennappuwa, Homagama, Nittambuwa, Panadura and Ratnapura areas. We ensure that our branches are strategically located to meet the customer needs and hence take the necessary measures to relocate existing branches facilitating optimum accessibility and reach for our valued customers, as towns/cities and local commercial activities grow over time. As such, Kiribathgoda branch was relocated in May 2021 to the city centre, facilitating enhanced accessibility to the customers, with improved facilities for better customer service.

Moreover, we upgrade the facilities across the network as necessary with equipment and technology apart from training branch staff to ensure that they are prepared to maintain high service standards. These facilities combined with the professional mentoring of employees have increased the engagement with the existing and the potential customers, enabling our branches to nurture a loyal customer base.

DIGITAL INFRASTRUCTURE

We believe that it is important to keep up with the changing market trends in the industry in delivering exceptional service to the customers and their diverse financial needs. Hence, one of our key objectives over the years was to gradually transform into a fully digitalised financial institution with a range of digital solutions to support customer preference and convenience cost-effectively. It is this premise that fuelled our strategic priority to implement technology-driven systems and processes across the business value chain supporting the modern customer preference for financial transactions with agility and speed.

As such, most of our internal processes and service offerings were digitalised enhancing the efficiency that contributed to a superior customer experience. With steady technology adoption, we were able to minimise our resource usage, especially by reducing the paper usage adding to cost efficiency.

Some of the key technology implementations during the financial year include;

- Introduction of "MyFintrex" Mobile App
- Introduction of Credit Management System (CMS)
- Introduction of Fixed Assets management and payment workflow sub modules
- Introduction of state of art Gold Loan Solution

- FD system placing and uplifting to ensure customer convenience and flexibility
- Implementation of the Data Classification policy as per the CBSL guidelines
- System Upgrades & Process automation for improved efficiency
- Establishment of Online meeting/remote working platform
- Improvement of IT Security Policy
- Establishment of IT Risk Management
- Automation of data recovery system

In further consolidating our IT foundation, we aim to connect to the Common Electronic Fund Transfer Switch (CEFTS) to provide online real-time fund transfers to the customers in future and provide eKYC and video KYC solutions. We also wish to implement a comprehensive HR solution by providing digital workflows for all functions to reduce processing time, cost, improving service level.

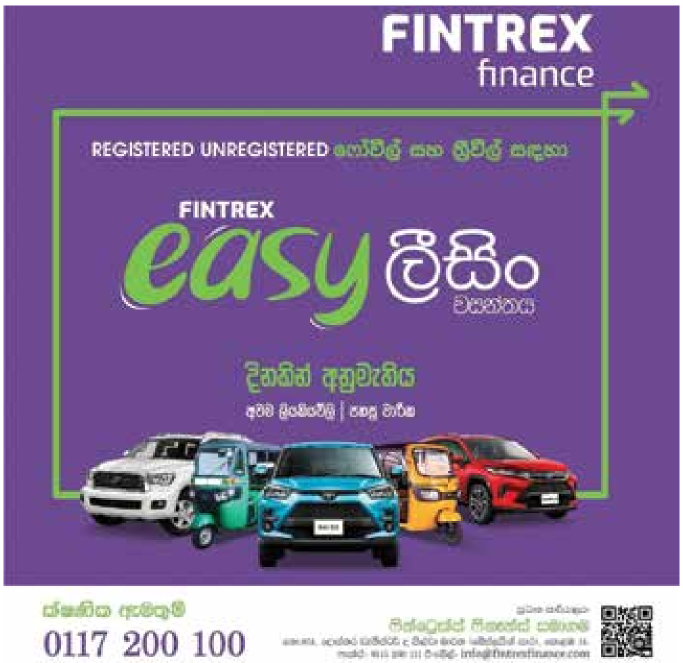
DEVELOPING PERSONALISED PRODUCTS

Benefitting from our well-established branch network and the technology platform, we reach our market through a customised product range to suit the evolving customer preferences. Recognising the multitude of challenges encountered by the customers during the COVID-19 period and in the current macro-economic situation in the country, we were conscious of creating an innovative product range moving away from the traditional lending portfolio. As such, several new products were introduced targeting new customer segments that emerged as a result of the developing social-cultural trends. We constantly adopted blue ocean strategies to create new market space and demand through differentiation. Several new products are also in the pipeline to be introduced in the near future.

Manufactured Capital

We implemented an aggressive marketing campaign during the year to take our products to the target audience eliminating the general misconception about leasing. Several branding and marketing campaigns were carried out to create a positive image of leasing as well as of our brand as a reliable financial partner comprising financial entrepreneurs who are capable and concerned about the customers long-term financial health and stability.

Going forward, we will continue to enhance our customer service in further improving the customer satisfaction levels while adopting lean management principles in creating value to the customer by optimizing resources.



Intellectual Capital

Intellectual Capital refers to organisational knowledge-based intangibles comprising expertise of employees, organisational procceses and the sum of knowledge contained within the organisation

VALUE CREATION ACTIVITIES IN 2021/2022

- Establish digital footprint through process steamlining, new systems in place
- Continuous training and engagement opportunities to upskill employees
- Aggressive marketing and communication campaigns
- Launch new products to cater to changing market needs
- Revamp existing products to support the unique financial requirements

OUR APPROACH

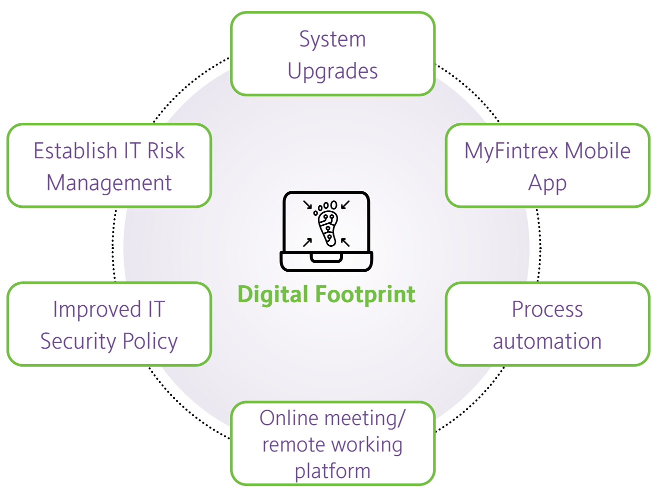
The intangible assets are an important element that ensures the competitive advantage and value creation for all stakeholders. By complementing other capitals, intellectual capital contributes significantly to a Company's performance improving the effectiveness of operations and enhancing service delivery to the customers nuturing long-term trust and confidence of the clientele.

At Fintrex, we consistently strive to improve our intellectual capital; the technology, knowledge base and the brand that makes "Fintrex" stand out amongst the other players in the industry. We embraced digitalisation in streamlining the internal processes and sustaining service excellence. The increased preference amongst the modern customer to access products and services at their convenience has also compelled us to reinforce the Company’s technology platform. Similarly, we keep our human resources up to date with industry-specific technical knowledge and soft skills to meet the market requirements. We further emphasize our brand with persistent marketing and advertising to depict an image of our sincere commitment to serve the customer in their financial wellbeing.

ROBUST TECHNOLOGY PLATFORM

The Company commenced its operations intending to become a digital finance Company and then onwards we have made digitalization a strategic priority implementing it across the business value chain. The need for digital change was also amplified by the pandemic and the contemporary customer preference for easy financial transactions. Subsequently, we have been digitalizing our internal processes and service offerings enhancing the overall efficiency that has vastly contributed to improved customer experience over the years. As we gradually transformed our systems and processes into a technology-driven platform, it has reduced our resource wastage (paper usage) contributing to cost-saving.

The Company’s IT workforce has increased over the year to 10 experienced and energetic individuals by the year under review in addition to interns who work with us from time to time. The IT function of the Company is divided into 3 departments: Application Support Unit, IT Operations Unit, and IT Development Unit.

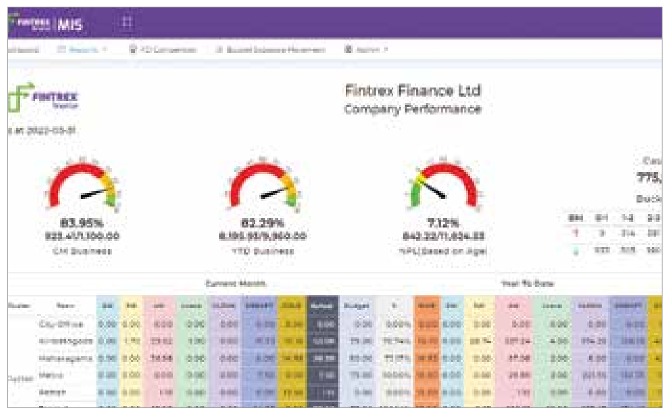


Intellectual Capital

We implemented the following key initiatives during the year to strengthen the Company's IT infrastructure.

- Improvement to production environment by upgrading critical resources to cater to high demand
- Upgraded the Disaster Recovery environment
- Introduced android based "MyFintrex" Mobile App and online web application
- Introduced Credit Management System (CMS) to provide speedy service for customers, where this new workflow fast tracked the approval process with required controls, also reducing paper cost
- Automate the valuation process and linked it with CMS for easy processing
- Enhanced procurement management system by introducing Fixed Assets management and payment workflow sub modules
- Improved MIS to track business trends and provide data-driven solutions to all level of management for fast and speedy decisions
- Introduced state of art Gold Loan solution
- Reengineering and automation of several manual processes to improve efficiency
- Implemented industry-best email solution for effective management of business communication
- Introduced online meeting culture to reduce time delays and related costs
- Facilitate remote working arrangements by providing required technological solutions, encourage work from home culture to face pandemics or any other difficult situation in the country
- Implemented Data Classification Policy as per the CBSL guidelines
- Automated employee performance management process
- Reviewed and enhanced IT security policy and all other IT policies to be par with the industry
- Improved BCP policy and procedures to cover the latest development in the country

In the near term, we intend to connect to the Common Electronic Fund Transfer Switch (CEFTS) to provide online real-time fund transfers to our customers. The eKYC and video KYC solutions will also add to strengthening the Company's digital strategy. Implementing a full-fledged HR solution by providing digital workflows for all functions is also on our agenda in reducing processing time, and cost, along with improved service level.



ORGANISATIONAL KNOWLEDGE BASE

As our strong and efficient team remains the heart of our business, we continuously nurture a workforce that has the necessary skills, knowledge, and experience to cater to customer requirements. While recruiting the best talent from the industry, we also constantly enhance their existing capabilities through frequent professional development initiatives by way of exposing them to a combination of technical and soft skill training.

Training needs are identified through annual performance evaluation following which the training programs are organised by the Human Resources team. During the year, 39 internal trainings were conducted by our experienced internal trainer pool while 22 trainings were conducted externally by external resource personnel. The focus of these trainings primarily includes financial product knowledge, customer service, cross-selling, industry knowledge, cost management, process improvements, deposits, recovery and collections. Aligned with our commitment to nurture a team who are financial entrepreneurs and experts, we are highly focused on inculcating such knowledge into our employees in supporting the financial prosperity of the customer.

Employee engagement also forms a significant part of our human resource strategy as we believe engagement provides additional space for employees to express themselves taking a sincere role in the decision-making process and the long-term growth of the Company. Employees who take a proactive role in shaping the Company's strategy feel a sense of ownership and are motivated to stay longer with the Company. The two key initiatives; "We Care for You" and "IDEA Platform" has been advantageous on this behalf.

Under the "We Care for You" platform; the Company's HR representatives visit the branches and departments engaging in one-to-one discussions with the employees in an informal manner allowing them to share their opinion and inspiring ideas including their concerns about the work. On the other hand, the IDEA platform is designed specifically to obtain employee input on working conditions, processes and practices to improve business operations. This platform has been fruitful in increasing communication between the management and staff members particularly in obtaining ideas and suggestions. When these ideas and suggestions are implemented, employees were awarded gifts along with a signed letter from the CEO in recognition of their valuable contribution.

All these endeavours have contributed to nurturing a workforce that is well prepared to meet the market challenges and serve the varying customer requisites while preserving professionalism and service excellence.

BRAND IDENTITY

Our brand is the trademark that distinguishes us from our competitors and therefore is an important part of value creation. With a branch network spread across 16 key geographical locations, we continue to invest in building our brand image striving to eliminate the general misconception/negative image associated with leasing Companies.

The brand is the perceived image of the products we sell. Hence, we developed new products and revamped the existing products communicating to the market on a massive scale during the year. The traditional leasing products were customised and rebranded as "easy leasing", "smart cash" and "phone eken leasing", "smart draft" targeting new segments of customers emerging as a result of the current socio-economic condition. Along with this, a new product line was also introduced that encompasses Revolving draft, Money market savings - Fintrex Plus to cater to the changing needs of the customer in the new milieu. Additionally, we joined with Toyota Lanka to cater to the financial needs of Toyota customers.

Apart from these focused initiatives, we proactively carried out marketing and communication campaigns by utilizing TV, radio, print and digital media (Facebook/Instagram/YouTube/Twitter/LinkedIn) and other websites. The intensity of these marketing efforts was signified by the Company's recognition as a "Fastest Growing Finance Company in Sri Lanka 2021" by International Business Magazine Dubai and receiving of the "SLIM brand excellence finalist: Turnaround brand of the year 2021" Award.

Intellectual Capital

Following marketing and communication measures were carried out during the year under review.

Easy Leasing Campaign

- This campaign was carried out from March to April during the FY aiming to simplify many processes to make leasing an easy process for the customer.

Vishwasa Fixed Deposit Campaign

- This campaign was carried out from July to September during FY to rebrand the Vishwasa Fixed Deposit to suit the changing customer needs.

Gold Loan launch

- We introduced GOLD Loan products in October 2021 along with a branding campaign to cater to the increasing demand for Gold Loans.

"Vishvasaneeya moolya nawathana" Corporate Campaign

- This campaign was carried out during FY as a corporate profile-building initiative to build the corporate image of the Company.

10th Year Celebrations

- The Company's 10th Anniversary celebrations were held in February 2022 along with felicitation of loyal customers and long-standing employees, carrying out CSR projects, religious activities, as well as 10-year tokens for all staff members.

COMPLIANCE

We comply with the relevant rules and regulations applicable to our business operations. The Company is incorporated as a Limited Liability Company under the Companies Act No. 07 of 2007. It is a registered Licensed Finance Company,governed by Finance Business Act No.42 of 2011 and the Finance Leasing Act No. 56 of 2000.

Human Capital

Human Capital refers to the people's knowledge, skills, expertise and the innovative capabilities that contribute to the value creation driving growth of the Company

VALUE CREATION ACTIVITIES IN 2021/2022

- 61 training and development opportunities
- Fair recruitment
- Fair and objective bi-annual performance appraisal
- Work stress reduction through flexible work hours & annual leave
- Industry par remuneration
- Mutitude of benefits such as loans, insurance & monetary assistance
- Engaging people through 'We Care for You' & 'IDEA' platforms
- Employee recognition scheme
- Methodical grievance handling
- Robust Health & Safety management

OUR APPROACH

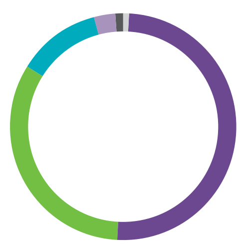
The abilities of our people are reflected in the success of the Company. They are the forces that drive the Company forward carrying out business activities at all levels utilising their knowledge, experience and productive capabilities. Therefore, we uphold human capital as our most invaluable resource and persistently strive for their improvement in bringing out their best performance.

The Company's comprehensive Human Resource Policy is designed with a focus on two key areas;

1. Recruitment of the right talent at the right time
2. Fostering a safe and conducive work environment for employees

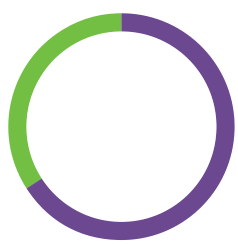
As an equal opportunity employer, we have nurtured a diverse culture within the organisation, adopting a non-discriminatory policy and protecting the human rights of employees. Currently, we accommodate a workforce of 274 employees of which 182 are male and 92 are female who come from diverse racial, ethnic, socioeconomic and cultural backgrounds. Most of our employees are between the ages of 21 to 40 and are spread across Junior Executive to Senior Manager categories.

Age Analysis



Below 21	1%
21 - 30	50%
31 - 40	33%
41 - 50	12%
51 - 60	3%
Above 60	1%

Gender Analysis



Male	66%
Female	34%

Designation	No. of Emloyees	Precentage
Corporate Manager	8	3%
Senior Manager	15	5%
Manager	35	13%
Assistant Manager	29	11%
Senior Executive	50	18%
Executive	76	28%
Junior Executive	61	22%
Total	**274**	**100%**

Human Capital

BUSINESS CONTINUITY PLAN DURING PANDEMIC

During the pandemic phase, the Company was prompt to prepare a Business Continuity Plan (BCP) as a precautionary measure to safeguard the employees as well as the customers while ensuring the continuation of our operations without disruptions. This BCP which was initially communicated to the senior management was later communicated to the subordinates, preparing them to face the challenges during the pandemic phase. The BCP covered the below areas.

- General Work Arrangements including that of marketing and branch employees
- Departmental Work Arrangements for Head Office and Operations Team
- Important instructions/ guidelines to be adhered to by our Staff/ Customers

We also initiated a plan for remote working/work-from-home arrangements, ensuring that staff whose role does not require their physical presence at the office and continue their work activities from home. Besides, communication with all Corporate Management members/HODs, Cluster Managers, and Branch Managers were conducted via mobile phones and video conferencing.

PROFESSIONAL GROWTH

Improving the knowledge, skills and competencies of our employees is a significant element in the Company's objective of fostering a competent and engaged workforce that will contribute to the Company's performance and sustainable growth. By identifying employee training needs through performance evaluation or as appropriate, the Company's HR department organises training and development programs including coaching and mentorship programs to upgrade the existing skills of our employees while instilling new knowledge for their professional and personal growth.

Number of Trainings during FY

39
Internal Trainings

22
External Trainings

5,192
Trainings Hours

The Company invested an amount of Rs. 1.6 Mn on training and development initiatives during the year covering a total of 5192 training hours. These trainings are a combination of both internal and external trainings. Internal trainings were conducted by an internal trainers' pool which consisted of well-trained and experienced Managers and other employees. Training areas such as customer service, finance, cross-selling, industry knowledge, cost management, process improvements, deposits, recovery and collections are covered during these sessions.

New employees and those who need to be groomed for promotions are trained through on-the-job training and job rotation strategies. Aligned with our succession plan, the young leaders are cross-trained within the Company as internal resource persons. This allows the employees to acquire skills related to technical expertise, operational knowledge and the corporate value system.

TALENT ACQUISITION

The Company's recruitment procedure aims to absorb the best talents for the job role while giving priority to hiring internal candidates. In the event of a vacancy opening, the advertisements are first published internally and the potential candidates are encouraged to apply which will provide space for further career development of the employees. The entire recruitment procedure is aligned to support achieving the organizational goals by recruiting the right talent at the right cost. In the year under review, a total of 96 new recruits were appointed to fill vacancies across the island-wide branch network.

01 Preparing — Analyze the recruitment data & develop Job Description and preparing job advertisement

02 Publishing — Publish job advertisement internally. If there is no suitable internal candidate publish externally

03 Screening — Screen Resumes and short listing and phone screening

04 Selecting — Selecting suitable candidate via several interviews with HOD, Head of HR, COO (Positions manager and above - Final interview with CEO)

05 Hiring — Perform reference check and issue offer letter for selected candidate

06 Onboarding — Onboarding employee with proper documentation and induction program

EMPLOYEE RETENTION

Employee retention measures play a vital role in reducing the labour turnover rate and hence the Company has implemented several measures that have successfully contributed to employee retention. As a result, we were able to maintain a cumulative turnover ratio of 29.54%

Staff Retention Measures

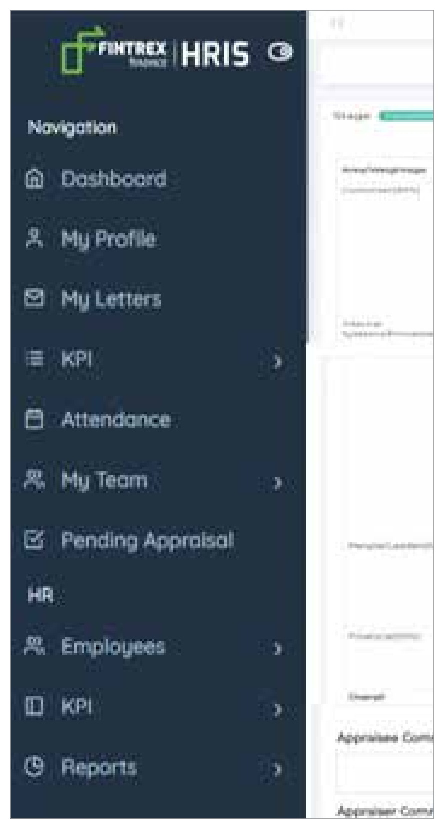
- Performance-driven culture
- Incentive scheme
- Recognition scheme
- Department appreciation
- Welfare and Sports Club activities
- Effective two-way communication
- Work-life balance
- 5s model

PERFORMANCE EVALUATION

Employee performance evaluation is conducted bi-annually with the primary focus on enhancing the productivity and motivation of employees towards a greater outcome. In this regard, employees are evaluated under four KPI categories;

1. Customer
2. Internal Systems/Processes
3. People/Leadership
4. Financial Performance

These robust criteria will assist the employee's career development within the Company while determining the aptness for bonuses, promotions and special increments. The Balanced Core Card system is used by the Department Heads to set KPIs for the employees thereby analysing their overall performance. This in turn allows the Company to identify training and development needs in meeting its business goals and strategies.



Human Capital

EMPLOYEE ENGAGEMENT

Involving people within the workplace through participation and consultation contribute immensely to strengthening relationships, and decision-making, including improvement of productivity and efficiency. These positive gains will attribute to the potential long-term success of the Company delivering higher profits and increased value to stakeholders.

We, at Fintrex Finance, understand this significant aspect and thus, have implemented two key initiatives to promote employee engagement within the Company.

We Care for You

We Care for You initiative is implemented with the belief that employees who are truly engaged are likely to stay with the company, maintaining good customer care going beyond their professional capacity to serve the customer where necessary. In addition, this also provide space to express our genuine concern towards the employees.

Under this initiative, the representatives of the HR team visit branches and departments talking and listening to our employees. These one-to-one discussions through consultative approach provide a platform for every individual to provide their inspiring ideas and discuss concerns about their work. During these discussions, the employees generally open up about their need for more flexibility, rest, or helpful resources.

IDEA Platfrom

The IDEA Platform is designed with the intension of encouraging employees to give their inputs regarding working conditions, processes and practices for the betterment of the Company. This platform increases communication between the management and the staff members and helps boosting employee engagement and morale, particularly when the ideas and suggestions of employees are considered.

WORK-LIFE SYNERGY

Promoting work-life balance for a stress-free life at work is important for keeping the employees motivated and productive at the workplace. Thus, we provide flexible working hours for our employees who are suffering from long commutes and conflicting schedules so that they can manage their busy schedules effectively improving their work-life harmony. Flexible working hours are also intended as a measure to improve the overall employee morale, engagement, sustaining happiness of our staff members as well as a way of appreciating their hard work. Further, we have implemented a compulsory 7 day annual leave for the employees while allowing work from home arrangements where necessary.

REMUNERATION & BENEFITS

The Company provides a range of benefits to ensure the economic wellbeing of its employees and uplift their morale and commitment to work. Accordingly, we conducted a salary survey with KPMG thereby planning a standardized salary structure and other benefits aligned with industry standards. Besides, we adhere to all the legal requirements and responsibilities related to employee compensation including minimum wage regulations, budgetary relief allowance contribution to Employee Provident Fund, contribution to Employee Trust Fund, Saturday allowance payments, sales-related incentives, gratuity payments and tax deductions.

A loan facility is also arranged for employees for house renovations, weddings or any other special occasion or in any financial need. Further, we provide a loan facility to pursue education in the fields related to the business activities of the Company conducted by an institution recognized by the Government such as the Vocational Training Authority or University Grant Commission.

The Employee Medical Insurance Plan provides protection and support for employees in terms of their health and wellbeing and that of their families covering immediate OPD claim options and offering considerable coverage limit for the employees. Additionally, we operate a Sports and Welfare Club where all the staff members are offered multiple benefits including Death donation, Scholarships, Newborn baby gifts and opening new accounts etc.

RECOGNISING EMPLOYEES CONTRIBUTION

Recognising the valued contribution of the employees in the sustainable growth of the Company enhances the employee morale and their commitment to work positively impacting their output. With this insight, we have established a well-structured employee recognition scheme to appreciate and recognize the extraordinary contributions of our employees. Through this scheme, we intend to nurture the emotional bond with our staff members while appreciating and supporting their efforts.

Human Capital

GRIEVANCE HANDLING

The Company pay significant attention to grievance handing and hold all department heads, Head of HR, and corporate management responsible for the attending and resolving of grievances. We endeavour to resolve grievances within 7 days of the occurrence of such an event. Grievances related to compensation and benefits will not be covered under the grievance handling policy, though separately addressed under the performance management policy.

The grievances related to sexual harassment should be addressed only by the Head of HR and General Manager/ CEO of Fintrex Finance Ltd and if required will be escalated to the Disciplinary Committee (DC) to take the final decision on the matter. If the allegation is against the Head of HR, the inquiry will be handled by the rest of the Disciplinary Committee. In a situation where the allegation is against the CEO, the Inquiry will be handled by the Remuneration Committee and the Remuneration Committee will be informed by the Head of HR.

ENSURING HEALTH & SAFETY

The health and safety of employees is our highest priority, and the zero-accident record of the Company reflects this commitment to the highest standards of health and safety within the workplace.

We implemented the followings related to health and safety during the year under review.

- Visual Management and 5s Initiatives
- Extensive cleaning of the workplace and discarding unwanted items
- Wire Management system
- Adoption of COVID -19 guidelines

We evaluate the risk factors and negative consequences of COVID-19 on our staff, customers and business operations thereby taking adequate measures to mitigate the risk. In this aspect, we have implemented safe work practices for our branch employees providing adequate Personal Protective Equipment (PPE) such as face masks, gloves, sanitisers, etc. Apart from that, we have introduced staff roster plans to operate every week while dividing branch staff members into 02 teams (Team 1 and Team 2).

Social and Relationship Capital

Social and Relationship capital refers to relationships we have nurtured within and between communities, group of stakeholders and other networks to enhance individual and collective wellbeing

VALUE CREATION ACTIVITIES IN 2021/2022

- Product modifications
- Flexible and Speedy processes
- Establishment of Customer Recovery Clinics
- Effective Complaint handling
- Vigorous marketing campaigns
- Obtaining customer feedback
- CSR initiatives
- Regulatory compliance

OUR APPROACH

Maintaining good relations with all our stakeholders from customers, regulatory bodies, industry players and the community at large is essential to achieving our strategic intention. It is the shared values, commitments and knowledge that are established through these relationships that form the foundation of our reputation and the trust we have nurtured.

At Fintrex, we cultivate our stakeholder relationships through a variety of measures reflecting our performance against the other industry players and the market trends. We persistently make effort to create value for all our stakeholders through prudent strategies and timely interventions growing our market share over time.

CUSTOMER RELATIONSHIP MANAGEMENT

The reason we thrive in the industry is the trust that is placed on us by the customers who come to us to fulfil their financial obligations. Therefore, the customer is the centre of our cosmos that drives growth and we remain committed to enhancing their experience at Fintrex by adopting prudent strategies to cater to their needs. During the year, some of the strategic measures implemented to meet the customer requirement comprise;

- Expansion of product portfolio
- Product modifications to overcome travel restrictions
- Ability to obtain information /lease through phone
- Quick approval process
- Minimum documentation
- Flexible guarantor requirements
- Flexible rental payment plans
- Quick supplier payments

Social and Relationship Capital

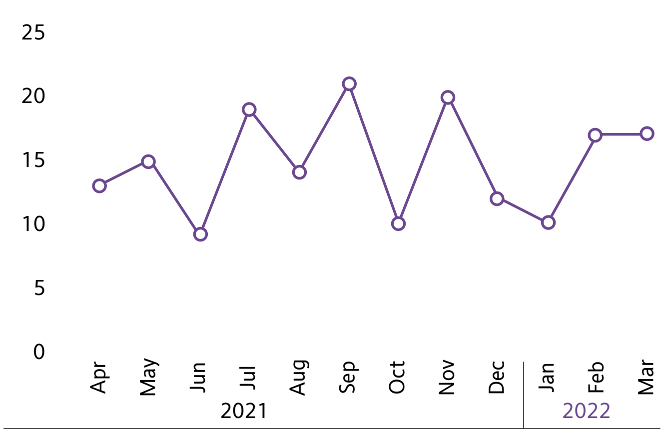
CUSTOMER RECOVERY CLINICS

We have established Customer Recovery Clinics across the island in guiding the customers through our financial expertise in terms of streamlining repayments, channelling their issues, and discussing solutions to regularise contracts. By playing a facilitator role utilising our financial acumen, we offer a practical solution for the customers to emerge out of their financial challenges. This has enabled us to emerge as a trusted financial partner to our loyal clientele encouraging them in their financial progress.

COMPLAINT MANAGEMENT

The Company has also put in place a complaint handing mechanism to address the customer's grievances through addressing root causes and identifying reasons for poor servicing of contracts by clients. While the risk areas are monitored and managed through the Risk Management Committee, complaints have reduced drastically due to overall efforts in improvement. At Fintrex, a complaint is always considered an opportunity to improve and upgrade the service levels towards superior customer satisfaction. The reduction of such complaints is an indication of our steadfast endeavour to address the client's concerns effectively.

No of complaints



MARKETING AND COMMUNICATION INITIATIVES

We launched a full-fledged marketing campaign during the period for several of our key products and initiatives. Island-wide awareness programs such as door-to-door marketing, street campaigns and town storming both on location and in the field for customers relating to Leasing, Fixed Deposits and Gold Loan facilities continued and remain an ongoing process at present despite all social and economic constraints. In addition to these focused campaigns, customer communication was further strengthened using TV, radio, print media and digital platforms including Facebook, Instagram, YouTube, Twitter and LinkedIn.

Combined with these efforts, the improved resourcefulness of employees resulting from regular exposure to learning and development opportunities led to higher conversions and better service levels promoting sustainable growth of the Company.

CUSTOMER SATISFACTION AND FEEDBACK MECHANISM

Customer feedback is another aspect we consider in maintaining their satisfaction. Therefore, continuous efforts were taken by our call centre staff to seek and collect customer responses and pass them on to the management for necessary action. Feedback through all communication channels such as emails, website, calls, WhatsApp, Viber platforms and other social media are collected and monitored action is taken for improvement.

Enhanced Customer Satisfaction

- Customised Products & Services
- Efficeinet service delivery
- Flexible processes
- Effective complaint management
- Focused marketing & communication
- Customer feedback mecahnism

ADDITIONAL MEASURES TO RETAIN CUSTOMER LOYALTY

Additionally, special periodic offers to loyal/ longstanding customers, voucher campaigns, call campaigns, special arrangements for repeat business, gifts and tokens on their special occasions (birthdays/anniversaries) were arranged to nurture close and mutual relationships with the clientele leading to enhanced loyalty.

COMMUNITY RELATIONSHIP MANAGEMENT

Our obligation as corporate citizens do not end with gain but continues way beyond contributing to the overall health and wellbeing of the society at large. Every year, we carry out numerous activities to uplift the underprivileged communities.

Social and Relationship Capital

The following Corporate Social Responsibility (CSR) activities were carried out during the financial year 2021/2022.

Activity	Description
Christmas carols and refurbishment of dining/meeting hall of Vajira Sri Child Development Centre Kotte (December 2021)	**Fintrex Finance brightens up the season for the children in need** As a trend setter in the financial service industry committed to the wellbeing and welfare of children, we recently completed renovation of the dining and the meeting hall of the Vajira Sri Child Development Centre in Pita Kotte in line with the seasonal Christmas celebrations. Over 60 children are being taken care of at the Centre, and we dedicated our 2021 Christmas Carol Project to share happiness with these children with a full-blown Christmas party with food, music, dancing and gifts from Santa.
COVID-19 Awareness Outdoor Campaign (May 2021 onwards)	**Fintrex Finance joined hands with local authorities to strengthen COVID-19 Awareness and Prevention Campaign** In recognition of the importance of social wellbeing towards economic prosperity and sustainable development of the country, we stepped forward to support the local authorities to spread COVID-19 awareness and prevention messages islandwide across 22 locations by setting up specially dedicated hoarding sites to share health and safety instructions and encouraging the public to obtain necessary vaccination to fight the pandemic.

Activity	Description
Water Supply Project for Padaviya Mahasenpura School in Anuradhapura (February 2022)	**Fintrex Finance assists Rural Schools through CSR** We recently established a complete drinking water supply system at Anuradhapura/ Padaviya Mahasenpura Maha Vidyalaya. The Company also fully refurbished the school library donating stationery and reading material for the use of the school children.

INTERACTIONS WITH REGULATORY BODIES AND COMPETITORS

We sustain healthy relations with regulatory bodies through stringent adherence to rules and regulations pertaining to the industry. Hence, we comply with the rules and regulations of CBSL.

As an active members in the Finance House Association (FHA), we synchronize and co-exist with our peers fostering mutually beneficial relationships.

Natural Capital

Natural Capital refers to renewable and non-renewable resources that is avaible to a Company to carry out its operations in a sustainable manner

VALUE CREATION ACTIVITIES IN 2021/2022

- Mineral water facility for drinking water
- Filtering system to the septic tank at Head Office
- Shifting Procurement Management System to an online platform
- Online approval of finacial facilities and payments
- Minimize paper usage
- Reduce electricity consumption at workplace
- “Green Team” to monitor power usage

OUR APPROACH

In recent decades, climate change has been a prioritised topic given its impact on every aspect of our lives. Therefore, the need to address this issue in securing the sustainable evolution of humanity has been considered a responsibility not only at an individual level but also as a collective obligation. As a responsible corporate that drives success along with value creation to all stakeholders; the customers, employees, shareholders, the society, and the nation at large, we uphold our obligation to protect biodiversity as a matter of urgency.

At Fintrex, we have instilled the environmentally capital values in every aspect of our business operations, consistently raising awareness amongst the staff on the importance of preserving the environment in which we exist. The following are some of the key measures adopted in sustaining environmentally deliberate business operations.

POLLUTION CONTROL

The health and safety of our employees remain a foremost concern and thus we have provided them with a mineral water facility to obtain safe drinking water. Along with this, we have introduced a filtering system to the septic tank at Head Office to minimize water pollution.

SHIFTING MANUAL PROCESSES TO ONLINE PLATFORMS

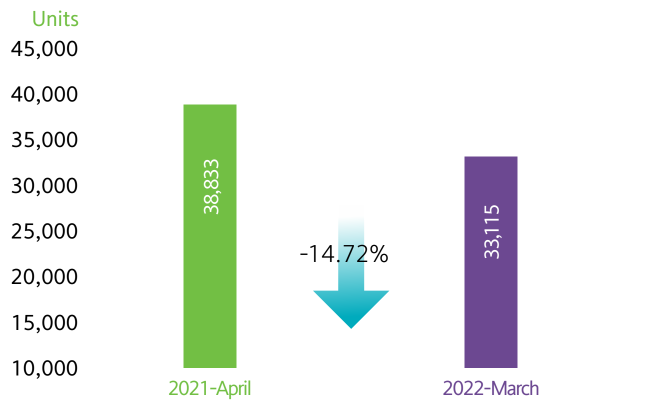
In our drive to embrace digitalisation to achieve greater efficiency and optimize resource usage, we have been converting our internal systems and processes on an ongoing basis. Subsequently, we transformed the Company’s Procurement Management System by implementing a digital platform for inventory, fixed assets, supply registration and workflow base payment process. We further developed an online approval system for finance facilities (CMS) and payments. These measures combined with controlling and monitoring mechanisms for paper usage have drastically reduced paper handling (A4) within the Company.

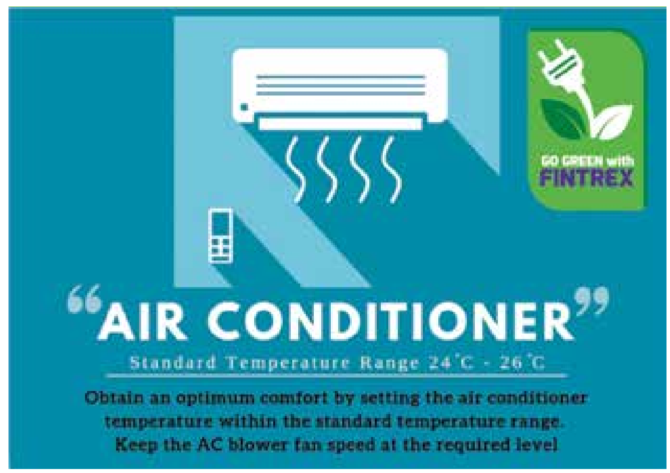
WASTE MANAGEMENT

The Company has initiated rough paper usage for internal documents as a mandatory measure and has persistently informed employees on environmentally conscious behaviour by conducting training and awareness programs on waste management.

Further, an evaluation was carried out for the landline telephone bills following which action was taken to disconnect the unused connections reducing the number of connections and rental values.

Reduction of Electricity Consumption





ENERGY MANAGEMENT

Intending to minimise our carbon footprint and efficient cost management, we implemented measures to reduce electricity consumption (AC temperature, number of lights, number of AC machines, etc). Besides, we have given instructions to keep the temperature at 25C° of all the AC machines and switch off the lights of the Pylon and main name board as an energy saving measure.

We have appointed a "Green Team", a group of selected employees to monitor the power consumption within the workplace thereby analysing the electricity usage, implementing a process to encouraging employees to work only from 8.30 am to 5.30 pm disconnecting power at 5.30 in each location.

Moreover, we have encouraged work from home arrangements as and when required to minimize the usage of electricity and fossil fuel.

COVID-19 Initiatives

The year taught us how a pandemic can change the dynamics of individual lives. It showed us the need to remain prepared and make adaptability a strong point. The COVID-19 pandemic not only cost lives but it also disrupted our normal life. Once the pandemic hit the world, Fintrex Finance adapted newer means to educate our communities about the virus so that they are less impacted by it. We took active steps to spread awareness and prevention. Though we are still reeling under the virus, we now know how to minimize its impact on life. We have been supporting our employees to get vaccinated so that we could conquer over COVID-19 and get back our normal life style.

SUPPORTING OUR EMPLOYEES

When the COVID-19 pandemic was declared in March 2020, our priority was the health and safety of our employees and their families. We acted quickly and decisively as a leading finance company to ensure we could continue to work safely under changing local conditions and protocols

- Provided paid leaves to our people who tested positive for COVID-19 for the entire duration of absence from work
- To encourage minimal workforce at branches, staggered work shifts are also provided to the extent as possible.
- After the second wave, when lock down imposed in most parts of the country, work from home arrengements has been provided to employees to the extent as feasible without much discomfort to the customers.
- Employees are released for vaccination and was made it compulsory
- We also drafted employee FAQ documents to create awareness among our people – helping them navigate the COVID-19 pandemic

ENSURING BUSINESS CONTINUITY

Since the beginning of the outbreak in early FY 2020, Fintrex has prepared itself to deal with exceptional situations. We have set in motion our Business Continuity Plan (BCP), a precise system for protecting our employees while maintaining essential tasks and services both to retail and business customers. With its unique business model that reinforces financial strength and resilience, we are able to support our employees and clients in overcoming these extraordinary circumstances.

RESUMPTION OF OPERATIONS

We resumed operations in a phased manner, and in accordance with the directives issued by the government and district authorities. The health and safety measures undertaken by us to resume operations safely included issuing of safety guidelines for our staff, conducting regular fumigation of office premises, conducting thermal screening of customers visiting our branch offices and providing masks and hand sanitisers at our offices.

COLLECTIONS

Our recovery staff typically visit customers to collect due installments. However, on account of the 'stay at home' orders issued in various jurisdictions, we have been calling up our customers and sending them intimations over the phone. We informed our customers of the different digital modes through which they can make their payments.

BOLSTERING LIQUIDITY BUFFER AND OPTIMISING COST

We undertook multiple steps to ensure that we have adequate liquidity to meet our financial and other commitments. We continue to evaluate various funding opportunities so as to continue maintaining adequate liquidity and lower our cost of funds. While providing all benefits to the employees, we are able to minimize all costs including utility bills.

ASSISTING LOCAL COMMUNITIES

The pandemic increased hygiene and safety concerns and exacerbated social challenges, such as poverty and food insecurity. We focused our social investments on local needs. We took proactive steps to mitigate citizens' hardships by collaborating with various frontline warriors and institutions

- Spread awareness on COVID-19, hygiene, sanitation, medical and hygiene supplies
- Spread awareness on vaccination and facilitation drives
- Supported communities and people through grocery and food aid
- Raising awareness of different government schemes for rural communities
- Helped expansion of health facilities across various rural communities

Enriching the entrepreneurial aspirations of our stakeholders

"Fintrex Finance has provided us with required liquidity support for our Cinnamon exports, enabling us to bring in the much-needed foreign exchange to the country."

Mr. Nihal de Silva
Owner

Cinnamon Legends (Pvt) Ltd and D Triangle (Pvt) Ltd

Exporter of Cinnamon based products and other spices


ENDEARING GIFTS

Corporate Governance

Corporate Governance establishes a system of rules and practices that guide a Company's operations thereby managing the stakeholder interests in a robust manner and ensuring sustainable progress. By fostering a culture of integrity that leads to positive performance, Corporate Governance acts as a symbol of effective management aligned with the stakeholder interests providing the business with a competitive advantage.

Emphasising the core principles of transparency and accountability, Fintrex Finance consistently upholds the highest standards of Corporate Governance carrying out all business transactions ethically and transparently. We adhere to the requirements of Finance Business Act Directions (Corporate Governance) No 3 of 2008, No 4 of 2008 and No 6 of 2013 issued by the Central Bank of Sri Lanka (CBSL) and the Companies Act No. 7 of 2007.

BOARD RESPONSIBILITY

The Board of Directors hold the premier responsibility for good governance and provides overall direction and leadership by developing the rules, structures, policies and procedures incorporating the principles of integrity, transparency, and accountability. By applying internal controls and monitoring mechanisms as well as resource optimisation, the Board secures value delivery to all stakeholders of the Company ensuring long-term growth.

The governance framework and policies are reviewed at regular intervals to maintain alignment with the Company's strategy, regulatory requirements, dynamic business environment, technological advancements, and international best practices.

This report provides details of the governance system in place within the Company during the period under review.

BOARD COMPOSITION

Fintrex Finance Limited Board consist of seven directors of whom four are independent non-executive directors as of 31.03.2022. The roles of the Chairman and Chief Executive Officer are held separately by Mr. A. D. Gunewardene and Mr. Jayathilake Bandara respectively, thereby ensuring the balance of power and authority. Directors' profiles, skills and experience are listed on Page 36 to 38.

Each Board member has the responsibility to determine whether he/she has a potential or actual conflict of interest arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. Directors who have an interest in a matter under discussion refrain from engaging themselves in the deliberations on that matter and abstain from voting thereon, such abstentions from the decision are duly recorded by the Company Secretary.

The Board has the overall responsibility of maintaining an adequate internal control system and risk management system while evaluating the effectiveness of the same. The Board Audit Committee has been assigned to monitor the effectiveness of internal controls while the Integrated Risk Management Committee evaluates the Risk Management Framework of the Company on regular basis.

BOARD SKILLS

The Board consist of highly qualified individuals that have a wealth of experience in the finance field and have played distinctive roles in various other organisations. They bring together a diverse set of competencies along with wide industry acumen sustaining the skill balance required by the Board for effective governance.

BOARD MEETING AND PARTICIPATION

The Board meets once a month unless otherwise required. Additional special meetings will be held based on the business necessity.

The Chief Executive Officer presents the Company's Performance and the progress of implementing the business strategies. In addition, the Board also receives reports from Board Sub Committees from time to time. All the reports along with the notice are sent to Directors prior to 7 days of the meeting.

The Company Secretary has been appointed with the principal responsibility of ensuring Board procedures are followed and reviewed regularly. She ensures that all relevant information, details and documents are available to Directors for effective decision-making at the meeting.

During the year, following four (4) Directors resigned from the Board on the 30th of September 2021 due to the completion of nine years in accordance with the CBSL Directions.

1. Mr. Mahendra Thilakasiri Galgamuwa
2. Ms. Shivanthi Adhikari Atukorale
3. Mr. Muthuthanthrige Shivan Joseph Dinesh Coorey
4. Mr. Keith Damien Bernard

Further, new Directors were appointed with the approval from the Director, Department of Supervision of Non-Bank Financial Institutions, Central Bank of Sri Lanka.

	Name of the Director	Date of Appointment
1	Mr. Ahamed Sabry Ibrahim	17th June 2021
2	Mr. Shrihan Blaise Perera	16th July 2021
3	Mr. Seminda Nilam Jayasinghe	01st October 2021
4	Mr. Kathirgamar Sivaskantharajah	01st October 2021

Mr. Ahamed Sabry Ibrahim was appointed as a Senior Director with effect from 01st October 2021 with the approval from the Director, Department of Supervision of Non-Bank Financial Institutions, Central Bank of Sri Lanka upon resignation of Mr. Mahendra Thilakasiri Galgamuwa who resigned from the Board on the 30th of September 2021

The term of office, resignation, retirement, and re-election of Directors are based on the provision of Articles of Association of the Company, the Companies Act and Finance Business Act Directions (Corporate Governance) No 3 of 2008, No 4 of 2008 and No 6 of 2013 issued by the Central Bank of Sri Lanka requirements.

	Name of the Director	No of meeting eligible to attend	No of meeting attended
1	Mr. Ajit Damon Gunewardene	13	13
2	Mr. Ahamed Sabry Ibrahim	10	10
3	Mr. James Ronnie Felitus Peiris	13	13
4	Mr. Shantanu Nagpal	13	13
5	Mr. Shrihan Blaise Perera	08	08
6	Mr. Seminda Nilam Jayasinghe	06	06
7	Mr. Kathirgamar Sivaskantharajah	06	06
8	Mr. Mahendra Thilakasiri Galgamuwa	07	07
9	Ms. Shivanthi Adhikari Atukorale	07	07
10	Mr. Muthuthanthrige Shivan Joseph Dinesh Coorey	07	06
11	Mr. Keith Damien Bernard	07	07

Note: Special Board Meeting was held on 11th June 2021

BOARD SUB COMMITTEES

The Board is assisted by mandatory and voluntary Board sub-committees to carry out its responsibilities in alignment with the Company’s business strategy and direction to deliver value to the stakeholders. These subcommittees are responsible for matters within their respective Charters/Terms of Reference and their recommendations are duly communicated to the Board.

Corporate Governance

Name of the Committee	Responsibility	
Board Audit Committee	Oversee internal controls and financial reporting	Report is available on pages 122 to 123
Board Integrated Risk Management Committee	Oversee the risk managementn mechanism	Report is available on page 125
Board Remuneration Committee	Oversee the remuneration structure	Report is available on page 124
Board Credit Committee	Managing the credit risk	Report is available on page 127

In addition to the above, Board Sub Committees, the CEO and the Corporate Management review performance of the company through well-structured meetings. The key management forums are stated below.

Management Forum	Responsibility	Meeting calendar
Overall Performance Review Meeting of Senior Leadership Team with CEO	Review and align the performances of all Business Units and Support functions	Monthly
Asset and Liability Management Committee - ALCO	Review liquidity, funding, interest rates and tenure management	Monthly
IT Steering Committee Review	IT-related project status, System performances, issues and investments	Monthly
Customer Service Steering Committee	Review of customer service initiatives, issue resolution and process development	Monthly
Executive Audit Committee	Review of Internal Audit reports and Investigation reports	Monthly

COMPLIANCE

A dedicated Compliance function has been established to assess the Company's level of conformance with laws, regulations, directions, rules and guidelines and a Compliance Report is presented to the Board on a monthly basis.

EXTERNAL AUDITORS

The External Auditors of the Company are M/s KPMG, Chartered Accountants. In addition to the statutory audit services, the External Auditors provide certain other services to the Company. All these services have been approved by the Board Audit Committee and in a manner to ensure that there are no adverse effects on the independence of their audit work.

EXTERNAL AUDITOR'S CERTIFICATION IN COMPLIANCE

In terms of the requirement of the Finance Business Act (Corporate Governance) Directions, the External Auditors have carried out procedures in line with the Sri Lanka Related Services Practice Statement 4752 (SLSRS 4752) issued by the Institute of Chartered Accountants of Sri Lanka, to assess the Company's level of compliance to the requirement of said Directions and provide the certification thereon to the Board.

Detailed below are the Corporate Governance requirements of the CBSL and the Company's compliance thereto.

BUSINESS ETHICS

The Company enshrines the highest ethical standards in the conduct of its business affairs and its Board of Directors are tasked with ensuring that the resultant regime of exemplary governance across all aspects of business is in the best interests of stakeholders. Ethically correct conduct comprising integrity, honesty, fair play and loyalty pervade all actions. Transparency is encouraged in all public disclosures, as well as in the way business and communication take place with all stakeholders.

Finance Leasing (Corporate Governance) Direction No. 04 of 2009 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business act No.42 of 2011

	Section	Compliance Status	Remarks
(2)	**The Responsibilities of the Board of Directors**		
(1)	The Board of Directors shall strengthen the safety and soundness of the relevant establishment by;		
	a) Approving and overseeing the relevant establishment's strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the relevant establishment;	Complied with	The Board formulated Strategic Objectives of the Company along with the values and communicates throughout the Company.
	b) Approving the overall business strategy of the relevant establishment, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;	Complied with	Business Plan and Budget for 2021/22 was approved in December 2020.
	c) Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;	Complied with	Risk Committee Charter approved by the Board is available and Risk mitigating systems and procedures are discussed at the IRMC Meetings
	d) Approving a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers;	Complied with	Board approved Communication Policy is available in the Company Intranet Portal.
	e) Reviewing the adequacy and the integrity of the relevant establishment's internal control systems and management information systems;	Complied with	The Board Audit Committee reviews the adequacy and the integrity of the Company's internal control systems and management information systems frequently.
	f) Identifying and designating key management personnel, who are in a position to: (I) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;	Complied with	The Board approved Policy on identifying key management personnel is in effect.
	g) Defining the areas of authority and key responsibilities for the Board and for the key management personnel;	Complied with	The Authority and responsibilities of Board of Directors have been agreed with. CEO & KMPs are responsible for day to day management of the Company.
	h) Ensuring that there is appropriate oversight of the affairs of the relevant establishment by key management personnel, that is consistent with the relevant establishment's policy ;	Complied with	Affairs of the Company are reviewed by the Board at the monthly Board meetings.

Corporate Governance

	Section	Compliance Status	Remarks
	(i) Periodically assessing the effectiveness of its governance practices, including: (i) the selection, nomination and election of directors and appointment of key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	Complied with	The Articles of Association of the Company provides general guidelines in the selection, nomination and election of directors. Currently Non- Independent Directors have been appointed by the parent company. An Independent Director appointed as a Senior Director since Chairman is Non-Independent Director. The management of conflict of interest is addressed based on the accepted business practices. Each director of the Board has a responsibility to determine whether he/she has actual or potential conflict of interest due to a personal relationship or an external association. Annual self-evaluation of the members of the Board carried out and discussed at the board meeting
	j) Ensuring that the relevant establishment has an appropriate succession plan for key management personnel;	Complied with	Succession plan has been established.
	k) Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;	Complied with	The Board meets on monthly basis and reviews the policies, establish lines of communication and monitor progress towards corporate objectives.
	l) Understanding the regulatory environment;	Complied with	The applicable laws and regulations were communicated to the Board by the Compliance Officer through Integrated Risk Management Committee and also by the Company Secretary. Monthly Compliance Report including regulatory information are reviewed by the Board.
	m) Exercising due diligence in the hiring and oversight of external auditors.	Complied with	The external auditors - KPMG has been appointed by the Board with the recommendation of Board Audit Committee as per the approval obtained at Annual General Meeting. Certificate of Auditor's Independence is obtained on annual basis.

	Section	Compliance Status	Remarks
(2)	The Board shall appoint the chairman and the chief executive officer and define and approve the functions and responsibilities of the chairman and the chief executive officer in line with paragraph 7 of this Direction.	Complied with	The Board has appointed the Chairman and the Chief Executive Officer. The functions and responsibilities are separate and defined and approved in line with the Direction.
(3)	There shall be a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the relevant establishment's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the relevant establishment.	Complied with	Any member of the Board is entitled to seek independent professional opinion at the Company's expense with the approval of the Board.
(4)	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern, in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied with.	The management of conflicts of interest is addressed based on the accepted business practices. Each director of the Board has a responsibility to determine whether he/ she has actual or potential conflict of interest due to a personal relationship or an external association. Therefore, the Director who has an interest in the contract will refrain from voting and it will be duly recorded by the Secretary in the minutes.
(5)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the relevant establishment is firmly under its authority.	Complied with	The Board monthly review the operations and Board Audit Committee review internal audit reports on periodic basis to ensure that the Board direction and control of the company are in order.
(6)	The Board shall, if it considers that the relevant establishment is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to lenders and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the relevant establishment prior to taking any decision or action.	Complied with	No such requirement has arisen during the period under review. The Company reports its Liquidity position to CBSL on weekly basis.
(7)	The Board shall include in the relevant establishment's Annual Report, an annual corporate governance report setting out the compliance with this Direction.	Complied with	The Annual Report to include the Corporate Governance Report.
(8)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.	Complied with	The self-assessments of directors are carried out annually and maintain records of such assessment.

Corporate Governance

	Section	Compliance Status	Remarks
(3)	**Meetings of the Board**		
(1)	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.	Complied with	During the financial year 2021/22, the Board met twelve times.
(2)	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the relevant establishment.	Complied with	All directors are provided with the equal opportunity to include matters and proposals relating to the promotion of business and the management of risks of the company in the agenda for regular Board meetings.
(3)	A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	Complied with	The dates of the monthly board meetings are agreed upon at the beginning of the year. In addition, Notice is sent along with the Board papers seven days prior to the meeting.
(4)	A director, who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.	Complied with	No such situation has been occurred during the year.
(5)	The Board shall appoint a company secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied with	The Board has appointed PW Corporate Secretaries Ltd as the Company Secretary.
(6)	If the chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.	Complied with	The Chairman has delegated to the Company Secretary the function of preparing the agenda for the Board meetings.
(7)	All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Complied with	All Directors have access to Company Secretary to obtain required advice and services in relation to Company affairs.
(8)	The company secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied with	The Company Secretary maintain the minutes of Board meetings and such minutes are open for inspection at any reasonable time, on reasonable notice by any Director

	Section	Compliance Status	Remarks
(9)	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; (d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; (e) the Board's knowledge and understanding of the risks to which the relevant establishment is exposed and an overview of the risk management measures adopted; and (f) The decisions and Board resolutions.	Complied with	Minutes of Board Meetings are recorded in sufficient detail as specified in the direction.
(4)	**Composition of the Board**		
(1)	The number of directors on the Board shall not be less than 5 and not more than 9.	Complied with	The Board consists of 7 Directors.
(2)	Subject to paragraph 5(1) and the transitional provisions contained herein, the total period of service of a director other than a director who holds the position of chief executive officer or executive director shall not exceed nine years. The total period in office of a non- executive director shall be inclusive of the total period of service served by such director up to the date of this Direction.	Complied with	No Director holds the position more the nine years
(3)	Subject to the transitional provisions contained herein, an employee of a relevant establishment may be appointed, elected or nominated as a director of the relevant establishment (hereinafter referred to as an "executive director") provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the chief executive officer of the company.	Complied with	The Company had not appointed any Executive Directors.
(4)	Commencing 01.01.2013, the number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors. A non-executive director shall not be considered independent if such director:	Complied with	The Board consists of seven Directors and four out of them are Independent and Non-Executive Directors.

Corporate Governance

	Section	Compliance Status	Remarks
	a) has shares exceeding 2% of the paid up capital of the relevant establishment or 10% of the paid up capital of another relevant establishment;	Complied with	
	b) has or had during the period of two years immediately preceding his appointment as director, any business transactions with the relevant establishment as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the relevant establishment as shown in its last audited balance	Complied with	
	c) has been employed by the relevant establishment during the two year period immediately preceding the appointment as director;	Complied with	
	d) Has a relative, who is a director or chief executive officer or key management personnel or holds shares exceeding 10% of the paid up capital of the relevant establishment or exceeding 12.5% of the paid up capital of another relevant establishment.	Complied with	
	e) represents a shareholder, debtor, or such other similar stakeholder of the relevant establishment,	Complied with	
	f) is an employee or a director or has a shareholding of 10% or more of the paid up capital in a company or business organization: i) Which has a transaction with the relevant establishment as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the relevant establishment , or ii) In which any of the directors of the relevant establishment is employed or is a director or holds shares exceeds 10% of the capital funds, as shown in its last audited balance sheet of the relevant establishment , or; iii) In which any of the other directors of the relevant establishment has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the relevant establishment.	Complied with	
(5)	In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director	Complied with	Alternate Director is not appointed during the financial year 2021/22.

	Section	Compliance Status	Remarks
(6)	Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Complied with	All the Non-Executive directors possess required academic and professional qualifications in diverse fields. The mix of different skills and expertise is the key to success in the business arena.
(7)	Commencing 01.01.2013, a meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such meeting are non-executive directors.	Complied with	No such situation has arisen.
(8)	The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the relevant establishment. The relevant establishment shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.	Complied with	Profiles of all the Directors to be disclosed in the Annual Report
(9)	There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied with	The Articles of Association of the Company provides general guidelines in the selection, nomination and election of directors. Currently Non- Independent Directors have been appointed by the parent company.
(10)	All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Complied with	All Directors who were appointed to the Board on to fill casual vacancy, at the time of Annual General Meeting in terms of Articles of Association have offered themselves for re-election.
(11)	If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board, if any.	Complied with	During the financial year four Directors resigned on 30th September 2021 due to completion of nine years of service.

Corporate Governance

	Section	Compliance Status	Remarks
(5)	**Criteria to assess the fitness and propriety of directors**		
(1)	Commencing from18th June 2020, with the prior approval of the Monetary Board, permit a Director who is already holding office, and who attains the age of 70 years on or after the date of 18th June 2020, to continue in office as director, subject to strict adherence to the Direction therein.	Complied with	Mr. J R F Pieris who attained the age of 70 years on 29th June 2021 continued in office as director with the approval received from Monetary Board communicated via letter dated 28th June 2021, from Director of the Department of Supervision of Non-Bank Financial Institutions
(2)	A director of a relevant establishment shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the relevant establishment. Provided that such director shall not hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.	Complied with	No Director holds the office as a Director in more than 20 Companies. The detail profiles of the Directors with the position hold by themselves to be listed in the Annual Report.
(6)	**Delegation of Functions**		
(1)	The Board shall not delegate any matters to a board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions	Complied with	The Board delegates the powers vested with the Board to any Board Sub Committee, Chief Executive Officer or any person who deems fit to carry out such duty, only if it is appropriate and permissible to do so.
(2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the relevant establishment.	Complied with	The Board evaluate the delegations and its authority limits regularly to ensure that such delegations would not hinder the ability of the Board to discharge its functions
(7)	**The Chairman and the Chief Executive Officer**		
(1)	The roles of chairman and chief executive officer shall be separated and shall not be performed by the one and the same person after 3 years commencing from January 1, 2010.	Complied with	The Chairman and the Chief Executive Officer are separated and not be performed by the one and the same person.
(2)	The chairman shall be a non-executive director. In the case where the chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the relevant establishment's Annual Report.	Complied with	The Chairman is a non-executive director. Since the chairman is non-independent and non-executive director, an independent and non-executive director is designated as the Senior Director and to be disclosed in the Annual Report.

	Section	Compliance Status	Remarks
(3)	The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the chairman and the chief executive officer and the nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the chairman and the chief executive officer and the relationships among members of the board.	Complied with	The details of Chairman and Chief Executive Officer to be disclosed in the Annual Report. There is no any material relationship between Chairman and Chief Executive Officer or and other members of the Board.
(4)	The chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) Ensure that all key issues are discussed by the Board in a timely manner.	Complied with	The Chairman provides overall leadership to the Board while ensuring that the board works effectively and discharges its responsibilities and all the key issues are discussed by the board in a timely manner.
(5)	The chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The chairman may delegate the function of preparing the agenda to the company secretary.	Complied with	The Chairman has delegated the function of preparing the agenda to the company secretary with his supervision.
(6)	The chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	Complied with	The Chairman ensures that all directors are informed adequately and notice of the meeting is sent with the papers prior to 7 days of the meeting.
(7)	The chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the relevant establishment.	Complied with	The chairman encourage all the Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the company
(8)	The chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.	Complied with	All Directors are Non-Executive Directors. The Chairman ensures that the constructive relationship among the directors to obtain the effective contribution from everyone.
(9)	The chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	Complied with	Chairman doesn't engage in executive functions of the Company.
(10)	The chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied with	The Chairman is appointed by the parent company. He ensures the communication between the shareholder and the Board.
(11)	The chief executive officer shall function as the apex executive-in-charge of the day-to-day-management of the relevant establishment's operations and business	Complied with	The CEO functions as executive-in-charge of the Company. CEO is responsible for day to day management of the Company.

Corporate Governance

	Section	Compliance Status	Remarks
8.	**Board appointed Committees**		
(1)	Every relevant establishment shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the company.	Complied with	The Board had appointed Board sub-committees namely, Board Audit Committee, Board Integrated Risk Management Committee, Board Remuneration Committee, Board Nomination Committee and Board Credit Committee and they report directly to the Board. Chairman and a Secretary for each Committee being appointed. The Report from each Committee will be available in the Annual Report.
(2)	**Board Audit Committee**		
	The following shall apply in relation to the Audit Committee:		
	a) The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.	Complied with	The Chairman of the Board Audit Committee is Mr. Shrihan B Perera - an Independent Non- Executive Director. He is fellow member of the Chartered Institute of Management Accountants (UK).
	b) The Board members appointed to the committee shall be non-executive directors.	Complied with	All three members in the Committee are non-executive directors.
	c) The committee shall make recommendations on matters in connection with: i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; (iii) the application of the relevant accounting standards; (iv) the service period, audit fee and any resignation or dismissal of the External auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous terms.	Complied with	The Audit Committee has recommended; M/s KPMG as the external auditors of the Company Implementation of CBSL guidelines issued to auditors time to time Application of Sri Lanka Financial Reporting Standards to the financial reporting Recommend the audit fees of the external auditors
	d) The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied with	The Committee has obtained the declaration from KPMG confirming their independence in carrying out the external audit function of the Company for 2021/22.

	Section	Compliance Status	Remarks
	e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider, (i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; (iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor;	Complied with	The Committee has developed and implemented a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines
	f) The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the relevant establishment's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) The co-ordination between auditors where more than one auditor is involved.	Complied with	The Audit committee met the external auditors prior to the commencement of the audit to discuss the audit plan, nature and the scope of the audit. Accordingly, the committee met KPMG two times during the year to discuss the audit related matters.

Corporate Governance

	Section	Compliance Status	Remarks
	g) The committee shall review the financial information of the relevant establishment, in order to monitor the integrity of the financial statements of the relevant establishment, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the relevant establishment's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) The compliance with relevant accounting standards and other legal requirements.	Complied with	The Committee periodically reviews the financial information, in order to monitor the integrity of the financial statements. The Committee reviews the annual report of the Company and interim financial statements.
	h) The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	Complied with	During the financial year the Committee met twice the external auditors without the Key Management Personnel of the Company.
	i) The committee shall review the external auditor's management letter and the management's response thereto.	Complied with	During the year the Committee reviewed the external auditor's management letter and the management's response thereto for financial year 2020/21

	Section	Compliance Status	Remarks
	j) The committee shall take the following steps with regard to the internal audit function of the relevant establishment: (i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; (iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; (iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; (v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning; (vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	Complied with	The Committee reviews the adequacy of the scope, functions and resources of the internal audit department. The internal audit plan for 2021/22 was reviewed and approved by the Committee. The Committee assesses the performance of the Chief Internal Auditor. The Committee ensures the internal audit function is carried out independently and impartiality with proficiency and due professional care.
	k) The committee shall consider the major findings of internal investigations and management's responses thereto;	Complied with	The Committee reviews the major findings of the internal audit and management's responses thereto.
	l) The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the chief executive officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.	Complied with	The Committee met the external auditors without the presence of management twice during the financial year. All the Directors are non-executive directors. .
	m) The committee shall have: (I) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied with	The Audit Committee Charter provided explicit authority to investigate into any matter within its terms of references. A report of the details Audit Committee will be available in the Annual Report.

Corporate Governance

	Section	Compliance Status	Remarks
	n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied with	The Committee meets regularly; adequate notice is given with the issues to be discussed. The Secretary records its conclusions in discharging its duties and responsibilities
	o) The Board shall, in the Annual Report, disclose in an informative way, (I) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) Details of attendance of each individual member at such meetings.	Complied with	A report of the details Audit Committee will be available in the Annual Report.
	p) The secretary to the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.	Complied with	The Company Secretary acts as the Secretary to the Committee and records and keeps detailed minutes of the Committee meetings.
	q) The committee shall review arrangements by which employees of the relevant establishment may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the relevant establishment's relations with the external auditors.	Complied with	In addition to a Board approved Whistleblowing Policy proper arrangements are in place for the fair and independent investigations into possible improprieties in financial reporting, internal control or other matters.
(3)	**Board Integrated Risk Management Committee (BIRMC)**		
	The following shall apply in relation to the Integrated Risk Management Committee:		
	a) The committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	Complied with	The committee consists of four non-executive directors, CEO, CFO and Risk Officer. Heads of the department who supervise the broad risk categories of credit, market, liquidity, operational and strategic risks, and Internal Audit will attend the meeting by invitation. The detail BIRMC report to be available in the Annual Report.

	Section	Compliance Status	Remarks
	b) The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the relevant establishment on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the relevant establishment basis and group basis.	Complied with	The BIRMC assess the management information along with the risk indicators on credit, market, liquidity, operational and strategic risk of the Company presented via Risk Report, Key Risk Indicators and other Reports at its monthly meetings.
	c) The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Complied with	The BIRMC reviews the adequacy and effectiveness of Asset-Liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
	d) The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the relevant establishment's policies and regulatory and supervisory requirements.	Complied with	The Committee reviews respective Risk indicators against the risk tolerance levels. During the year there were no such a situation occurred.
	e) The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied with	The Committee met monthly during the financial year 2021/22.
	f) The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied with	During the year there were no such a situation occurred.
	g) The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied with	The Committee minutes along with the Risk Report were submitted to the Board within a week of the meeting.
	h) The committee shall establish a compliance function to assess the relevant establishment's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	Complied with	The Committee has established a compliance function to assess the company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. The Compliance Officer reports to the Committee and also to the Board on monthly basis.

Corporate Governance

	Section	Compliance Status	Remarks
(9)	**Related party transactions**		
(1)	The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction, No. 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 3 of 2009 or such other directions that shall repeal and replace the said directions from time to time.		
(2)	The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the relevant establishment with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction: a) A subsidiary of the relevant establishment; b) Any associate company of the relevant establishment; c) A director of the relevant establishment; d) A key management personnel of the relevant establishment; e) A relative of a director or a key management personnel of the relevant establishment ; f) A shareholder who owns shares exceeding 10% of the paid up capital of the relevant establishment; g) A concern in which a director of the relevant establishment or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the relevant establishment, has substantial interest.	Complied with	The Company has recognized the related parties as per the guidelines stipulated in the Direction and action is taken to avoid any conflicts of Interest that may arise from any transaction of the company with such parties. Board approved Related Party Policy is available.
(3)	The transactions with a related party that are covered in this Direction shall be the following: a) Granting accommodation, b) Creating liabilities to the relevant establishment in the form of deposits, borrowings and investments, c) providing financial or non-financial services to the relevant establishment or obtaining those services of the relevant establishment d) Creating or maintaining reporting lines and information flows between the relevant establishment and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	Complied with	The transactions are identified in the Related Party Policy as stated in the Direction.

	Section	Compliance Status	Remarks
(4)	The Board shall ensure that the relevant establishment does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the relevant establishment. For the purpose of this paragraph, "more favourable treatment" shall mean: a) Granting of "total net accommodation" to a related party, exceeding a prudent percentage of the relevant establishment's regulatory capital, as determined by the Board. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the relevant establishment's share capital and debt instruments with a remaining maturity of 5 years or more. b) Charging of a lower rate of interest than the relevant establishment's best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty; c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/ commissions, that extends beyond the terms granted in the normal course of business with unrelated parties; d) Providing or obtaining services to or from a related-party without a proper evaluation procedure; e) Maintaining reporting lines and information flows between the relevant establishment and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	Complied with	The Board ensures that the Company does not engage in transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the Company. The Company has not granted any accommodations to the related parties
(10)	**Disclosures**		
(1)	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) Such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied with	The Company published the audited financial statements for year 2020/21 on 30th June 2021, in Sinhala, Tamil and English newspapers. The Financial statements as at 30.09.2021 were published on 14th November 2020 in Sinhala, Tamil and English newspapers.

Corporate Governance

	Section	Compliance Status	Remarks
(2)	The Board shall ensure that at least the following disclosures are made in the Annual Report: a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. b) A report by the Board on the relevant establishment's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements. c) The external auditor's certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after March 1, 2011. d) Details of directors, including names, transactions with the relevant establishment. e) Fees/remuneration paid by the relevant establishment to the directors in aggregate, in the Annual Reports published after January 1, 2011. f) Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the relevant establishment's capital funds. g) The aggregate values of remuneration paid by the relevant establishment to its key management personnel and the aggregate values of the transactions of the relevant establishment with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the relevant establishment. h) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance. i) The external auditor's certification of the compliance with the Act and rules and directions issued by the Monetary Board in the annual corporate governance reports published after January 1, 2012.	Complied with	To be disclosed in the Annual Report

Risk Management

Risk in a corporate environment occurs due to a multitude of factors such as political, economic and environmental uncertainties, legal liabilities, technology constraints, strategic management inaccuracies, accidents and natural disasters. Timely identification of such potential risks managing and controlling them appropriately enable a company to prevent heavy losses to the earnings as well as to the Company's reputation. This in turn will contribute to the sustainable progress of a Company.

Fintrex Finance Ltd adopts an integrated approach to risk management based on policy frameworks and governance structures approved by the Board of Directors, along with tools and techniques to identify, measure, mitigate and manage all risk exposures.

The risk management framework of the Company is designed to monitor and assess the risk landscape on a continuous basis along with an integrated evaluation of risks and their interactions with the support of the related functions including compliance, internal and external audit functions.

RISK GOVERNANCE STRUCTURE

The Board of Directors has the ultimate responsibility in managing risks and formulating policy setting of the risk parameters. The Board has delegated the responsibility of risk management to the Board Integrated Risk Management Committee (BIRMC). The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk parameters and controls to monitor risks and adherence to limits.

The BIRMC has the overall responsibility for establishment and oversight of the Company's risk management framework. The Committee works very closely with the key management personnel and the Board of Directors in fulfilling its statutory, fiduciary and regulatory responsibilities for risk management.

In addition, the Board Audit Committee, the Assets and Liabilities Management Committee (ALCO) and Board Credit Committee also assist BIRMC and the Board in discharging their responsibilities in relation to risk management. The Committee meets on a monthly basis to assess all types of risk management aspects. During the year under review 12 meetings were held and the minutes were circulated to the Board of Directors.

APPROACH TO RISK MANAGEMENT

The risk management process of Fintrex includes risk identification, risk analysis, risk control and risk review. Each employee is empowered to identify the risk that they encounter in their day-today activities. A communication channel has been established to communicate it to the respective Heads of Departments and then to the Risk Management Committee. The Risk Management Committee analyses the risk, then design and establish the control in place to mitigate the vulnerability. The Internal Auditors review the adequacy and effectiveness of the internal control system and reports to the Board through the Board Audit Committee.

Against the backdrop of a slowly recovering economy, the credit risk profile remains high and it is anticipated that the impacts of the pandemic will continue to be reflected in the performance of Fintrex portfolios for some time. As a result, Fintrex anticipates a increased default level in FY 2022/23.

While its direct impact on Fintrex's operational risk profile is reduced, Fintrex continue to closely monitor the second-order impacts on the Company's transformation agenda, with a significant focus on managing resources to ensure the key regulatory deliveries. The continued evolution of Fintrex's ways of working to include large-scale working from home also required significant operational risk focus, particularly in terms of business resilience.
As a result of its strong balance sheet and prudent approach to risk management, Fintrex remains well placed to withstand these aftershocks as well as providing support to customers when they need it the most.

RISK MANAGEMENT FRAMEWORK

Fintrex uses the industry-standard **three lines of defense model** to articulate accountabilities and responsibilities for managing risk. This supports the embedding of effective risk management throughout the organization.

FIRST LINE OF DEFENSE

The first line of defense incorporates most roles in Fintrex, including those in the customer-facing franchises, Technology and Services as well as support functions such as Human Resources, Legal and Finance.

The first line of defense is empowered to take risks within the constraints of the risk management framework and policies as well as the risk appetite statements set by Fintrex and measures set by the Board.

The first line of defense is responsible for managing its direct risks. With the support of specialist functions such as Legal, Human Resources and Technology, it is also responsible for managing its consequential risks by identifying, assessing, mitigating, monitoring and reporting risks.

SECOND LINE OF DEFENSE

The second line of defense comprises the risk function and is independent of the first line.

The second line of defense is empowered to design and maintain the risk management framework and its components. It undertakes proactive risk

Risk Management

oversight and continuous monitoring activities to confirm that Fintrex engages in permissible and sustainable risk-taking activities.

The second line of defense advises on, monitors, challenges, approves, escalates and reports on the risk-taking activities of the first line, ensuring that these are within the constraints of the risk management framework and policies as well as the risk appetite statements set by Fintrex and measures set by the Board.

THIRD LINE OF DEFENSE

The third line of defense is the Internal Audit function and is independent of the first and second lines.

The third line of defense is responsible for providing independent and objective assurance to the Board, its subsidiary legal entity boards and executive management on the adequacy and effectiveness of key internal controls, governance and the risk management in place to monitor, manage and mitigate the key risks to achieving their objectives.

The third line of defense executes its duties freely and objectively in accordance with the Institute of Chartered Accountants' Code of Ethics and International Standards.

RISK APPETITE

Risk appetite defines the type and aggregate level of risk Fintrex is willing to accept in pursuit of its strategic objectives and business plans. Risk appetite supports sound risk taking, the promotion of robust risk practices and risk behaviours, and is calibrated annually.

For certain principal risks, risk capacity defines the maximum level of risk that Fintrex can assume before breaching constraints determined by regulatory capital and liquidity requirements, the operational environment, and from a conduct perspective. Establishing risk capacity helps determine where risk appetite should be set, ensuring there is a buffer between internal risk appetite and Fintrex's ultimate capacity to absorb losses.

IDENTIFICATION AND MEASUREMENT

Identification and measurement within the risk management process comprise:

- Regular assessment of the overall risk profile, incorporating market developments and trends, as well as external and internal factors.
- Monitoring of the risks associated with lending and credit exposures.
- Assessment of trading and non-trading portfolios.
- Review of potential risks in new business activities and processes.
- Analysis of potential risk in any complex and unusual business transactions.

The financial and non-financial risks that are faced by Fintrex are detailed in its Risk Directory. This provides a common risk language to ensure consistent terminology is used across Fintrex. The Risk Directory is subject to annual review to ensure that it continues to fully reflect the risks that are faced by Fintrex.

MITIGATION

Mitigation is a critical aspect of ensuring that risk profile remains within the risk appetite of the company. Risk mitigation strategies are discussed and agreed within Fintrex.

When evaluating possible strategies, costs and benefits, residual risks (risks that are retained) and secondary risks (those that arise from risk mitigation actions themselves) are also considered. Monitoring and review processes are in place to evaluate results. Early identification, and effective management of changes in legislation and regulation are critical to the successful mitigation of compliance and conduct of risk. The effects of all changes are managed to ensure the timely achievement of compliance. Those changes assessed as having a high or medium-high impact are managed more closely. Emerging risks that could affect future results and performance are also closely monitored. Action is taken to mitigate potential risks as and when required. Further in-depth analysis, including the stress testing of exposures, are also carried out.

TESTING AND MONITORING

This activity is carried out to confirm to both internal and external stakeholders – including the Board, Senior Management, Internal Audit and CBSL that such processes and controls are being correctly implemented and operate adequately and effectively. A consistent testing and monitoring methodology is in place across Fintrex.

Testing and monitoring activity focuses on processes and controls relating to credit risk, financial crime risk, operational resilience, and compliance and conduct risk. However, a range of controls and processes relating to other risk types are also subject to testing and monitoring activity as deemed appropriate within the context of a robust control environment.

Fintrex's Risk Testing & Monitoring Forum assesses and validates the annual plan as well as the ongoing programme of reviews.

STRESS TESTING

Stress testing – capital management

Stress testing is a key risk management tool and a fundamental component of Fintrex's approach to capital management. It is used to quantify and evaluate the potential impact of specified changes to risk factors on the financial strength of Fintrex, including its capital position.

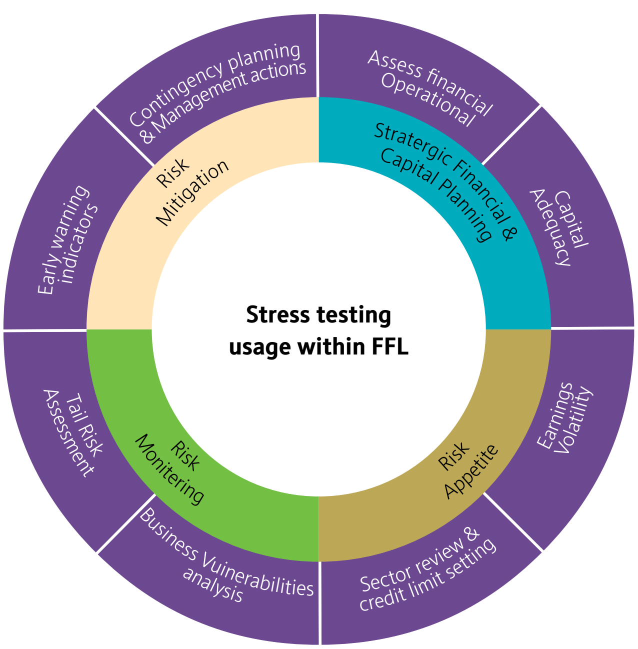
Stress testing includes:

- Scenario testing, which examines the impact of a hypothetical future state to define changes in risk factors.
- Sensitivity testing, which examines the impact of an incremental change to one or more risk factors.

The process for stress testing consists of four broad stages:

Define scenarios	Identify macro and Fintrex specific vulnerabilities and risks.
	Define and calibrate scenarios to examine risks and vulnerabilities.
	Formal governance process to agree scenarios.
Assess impact	Translate scenarios into risk drivers.
	Assess impact to current and projected P&L and balance sheet across Fintrex
Calculate results and assess implications	Aggregate impacts into overall results.
	Results form part of the risk management process
	Scenario results are used to inform Fintrex's business and capital plans.
Develop and agree management actions	Scenario results are analyzed by subject matter experts. Appropriate management actions are then developed.
	Scenario results and management actions are reviewed by the relevant Executive Risk Committees and Board Risk Committees and agreed by the relevant Boards.

Stress testing is used widely across Fintrex. The diagram below summarizes key areas of focus.



Specific areas that involve capital management include:

- **Strategic financial and capital planning** – by assessing the impact of sensitivities and scenarios on the capital plan and capital ratios.
- **Risk appetite** – by gaining a better understanding of the drivers of, and the underlying risks associated with, risk appetite.
- **Risk monitoring** – by monitoring the risks and horizon scanning events that could potentially affect Fintrex's financial strength and capital position.
- **Risk mitigation** – by identifying actions to mitigate risks, or those that could be taken, in the event of adverse changes to the business or economic environment. Key risk mitigating actions are documented in Fintrex's recovery plan.

Capital sufficiency – going concern forward-looking view

Going concern capital requirements are examined on a forward-looking basis including as part of the annual budgeting process by assessing the resilience of capital adequacy and leverage ratios under hypothetical future states. These assessments include assumptions about regulatory and accounting factors (such as SLFRS 9). They incorporate economic variables and key assumptions on balance sheet and P&L drivers, such as impairments, to demonstrate that Fintrex and its operating subsidiaries maintain sufficient capital. A range of future states are tested. In particular, capital requirements are assessed:

- Based on a forecast of future business performance, given expectations of economic and market conditions over the forecast period.
- Based on a forecast of future business performance under adverse economic and market conditions over the forecast period. Scenarios of different severity may be examined.

Risk Management

The examination of capital requirements under both normal and adverse economic and market conditions enables Fintrex to determine whether its projected business performance meets internal plans and regulatory capital requirements.

The potential impact of normal and adverse economic and market conditions on capital requirements is assessed through stress testing, the results of which are not only used widely across Fintrex but also by the regulators to set specific capital buffers. Fintrex takes part in stress tests run by regulatory authorities to test industry-wide vulnerabilities under crystallizing global and domestic systemic risks.

Stress and peak-to-trough movements are used to help assess the amount of capital Fintrex needs to hold in stress conditions in accordance with the capital risk appetite framework.

INTERNAL ASSESSMENT OF CAPITAL ADEQUACY

An internal assessment of material risks is carried out annually to enable an evaluation of the amount, type and distribution of capital required to cover these risks. This is referred to as the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP consists of a point-in-time assessment of exposures and risks at the end of the financial year together with a forward-looking stress capital assessment. The ICAAP is used to form a view of capital adequacy separately to the minimum regulatory requirements. The ICAAP is used by Fintrex to assess its specific capital requirements through the Pillar 2 framework.

CAPITAL ALLOCATION

Fintrex has mechanisms to allocate capital across its legal entities and businesses. These aim to optimize the use of capital resources taking into account applicable regulatory requirements, strategic and business objectives and risk appetite. The framework for allocating capital is approved by the Asset & Liability Management Committee.

GOVERNANCE

Capital management is subject to substantial review and governance. The Board approves the capital plans, including those for key legal entities and businesses as well as the results of the stress tests relating to those capital plans.

STRESS TESTING – LIQUIDITY

Liquidity risk monitoring and contingency planning

A suite of tools is used to monitor, limit and stress test the risks on the balance sheet. Limit frameworks are in place to control the level of liquidity risk, asset and liability mismatches and funding concentrations. Liquidity risks are reviewed at significant legal entity and business levels daily, with performance reported to the Asset & Liability Management Committee on a regular basis. Liquidity Condition Indicators are monitored daily. This ensures any build-up of stress is detected early and the response escalated appropriately through recovery planning.

Internal assessment of liquidity

Under the liquidity risk management framework, Fintrex maintains the Internal Liquidity Adequacy Assessment Process. This includes assessment of net stressed liquidity outflows under a range of severe but plausible stress scenarios. Each scenario evaluates either an idiosyncratic, market-wide or combined stress event as described in the table below.

Type	Description
Idiosyncratic scenario	The market perceives Fintrex to be suffering from a severe stress event, which results in an immediate assumption of increased credit risk or concerns over solvency.
Market-wide scenario	A market stress event affecting all participants in a market through contagion, potential counterparty failure and other market risks. Fintrex is affected under this scenario but no more severely than any other participants with equivalent exposure.
Combined Scenario	This scenario models the combined impact of an idiosyncratic and market stress occurring at once, severely affecting funding markets and the liquidity of some assets.

Fintrex uses the most severe outcome to set the internal stress testing scenario which underpins its internal liquidity risk appetite. This complements the regulatory liquidity coverage ratio requirement.

STRESS TESTING – RECOVERY

Fintrex recovery plan explains how Fintrex would identify and respond to a financial stress event and restore its financial position so that it remains viable on an ongoing basis.

The recovery plan ensures risks that could delay the implementation of a recovery strategy are highlighted and preparations are made to minimize the impact of these risks. Preparations include:

- Developing a series of recovery indicators to provide early warning of potential stress events.
- Clarifying roles, responsibilities, and escalation routes to minimize uncertainty or delay.
- Developing a recovery playbook to provide a concise description of the actions required during recovery.
- Detailing a range of options to address different stress conditions.
- Appointing dedicated option owners to reduce the risk of delay and capacity concerns.

The plan is intended to enable Fintrex to maintain critical services and products it provides to its customers, maintain its core business lines and operate within risk appetite while restoring Fintrex's financial condition. It is assessed for appropriateness on an ongoing basis and is updated annually.

1. CREDIT RISK

Credit risk is the risk that customers and counterparties face when failing to meet their contractual obligation to settle outstanding amounts.

The principal sources of credit risk are lending and related financial guarantees and undrawn commitments. Through its payment's activities, Fintrex is also exposed to settlement risk.

Governance

The Credit Risk function provides oversight and challenge of frontline credit risk management activities. Governance activities include:

- Defining credit risk appetite measures for the management of concentration risk and credit policy to establish the key causes of risk in the process of providing credit and the controls that must be in place to mitigate them.
- Approving and monitoring operational limits for business segments and credit limits for customers.
- Oversight of the first line of defense to ensure that credit risk remains within the appetite set by the Board and that controls are being operated adequately and effectively.
- Assessing the adequacy of expected credit loss (ECL) provisions including approving key SLFRS 9 inputs (such as significant increase in credit risk (SICR) thresholds) and any necessary in-model and post model adjustments through Fintrex and business unit provisions and model committees.
- Development and approval of credit grading models.

Risk appetite

Credit risk appetite aligns to the strategic risk appetite set by the Board and is set and monitored through risk appetite frameworks tailored to the Fintrex's Personal and Wholesale segments.

Personal

The personal credit risk appetite framework sets limits that control the quality and concentration of both existing and new business for each relevant business segment. These risk appetite measures consider the segments' ability to grow sustainably, and the level of losses expected under stress. Credit risk is further controlled through operational limits specific to customer or product characteristics.

Wholesale

For Wholesale credit, the framework has been designed to reflect factors that influence the ability to operate within risk appetite. Tools such as stress testing and economic capital are used to measure credit risk volatility and develop links between the framework and risk appetite limits. Four formal frameworks are used, classifying, measuring, and monitoring credit risk exposure across single name, sector and country concentrations and product and asset classes with heightened risk characteristics. The framework is supported by a suite of transactional acceptance standards that set out the risk parameters within which businesses should operate. Credit policy standards are in place for both the Wholesale and Personal portfolios. They are expressed as a set of mandatory controls.

Credit stewardship

Risks are identified through relationship management and credit stewardship of customers and portfolios. Credit risk stewardship takes place throughout the customer relationship, beginning with the initial approval. It includes the application of credit assessment standards, credit risk mitigation and collateral, ensuring that credit documentation is complete and appropriate, carrying out regular portfolio or customer reviews and problem debt identification and management.

Risk Management

Asset quality

All credit grades map to an asset quality (AQ) scale, used for financial reporting. This AQ scale is based on Basel probability of defaults. Performing loans are defined as AQ1-AQ9 (where the probability of default (PD) is less than 100%) and defaulted non-performing loans as AQ10 or Stage 3 under SLFRS 9 (where the PD is 100%). Loans are defined as defaulted when the payment status becomes 90 days past due, or earlier if there is clear evidence that the borrower is unlikely to repay, for example bankruptcy or insolvency.

Mitigation

Mitigation techniques, as set out in the appropriate credit policies and transactional acceptance standards, are used in the management of credit portfolios across Fintrex. These techniques mitigate credit concentrations in relation to an individual customer, a borrower group or a collection of related borrowers. Where possible, customer credit balances are netted against obligations. Mitigation tools can include structuring a security interest in a physical or financial asset. Property is used to mitigate credit risk across a number of portfolios.

Assessment and monitoring

Practices for credit stewardship including credit assessment, approval and monitoring as well as the identification and management of problem debts differ between the Personal and Wholesale portfolios.

Personal

Personal customers are served through a lending approach that entails offering a large number of small-value loans. To ensure that these lending decisions are made consistently, Fintrex analyses internal credit information as well as external data supplied by credit reference agencies (including historical debt servicing behaviour of customers with respect to both Fintrex and other lenders). Fintrex then sets its lending rules accordingly, developing different rules for different products.

The process is then largely automated, with each customer receiving an individual credit score that reflects both internal and external behaviours and this score is compared with the lending rules set. For relatively high-value, complex personal loans, including some residential mortgage lending, specialist credit managers make the final lending decisions. These decisions are made within specified delegated authority limits that are issued dependent on the experience of the individual.

Underwriting standards and portfolio performance are monitored on an ongoing basis to ensure they remain adequate in the current market environment and are not weakened materially to sustain growth.

The actual performance of each portfolio is tracked relative to operational limits. The limits apply to a range of credit risk related measures including projected credit default rates across products and the loan-to-value (LTV) ratio of the mortgage portfolios. Where operational limits identify areas of concern, management action is taken to adjust credit or business strategy.

Wholesale

Wholesale customers are corporates which are grouped by industry sectors and geography as well as by product/asset class and are managed on an individual basis. Customers are aggregated as a single risk when sufficiently interconnected. A credit assessment is carried out before credit facilities are made available to customers. The assessment process is dependent on the complexity of the transaction. Credit approvals are subject to environmental, social and governance risk policies which restrict exposure to certain highly carbon intensive industries as well as those with potentially heightened reputational impacts. Customer specific climate risk commentary is now mandatory.

In response to COVID-19, a new framework was introduced to categorize clients in a consistent manner across the Wholesale portfolio, based on the effect of COVID-19 on their financial position and outlook in relation to the sector risk appetite. This framework has been retained and updated to consider viability impacts beyond those directly related to COVID-19 and classification via the framework is now mandatory and must be refreshed annually. The framework extends to all Wholesale borrowing customers and supplements the Risk of Credit Loss framework in assessing whether customers exhibit a SICR (Significant Increase in Credit Risk), if support is considered to be granting forbearance and the time it would take for customers to return to operating within transactional acceptance standards.

For lower risk transactions below specific thresholds, credit decisions can be approved through self-sanctioning within the business. This process is facilitated through an auto-decision making system, which utilises scorecards, strategies and policy rules. Such credit decisions must be within the approval authority of the relevant business approver.

For all other transactions, credit is only granted to customers following joint approval by an approver from the business and the credit risk function along with Chief Operating Officer or Chief Executive Officer. The joint business and credit approvers act within a delegated approval authority under the Credit Policy. Business and credit approvers are accountable for the quality of each decision taken, although the credit risk approver holds ultimate sanctioning authority. Transactional acceptance standards provide detailed transactional lending and risk acceptance metrics and structuring guidance. As such, these standards provide a mechanism to manage risk appetite at the customer/transaction level and are supplementary to the established credit risk appetite. Credit grades and loss given default (LGD) are reviewed and if appropriate reapproved annually. The review process assesses borrower performance, including reconfirmation or adjustment of risk parameter estimates; the adequacy of security; compliance with terms and conditions; and refinancing risk.

PROBLEM DEBT MANAGEMENT

1. Personal

Early Waning Signal mechanism

Pre-emptive triggers are in place to help identify customers that may be at risk of being in financial difficulty. These triggers are both internal, using Fintrex's data, and external using information from credit reference agencies. Proactive contact is then made with the customer to establish if they require help with managing their finances. By adopting this approach, the aim is to prevent a customer's financial position deteriorating which may then require intervention from the Recoveries teams. Personal customers experiencing financial difficulty are managed by the Recoveries team. If the Recoveries team is unable to provide appropriate support after discussing suitable options with the customer, management of that customer moves to the Recoveries team. If at any point in the collections and recoveries process, the customer is identified as being potentially vulnerable, the customer will be separated from the regular process and supported by a specialist team to ensure the customer receives appropriate support for their circumstances.

Collections

When a customer exceeds an agreed limit or misses a regular monthly payment, the customer is contacted by Fintrex and requested to remedy the position. If the situation is not regularized thereafter, where appropriate, the Collections team will become more involved, and the customer will be supported by skilled debt management staff who endeavour to provide customers with tailored solutions. Solutions include short-term account restructuring, refinance loans and forbearance which can include interest suspension and 'breathing space'. In the event that an affordable/sustainable agreement with a customer cannot be reached, the debt will transition to the Recoveries team. For provisioning purposes, under SLFRS 9, exposure to customers managed by the Collections team is categorized as Stage 2 and subject to a lifetime loss assessment, unless it is 90 days past due or has an interest non-accrual status, in which case categorized as Stage 3.

Recoveries

The Recoveries team will issue a notice of intention to the default customer and, if appropriate, a formal demand, while also registering the account with credit reference agencies where appropriate. Following this, the customer's debt may then be placed with a third-party debt collection agency, or alternatively a solicitor, in order to agree an affordable repayment plan with the customer. An option that may also be considered, is the sale of unsecured debt. Exposures subject to formal debt recovery are defaulted and, under SLFRS 9, categorized as Stage 3.

2. Wholesale

Early problem identification

Each segment and sector have defined early warning indicators to identify customers experiencing financial difficulty, and to increase monitoring if needed. Early warning indicators may be internal, such as a customer's bank account activity, or external, such as a publicly listed customer's share price. If early warning indicators show a customer is experiencing potential or actual difficulty, or if relationship managers or credit officers identify other signs of financial difficulty, they may decide to classify the customer within the Risk of Credit Loss framework.

Risk of Credit Loss framework

The framework focuses on Wholesale customers whose credit profiles have deteriorated materially since origination. Expert judgment is applied by experienced credit risk officers to classify cases into categories that reflect progressively deteriorating credit risk to Fintrex. There are two classifications in the framework that apply to non-defaulted customers; Heightened

Risk Management

Monitoring and Risk of Credit Loss. For the purposes of provisioning, all exposures subject to the framework are categorized as Stage 2 and subject to a lifetime loss assessment. The framework also applies to those customers that have met Fintrex's default criteria. Defaulted exposures are categorized as Stage 3 impaired for provisioning purposes.

Heightened Monitoring customers are performing customers that have met certain characteristics, which have led to significant credit deterioration. Collectively, characteristics reflect circumstances that may affect the customer's ability to meet repayment obligations. Characteristics include trading issues, covenant breaches, material PD downgrades and past due facilities.

Heightened Monitoring customers require pre-emptive actions (outside the customer's normal trading patterns) to return or maintain their facilities within Fintrex 's current risk appetite prior to maturity.

Risk of Credit Loss customers are performing customers that have met the criteria for Heightened Monitoring and also pose a risk of credit loss to Fintrex in the next 12 months if mitigating actions are not taken or not successful.

Once classified as either Heightened Monitoring or Risk of Credit Loss, a number of mandatory actions are taken in accordance with policies. Actions include a review of the customer's credit grade, facility and security documentation and the valuation of security. Depending on the severity of the financial difficulty and the size of the exposure, the customer relationship strategy is reassessed by credit officers, by specialist credit risk or relationship management units in the relevant business or by Restructuring. Agreed customer management strategies are regularly monitored by both the business and credit teams. The largest Risk of Credit Loss exposures are regularly reviewed by the BIRMC. BIRMC reviews and challenges the strategies undertaken for customers that pose the largest risk of credit loss to Fintrex.

Appropriate corrective action is taken when circumstances emerge that may affect the customer's ability to service its debt (refer to Heightened Monitoring characteristics). Corrective actions may include granting a customer various type of concessions. Any decision to approve a concession will be a function of specific appetite, the credit quality of the customer, the market environment and the loan structure and security. All customers granted forbearance are classified Heightened Monitoring as a minimum.

Other potential outcomes of the relationship review are to: remove the customer from the Risk of Credit Loss framework, offer additional lending and continue monitoring, transfer the relationship to Restructuring if appropriate, or exit the relationship.

The Risk of Credit Loss framework does not apply to problem debt management for business banking customers. These customers are, where necessary, managed by specialist in Credit Management, depending on the size of exposure or by the business banking recoveries team where a loan has been impaired.

Restructuring

Restructuring is carried out for corporate and commercial customers in financial difficulty to help them understand their options and how their restructuring or repayment strategies can be delivered. Helping the customer return to financial health and restoring a normal banking relationship is always the preferred outcome, however, where a solvent outcome is not possible, insolvency may be considered as a last resort.

Restructuring will always aim to recover capital fairly and efficiently. Throughout Restructuring's involvement, the mainstream relationship manager will remain an integral part of the customer relationship. Restructuring work helps Fintrex to remain safe and sustainable, contributing to its ability to champion potential.

Forbearance

Forbearance takes place when a concession is made on the contractual terms of a loan/debt in response to a customer's financial difficulties.

The aim of forbearance is to support and restore the customer to financial health while minimizing risk. To ensure that forbearance is appropriate for the needs of the customer, minimum standards are applied when assessing, recording, monitoring and reporting forbearance.

A credit exposure may be forborne more than once, generally where a temporary concession has been granted and circumstances warrant another temporary or permanent revision of the loan's terms.

Loans are reported as forborne until they meet the exit criteria as detailed in the appropriate regulatory guidance. These include being classified as performing for two years since the last forbearance event, making regular repayments and the loan/debt being less than 30 days past due.

Impairment, provisioning, and write-offs

In the overall assessment of credit risk, impairment provisioning and write-offs are used as key indicators of credit quality. Fintrex 's SLFRS 9 provisioning models, which use existing Basel models as the benchmark, incorporate term structures and forward-looking information. Regulatory conservatism within the Basel models has been removed as appropriate to comply with the SLFRS 9 requirement for unbiased ECL estimates. Five key areas may materially influence the measurement of credit impairment under SLFRS 9 – two of these relate to model build and three relate to model application:

Model build:

- The determination of economic indicators that have most influence on credit loss for each portfolio and the severity of impact (this leverages existing stress testing models which are reviewed annually).
- The build of term structures to extend the determination of the risk of loss beyond 12 months that will influence the impact of lifetime loss for exposures in Stage 2.

Model application:

- The assessment of the SICR and the formation of a framework capable of consistent application.
- The determination of asset lifetimes that reflect behavioural characteristics while also representing management actions and processes (using historical data and experience).
- The choice of forward-looking economic scenarios and their respective probability weights.

SLFRS 9 ECL model design principles

Modelling of ECL for SLFRS 9 follows the conventional approach to divide the estimation of credit losses into its component parts of PD, LGD and EAD.

To meet SLFRS 9 requirements, the PD, LGD and EAD parameters differ from their Pillar 1 internal ratings-based counterparts in the following aspects:

- Unbiased – material regulatory conservatism has been removed from SLFRS 9 parameters to produce unbiased estimates.
- Point-in-time – SLFRS 9 parameters reflect actual economic conditions at the reporting date instead of long-run average or downturn conditions.
- Forward-looking – SLFRS 9 PD estimates and, where appropriate, EAD and LGD estimates reflect forward looking economic conditions.
- Lifetime measurement – SLFRS 9 PD, LGD and EAD are provided as multi-period term structures up to exposure lifetimes instead of over a fixed one-year horizon. SLFRS 9 requires that at each reporting date, an entity shall assess whether the credit risk on an account has increased significantly since initial recognition. Part of this assessment requires a comparison to be made between the current lifetime PD (i.e. the PD over the remaining lifetime at the reporting date) and the equivalent lifetime PD as determined at the date of initial recognition. For assets originated before SLFRS 9 was introduced, comparable lifetime origination PDs did not exist. These have been retrospectively created using the relevant model inputs applicable at initial recognition.

Governance and Post Model Adjustment

The SLFRS 9 PD, EAD and LGD models are subject to Fintrex's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. Various post model adjustments were applied where management judged they were necessary to ensure an adequate level of overall ECL provision. All post model adjustments were subject to formal approval through provisioning governance, and were categorised as follows (business level commentary is provided below):

- Deferred model calibrations – ECL adjustments where PD model monitoring indicated that actual defaults were below estimated levels but where it was judged that an implied ECL release was not supportable due to the influence of government support schemes. As a consequence, any potential ECL release was deferred and retained on the balance sheet.
- Economic uncertainty – ECL adjustments primarily arising from uncertainties associated with multiple economic scenarios (also for 2020) and credit outcomes as a result of the effect of COVID-19 and the consequences of government support schemes. In both cases, management judged that additional ECL was required until further credit performance data became available on the behavioural and loss consequences of COVID-19.
- Other adjustments – ECL adjustments where it was judged that the modelled ECL required to be amended.

Risk Management

Post model adjustments will remain a key focus area of Fintrex's ongoing ECL adequacy assessment process. A holistic framework has been established including reviewing a range of economic data, external benchmark information and portfolio performance trends. A key part of the assessment is also understanding the current levels of ECL coverage (portfolio by portfolio) against pre COVID-19 levels, recognizing changes in franchise portfolio/sector mix.

Refers to Note No 21 of Financial Statements.

2. Capital, liquidity and funding risk

Fintrex continually ensures a comprehensive approach is taken to the management of capital, liquidity and funding, underpinned by frameworks, risk appetite and policies, to manage and mitigate capital, liquidity and funding risks. The framework ensures the tools and capability are in place to facilitate the management and mitigation of risk ensuring the Fintrex operates within its regulatory requirements and risk appetite.

Regulatory capital consists of reserves and instruments issued that are available, have a degree of permanency and are capable of absorbing losses. A number of strict conditions set by regulators must be satisfied to be eligible as capital.

Capital adequacy risk is the risk that there is or will be insufficient capital and other loss absorbing debt instruments to operate effectively including meeting minimum regulatory requirements, operating within Board approved risk appetite and supporting its strategic goals.

Liquidity consists of assets that can be readily converted to cash within a short timeframe with a reliable value. Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due.

Funding consists of on-balance sheet liabilities that are used to provide cash to finance assets. Funding risk is the risk of not maintaining a diversified, stable and cost-effective funding base.

Liquidity and funding risks arise in a number of ways, including through the maturity transformation role that banks perform. The risks are dependent on factors such as:

- Maturity profile;
- Composition of sources and uses of funding;
- The quality and size of the liquidity portfolio;
- Wholesale market conditions;
- Depositor and investor behaviour.

Sources of Risk

Capital

The eligibility of instruments and financial resources as regulatory capital is laid down by applicable regulation. Capital is categorised by applicable regulation under two tiers (Tier 1 and Tier 2) according to the ability to absorb losses, degree of permanency and the ranking of absorbing losses.

Liquidity

Fintrex manages its liquidity to ensure it is always available when and where required, taking into account regulatory, legal and other constraints. Liquidity resources of Fintrex are divided into primary and secondary liquidity as follows:

- Primary liquid assets include cash and bank balances at commercial banks and excess investment in Government Securities above the CBSL requirement
- Secondary liquid assets are undrawn loans and OD limits

Funding

Fintrex maintains a diversified set of funding sources, including customer deposits, bank borrowings, Instrumental Borrowings and equity capital.

Capital management

Capital management is the process by which the financial entities ensure that they have sufficient capital and other loss absorbing instruments to operate effectively including meeting minimum regulatory requirements, operating within Board approved risk appetite, maintaining credit ratings and supporting strategic goals. Capital management is critical in supporting the financial entities' businesses and is also considered at Fintrex level.

Capital planning is integrated into Fintrex's wider annual budgeting process and is assessed and updated at least monthly. As a key operating entity, capital plans are produced and managed for Fintrex. This is summarized below.

Produce capital plans	Capital plans are produced for Fintrex, its key operating entities and its businesses over a five-year planning horizon under expected and stress conditions. Stressed capital plans are produced to support internal stress testing in the ICAAP for regulatory purposes.
	Shorter term forecasts are developed frequently in response to actual performance, changes in internal and external business environment and to manage risks and opportunities.
Assess capital adequacy	Capital plans are developed to maintain capital of sufficient quantity and quality to support Fintrex's business, its subsidiaries and strategic plans over the planning horizon within approved risk appetite, as determined via stress testing, and minimum regulatory requirements.
	Capital resources and capital requirements are assessed across a defined planning horizon.
	Impact assessment captures input from across Fintrex including from businesses.
Inform capital actions	Capital planning informs potential capital actions including buy backs, redemptions, dividends and new issuance to external investors or via internal transactions.
	Decisions on capital actions will be influenced by strategic and regulatory requirements, risk appetite, costs and prevailing market conditions.
	As part of capital planning, Fintrex will monitor its portfolio of issued capital securities and assess the optimal blend and most cost-effective means of financing.

Capital planning is one of the tools that Fintrex uses to monitor and manage capital risk on a going and gone concern basis, including the risk of excessive leverage.

Liquidity risk management

Fintrex manages its liquidity risk taking into account regulatory, legal and other constraints to ensure sufficient liquidity is available where required to cover liquidity stresses. The size of the liquidity portfolio held in Fintrex is determined by referencing their liquidity risk appetite. Fintrex retains a prudent approach to setting the composition of the liquidity portfolio, which is subject to internal policies and limits over quality of counterparty and maturity mix.

The Company manages its liquidity risk through Asset and Liability Management (ALM) Policies. ALM is a key risk management discipline which directs the management of On-and-Off financial position assets and liabilities in such a way that the institution is able to offer competitively priced products and services to customers whilst maintaining an appropriate risk / reward profile that creates shareholder value. Assets and Liabilities Committee (ALCO) is entrusted with this task.

ALCO meets at least monthly and is responsible for managing and controlling the overall liquidity of the Company and reviews the impact of strategic decisions on Company's liquidity.

3. Interest Rate Risk

Interest rate risk arises from the provision to customers of a range of banking products with differing interest rate characteristics. When aggregated, these products form portfolios of assets and liabilities with varying degrees of sensitivity to changes in market interest rates. Mismatches can give rise to volatility in net interest income as interest rates vary. Interest Rate Risk comprises three primary risk types: gap risk, basis risk and option risk. To manage exposures within its risk appetite, Fintrex aggregates interest rate positions and hedges its residual exposure, primarily with interest rate swaps.

Structural hedging aims to reduce gap risk and the sensitivity of earnings to interest rate shocks. It also provides some protection against prolonged periods of falling rates. For further information on the types and sources of interest rate risk as well as on the purpose and methodology of the structural hedging carried out. Interest rate risk can be measured from either an economic value-based or earnings-based perspective, or a combination of the two. Fintrex uses VaR as its value-based approach and sensitivity of net interest earnings as its earnings-based approach.

Risk Management

Sensitivity of net interest earnings

Net interest earnings are sensitive to changes in the level of interest rates, mainly because maturing structural hedges are replaced at higher or lower rates and changes to coupons on managed rate customer products do not match changes in market rates of interest or central bank policy rates. Earnings sensitivity is derived from a market-implied forward rate curve, which will incorporate expected changes in Central Bank policy rates. The sensitivity of net interest earnings shows the expected impact of an immediate upward or downward change of 100 basis points. At monthly ALCO meetings, the Committee reviews the market conditions and the impact to the Company. Prudential measures were taken to mitigate the interest rate risk.

4. Operational Risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The objective is to manage the operational risks in order to strike a balance between risk and return. This balanced approach would avoid the occurrence of financial losses and reputation losses with overall cost effectiveness whilst avoiding control procedures that restrict initiative and creativity.

The primary responsibility for development and implementation of controls to address operational risk is assigned to BIRMC of the Company. Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit Department. The results of internal audit reviews are discussed with the management of the Company, Board Audit Committee and the Board of Directors.

The Company's approach to capital management is mainly based on strategic and organizational requirements taking into consideration legal and regulatory requirements as well.

5. Cyber Security Risk

With the increase in adoption and investment in digitization, security risks have emerged, which could occur due to the breach of confidentiality, integrity and availability of classified data such as customers' personal and financial information. Customer information is of critical importance and the Company is committed to protecting their privacy through information security initiatives.

Fintrex has identified the significance of cyber security as an emerging risk category and therefore has considered its requirements as a core component of the overall operational risk profile. The IT department has dedicated resources and device strategies to cope with cyber security risks.

The IT Steering Committee which meets on a monthly basis, discuss on the implementation of system security features to reduce the risk of cyber threats and to improve system capabilities with the assistance of BIRMC.

6. Strategic Risk

The risk that the Company's future business plans and strategies are inadequate to prevent financial loss or protect the Company's competitive position and generate expected shareholder returns.

The Company rolled out its three-year strategic plan in 2021/22 and the progress against the set objectives are monitored and reviewed periodically along with timely remedial action. Further branch profitability is also reviewed on a periodic basis.

7. Reputational Risk

The risk of potential/actual damage to the Company's image which may have a detrimental impact on the profitability and/or sustainability of the business. The Company is committed to maintain consistent communication with all its stakeholders to build strong and transparent relationships.

8. Climate Risk

Climate risk is the threat of financial loss or adverse non-financial impacts associated with climate change and the political, economic and environmental responses to it.

Sources of risk - Physical risks may arise from climate and weather-related events such as heatwaves, droughts, floods, storms and sea level rises.

They can potentially result in financial losses, impairing asset values and the creditworthiness of borrowers. Fintrex could be exposed to physical risks directly by the effects on its property portfolio and, indirectly, by the impacts on the wider economy as well as on the property and business interests of its customers. Transition risks may arise from the process of adjustment towards a low-carbon economy. Changes in policy, technology and sentiment could prompt reassessment of customers' financial risk and may lead to falls in the value of a large range of assets. Fintrex could be exposed to transition risks directly through the costs of adaptation within economic sectors and markets as well as supply chain disruption leading to financial impacts on it and its customers. Potential indirect effects include the erosion of Fintrex's competitiveness, profitability, or reputation damage.

9. Financial Crime Risk

Financial crime risk is presented by criminal activity in the form of money laundering, terrorist financing, bribery and corruption, sanctions and tax evasion, as well as fraud risk management.

Sources of risk -financial crime risk may be presented if Fintrex's customers, employees or third parties undertake or facilitate financial crime, or if Fintrex's products or services are used to facilitate such crime. Financial crime risk is an inherent risk across all lines of business.

10. Compliance Risk

Compliance risk is the risk that the behaviour of Fintrex towards customers fails to comply with laws, regulations, rules, standards and codes of conduct. Such a failure may lead to breaches of regulatory requirements, organizational standards or customer expectations and could result in legal or regulatory sanctions, material financial loss or reputational damage.

Sources of risk - Compliance risks exist across all stages of Fintrex's relationships with its customers and arise from a variety of activities including product design, marketing and sales, complaint handling, staff training, and handling of confidential inside information.

Elevating the ingenious ideas that make waves in the growth of the nation

"Fintrex has in fact been a cornerstone of my success over the years. I see a clear difference in Fintrex, with their quick responses and flexible processes and business terms which enable me to proceed amidst the very challenging and dynamic market conditions"

Dr. Chandana Perera
Director

Native Power (PVT) Ltd and Escarta (PVT) Ltd

Engineering

Board Audit Committee Report

The Board appointed Board Audit Committee as at the end of the year comprises the following Non-Executive Directors of the Company.

Mr. Shrihan B Perera – (Chairman) - Appointed w.e.f 16.09.2021
Independent Non-Executive Director

Mr. J. R. F. Peiris
Non-Independent Non-Executive Director

Mr. S. Nagpal
Non-Independent Non-Executive Director

Mr. K. D. Bernard (Chairman)
Ceased on 22.09.2021
Independent Non-Executive Director

The secretary to the Board of the company performs the secretary's function to the Audit Committee.

Brief Profiles of the members are given on pages 36 to 38 of the Annual Report.
The Audit Committee met 15 times during the year. The attendance of the members at Audit Committee Meetings is as follows:

Member	No. of Meetings
Mr. K. D. Bernard (Resigned wef 22.09.2021)	(06/06)
Mr. Shrihan B Perera (Appointed w.e.f 16.09.2021)	(09/09)
Mr. J. R. F. Peiris	15/15
Mr. S. Nagpal	13/15

In addition, Chief Executive Officer, Chief Financial Officer, Chief Internal Auditor attended the Committee meetings by invitation. The audit partner of the External Auditors, M/s. KPMG, was also invited to attend two such meetings during the year. Proceedings of the Audit Committee meetings are reported regularly to the Board of Directors.

ROLE OF THE AUDIT COMMITTEE:

The Audit Committee assists the Board of Directors in fulfilling effectively its responsibilities relating to financial, Corporate Governance and other related affairs of the company. The functioning of the Committee is guided by Audit Committee Charter and Audit Charter. The committee has been empowered to:

- examine internally any matter relating to the financial affairs of the company
- monitor and follow-up the Internal and External Audit programmes and plans, review the Internal Audit and External Audit reports
- analyse and review risks and examine the adequacy, efficiency and effectiveness of the Internal Control System and procedures in place to avoid or mitigate such risks
- review Accounting Policies, emerging accounting issues and disclosures according to Sri Lanka Accounting Standards (LKAS) / Sri Lanka Financial Reporting Standards (SLFRS) review and recommend Interim and Annual Financial Statements prepared for approval of the Board and submission to shareholders
- review the policy on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines.
- review of the special purpose "9 months financials ended 31 December 2021" for the purpose of certifying the capital adequacy

FINANCIAL REPORTING

The Committee assists the Board of Directors to discharge their responsibility for the preparation of the Financial Statements that portray a true and fair view of the affairs of the company in accordance with the company's accounting records and in conformity with the Sri Lanka Accounting Standards, the Sri Lanka Financial Reporting Standards, the Companies Act No.7 of 2007, Finance Business Act no 42 of 2011, and CBSL Directions.

The Committee reviewed the company's interim and annual financial statements prior to submission to the Board and recommended their issue to shareholders.

The Audit Committee reviewed and certified the profit reconciliation based on SLAS/CBSL directions and LKAS/SLFRS and impact to the prudential ratios, in compliance with relevant regulations.

The Audit Committee reviewed the financial reporting system in place to ensure the reliability and integrity of information provided. The review included the extent of compliance with LKAS/SLFRS and applicable laws & regulations, review of critical accounting policies and practices and any changes thereto, alternative accounting treatments, and material audit judgments.

EXTERNAL AUDIT

The Audit Committee is empowered to recommend the appointment of the External Auditor in compliance with the relevant statutes, the service period, Audit fee and any resignation or removal of the Auditor. The committee is satisfied that there is no conflict of interests between the company and the Auditor,

The Committee is thus satisfied that there is no cause to compromise on the independence and objectivity of the Auditor. The Committee reviewed the effectiveness of the audit processes in accordance with applicable standards and best practices. The Audit Committee will ensure that the engagement of an audit partner shall not exceed five years and that the audit partner is not re-engaged for the audit before the expiry of 3 years from the date of the completion of the previous term as per section 8 (2) (c) of Direction No.3 of 2008 issued under the Finance Business Act no 42 of 2011.

The annual financial statements 2021/22 were reviewed with the External Auditor and their Engagement and Management Letter and Management's responses thereto were also reviewed.

The Committee also met with the External Auditor at a meeting without the presence of Chief Executive Officers and other key officers to discuss whether there have been any improprieties, constraints, reservations or any other unsatisfactory matters arising from the audit which the auditor wished to discuss with the Audit Committee.

The Committee assists the Board of Directors in engaging the External Auditor for non-audit services in compliance with the statutes and ensures that engagement in non-audit services does not impair the External Auditor's independence and objectivity.

RISKS AND INTERNAL CONTROLS

Audit Committee reviewed the company operations and monitored the effectiveness of internal controls and procedures and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the company are safeguarded and the financial position is monitored according to information made available.

Additionally, the Committee assessed the effectiveness of the company's internal controls over financial reporting as at 31st March 2022, as required by Finance Companies (Corporate Governance) Direction 03 of 2008, as assessed in the Directors Statement on Internal Control on page 137.

The External Auditor has issued an Independent Assurance Report on the Director's Statement on Internal Control.

INTERNAL AUDIT

During the year, the Audit Committee reviewed the adequacy of the scope, functions and resources of the internal audit division, the results of the internal audit process and their evaluation of the company's internal control system. The Audit Committee also reviewed and approved the adequacy of coverage of the internal audit programme.

REGULATORY COMPLIANCE

Audit Committee reviewed the information requirement of Companies Act No 07 of 2007, Finance Business Act No. 42 of 2011 and CBSL regulations.

(Sgd.)
Shrihan B Perera
Chairman-Board Audit Committee

Board Human Resource and Remuneration Committee

Board Human Resource and Remuneration Committee is established to assist, and advise, the Board in evaluating and recommending the Rewards, and Recognition, policies for all employees, and in ensuring the appropriateness of fees paid to the Independent Directors.

The composition and the attendance of Board Human Resource and Remuneration Committee during the Financial Year 1 April 2021 to 31 March 2022, are/were as follows:

Name	Designation	Attendance/ No of meetings held during the period
Mr. A. D. Gunewardene* (Chairman)	Non-Independent Non-Executive Director/Chairman to the Board	1/1
Mr. J. R. F. Peiris* (Chairman)	Non-Independent Non-Executive Director	4/4
Mr. Shantanu Nagpal	Non-Independent Non-Executive Director	3/5
Mr. K. D. Bernard**	Independent Non-Executive Director	1/1
Mr. Shrihan Perera ***	Independent Non-Executive Director	4/4
Mr. S. N. Jayasinghe****	Independent Non-Executive Director	4/4

* Resigned from the Committee and Mr. J R F Peiris was appointed as Chairman to the Committee w.e.f 01.10.2021.
** Resigned upon completion of nine years on 30.09.2021
*** Appointed on 16.07.2021
**** Appointed on 01.10.2021

The Committee met five times during the financial year ended 31 March 2022 and the Board was kept informed about the proceedings and Board approval was obtained when, and where, required.

The Chief Executive Officer participated in all deliberations of this Committee and attended the meetings by invitation. The Head of Human Resources and Administration also attended when required.

ROLE OF THE COMMITTEE

- Maintain a competitive and attractive remuneration package for employees at all levels on par with industry standards,
- Gain assurance that the due processes, and procedures, have been followed in evaluating the performance of employees against pre-agreed goals/ key performance indicators and recommend rewards/promotions, as determined by the Committee, for approval by the Board of Directors,
- Ensuring that the findings of the Great Places to Work Survey are operationalized, and the survey is regularly updated.
- Assessing the appropriateness of the Fees paid to Independent Directors relative to the market.

The Committee recognizes rewards as one of the key drivers influencing employee behavior, thereby impacting business results. Therefore, the reward programs are designed to attract, retain, and motivate employees to deliver results by linking performance to demonstrable performance-based criteria. In this regard, the Committee focuses, particularly, on the individual performance of the Key Management Personnel against the pre-agreed targets and goals which are consistent with short and long-term financial and strategic objectives.

Further, the Committee reviewed the succession plans and the talent management process in respect of the senior management of the Company. The Succession Planning process incorporated diagnostic tools and methods for assessing the developmental readiness of employees for futuristic roles.

(Sgd.)
Ronnie Peiris
Chairman – Board Human Resource and Remuneration Committee

Board Integrated Risk Management Committee Report

The composition and the attendance of the Board appointed Board Integrated Risk Management Committee (BIRMC) during the financial year was as follows:

Name	Designation	Attendance/ No of meetings held
Mr. J. R. F. Peiris (Chairman)	Non-Independent Non-Executive Director	12/12
Mr. M. T. Galgamuwa*	Independent Non-Executive Director	6/6
Mr. M. S. J. D. Coorey*	Independent Non-Executive Director	3/6
Ms. S. Athukorale*	Independent Non-Executive Director	6/6
Mr. A. S. Ibrahim**	Independent Non-Executive Director	10/10
Mr. S. N. Jayasinghe***	Independent Non-Executive Director	5/6
Mr. K. Sivaskantharajah***	Independent Non-Executive Director	4/6

* Resigned from the Board of the Company upon completion of nine years on 30.09.2021
** Appointed to the Board of the Company on 14.06.2021
*** Appointed to the Board of the Company on 01.10.2021

The Committee held twelve, formal and scheduled meetings on a monthly basis, during the year under review.

Brief profiles of the Directors representing the committee are given on pages 36 to 38 of the Annual Report.

The Secretary to the Board of the Company performs the secretary's function to the Board Integrated Risk Management Committee (BIRMC)

REGULAR PARTICIPANTS

Mr. J. Bandara - Chief Executive Officer
Mr. J. C. D. de Alwis - Chief Financial Officer
Ms. D. C. Jayasekera - Risk and Compliance Officer

ATTEND UPON INVITATION

Any other members of the Board/Corporate Management/any other Staff Member will attend the Committee upon invitation.

TERMS OF REFERENCE, CHARTER AND ACTIVITIES

Board Integrated Risk Management Committee (BIRMC) is established by the Board to comply with the requirements specified in the Finance Companies (Corporate Governance) Direction No 03 of 2008, issued by the Monetary Board of the Central Bank of Sri Lanka under powers vested in the Monetary Board, in terms of the Finance Business Act No. 42 of 2011. The composition and the scope of work of the Committee is in conformity with the provisions of the Section 8 (3) of the aforesaid Direction.

The Charter of the BIRMC was last reviewed and adopted by the Board of Directors in September 2018. The BIRMC Charter clearly sets out the membership, source of authority, duties and responsibilities of the BIRMC. Functions of the BIRMC in the Company's overall risk management framework have been discussed in detail on the page 102.

The activities of the Committee include;

- Assessing all risks, i.e., credit, market, liquidity, operational and strategic risks to the Company on a monthly basis through appropriate risk indicators and management information.
- Reviewing the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.
- Making prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Company's policies and regulatory and supervisory requirements.
- Reviewing suitability of updated business continuity plan and develop disaster recovery plan
- Taking appropriate actions against the officers responsible for failure to improve the overall effectiveness of risk management at the Company.
- Monitoring the effectiveness and independence of Risk Management within the Company and ensure that adequate resources are deployed for this purpose.
- Reviewing the effectiveness of the compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of business operations.

Board Integrated Risk Management Committee Report

Acting collectively, the members of the Integrated Risk Management Committee although have not evaluated its performance during the year as a subset of its performance, effectiveness and efficiency has been included in the Board Evaluation.

During the financial year 2021/22, the BIRMC supported execution of the overall business strategy within a set of prudent risk parameters that are reinforced by an effective risk management framework.

The Committee wishes to record an appreciation for the valuable contribution made to this Committee by Mr. M. T. Galgamuwa, Mr. M. S. J. D. Coorey, and Ms. S. Athukorale who were members of this Committee who had since resigned from the Board of the Company.

On behalf of the Integrated Risk Management Committee

(Sgd.)
Ronnie Peiris
Chairman
Board Integrated Risk Management Committee

Board Credit Committee Report

COMPOSITION OF THE COMMITTEE

During the year, the Board Credit Committee (the BCC) consisted of the following members.
Mr. Ajit Gunewardene - Chairman
Mr. Sabry Ibrahim - Member*
Mr. S. Kathirgamar - Member*
Mr. Nilam Jayasinghe - Member*
*Independent Non-Executive Director

CHARTER OF THE COMMITTEE

The Committee assists the Board of Directors in effectively fulfilling its responsibilities relating to the Credit Direction, Credit Policy and Lending Guidelines of the Company in order to inculcate prudent lending standards and practices while ensuring that relevant regulations are complied with.

The Committee is empowered to:

- Review and consider changes proposed from time to time to the Credit Policy and the Lending Guidelines of the Company.
- Review the credit risk controls in lending and pricing of lending proposals, ensure alignment with the market context and the internal policy of the Company and the prevailing regulatory framework in order to ensure continuous maintenance and enhancement of the overall quality of the Company's loan book.
- Evaluate, assess, and approve credit proposals which fall within the delegated authority.
- Evaluate and recommend sector exposures.
- Monitor and evaluate special reports called for by the Board of Directors.
- Set lending directions based on the current economic climate and risk appetite of the Company.

ACTIVITIES DURING FY 2021/22

In a challenging environment due to the COVID-19 pandemic affecting the global and local business environment, the Committee set the Lending Directions of the organization for prudent management of credit growth, while aiming at maintaining and improving asset quality.

The Committee approved credit proposals above a predetermined limit, recommended credit proposals and other credit reports intended for approval/ perusal by the Board of Directors after careful scrutiny. These tasks were carried out by the Committee in line with the Company's lending policies and credit risk appetite to ensure that the lending portfolios were managed in line with the stipulated credit risk parameters set by the Board of Directors while achieving the Company's lending targets.

(Sgd.)
Ajit Gunewardene
Chairman – Board Credit Committee

Enriching the experience of our customers through our expertise

"I always treasure the expertise and entrepreneurial approach reflected by Fintrex in dealing with its customers; the bond they build with their customers is long term and mutually beneficial."

Mr. Ranjith Rathnapriya
Owner

T and T Holdings Pvt Ltd

Business Process Outsourcing


TOGETHER
EACH
ACHIEVES
MORE

Annual Report of the Board of Directors on the Affairs of the Company

The Board of Directors of Fintrex Finance Limited has pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2022.

This Annual Report of the Board of Directors on the affairs of the Company and Statement of Compliance contains the information required in terms of Section 168 of the Companies Act, No. 7 of 2007.

GENERAL

Fintrex Finance Ltd is a limited liability Company which was incorporated on 29th March 2007 under the Companies Act No.17 of 1982 as "ABC Investments Limited". The Company was re-registered under the Companies Act, No.7 of 2007 on 11th February 2009 under Registration No.PB878.

On 2nd April 2009, the name of the Company was changed to "First Barakah Investments Limited". Consequent to the acquisition of 100% ownership of the Company by Melstacorp Limited, the name was changed to "Melsta Regal Finance Limited" on 9th February 2012. On 6th April 2018, 100% of the ownership of the Company was acquired by Bluestone 1 (Private) Limited and changed the name to Fintrex Finance Limited in September 2018.

Fintrex Finance Limited is a Licensed Finance Company in terms of the Finance Business Act, No.42 of 2011, having obtained registration under the said Acton 10th February 2012 and a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No.56 of 2000, since 26th August 2012.

Registered Office of the Company is at No. 851, Dr. Danister De Silva Mawatha, Colombo 14.

PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

The principal activities of the Company are providing loans and advances, lease financing, gold loans, hire purchase financing, factoring, trade finance, hiring and mobilizing public deposits in forms of savings and term deposits. During the year under review, the Company launched gold loan and smart draft loan products.

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

This Report together with the Financial Statements reflects the state of affairs of the Company.

REVIEW OF PERFORMANCE AND FUTURE DEVELOPMENT PLAN

The Chairman's Review (pages 28 to 29), Chief Executive Officer's Review (page 30 to 33) and the Financial Capital on page 54 to 60, provide a comprehensive analysis of the Company's affairs together with the important events that took place during the year under review. These reports form an integral part of the Annual Report of the Board of Directors.

FINANCIAL STATEMENTS

The Financial Statements of the Company has been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirement of the Companies Act No. 07 of 2007 and Finance Business Act No. 42 of 2011. These Financial Statements of the Company for the year ended 31st March 2022 which are duly certified by Chief Executive Officer and Chief Financial Officer, have been approved by the Board of Directors and signed by two Directors on behalf of the Board including the Chairman, appear on pages 142 to 199 in this Annual Report and forms an integral part of the Annual Report of the Board of Directors.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company, which reflect a true and fair view of the state of its affairs. The Directors are of the view that the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow, Significant Accounting Policies and Notes thereto appearing on pages 147 to 199 in this report, have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 and the Companies Act No.07 of 2007.

Further, these Financial Statements also comply with the requirements of the Finance Business Act No.42 of 2011 amendments thereto. The Statement of Directors' Responsibility for Financial Reporting is given on page 135 and forms an integral part of this Annual Report.

DIRECTORS' STATEMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board has issued a statement on the internal control mechanism of the Company as per Section 10 (2) (b) of Finance Companies (Corporate Governance) Direction No. 03 of 2008 which forms an integral part of the Annual Report of the Board of Directors.

The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Controls over Financial Reporting.

INDEPENDENT AUDITORS' REPORT

The Company's Auditor Messrs. KPMG, performed the audit of financial statements of the Company for the year ended 31st March 2022, and their report on those Financial Statements, as required by Section 168(1)(c) of the Companies Act is given on pages 140 to 141.

ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of the Financial Statements are given on pages 147 to 159, which are, unless otherwise stated, consistent with those used in previous period.

The Company prepared their Financial Statements for all periods up to and including the year ended 31st March 2022, in accordance with Sri Lanka Accounting Standards which were in effect up to that date. The Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company are given on pages 150 to 159 of the Annual Report.

ACCOUNTING PERIOD

The Financial Accounting period reflects from 01st of April 2021 to 31st March 2022.

FINANCIAL PERFORMANCE

Interest Income

The Company recorded a total interest income of Rs.1,955.83 million (Rs.1,549.45 million in financial year 2021) for the year ended 31st March 2022. This represents a growth of total interest income by Rs.406.38 million or 26.2% compared to the previous year. A more descriptive analysis of the interest income is given in note no. 7 (page 160) to the Financial Statements.

Profit and Appropriations

The Company's profit before taxation amounted to Rs.440.02 millionin comparison to Rs.250.79 million in financial year 2021/22. The Company recorded a profit after tax of Rs.327.50 million (Rs.194.31million in financial year 2020/21) for the year ended 31st March 2022. This represents an increase of Rs.133.18 millionor 68.54% compared to the previous year. The Company recorded a total comprehensive income of Rs.317.97 million (Rs.195.82 million in financial year 2020/21) for the year ended 31st March 2022. As per the guidelines and criteria laid down in the Section 3 (b) (i) of Finance Companies (Capital Funds) Direction No.1 of 2013 of the Central Bank of Sri Lanka, the Board of Directors transferred Rs.16.33 million (Rs.9.70 million in previous year) to the Company's 'Statutory Reserve Fund' during the year under review.

Details of Company's performance and appropriation of profit of the Company are given below.

Description	2021/22 Rs. '000	2020/21 Rs. '000
Profit before Income Tax Expense	440,018	250,795
Less: Income Tax (Expense) /Benefit	(112,521)	(56,480)
Profit /(Loss) for the Year after Taxation	327,497	194,315
Unappropriated Profit Brought Forward from Previous Year	418,892	234,507
Profit Available for Appropriation	746,389	428,822
Less: Appropriations		
Other Comprehensive Income /(Expenses)	(938)	(226)
Transfer to Reserves	(16,328)	(9,704)
Total Appropriation	(17,266)	(9,930)
Unappropriated Profit Carried Forward	**729,123**	**418,892**

EQUITY AND RESERVES

The Equity and Reserves of the Company as at 31st March 2022 and 31st March 2021 are as follows. During the year under review, our parent company and the sole shareholder Bluestone1 (Pvt) Ltd, infused fresh equity capital of Rs.600 million through a right issue of ordinary shares at the rate of Rs.10/- per share with the approval of Central Bank of Sri Lanka. Accordingly, the Stated Capital of the Company increased to Rs.2.37 billion in the year under review from Rs.1.77 billion in the previous year.

Description	31st March 2022 Rs. '000	31st March 2021 Rs. '000
Stated Capital	2,369,560	1,769,560
Retained Earnings	729,123	418,891
Fair Value through Other Comprehensive Income Reserve	-	8,587
Statutory Reserves	53,918	37,590
Total Shareholders' Funds	**3,152,601**	**2,234,628**

DIVIDENDS

No dividends were paid during the year ended 31st March 2022 and no dividends are proposed for distribution from and out of the profit for the year under review.

SHARE INFORMATION

Information relating to earnings and net asset value per share is given on page 20. Our parent company andthe sole shareholder, Bluestone 1 (Pvt) Ltd, holds 100% of the ordinary shares issued of the Company.

Annual Report of the Board of Directors on the Affairs of the Company

PROPERTY, PLANT & EQUIPMENT

The total capital expenditure incurred on Property, Plant and Equipment of the Company in the year ended 31st March 2022 amounted to Rs. 68.09 million (Rs.12.39 million in 2020/21). The detail analysis of Property, Plant & Equipment belonging to the Company as at year end are disclosed in note no 27, on page 175.

TAXATION

The Income Tax rate applicable to the Company's operations is 24% (24% in financial year 2020/21) The Company was also liable for Value Added Tax (VAT) on Financial Services at 15% up to 31st December 2021 and 18% from 01st January 2022 to the date of Financial Position. (15% in financial year 2020/21).

THE BOARD OF DIRECTORS

The Board of Directors of the Company as at 31st March 2022 consisted of Seven Directors with wide financial and commercial knowledge and experience. The qualifications and experience of the Directors are given on pages 36 to 38.

The names of the Directors who held office as at the end of the accounting period are tabulated below in terms of Section 168 (1) (h) of the Companies Act No. 07 of 2007. Further, the categorization of Executive and Non-Executive, Independent and Non-Independent as at 31st March 2022 is given below as per Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by Central Bank of Sri Lanka.

Name of the Director	Executive/ Non Executive Status	Independence Non Independence status
Mr. Ajit Damon Gunewardene - Chairman	Non-Executive	Non-Independent
Mr. James Ronnie Felitus Peiris	Non-Executive	Non-Independent
Mr. Shantanu Nagpal	Non-Executive	Non-Independent
Mr. Ahamed Sabry Ibrahim	Non-Executive	Independent
Mr. Shrihan Blaise Perera	Non-Executive	Independent
Mr. Kathirgamar Sivaskantharajah	Non-Executive	Independent
Mr. Seminda Nilam Jayasinghe	Non-Executive	Independent

RESIGNATIONS/CESSATIONS AND NEW APPOINTMENT OF DIRECTORS DURING THE YEAR

The following four (4) Directors ceased from their office as Directors of the Company on 30th September 2021 upon the completion of nine years in accordance with paragraph 4(2) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008:

1. Mr. Mahendra Thilakasiri Galgamuwa - Independent Non Executive Director
2. Ms. Shivanthi Adhikari Atukorale - Independent Non Executive Director
3. Mr. Muthuthanthrige Shivan Joseph Dinesh Coorey - Independent Non Executive Director
4. Mr. Keith Damien Bernard - Independent Non Executive Director

Further, the following appointments were made to the Board of Directors with the approval of the Central Bank of Sri Lanka.

Name of the Director	Date of Appointment
Mr. Ahamed Sabry Ibrahim	17th June 2021
Mr. Shrihan Blaise Perera	16th July 2021
Mr. Seminda Nilam Jayasinghe	01st October 2021
Mr. KathirgamarSivaskantharajah	01st October 2021

Mr. Ahamed Sabry Ibrahim was appointed as a Senior Director with effect from 14th October 2021 with the approval of the Central Bank of Sri Lanka upon the cessation of Mr. Mahendra Thilakasiri Galgamuwa as a Director on 30th of September 2021.

INTERESTS REGISTER / RELATED PARTY TRANSACTIONS

Except to the extent disclosed under note no. 43 to the Financial Statements, no Directors were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period under review.

DIRECTORS' REMUNERATION

As required by Section 168 (1) (f) of the Companies Act No.07 of 2007, the Directors' fees and emoluments for the financial year ended 31st March 2022 and 31st March 2021 are stated below and disclosed under note nos.11 and 43 to the Financial Statements on pages 161 and 184 respectively.

	2022/21 Rs. '000	2020/21 Rs. '000
Directors' Fees and Emoluments	5,400	5,100

RECOMMENDATIONS FOR RE-ELECTION

Messrs S B Perera, K Sivaskantharajah and S N Jayasinghe shall retire in terms of Article 103 of the Articles of Association of the Company and being eligible are recommended by the Directors for re-election.

Mr. J R F Peiris who will attain the age of 71 years on 29th June 2022 will vacate office at the conclusion of the next Annual General Meeting in terms of Section 210 of the Companies Act. The Board has resolved to place a resolution before the shareholders at the forthcoming Annual General Meeting in terms of Section 211 of the Companies Act seeking the approval of the shareholders for the re-appointment of Mr. Peiris specially declaring that the age limit referred to in Section 210 of the Companies Act shall not apply to Mr. Peiris. The relevant regulatory approval in terms of the Finance Business Act Directions No. 05 of 2020 and Finance Companies Direction No.05 of 2021 was obtained for the continuation of Mr. Peiris as a Director for a further period of one year after attaining the age of 71 years.

BOARD SUB COMMITTEES

The Board of Directors of the Company has formed five Board sub-committees, namely, Board Audit Committee, Board Integrated Risk Management Committee, Board Remuneration Committee, Board Credit Committee and Board Nomination Committee and the following Directors served as members of the said Committees:

Board Audit Committee

Mr. S. B. Perera – Chairman (appointed as a member on 16.07.2021 and as the Chairman on 01.10.2021)
Mr. K. D. Bernard (ceased on 30.09.2021)
Mr. J. R. F. Peiris
Mr. S. Nagpal

The Report of the Board Audit Committee is given on pages 122 to 123.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

Mr. J. R. F. Peiris - Chairman
Mr. M. T. Galgamuwa (ceased on 30.09.2021)
Mr. M. S. J. D. Coorey (ceased on 30.09.2021)
Ms. S. Athukorale (ceased on 30.09.2021)
Mr. A. S. Ibrahim
Mr. S. N. Jayasinghe (appointed w.e.f. 01.10.2021)
Mr. K. Sivaskantharajah (appointed w.e.f. 01.10.2021)

The Report of the Board Integrated Risk Management Committee is given on pages 125 to 126.

BOARD REMUNERATION COMMITTEE

Mr. J. R. F. Peiris – Chairman (appointed w.e.f. 01.10.2021)
Mr. A. D. Gunewardene-(resigned w.e.f. 30.09.2021)
Mr. S. Nagpal
Mr. K. D. Bernard (ceased on 30.09.2021)
Mr. S. B. Perera (appointed w.e.f. 01.10.2021)
Mr. S. N. Jayasinghe (appointed w.e.f. 01.10.2021)

The Report of the Board Remuneration Committee is given on page 124.

BOARD CREDIT COMMITTEE MEMBERS

Mr. A. D. Gunewardene - Chairman
Mr. S. J. D. Coorey (ceased on 30.09.2021)
Mr. M. T. Galgamuwa (ceased on 30.09.2021)
Ms. S. Athukorale (ceased on 30.09.2021)
Mr. A. S. Ibrahim
Mr. S. N. Jayasinghe (appointed w.e.f. 01.10.2021)
Mr. K. Sivaskantharajah (appointed w.e.f. 01.10.2021)

BOARD NOMINATION COMMITTEE

Mr. A. D. Gunewardene – Chairman
Mr. S. Nagpal
Mr. K. D. Bernard (ceased on 30.09.2021)
Mr. A. S. Ibrahim (appointed w.e.f 01.10.2021)
Mr. J. R. F. Peiris (appointed w.e.f 01.10.2021)
Mr. S. N. Jayasinghe (appointed w.e.f 01.10.2021)

DONATIONS

The Company has not made any donations during the year under review.

HUMAN RESOURCES

The Company continues to invest in Human Capital Development and implement effective Human Resource Practices and Policies to improve work force efficiency, effectiveness and productivity and also to foster collaborative partnerships that enrich the work and learning environment for the staff.

AUDITORS

Messrs. KPMG Chartered Accountants served as the Auditors during the period under review.

Annual Report of the Board of Directors on the Affairs of the Company

A total amount of Rs. 1,350,000/- is payable by the Company to the Auditors for the year under review, comprising Rs. 810,000/- as Audit Fees, and Rs.540,000/- for non-audit services. Details are given under note no. 11 to the Financial Statements (page 161).

The Auditors have expressed their willingness to continue in office. A resolution to reappoint the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

STATUTORY PAYMENTS

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

OUTSTANDING LITIGATION

In consultation with the Company's lawyers and the Directors confirm that no litigation is currently pending against the Company will have a material impact on the reported financial results or future operations of the Company except disclosed under note no. 39 to the Financial Statements on page 182.

GOING CONCERN

The Board of Directors has reviewed the Company's corporate/business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the going concern concept.

ENVIRONMENTAL PROTECTION

The Company has not engaged in any activity that is harmful or hazardous to the environment. Measures taken by the Company on environmental protection are given in the report on Natural Capital on page 80.

CONTINGENT LIABILITIES

There were no material contingent liabilities as at the reporting date which require adjustment to or disclosure in the Financial Statements other than those disclosed under note no. 40 on page 183.

EVENTS OCCURRING AFTER THE REPORTING DATE.

There have been no material events and/or circumstances that have arisen since the reporting date that would require adjustments to or disclosure in the financial statements, other than those disclosed under note no.38 on page 182 to the Financial Statements.

CORPORATE GOVERNANCE

In compliance with Finance Companies (Corporate Governance) Direction No.3 of 2008, the Directors declare that

- The Company complied with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations,
- The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested,
- The business is a going concern with supporting assumptions,
- Internal Control procedure sand Risk Management practices of the company are effective and adhered to.

The measures have been taken in this regard are detailed in the Corporate Governance Report on page 86 of this report.

ANNUAL GENERAL MEETING & THE NOTICE TO THE MEETING

Annual General Meeting of the Company will be held virtually on 28th July 2022 at 2.45 pm centered at the Board Room of Fintrex Finance Ltd at No 841, Dr. Danister De Silva Mawatha, Colombo 14. The Notice of the meeting is available on page no. 210 in this Report.

ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by section 168(1)(k) of the Companies Act No 07 of 2007 the Board of Directors hereby acknowledge the contents of this report.

This Annual Report is signed for and on behalf of the Board of Directors by;

(Sgd.)
A. D. Gunewardene
Chairman

(Sgd.)
P W Corporate Secretarial (Pvt) Ltd
Secretaries

28th June 2022
Colombo

Statement of Directors' Responsibility in Financial Reporting

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that the Company keep proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the Company as at end of each financial year and of the financial performance of the Company for each financial year and place them before a general meeting.

The Financial Statements comprise of the Statement of Financial Position as at 31st March 2022, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto. Accordingly, the Directors confirm that the Financial Statements of the Company give a true and fair view of:

a) the financial position of the Company as at Reporting date; and
b) the financial performance of the Company for the financial year ended on the Reporting date.

The Financial Statements of the Company have been certified by the Company's Chief Financial Officer, the office responsible for their preparation, as required by the Sections 150 (1) (b) and 152 (1) (b) of the Companies Act. In addition, the Financial Statements of the Company have been signed by two Directors of the Company on June 28 ,2022 as required by the Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements.

Under the Section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which correctly record and explain the Company's transactions are maintained and that the Company's financial position, with reasonable accuracy, at any point of time is determined by the Company, enabling preparation of the Financial Statements, in accordance with the Act to facilitate proper audit of the Financial Statements.

The Financial Statements for the year 2021/22, prepared and presented in this Annual Report have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Finance Business Act No. 42 of 2011 and amendments thereto.

The Directors have taken appropriate steps to ensure that the Company maintain proper books of account and review the financial reporting system directly by them at their regular meetings and also through the Board Audit Committee, the Report of the said Committee is given on pages 122 to 123.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing the Financial Statements exhibited on page 142 including, appropriate Accounting Policies selected and applied based on the new financial reporting frame work on a consistent basis, while reasonable and prudent judgements have been made so that the form and substance of transactions are properly reflected.

The Directors also have taken reasonable measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal investigations, internal audit and financial and other controls required to carry on the business of banking in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records.

The Directors' Statement on Internal Control is given on page 137 of this Annual Report.

The Company's External Auditors, Messrs. KPMG who were appointed in terms of the Section 158 of the Companies Act and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and Minutes of shareholders' and Directors' Meetings and expressed their opinion which appears as reported by them on page 140.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the Reporting date have been paid or, where relevant, provided for. The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Directors have a reasonable expectation that the Company possess adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the Financial Statements.

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

By Order of the Board,

(Sgd.)
P W Corporate Secretarial (Pvt) Ltd
Secretaries

Chief Executive Officer's and Chief Financial Officer's Responsibility in Financial Reporting

The Financial Statements of Fintrex Finance Ltd (Company) as at 31st March 2022 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka,
- Companies Act No. 07 of 2007,
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995,
- Finance Business Act No. 42 of 2011 and amendments thereto &
- Directions, Circulars and Guidelines issued by the Central Bank of Sri Lanka,
- Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made comply with the specified formats prescribed by the Central Bank of Sri Lanka, which also complied with the disclosure requirements of the Sri Lanka Accounting Standard LKAS 01 – Representation of Financial Statements.

The Accounting Policies used in preparation of financial statements are appropriate and are in accordance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka.

Application of Significant Accounting Policies and estimates that involve a high degree of judgments and complexity were discussed with the Board Audit Committee and Company's External Auditors. Comparative information has been restated to comply with the current presentation. We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the Cash Flows of the Company during the year under review. We also confirm that the Company has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

We are responsible for establishing, implementing and maintaining Internal Controls and Procedures within the Company.

We ensure that effective Internal Controls and Procedures are in place, ensuring material information relating to the Group are made known to us for safeguarding assets, preventing and detecting fraud and/or error as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We have evaluated the Internal Controls and Procedures of the Company for the financial period under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Procedures, to the best of our knowledge. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and fraud that involves management or other employees.
The Company's Internal Auditors also conducts periodic reviews to ensure that the Internal Controls and Procedures are consistently followed.

The Financial Statements of the Company were audited by Messrs KPMG, Chartered Accountants and their Report is given on page 140. The Board Audit Committee pre- approves the audit and non-audit services provided by Messer KPMG, in order to ensure that the provision of such services does not contravene with the guidelines issued by the Central Bank of Sri Lanka on permitted non-audit services or impair KPMG's independence and objectivity.

The Company's Board Audit Committee, inter alia, reviewed all the Interna and External Audit and Inspection Programmes, the efficiency of Internal Control Systems and procedures and also reviewed the quality of Significant Accounting Policies and their adherence to Statutory and Regulatory requirements, the details of which are given in the 'Board Audit Committee report' on pages 122 to 123. The Board Audit Committee regularly examined the major decisions taken by the Assets and Liabilities Committee (ALCO) and the Credit Committee, during the year. The continuous inspection and audit functions, engagement of Internal Auditors and effective functioning of Board Audit Committee, ensure that the Internal Controls and Procedures are followed consistently. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

We confirm that to the best of our knowledge:

- The Company has complied with all applicable laws and regulations and guidelines and there are no material litigation against the Company other than those disclosed in Note 39 on page 182 of the Financial Statements.
- All taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at the reporting date have been paid, or where relevant provided for.

(Sgd.)
Jayathilake Bandara
Chief Executive Officer

(Sgd.)
J C Deshantha De Alwis
Chief Financial Officer

Date : 28.06.2022

Directors' Statement on Internal Control Over Financial Reporting

RESPONSIBILITY

In line with the Finance Business Act No. 42 of 2011; Finance Companies (Corporate Governance) Direction No.03 of 2008; the Board of Directors presents this Report on Internal Control over Financial Reporting.

The Board of Directors (Board) is responsible for the adequacy and effectiveness of the Fintrex Finance Ltd ('the Company') system of internal controls. However, such a system is designed to manage the Company's' key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and Board appointed sub committees accordance with the Guidance for Directors of Company on the Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control system taking into account principles for the assessment of internal control system as given in that guidance.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

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

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various appointed committees are established by the Board to assist the Board in ensuring the effectiveness of Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the internal audit are submitted to the Board Audit Committee for review at their periodic meetings.
- The Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Division, regulatory authorities and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The Minutes of the Board Audit Committee meetings are tabled at the meetings of the Board of Directors of the Company. Further, details of the activities undertaken by the Board Audit Committee of the Company are set out in the 'Board Audit Committee Reports' which appears on the Annual Report.
- The comments made by the External Auditors in connection with internal control system during the financial year 2021/22 were taken into consideration and appropriate steps will be taken to incorporate them where appropriate during the ensuing year.
- In assessing the internal control system, identified officers of the Company continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. The Internal Audit Department continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.

CONFIRMATION

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation

Directors' Statement on Internal Control Over Financial Reporting

of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditor, Messrs. KPMG Chartered Accountants has reviewed the above Directors' Statement on Internal Controls included in the Annual Report of the Company for the year ended 31 March 2022 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design & effectiveness of the internal control system over financial reporting of the Company.

By order of the Board

(Sgd.)
Shrihan B Perera
Chairman-Board Audit Committee

(Sgd.)
A D Gunewardene
Chairman

(Sgd.)
Jayathilake Bandara
Chief Executive Officer

CONTENT TO THE FINANCIAL STATEMENTS

Independent Auditor's Report

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FINTREX FINANCE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fintrex Finance Limited, ("the Company"), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2022, and of its financial performance and its 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 Company 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.

Other Information

Management is responsible for the other information. These financial statements do not include the other information.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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.

KPMG

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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.

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.

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.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

28 June 2022

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 March,	Note	2022 Rs.	2021 Rs.
Gross income	6	2,106,328,894	1,625,409,339
Interest income	7	1,955,826,892	1,549,447,524
Interest expenses	8	(660,298,984)	(510,690,580)
Net interest income		1,295,527,908	1,038,756,944
Other operating income	9	150,502,002	75,961,815
Total operating income		1,446,029,910	1,114,718,759
Impairment charge on loans and receivables	21.1	(117,544,055)	(236,407,010)
Net operating income		1,328,485,855	878,311,749
Operating expenses			
Personnel expenses	10	(366,029,399)	(267,021,007)
Premises, equipment and establishment expenses		(82,971,204)	(69,473,593)
Depreciation and amortisation charges		(59,499,603)	(63,090,451)
Other operating expenses		(244,979,265)	(142,406,667)
Operating profit before Value Added Tax (VAT) on financial services		575,006,384	336,320,031
VAT on financial services		(134,987,994)	(85,524,988)
Profit before income tax expense	11	440,018,390	250,795,043
Income tax (expense) / benefit	12	(112,520,838)	(56,480,001)
Profit for the year		327,497,552	194,315,042
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss			
Actuarial gain / (loss) on employee benefits	32.1	(1,234,059)	(297,272)
Deferred tax effect on employee benefits	33.1	296,174	71,345
Items that are or may be reclassified to profit or loss			
Fair value gain on treasury bond during the year		(8,586,929)	1,728,331
Other comprehensive income for the year, net of tax		(9,524,814)	1,502,404
Total comprehensive income for the year		317,972,738	195,817,446
Transfer to statutory reserve		(16,327,983)	(9,704,456)
Total comprehensive income for the year after transferring to statutory reserve		301,644,755	186,112,990
Earnings per share			
Basic / Diluted earnings per share	13.1	1.80	1.10

The Notes annexed are an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Financial Position

For the Year Ended 31 March,	Note	2022 Rs.	2021 Rs.
ASSETS			
Cash and cash equivalents	14	312,049,491	166,532,603
Financial investments at amortised cost	15	647,135,954	181,659,066
Financial assets measured at fair value through other comprehensive income	16	46,916,224	56,919,879
Finance lease receivables	17	6,248,571,009	5,019,491,970
Hire purchase receivables	18	109,474	109,474
Loans and advances to other customers	19	5,036,919,372	3,346,999,886
Factoring receivables	20	1,920,499	2,822,431
Other receivables	22	79,816,137	45,502,425
Tax receivables	23	6,500	6,500
Deferred tax asset	33	33,633,497	-
Investment property	24	6,800,000	6,800,000
Right of use assets	25.1	107,833,060	61,904,892
Intangible assets	26	15,863,209	17,952,514
Property, plant and equipment	27	82,857,845	38,710,269
Total assets		12,620,432,271	8,945,411,909
LIABILITIES			
Bank overdrafts		81,082	125,464,284
Financial liabilities at amortised cost due to customers	28	1,858,224,777	455,374,458
Interest bearing loans and borrowings	29	7,077,780,596	5,705,517,080
Lease liabilities	25.2	110,379,848	64,897,900
Liabilities of FBIL customers	30	-	962,059
Current tax liabilities		94,407,088	48,389,541
Trade and other payables	31	314,108,459	278,916,108
Employee benefits	32	12,849,802	11,904,906
Deferred tax liabilities	33	-	19,357,692
Total liabilities		9,467,831,652	6,710,784,028
EQUITY			
Stated capital	34	2,369,559,710	1,769,559,710
Statutory reserve fund	35	53,917,670	37,589,687
Fair value through other comprehensive income reserve	36	-	8,586,929
Retained earnings	37	729,123,239	418,891,555
Total equity		3,152,600,619	2,234,627,881
Total liabilities and equity		12,620,432,271	8,945,411,909
Contingent liabilities and commitments	40	-	241,792,512
Net assets per share (Rs.)		13.30	12.63

The Notes annexed are an integral part of these Financial Statements.
Figures in brackets indicate deductions.
We certify that the Financial Statements are prepared and presented in Compliance with the requirements of the Companies Act No.7 of 2007.

Deshantha de Alwis
Chief Financial Officer

Jayathilake Bandara
Chief Executive Officer

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

A. D. Gunewardene
Chairman

J. R. F. Peiris
Director

Colombo,
28 June 2022

Statement of Changes in Equity

	Stated Capital Rs.	Statutory Reserve Fund Rs.	Fair Value through Other comprehensive income Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 31 March 2020	1,769,559,710	27,885,231	6,858,598	234,506,896	2,038,810,435
Total comprehensive income for the year					
Profit for the year	-	-	-	194,315,042	194,315,042
Other comprehensive income					
Actuarial loss on employee benefits	-	-	-	(297,272)	(297,272)
Deferred tax effect on employee benefits	-	-	-	71,345	71,345
Changes in fair value through other comprehensive income investments	-	-	1,728,331	-	1,728,331
Total other comprehensive income for the year	-	-	1,728,331	(225,927)	1,502,404
Total comprehensive income for the year	-	-	1,728,331	194,089,115	195,817,446
Other movements in equity					
Share issue	-	-	-	-	-
Transferred to statutory reserve fund	-	9,704,456	-	(9,704,456)	-
Balance as at 31 March 2021	1,769,559,710	37,589,687	8,586,929	418,891,555	2,234,627,881
Total comprehensive income for the year					
Profit for the year	-	-	-	327,497,552	327,497,552
Other comprehensive income					-
Actuarial loss on employee benefits	-	-	-	(1,234,059)	(1,234,059)
Deferred tax effect on employee benefits	-	-	-	296,174	296,174
Changes in fair value through other comprehensive income investments	-	-	(8,586,929)	-	(8,586,929)
Total other comprehensive income for the year	-	-	(8,586,929)	(937,885)	(9,524,814)
Total comprehensive income for the year	-	-	(8,586,929)	326,559,667	317,972,738
Other movements in equity					
Share issue	600,000,000	-	-	-	600,000,000
Transferred to statutory reserve fund	-	16,327,983	-	(16,327,983)	-
Balance as at 31 March 2022	2,369,559,710	53,917,670	-	729,123,239	3,152,600,619

The Notes annexed are an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Cash Flows

For the Year Ended 31 March,	2022 Rs.	2021 Rs.
Cash flows from operating activities		
Interest received	1,921,403,186	1,519,157,498
Interest payments	(660,298,984)	(510,690,580)
Hiring rental received	3,655,967	7,608,801
Receipts from financial investments	27,326,884	21,260,258
Receipts from other operating activities	146,602,435	72,838,746
Cash payments to employees and suppliers	(824,741,560)	(559,942,936)
Operating profit before changes in operating assets and operating liabilities (Note (a))	613,947,928	550,231,787
(Increase) / decrease in operating assets		
Net investment in loans and advances	(3,035,640,648)	(1,404,103,548)
Net investment / (withdrawal) of fixed deposits	(250,565,069)	87,591,452
Net investment / (withdrawal) of Repos	(118,979,040)	(85,000,000)
Net Investment in treasury bills	(95,932,779)	96,545,898
Net increase in other operating assets	(30,706,782)	(14,060,958)
Increase / (decrease) in operating liabilities		
Other financial liabilities due to customers	1,402,850,319	268,362,921
Increase in Liability to FBIL Customers	(962,059)	-
Net increase / (decrease) in other liabilities	35,290,975	132,270,505
	(1,480,697,156)	(368,161,943)
Gratuity paid	(4,515,465)	(1,903,657)
Income tax paid	(119,198,306)	-
Net cash flows generated / (used) in operating activities	(1,604,410,927)	(370,065,600)
Cash flows from investing activities		
Purchase of intangible assets	(4,334,248)	(5,542,410)
Purchase of property, plant and equipment	(68,092,180)	(12,387,266)
Proceeds from disposal of property, plant and equipment	1,776,254	2,590,060
Net cash flows used in investing activities	-	-
Net cash flows used in investing activities	(70,650,174)	(15,339,616)

Statement of Cash Flows

For the Year Ended 31 March,	2022 Rs.	2021 Rs.
Cash flows from financing activities		
Net proceeds from loans and borrowings	1,372,263,516	948,585,975
Proceeds from right-issue	600,000,000	-
Payment of lease liabilities	(26,302,325)	(21,488,762)
Net cash flows generated from / (used) in financing activities	1,945,961,191	927,097,213
Net increase / (decrease) in cash and cash equivalents during the year	270,900,090	541,691,996
Cash and cash equivalents at the beginning of the year	41,068,319	(500,623,677)
Cash and cash equivalents at the end of the year (Note (b))	311,968,409	41,068,319

Note (a) : reconciliation of profit before tax with cash flows from operating activities

	2022 Rs.	2021 Rs.
Profit before income tax expense	440,018,390	250,795,043
Depreciation of property, plant and equipment	22,239,945	27,478,092
Depreciation of right-to-use asset	30,836,105	25,626,722
Amortization of intangible assets	6,423,553	9,985,637
Provision for gratuity	4,226,302	4,483,319
Impairment charge on loans and advances	117,544,055	236,407,010
Fair value gain/(loss) on treasury bond during the year	1,416,725	-
Exchange gain/(loss)	(124,146)	(64,840)
Written back of unidentified deposits	(5,120,553)	(3,058,229)
Change in interest income receivables	(3,440,854)	(1,420,967)
Profit on disposal of hiring fleet	(71,593)	-
	613,947,928	550,231,787

Note (b) : reconciliation of cash & cash equivalents (Note 14)

	2022 Rs.	2021 Rs.
Cash in hand and cash at banks	312,049,491	166,532,603
Bank overdrafts	(81,082)	(125,464,284)
	311,968,409	41,068,319

The Notes annexed are an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 General

Fintrex Finance Limited is a limited liability Company domiciled in Sri Lanka under the provisions of Companies Act. It is a Licensed Finance Company regulated under the Finance Business Act No. 42 of 2011 and amendments thereto. The Company (which was previously known as First Barakah Investments Limited), changed its name to Melsta Regal Finance Limited with effect from 9 February 2012 consequent to the acquisition of its 100% controlling stake by Melstacorp PLC. The Company was then acquired by Bluestone One (Pvt) Ltd on 06 April 2018 and it is now named as Fintrex Finance Ltd with effect from 03rd September 2018.

The registered office and the Principal place of business of the Company is located at No. 851, Dr. Danister De Silva Mawatha, Colombo-14.

1.2 Principal Activities and Nature of Operations

The principal activities of the Company comprised of providing loans and advances, lease financing, hire purchase financing, factoring, trade finance, hiring and mobilizing public deposits in forms of savings and term deposits. The Company has obtained the registration under Finance Business Act No. 42 of 2011 on 10 February 2012. The finance leasing operation commenced subsequent to the registration under Finance Leasing Act No 56 of 2000 on 26 August 2012.

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

1.3 Parent and Ultimate Parent Entity

The Company's immediate parent is Bluestone 1(Pvt) Limited which is incorporated in Sri Lanka.

2. BASIS OF ACCOUNTING

2.1 Statement of Compliance

The Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (SLFRs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the requirements of Companies Act No. 7 of 2007 and Finance Business Act No. 42 of 2011 and subsequent amendments thereto.

2.2 Responsibility of Financial Statements

Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and provisions of the Companies Act No. 07 of 2007. This responsibility includes: designing, implementing and maintaining internal control 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.

2.3 Approval of Financial Statements by Directors

The Financial Statements of the Company for the year ended 31 March 2022 were approved and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 28 June 2022.

2.4 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following,

Investment Properties initially measured at cost and subsequently measured at Fair Value	Note 24
Financial Assets classified as fair value through other comprehensive income (FVOCI) are measures at fair value	Note 16
Liability for Defined Benefit Obligation carried at present value of Defined Benefit Obligations, calculated using projected unit credit method	Note 32

2.5 Functional and Presentation Currency

These Financial Statements are presented in the Sri Lankan rupees being, the functional and presentation currency unless indicated otherwise.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.7 Use of Estimates and Judgments

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the 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 reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Notes to the Financial Statements

Impact of COVID-19 pandemic
The Company considered the impact of COVID-19 in preparing the Financial Statements in line with the circulars and guidelines issued by the CBSL and the CA Sri Lanka. While the specific areas of judgment may not change, the impact of COVID-19 resulted in the application of further judgment within those areas due to the evolving nature of the pandemic and the limited recent experience of the economic and financial impacts of such an event. Further, changes to estimates were made in the measurement of Company's assets where applicable.

The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below and/or in the relevant note to Financial Statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

Impact of current economic conditions
The current economic condition has increased the estimation uncertainty in the preparation of these Financial Statements. The estimation uncertainty is associated with:

- the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and inflation). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, impact of unemployment and decline in consumer discretionary spending.
- the effectiveness of government and The Central Bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

Based on our analysis and our operating model, financial strength of the company and the backing of the group, the management is confident that the company has no impact to its business continuity and expects to manage the above challenges effectively. The impact of the current economic conditions to the Company is described fully under note no.44.6 to the Financial Statements

2.7 Use of Estimates and Judgments

a) Judgements
Classification and Impairment of Financial Assets

The Company used judgments when assessing of the business model within which the assets are held and assessment whether the contractual terms of the financial assets are solely-payment-of-principal-and-interest (SPPI) on the principal amount of the outstanding. The Company also used judgments when establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of Expected Credit Losses (ECL) and selection and approval of models to measure ECL.

b) Assumptions and estimation uncertainties

2.7.1 Going Concern
The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, the Management has assessed the existing and anticipated effects of current economic conditions and COVID – 19 on the Company and is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

2.7.2 Fair Value of Financial Instruments
When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The Company uses estimates when determining inputs into the ECL measurement model, including incorporation of forward-looking information. This includes an element of management’s judgment, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the change of which can result in different levels of allowances. The valuation of financial instruments is described in more detail in Note 46.

2.7.3 Deferred Tax Assets
Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

2.7.4 Impairment losses on Loans and Receivables
The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the profit or loss. In particular, management’s judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on

assumptions about a number of factors and actual results may differ.

If impairment is not required based on the individual assessment all such individually significant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics. This is required to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as aging buckets, levels of arrears, industries, etc.), and judgments on the effect of concentration of risks and economic data.

2.7.5 Impairment for Financial Assets classified as Fair Value through Other Comprehensive Income

The Company reviews its securities classified as Financial Assets classified as Fair Value through Other Comprehensive Income at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Company also records impairment charges on Financial Assets classified as Fair Value through Other Comprehensive Income when there has been a significant or prolonged decline in the Fair Value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment.

2.7.6 Defined Benefit Obligations

The value of the defined benefit obligations are determined using actuarial valuation technique. The actuarial valuation involves making assumptions on discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. Due to the long–term nature of these plans, such estimates are subject to significant uncertainty. Refer Note 32 for the assumptions used.

2.7.7 Useful Lifetime of Property, Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.7.8 Fair Valuation of Investment Property

The Company measures Investment Property at fair value with changes in fair value being recognized in the Profit or Loss. The Company engages independent professional valuers to assess fair value of Investment Property. The key assumptions used to determine the fair value of the Investment provided in Note 24.

2.7.9 Commitment and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events on present obligations where the transfer of economic benefit is not probable or cannot be reliably measured.

2.7.10 SLFRS 16 – Leases

2.7.10.1 Determination of the lease term for lease contracts with renewal and termination options

(Company as a lessee)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

2.7.10.2 Estimating the incremental borrowing rate

As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay'', which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease).The Company estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

2.8 Presentation of Financial Statements

The Company assets and liabilities in the Statement of Financial Position broadly by nature and has listed in an order that reflects their relative liquidity and maturity patterns.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign Currency Translation

Transactions in foreign currencies are translated to Sri Lankan Rupees at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees at the exchange rates as at that date.

Non-monetary assets and liabilities which are stated at historical cost denominated in foreign currencies are translated to Sri Lankan Rupees at the exchange rate at the dates of the transactions.

Non-monetary assets and liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lankan Rupees at the exchange rate that the fair value was determined. Foreign exchange differences arising on translation are recognized in profit or loss.

3.2 Revenue and Expense Recognition

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time– requires judgment.

3.2.1 Interest

Interest income and expense are recognized in Statement of Profit or Loss and Other Comprehensive Income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments 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 Company 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 transaction costs that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Statement of Profit or Loss and Other Comprehensive Income include:

- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.
- Interest income on available-for-sale investment securities calculated on an effective interest basis.

Once a financial asset or a Company of similar financial assets have been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.2.2 Fees and Commission

Fee and commission income, including account servicing fees and placement fees are recognized as the related services are performed. Fee and commission expense relate mainly to transaction and service fees which are expensed as the services are received.

3.2.3 Finance Lease Income

Assets leased to customers to whom the Company transfers substantially all the risks and rewards associated with ownership other than the legal title are classified as finance leases. Amounts receivable under finance leases are included under 'Lease Rental Receivable'. Leasing balances are stated in the Statement of Financial Position after deduction of initial rentals received.

The excess of aggregate rentals receivable over the cost of the leased assets constitutes the total unearned income. The unearned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed in proportion to the remaining receivable balance of the lease.

3.2.4 Hiring Rental Income

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

3.2.5 Sale and Repurchase Agreements

Where government securities are sold subject to a commitment to repurchase them at a predetermined price (Reverse repos), the consideration paid is recognized in the Statement of Financial Position and the difference between sale and repurchase price is recognized as net gain from financial investments recorded under interest income.

3.2.6 Gain or Loss on Sale of Property, Plant and Equipment

Recognized as income in the period in which the sale occurs and is classified as other operating income.

3.2.7 Other Expenses

All other expenses are recognized on an accrual basis.

3.2.8 Income Tax Expense

Income tax expense for the year comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefor accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent assets.

3.2.8.1 Current Tax

The amount of current tax payable or receivables 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 subsequently enacted at the reporting date in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 as amended by subsequent legislation.

Current tax liabilities are offset only if certain criteria are met.

3.2.8.2 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent it is probable that future taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is measured at the tax rate that are expected to be applied to temporary difference when they reverse, using tax rates enacted or substantively enacted at the reporting date and reflects uncertainty related to income taxes, if any.

The net increase/decrease in the carrying amount of the deferred tax liability net of deferred tax asset is recognized as deferred tax expense and conversely any net decrease is recognized as reversal to deferred tax expense in the Statement of Profit or Loss and Other Comprehensive income.

Temporary differences in relation to a right-of -use asset and lease liability are regarded as a net package (right-of use asset) for the purpose of recognizing deferred tax.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax 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 recognized 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 utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.2.8.3 Value Added Tax (VAT) on Financial Services

The value base for value added tax on financial services for the Company is the adjusted accounting profit before tax and emoluments of employees. The adjustment to the accounting profit before tax is for economic depreciation computed on prescribed rates instead of the rates adopted in the Financial Statements. The value added tax rate is 15% up to 31st December 2021 and 18% thereafter on the value base for value added tax and is a disallowed expense for the purpose of the income tax liability as per Section 25(a) of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

3.2.8.4 Deposit Insurance Scheme

In terms of the Finance Companies Direction No. 2 of 2010 “Insurance of Deposit Liabilities” issued on 27 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. 01 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 01 October 2010.

Deposits to be insured include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to 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 end of the month to be payable within a period of 15 days from the end of the respective month.

Notes to the Financial Statements

3.3 Assets and Liabilities and Basis of Measurement

3.3.1 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, balances with banks, and money at call & short notice. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of unfavorable balances.

3.3.2 Financial Instruments

3.3.2.1 Recognition and Initial Measurement

The Company initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

3.3.2.2 Classification

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is 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 SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this 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 realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company'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
- 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 Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

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.

Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI)

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 Company 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 Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- Prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Company holds a portfolio of long-term fixed-rate loans for which the Company 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 Company has determined that the contractual cash flows of these loans are SPPI 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.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial Liabilities
The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

3.3.2.3 Derecognition Financial Assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

From 1st April 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Company retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial Liabilities
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Modification of Financial Assets and Liabilities

Financial Assets
If the terms of a financial asset are modified, then the Company 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 derecognized 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

Notes to the Financial Statements

originate a new asset with substantially different terms. If the Company 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 Company 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. 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.

Financial Liabilities

The Company derecognizes 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 derecognized 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 re-computing the effective interest rate on the instrument.

3.3.2.4 Fair Value Measurement

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e, the fair value of the consideration given or received.

If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 46.

3.3.2.5 Impairment losses on financial assets

Recognition of ECL

The Company recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- lease receivables;

No impairment loss is recognised on equity investments.
The Company 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 Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of "investment grade". The Company 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".

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 Company 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;

Credit-Impaired Financial Assets

At each reporting date, the Company 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;
- 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. 3 of 2006 is considered credit-impaired.

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. However, the loss allowance is disclosed and is recognised in the fair value reserve.

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 Company 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 Company's procedures for recovery of amounts due.

3.3.3 Securities Purchased Under Resale Agreements

These are loans collateralised by the purchase of Treasury Bills and/or Guaranteed Commercial Papers from the counterparty to whom the loans are granted. The sale by the counterparty is subject to a commitment by the Bank to sell back the underlying debt securities to the borrower at a predetermined price.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Notes to the Financial Statements

3.3.4 Impairment of Non-Financial Assets

3.3.4.1 Tangible Non-Financial Assets

The Company reviews on date of the Statement of Financial Position whether the carrying amount of the property and equipment are lower than their recoverable amount. In such event the carrying amount is reduced to the recoverable amount and the reduction being an impairment loss is recognized immediately in the Statement of Comprehensive Income. The recoverable amount is the higher of the market value of the asset less estimated cost of disposal and its value in use.

The Company reviews on the Statement of Financial Position date whether the carrying amount of computer application software is lower than the recoverable amount. In such event the carrying amount is reduced to the recoverable amount and the reduction being an impairment loss is recognized immediately in the Statement of Comprehensive Income. The recoverable amount is the value in use.

3.3.5 Property, Plant and Equipment

3.3.5.1 Basis of Recognition

The cost of property and equipment comprising computers, office equipment, furniture fixtures and fittings and motor vehicles is recognized as an asset if it is probable that future economic benefits associated with the property and equipment will flow to the Company and cost of equipment can be measured reliably.

3.3.5.2 Measurement at Recognition

The cost of an asset comprises its purchase price or cost of construction and any directly attributable costs of bringing the asset to working condition for its intended use. The assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

3.3.5.3 Subsequent Measurement

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. All other repairs and maintenance are charged to expense during the financial period in which they are incurred.

3.3.5.4 Depreciation

The depreciation is provided for on the basis outlined below. Depreciation is provided on a straight-line basis such that the cost of the asset is depreciated over the period appropriate to the estimated life of the type of asset. The useful lives of the assets are as follows:

Motor Vehicle	- 5 Years
Computer equipment	- 4 Years
Office equipment	- 5 Years
Furniture and fittings	- 5 Years
Mobile Devices and Tabs	- 2 Years

Depreciation on Motor Vehicle-Hiring Fleet is recognized on a reducing balance basis over the estimated useful life.

Depreciation commences in the date the asset is available for use in the business of the Company and ceases in the date of disposal or end of its useful life time. Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

3.3.5.5 De-recognition

The carrying amount of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use and the gain or loss arising from the de-recognition is included in Statement of Comprehensive Income.

3.3.5.6 Impairment

The carrying amounts of the Company's 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.

3.3.6 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of the business, use in the production or supply of goods or services or administrative purpose. Investment properties are initially measured at its cost including related transaction costs and subsequently at fair value with any change there in recognized in Profit or Loss.

Investment properties are derecognized when disposed or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses retirement or disposal is recognized in the profit or loss in the year of retirement or disposal. When investment property that was previously classified as Property, Plant and Equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

3.3.7 Intangible Assets

3.3.7.1 Basis of Recognition

All software licensed for use by the Company, not constituting an integral part of related hardware are included in the Statement of Financial Position under the category intangible asset and carried at cost less accumulated amortization and any impairment losses.

The initial acquisition cost comprises license fee paid at the inception, import duties, non-refundable taxes and levies, cost of customizing the software to meet the specific requirements of the Company and other directly attributable expenditure in preparing the asset for its intended use.

3.3.7.2. Subsequent Expenditure

The initial cost is enhanced by subsequent expenditure incurred by further customization to meet ancillary transaction processing and reporting requirements tailor-made for the use of the Company constituting an improvement to the software. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.3.7.3 Amortization

The amortization is provided for on the basis outlined below. Amortization is provided on a straight-line basis such that the cost of the asset is amortized over the period appropriate to the estimated life of the type of asset. The useful lives of the assets are as follows:

Computer Software	- 4 Years
Software Core System	- 5 Years
ATM License Fee	- 10 Years
VISA License Fee	- 10 Years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

3.3.7.4 De-recognition

An intangible asset is de-recognized on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains or losses arising from recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

3.3.8 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset representing the right to use the underlying asset and a lease liability at the lease commencement date.

3.3.8.1 Right-of-use Asset

The right-of-use asset is initially measured at cost. This comprises of the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets is also adjusted for certain subsequent re-measurements of the lease liability.

After the commencement date, Company measures the right-of-use asset on cost model.

3.3.8.2 Depreciation

Right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the estimated useful life of the underlying asset.

The right-of-use assets are subject to impairment.

3.3.8.3 Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments fixed payments, including in-substance fixed payments

The lease Liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Company's estimation of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revision in the in-substance fixed lease payment.

If the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

After the commencement date, Company measure the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

Notes to the Financial Statements

3.3.8.4 Presentation in the statement of financial position

The Company presents right-of-use assets separately from other assets and lease liabilities separately from other liabilities in its' statement of financial position.

3.3.9 Employee Benefits

3.3.9.1 Defined Benefit Plan

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 plans is calculated separately 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.

Provision for gratuity on the employees of the Company are based on actuarial valuation as recommended by Sri Lanka Accounting Standard No.19 'Employee Benefits' (LKAS - 19). The actuarial valuation was carried out by professionally qualified firm of actuaries, as at 31 March 2022. The valuation method used by the actuary is "Projected Unit Credit Method". The Company recognizes any actuarial gains & losses arising from defined benefit plan immediately in Other Comprehensive income and all expenses related to defined benefit plan in personnel expenses in the Statement of Profit or Loss. The assumption based on which the results of actuarial valuation was determined are included in note to the financial statements.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past services or the gain or loss on curtailment is recognized immediately in profit or loss. The company recognizes gain or losses on the settlement of a defined plan when the settlement occurs.

The Company provide for Gratuity under the payment of Gratuity Act No. 12 of 1983. Provision for Gratuity has been made for employees who have completed five (5) year of services with the company.

The liability is not externally funded.

3.3.9.2 Defined Contribution Plan

Defined contribution plan is a post-employment benefit plan under which contributions are made into a separate fund and the entity will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plan are recognized as an employee benefit expense in profit or loss in the periods during services is rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

3.3.9.3 Employee's Provident Fund (EPF)

The Company and employees contribute 12% and 8% respectively on the basic salary of each employee to the Employee's Provident Fund managed by Central Bank of Sri Lanka.

3.3.9.4 Employee's Trust Fund (ETF)

The Company contributes 3% of the basic salary of each employee to the Employees' Trust Fund managed by Central Bank of Sri Lanka.

3.3.10 Provision for Liabilities

A provision is recognized in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event, that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3.3.11 Commitments and Contingent Liabilities

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 recognized in the Statement of Financial Position but are disclosed unless they are remote. Pending legal claims against the company form part of contingencies.

3.4 Subsequent Events

All material events which occur between the reporting date and the date on which the Financial Statements are authorized for issue, and the financial impact on the condition of the assets and liabilities are disclosed in the Financial Statements.

3.5 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Direct Method' in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flows' whereby gross cash receipts and gross cash payments on operating activities, investing activities and financing activities are recognized. Cash and cash equivalents include cash in hand, balances with banks, placements with banks and treasury bills of 3 months maturity at the time of issue.

3.6 Earnings per Share (EPS)

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.7 Comparative Information

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

4. NEW AND AMENDED STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

Amendments to Existing Accounting Standards issued but not yet effective several amendments to Accounting Standards are effective for annual financial periods beginning on or after 1st January 2021, and earlier application is permitted. However, the Company has not early adopted the following amendments to Accounting Standards in preparing these Financial Statements as they are not expected to have a significant impact on the Company's Financial Statements.

- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to LKAS 12)
- Covid 19 - related rent concessions beyond 30 June 2021 (Amendment to SFLRS 16)
- Disclosure of accounting policies (Amendments to LKAS 1)
- Definition of accounting estimates (Amendments to LKAS 8) 4.1.1 Onerous contracts

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

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1st January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The Company does not anticipate this amended to have a significant impact.

4.2 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)

This amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment applies to annual reporting periods beginning on or after 1st January 2022.

4.3 Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)

The amendments in Classification of Liabilities as Current or Noncurrent (Amendments to LKAS 1) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those item.

The Key amendments are as follows:

- the classification of liabilities as current or noncurrent should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The standard also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendment applies to annual reporting periods beginning on or after 1st January 2023.

4.4 Annual Improvements to SLFRS 2018–2020

As part of its process to make non-urgent but necessary amendments to accounting Standards, the IASB International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRS Standards 2018–2020. The amendments are effective for annual reporting periods beginning on or after 1st January 2022. Key Aspects covered is as follow:

I. SLFRS 1 First-time Adoption of International Financial Reporting Standards - This amendment simplifies the application of SLFRS 1 for a subsidiary that becomes a first-time adopter of SLFRS Standards later than its parent

II. SLFRS 9 Financial Instruments - This amendment clarifies that – for the purpose of performing the 10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

III. SLFRS 16 Leases, the amendment removes the illustration of payments from the lessor relating to leasehold improvements.

IV. LKAS 41 Agriculture, this amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby alighting the fair value measurement requirements in LKAS 41 with those in SLFRS 13 Fair Value Measurement.

Notes to the Financial Statements

For the year ended 31 March,	2022 Rs.	2021 Rs.
6. GROSS INCOME		
Interest income (Note 7)	1,955,826,892	1,549,447,524
Net other operating income (Note 9)	150,502,002	75,961,815
	2,106,328,894	1,625,409,339
7. INTEREST INCOME		
Interest income on finance leases	894,693,386	987,798,087
Interest income on hire purchases	-	-
Interest income on vehicle loan	323,139,721	84,658,723
Interest income on secured loans	260,166,720	166,239,430
Interest income on gold Loan	3,923,492	-
Interest income on factoring	-	-
Hiring rental income	3,655,967	7,608,801
Interest income on overdue rentals from customers	296,215,712	209,796,804
Net gain on termination and early settlement of lending facilities	146,705,009	72,085,421
Interest income on government securities	20,704,310	13,285,528
Interest income on placement with banks and other financial institutions	6,622,575	7,974,730
	1,955,826,892	1,549,447,524
8. INTEREST EXPENSES		
Interest expense on other financial liabilities due to customers	75,883,870	23,767,066
Interest expense on interest bearing loans and borrowings	575,463,461	478,542,030
Interest expense on lease liabilities	8,951,653	8,381,484
	660,298,984	510,690,580
9. OTHER OPERATING INCOME		
Other finance charges	40,644,923	32,811,957
Service Income from gold Loans	652,997	-
Recoveries from written-off contracts	69,319,744	7,569,148
Fee and commission income	35,984,771	29,867,581
Exchange gain	124,146	64,840
Written back of unidentified deposits	5,120,553	3,058,229
Profit on disposal of hiring fleet	71,593	1,695,060
Profit from disposal of property, plant and equipment	-	895,000
Fair value gain/(loss) on treasury bond during the year	(1,416,725)	-
	150,502,002	75,961,815
10. PERSONNEL EXPENSES		
Salaries and wages	260,158,232	195,465,659
Defined contribution plan costs -EPF and ETF	37,072,604	28,858,145
Defined benefit plan costs - retirement gratuity (Note 32.2)	4,226,302	4,483,319
Staff bonus	42,003,183	22,199,913
Other staff related costs	22,569,078	16,013,971
	366,029,399	267,021,007
10.1 No. of employees as at the year end	275	246

11. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is stated after charging all expenses including the followings ;

	2022 Rs.	2021 Rs.
Directors' fees and emoluments	5,400,000	5,100,000
Depreciation of property, plant and equipment (Note 27)	22,239,945	27,478,092
Depreciation on right of use asset (Note 25)	30,836,105	25,626,722
Amortisation of intangible assets (Note 26)	6,423,553	9,985,637
Legal expenses	8,424,798	6,481,891
Secretarial fees	749,130	600,000
Auditors' remuneration		
- Statutory audit	810,000	529,200
- Non audit fees	540,000	457,800
Crop Insurance Levy	3,325,511	1,999,476

12. INCOME TAX EXPENSE

The income tax provision of the company is calculated on its adjusted profits at the standard rate of 24% (2021: 24%), in accordance with the Inland Revenue Act No. 24 of 2017 and amendments thereto.

For the year ended 31 March,	2022 Rs.	2021 Rs.
Recognized in the profit or loss		
Current income tax expense (Note 12.1)	172,612,124	82,259,699
Prior years under provision/(Over Provision)	(7,396,271)	2,287,403
	165,215,853	84,547,102
Amounts reversing during the year	(52,695,015)	(24,867,486)
Impact of rate changes	-	(3,199,615)
(Reversal) on deferred tax (Note 33.1)	(52,695,015)	(28,067,101)
Income tax (expense) / benefit	112,520,838	56,480,001

For the year ended 31 March,	2022 Rs.	2021 Rs.
Recognized in the other comprehensive income		
Income tax expense recognised in other comprehensive income		
Charge / (reversal) on deferred tax (Note 33.1)	(296,174)	(71,345)
	(296,174)	(71,345)

Notes to the Financial Statements

12.1 Numerical reconciliation of accounting profits to income tax expense

For the year ended 31 March,	2022 Rs.	2021 Rs.
Accounting profit before tax	440,018,390	250,795,044
Adjustments		
Disallowable expenses	561,858,283	397,842,196
Capital portion of lease rentals receivables	69,815,882	514,704,939
Allowable expenses	(352,475,372)	(820,593,435)
Business profit / (loss)	719,217,183	342,748,744
Taxable business profit	719,217,183	342,748,744
Exempt income	-	-
Total statutory income	719,217,183	342,748,744
Taxable income	719,217,183	342,748,744
Current income tax expense @ 24%	172,612,124	82,259,699

13. EARNINGS PER SHARE

13.1 Basic/ Diluted earnings per share

The calculation of basic/ diluted earnings per share is based on the profit attributable to Ordinary Shareholders and the weighted average number of shares outstanding during the Year.

For the year ended 31 March,	2022	2021
Profit attributable to equity holders of the company (Rs.)	327,497,552	194,315,042
Weighted average numbers of ordinary shares	181,955,971	176,955,971
Basic / diluted earnings per share (Rs.)	1.80	1.10

13.2 Weighted average number of ordinary shares

	Outstanding 2022	No. of Shares 2021	Weighted Average 2022	No. of Shares 2021
Number of shares in issue as at 1 April	176,955,971	176,955,971	176,955,971	176,955,971
Number of shares issued under rights issue 2022	60,000,000	-	5,000,000	-
Number of shares in issue/weighted average number of ordinary shares at 31st March	236,955,971	176,955,971	181,955,971	176,955,971

As at 31 March,	2022 Rs.	2021 Rs.
14. CASH AND CASH EQUIVALENTS		
Cash and Cheques in hand	**59,915,318**	34,786,454
Balances with bank and other financial institutions	**252,134,173**	131,746,149
	312,049,491	166,532,603
15. FINANCIAL INVESTMENTS AT AMORTISED COST		
Investments in treasury bills	**192,528,968**	96,596,189
Investments in repurchase agreement	**204,041,917**	85,062,877
Investments in fixed deposits	**250,565,069**	-
	647,135,954	181,659,066
15.1 Investments in fixed deposits - Counterparty external credit rating		
A+ (Fitch Rating)	**250,565,069**	-
16. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Credit Information Bureau of Sri Lanka	**331,000**	331,000
Investments in treasury bonds	**46,585,224**	56,588,879
	46,916,224	56,919,879

The Company designated investments as equity securities at FVOCI because these equity securities represent investments that the Company intends to hold for long term for strategic purposes.

No Strategic investments were disposed of during 2021/22, and there were no transfer of any cumulative gain or loss within equity relating to these investments

Notes to the Financial Statements

As at 31 March,	2022 Rs.	2021 Rs.
17. FINANCE LEASE RECEIVABLES		
Gross lease rental receivables	8,273,312,632	6,911,842,901
Unearned income	(1,637,962,484)	(1,467,780,652)
Total lease rental receivables	6,635,350,148	5,444,062,249
Allowance for individual impairment (Note 17.3.1)	(56,916,059)	(47,520,325)
Allowance for collective impairment (Note 17.3.2)	(329,863,080)	(377,049,954)
	6,248,571,009	5,019,491,970
17.1 Finance lease receivables within one year		
Gross lease rental receivables	3,643,537,177	3,271,609,761
Unearned income	(719,668,915)	(718,116,365)
Total lease rental receivables	2,923,868,262	2,553,493,396
Allowance for individual impairment	(25,080,072)	(22,289,024)
Allowance for collective impairment	(145,354,227)	(176,852,233)
	2,753,433,963	2,354,352,139
17.2 Finance lease receivables from one to five years		
Gross lease rental receivables	4,629,775,455	3,640,233,140
Unearned income	(918,293,569)	(749,664,287)
Total lease rental receivables	3,711,481,886	2,890,568,853
Allowance for individual impairment	(31,835,987)	(25,231,301)
Allowance for collective impairment	(184,508,853)	(200,197,721)
	3,495,137,046	2,665,139,831
17.3.1 Allowance for individual impairment		
Balance as at beginning of the year	47,520,325	128,615,065
Charge during the year	9,395,734	382,498,068
Write-off during the year	-	(463,592,808)
Balance as at end of the year	56,916,059	47,520,325
17.3.2 Allowance for collective impairment		
Balance as at beginning of the year	377,049,954	644,399,531
Charge / (reversal) during the year	(47,186,874)	(267,349,577)
Balance as at end of the year	329,863,080	377,049,954
17.3.3 Movements in impairment allowance for lease receivables		
Balance as at beginning of the year	424,570,279	773,014,596
Charge during the year	(37,791,140)	115,148,491
Write-off during the year	-	(463,592,808)
Balance as at end of the year	386,779,139	424,570,279

As at 31 March,	2022 Rs.	2021 Rs.
18. HIRE PURCHASE RECEIVABLES		
Gross hire purchase rental receivables	109,474	109,474
Unearned income	-	-
Total hire purchase rental receivables	109,474	109,474
Allowance for individual impairment (Note 18.2.1)	-	-
Allowance for collective impairment (Note 18.2.2)	-	-
Balance as at end of the year	109,474	109,474
18.1 Hire purchase rentals receivables within one year		
Gross hire purchase rental receivables	109,474	109,474
Unearned income	-	-
Total hire purchase rental receivables	109,474	109,474
Allowance for individual impairment	-	-
Allowance for collective impairment	-	-
	109,474	109,474
18.2.1 Allowance for individual impairment		
Balance as at beginning of the year	-	108,415
Charge / (reversal) during the year	-	433,473
Write-off during the year	-	(541,888)
Balance as at end of the year	-	-
18.2.2 Allowance for collective impairment		
Balance as at beginning of the year	-	32,528
(reversal) during the year	-	(32,528)
Balance as at end of the year	-	-
18.2.3 Movements in impairment allowance for hire purchase receivables		
Balance as at beginning of the year	-	140,943
Charge / (reversal) during the year	-	400,945
Write-off during the year	-	(541,888)
Balance as at end of the year	-	-

Notes to the Financial Statements

As at 31 March,	2022 Rs.	2021 Rs.
19. LOANS & ADVANCES TO OTHER CUSTOMERS		
Gold Loans	139,203,006	-
Loans secured by other assets	4,145,275,590	2,776,613,193
Trade finance receivables	1,098,358,420	767,021,876
Gross loans & advances to other customers	5,382,837,016	3,543,635,069
Allowance for individual impairment (Note 19.2.1)	(159,344,331)	(130,389,546)
Allowance for collective impairment (Note 19.2.2)	(186,573,313)	(66,245,637)
	5,036,919,372	3,346,999,886
19.1 Receivables from one to five years	1,566,942,604	1,891,333,653
Receivables within one year	3,469,976,768	1,455,666,233
	5,036,919,372	3,346,999,886
19.2.1 Allowance for individual impairment		
Balance as at beginning of the year	130,389,546	67,290,733
Charge during the year	28,954,785	107,095,244
Write-off during the year	-	(43,996,431)
Balance as at end of the year	159,344,331	130,389,546
19.2.2 Allowance for collective impairment		
Balance as at beginning of the year	66,245,637	55,777,945
Charge during the year	120,327,676	10,467,692
Balance as at end of the year	186,573,313	66,245,637
19.2.3 Movements in impairment allowance for loans & advances to other customers		
Balance as at beginning of the year	196,635,183	123,068,678
Charge during the year	149,282,461	117,562,936
Write-off during the year	-	(43,996,431)
Balance as at end of the year	345,917,644	196,635,183

As at 31 March,	2022 Rs.	2021 Rs.
20. FACTORING RECEIVABLES		
Gross factoring receivables		
Factoring debt payables		
Net factoring receivables	15,456,341	11,080,411
Unearned income	-	-
Allowance for individual impairment (Note 20.1)	(13,535,842)	(8,257,980)
Allowance for collective impairment (Note 20.2)	-	-
	1,920,499	2,822,431
20.1 Allowance for individual impairment		
Balance as at beginning of the year	8,257,980	15,612,446
Charge during the year	5,277,862	7,060,729
Write-off during the year	-	(14,415,195)
Balance as at end of the year	13,535,842	8,257,980

As at 31 March,	2022 Rs.	2021 Rs.
20.2 Allowance for collective impairment		
Balance as at beginning of the year	-	-
(Reversal) during the year	-	-
Balance as at end of the year	-	-

21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES

21.1 Impairment charge on loans and receivables

	2022 Rs.	2021 Rs.
Charge on finance lease, hire purchase, loans & receivables	116,769,184	240,173,101
Charge / (reversal) on hire rental receivables	774,871	(3,766,091)
	117,544,055	236,407,010

21.2 Analysis of Expected Credit Loss model three stages

Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 month (12 M ECL).

Stage 2: If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for LTECL. The Company determines when a significant increase in credit risk has occurred based on the assessment of business model. It is considered that significant increase in credit risk takes a place when a facility is overdue more than 60 days.

Stage 3: If a financial asset is credit impaired, it is moved to Stage 3 and the Company recognises an allowance for LTECL, with probability of default at 100%. The Company defines credit impaired and default according to direction issued by CBSL. When a contract past due for more than 180 days is considered as Default.

Notes to the Financial Statements

21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES

21.2 Analysis of Expected Credit Loss model three stages (contd.)

Balance as at 01 April 2021	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Finance lease	12,051,106	106,202,423	306,316,750	424,570,279
Hire purchase	-	-	-	-
Loans & advances	12,435,995	23,195,386	161,003,802	196,635,183
Factoring	-	-	8,257,980	8,257,980
Hiring rental receivables	-	-	466,261	466,261
	24,487,101	129,397,809	476,044,793	629,929,703
Movement During the Year				
Impairment charge for the year				
Finance lease	44,450,083	93,064,896	(175,306,117)	(37,791,139)
Hire purchase	-	-	-	-
Loans & advances	79,510,905	56,789,376	12,982,180	149,282,461
Factoring	-	-	5,277,862	5,277,862
Hiring rental receivables	-	-	774,871	774,871
	123,960,988	149,854,272	(156,271,204)	117,544,055
Write-off during the year				
Finance lease	-	-	-	-
Hire purchase	-	-	-	-
Loans & advances	-	-	-	-
Factoring	-	-	-	-
	-	-	-	-
Balance as at 31 March 2022				
Finance lease	56,501,188	199,267,319	131,010,633	386,779,140
Hire purchase	-	-	-	-
Loans & advances	91,946,900	79,984,761	173,985,983	345,917,644
Factoring	-	-	13,535,842	13,535,842
Hiring rental receivables	-	-	1,241,132	1,241,132
	148,448,088	279,252,080	319,773,590	747,473,758

21.2.1 Stage Transition

	Stage 1	Stage 2	Stage 3	Total
Balance as at the beginning of the year	24,487,101	129,397,809	476,044,793	629,929,703
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from Stage 1	(16,500,793)	10,981,095	5,519,698	-
Transferred from Stage 2	47,803,519	(66,824,701)	19,021,182	-
Transferred from Stage 3	8,199,225	5,122,501	(13,321,726)	-
Write-off during the year	-	-	-	-
Net remeasurement of loss allowance	84,459,037	200,575,376	(167,490,357)	117,544,055
Balance as at the end of the year	148,448,088	279,252,080	319,773,590	747,473,758

As at 31 March,	2022 Rs.	2021 Rs.
21.3 Allowance for individual impairment		
Balance as at beginning of the year	**186,167,851**	211,626,659
Charge during the year	**43,628,381**	497,087,514
Write-off during the year	**-**	(522,546,322)
Balance as at end of the year	**229,796,232**	186,167,851
21.4 Allowance for collective impairment		
Balance as at beginning of the year	**443,295,591**	700,210,004
Charge / (reversal) during the year	**73,140,803**	(256,914,413)
Balance as at end of the year	**516,436,394**	443,295,591
21.5 Allowance for total impairment		
Balance as at beginning of the year	**629,463,442**	911,836,663
Charge during the year	**116,769,184**	240,173,101
Write-off during the year	**-**	(522,546,322)
Balance as at end of the year	**746,232,626**	629,463,442
21.6 Product wise individual impairment		
Balance as at beginning of the year	**186,167,851**	211,626,659
Finance lease receivables	**9,395,734**	(81,094,740)
Hire purchase receivables	**-**	(108,415)
Loans & advances to other customers	**28,954,785**	63,098,813
Factoring receivables	**5,277,862**	(7,354,466)
Balance as at end of the year	**229,796,232**	186,167,851
21.7 Product wise collective impairment		
Balance as at beginning of the year	**443,295,591**	700,210,004
Finance lease receivables	**(47,186,874)**	(267,349,577)
Hire purchase receivables	**-**	(32,528)
Loans & advances to other customers	**120,327,676**	10,467,692
Factoring receivables	**-**	-
Balance as at end of the year	**516,436,393**	443,295,591

Notes to the Financial Statements

21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES (CONTD.)

As at 31 March,	2022 Rs.	2021 Rs.
21.8 Loan product wise total impairment		
Balance as at beginning of the year	629,463,442	911,836,663
Finance lease receivables	(37,791,140)	(348,444,317)
Hire purchase receivables	-	(140,943)
Loans & advances to other customers	149,282,461	73,566,505
Factoring receivables	5,277,862	(7,354,466)
Balance as at end of the year	746,232,625	629,463,442

Impact of covid-19 pandemic on Expected Credit Losses

The Company measures the allowance for expected credit losses (ECL) using an expected credit loss impairment model as required by SLFRS 9 Financial Instruments. The Company's accounting policy for the recognition and measurement of the allowance for expected credit losses is described in Note 4.3.2.5 of Financial Statements for the year ended 31 March 2022.

For facilities subject to the COVID-19 repayment deferral arrangements, an assessment of Significant Increase in Credit Risk (SICR) has been determined, based on various measures, which includes the sectors in which the customers operate categorized into risk categories and the customer's post moratorium payment patterns. SICR is then determined based on the resulting risk categorization. Based on the above characteristics the customers' repayment capacity under the COVID-19 outbreak is evaluated and a staging change (significant changes in credit risk or default status) was considered in order to factor the same in the ECL model. There was no material impact to the ECL computation due to the granting of moratoriums.

Impact of current economic condition on Expected Credit Losses

The determination of the allowance for expected credit losses is heavily dependent on the external macro environment and reliant on data and a number of estimates related to statistical models. The Company's expected credit losses for loans and receivables to customers are derived from the statistical models which are based on internally computed data comprising qualitative and quantitative factors including past due information and also incorporating forward looking information. The prevailing uncertain and volatile macroeconomic environment in the country meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgment required by the Company in calculating the ECL.

The Company used a broad range of forward looking information as economic inputs in Company ECL model in calculating the ECL, such as:

- GDP Growth (%)
- Inflation (YoY Average)
- Interest Rate (PLR)
- Unemployment (% of Labor Force)"

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, Company used qualitative adjustments or overlays as temporary adjustments when such differences are significantly material.

Collectively assessed allowance for expected credit losses

In estimating collectively assessed ECL, the company makes judgements and assumptions in relation to the selection of an estimation technique or modelling methodology, noting that the modelling of the Company's ECL estimates are complex; and the selection of inputs for those models, and the interdependencies between those inputs.

The modelling methodology applied in estimating in ECL in these Financial Statements is consistent with the applied in Financial Statements for the year ended 31 March 2022.

Sensitivity analysis of the expected credit loss model
The uncertainty on the current economic conditions introduced significant estimation uncertainty in relation to the measurement of the Company's allowance for expected credit losses. The rapidly evolving consequences of current economic conditions and government, business and consumer responses could result in significant adjustments to the allowance within the current and next financial years.

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of ECL of collectively assessed assets to key factors used in determining it:

ECL sensitivity - Weighting applied to forecast scenarios

	Total ECL Rs.	Impact Rs.
100% upside scenario	476,152,631	(41,524,896)
100% base scenario	507,396,979	(10,280,547)
100% downside scenario	539,829,336	22,151,810

As at 31 March,	2022 Rs.	2021 Rs.
22. OTHER RECEIVABLES		
Prepaid expenses	46,231,509	20,316,026
Advance for rent	23,570,615	16,370,690
Other receivables	3,797,485	1,769,512
Hiring rental receivables	7,457,660	7,512,458
Allowance for individual impairment (Note 22.1)	-	(466,261)
Allowance for collective impairment (Note 22.2)	(1,241,132)	-
	79,816,137	45,502,425
22.1 Allowance for individual impairment		
Balance as at beginning of the year	466,261	4,232,352
Charge / (reversal) for the year	(466,261)	(3,766,091)
Balance as at end of the year	-	466,261
22.1 Allowance for collective impairment		
Balance as at beginning of the year	-	-
Charge / (reversal) for the year	1,241,132	-
Balance as at end of the year	1,241,132	-

Notes to the Financial Statements

As at 31 March,	2022 Rs.	2021 Rs.
23. TAX RECEIVABLES		
WHT receivables	6,500	6,500
Income tax recoverable	-	-
	6,500	6,500
24. INVESTMENT PROPERTY		
Balance as at beginning of the year	6,800,000	6,800,000
Change in fair value of investment property	-	-
Balance as at end of the year	6,800,000	6,800,000

24.1 Details of investment property

Investment property comprise of Lands acquired by the Company and is held for Capital Appreciation purposes. The professional valuation of Investment Property (Lands) of the company has been determined by an external, independent property valuer, M/S Sunil Fernando and Associates (Pvt) Limited, on March 2019. The Fair Value measurements of the Investment Property has been categorized as Level 03 Fair Value hierarchy. During the year the Directors are in the view of that the fair value of such property was reasonably approximate to the fair value determined by the pervious valuation.

The following table shows the valuation techniques used in measuring the Fair Value of Investment Property, as well as the significant unobservable inputs used.

Property Location	Land Extent	Valuation Technique	Significant Observable and Unobservable Inputs	Interrelationship between Key Inputs and Fair Value Measurement
Indiwinna, Hambanthota	1 rood and 1.4 perches	Comparison method of valuation - The comparison method to property valuation is an approach which uses the value of recently sold comparable assets to determine the value of a property.	Per perch value in Hambanthota region ranges from Rs. 165,000/-	The estimated fair value would increase / (decrease) if comparable property value was higher / (lesser)

As at 31 March,	2022 Rs.	2021 Rs.
25. RIGHT OF USE ASSETS		
25.1 Movement of right of use assets		
Cost		
Balance as at beginning of the year	108,609,984	88,133,226
Additions / renewal operating lease during the year	71,784,273	16,521,378
Advance payment made during the year	4,980,000	3,955,380
Balance as at end of the year	185,374,257	108,609,984
Accumulated depreciation		
Balance as at beginning of the year	46,705,092	21,078,370
Depreciation charge for the year	30,836,105	25,626,722
Balance as at 31 March 2022	77,541,197	46,705,092
Balance as at end of the year	107,833,060	61,904,892
25.2 Movement in lease liabilities		
Balance as at beginning of the year	64,897,900	69,865,284
Additions / renewal operating lease during the year	71,784,273	16,521,378
Accretion of interest	8,951,653	8,381,484
Payments to lease creditors	(35,253,978)	(29,870,246)
Balance as at end of the year	110,379,848	64,897,900
25.3 Amounts recognised in profit or loss		
Interest on lease liabilities	8,951,653	8,381,484
Depreciation of right-of-use assets	30,836,105	25,626,722
	39,787,758	34,008,206
25.4 Amounts recognised in statement of cash flows		
Operating activities		
Payment of lease interest	8,951,653	8,381,484
Financing activities		
Payment of lease capital	26,302,325	21,488,762
Total cash outflow for leases	35,253,978	29,870,246

Notes to the Financial Statements

	Computer Software Rs.	Software - Core System Rs.	VISA License Fee Rs.	ATM License Fee Rs.	Total Rs.
26. INTANGIBLE ASSETS					
Cost					
Balance as at 01 April 2020	17,190,176	22,157,842	5,460,246	14,985,000	59,793,264
Additions during the year	1,392,410	4,150,000	-	-	5,542,410
Balance as at 31 March 2021	18,582,586	26,307,842	5,460,246	14,985,000	65,335,674
Additions during the year	2,494,248	1,840,000	-	-	4,334,248
Balance as at 31 March 2022	21,076,834	28,147,842	5,460,246	14,985,000	69,669,922
Accumulated amortization					
Balance as at 01 April 2020	11,627,409	17,622,628	2,188,586	5,958,900	37,397,523
Amortization charge for the year	2,873,339	5,067,773	546,025	1,498,500	9,985,637
Balance as at 31 March 2021	14,500,748	22,690,401	2,734,611	7,457,400	47,383,160
Balance as at 01 April 2021	14,500,748	22,690,401	2,734,611	7,457,400	47,383,160
Amortization charge for the year	2,147,484	2,231,545	546,024	1,498,500	6,423,553
Balance as at 31 March 2022	16,648,232	24,921,946	3,280,635	8,955,900	53,806,713
Carrying amount					
As at 31 March 2022	4,428,602	3,225,896	2,179,611	6,029,100	15,863,209
As at 31 March 2021	4,081,838	3,617,441	2,725,635	7,527,600	17,952,514

27. PROPERTY, PLANT & EQUIPMENT

	Motor vehicle-Company fleet Rs.	Office equipment Rs.	Computer equipment Rs.	Furniture & fittings Rs.	Motor vehicle-hiring fleet Rs.	Mobile devices & tabs Rs.	Total Rs.
Cost							
Balance as at 01 April 2020	2,162,680	14,929,231	36,282,112	48,252,077	43,586,097	2,892,662	148,104,859
Additions during the Year	-	2,321,908	5,173,225	3,888,285	-	1,003,848	12,387,266
Disposals	(1,892,411)	-	-	-	(25,285,000)	-	(27,177,411)
Balance as at 31 March 2021	270,269	17,251,139	41,455,337	52,140,362	18,301,097	3,896,510	133,314,714
Additions during the Year	-	15,129,744	8,294,513	43,417,922	-	1,250,000	68,092,180
Disposals	-	-	-	-	(5,446,800)	-	(5,446,800)
Balance as at 31 March 2022	270,269	32,380,883	49,749,850	95,558,284	12,854,297	5,146,510	195,960,094
Accumulated Depreciation							
Balance as at 01 April 2020	2,162,680	9,659,310	21,348,965	29,021,781	28,080,056	1,197,772	91,470,563
Depreciation charge for the year	-	2,778,571	6,308,595	7,605,123	9,356,320	1,429,483	27,478,092
Disposals	(1,892,411)	-	-	-	(22,451,800)	-	(24,344,211)
Balance as at 31 March 2021	270,269	12,437,881	27,657,560	36,626,904	14,984,576	2,627,255	94,604,444
Depreciation charge for the year	-	2,953,297	6,981,646	9,569,736	1,611,861	1,123,405	22,239,945
Disposals	-	-	-	-	(3,742,140)	-	(3,742,140)
Balance as at 31 March 2022	270,269	15,391,178	34,639,206	46,196,640	12,854,297	3,750,660	113,102,249
Carrying amount							
As at 31 March 2022	-	16,989,705	15,110,645	49,361,645	-	1,395,850	82,857,845
As at 31 March 2021	-	4,813,257	13,797,777	15,513,458	3,316,521	1,269,255	38,710,270

27.1 Cost of fully depreciated assets

Property, plant and equipment included fully depreciated assets amounting to Rs. 84,396,115/- as at 31 March 2022 (As at 31 March 2021 was Rs. 60,850,910/-)

27.2 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31st March 2022 especially considering the potential impact from the current economic conditions and COVID 19 pandemic. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment. The management has taken necessary actions to safeguards the assets to ensure its future economic value would not diminish.

27.3 There were no items of property, plant and equipment pledged as at 31 March 2022.

Notes to the Financial Statements

As at 31 March,	2022 Rs.	2021 Rs.
28. FINANCIAL LIABILITIES AT AMORTISED COST DUE TO CUSTOMERS		
Savings deposits	42,719,446	31,957,990
Term deposits	1,815,505,331	423,416,468
	1,858,224,777	455,374,458
29. INTEREST BEARING LOANS & BORROWINGS		
Short term loans	2,225,000,000	2,275,000,000
Long term loans (Note 29.1)	4,541,190,827	3,264,250,000
Interest payables	311,589,769	166,267,080
	7,077,780,596	5,705,517,080
29.1 Movement of long term loans		
Balance as at beginning of the year	3,264,250,000	2,617,574,145
Obtained during the year	2,687,000,000	1,600,000,000
Payments made during the year	(1,410,059,173)	(953,324,145)
Balance as at end of the year	4,541,190,827	3,264,250,000
Payables within one year	2,484,657,612	1,560,900,000
Payables within one to five years	2,056,533,215	1,703,350,000
	4,541,190,827	3,264,250,000

29.2 Long term analysed by lending Institution

Lending Institution	Credit rating	Outstanding as at 31 March 2022 (Rs.)	Borrowing Terms
Sampath Bank PLC	AA-(lka)		
Loan 1	Fitch	67,125,000	Repayable in 48 monthly installments at variable interest rate subject to monthly review.
Loan 2		72,350,000	Security assigned- Lease Receivables of Rs. 562 Mn
Hatton National Bank PLC	AA-(lka)		
Loan 1	Fitch	300,500,000	Repayable in 59 equal monthly installments of Rs.13.5 Mn and a final installment of Rs.3.5Mn plus interest - applicable variable interest rate. Security assigned- Lease Receivable of Rs.602Mn.
Loan 2		190,000,000	Repayable in 47 equal monthly installments of Rs. 3.959Mn and final payment of Rs. 3.927Mn at variable interest rate subject to monthly review after an initial grace period of 6 months
			Security assigned- Lease Receivable of Rs.237.5Mn plus corporate Guarantee from Blustone1 (Pvt) Ltd
Loan 3		560,000,000	Repayable in 47 equal monthly installments of Rs. 11.666Mn and final payment of Rs. 11.698Mn at variable interest rate subject to monthly review after an initial grace period of 6 months
			Security assigned- Lease Receivable of Rs.700Mn plus corporate Guarantee from Blustone1 (Pvt) Ltd

Lending Institution	Credit rating	Outstanding as at 31 March 2022 (Rs.)	Borrowing Terms
Peoples' Bank PLC	AA-(lka)		Repayable in 48 monthly installments at variable interest rate subject to monthly review.
Loan 1	Fitch	72,916,667	Security Assigned-Lease receivables of Rs.192.5Mn.
Loan 2		58,333,333	Security Assigned-Lease receivables of Rs.130Mn.
Loan 3		46,875,000	Security Assigned-Lease receivables of Rs.102Mn.
Loan 4		50,000,000	Security Assigned-Lease receivables of Rs.105Mn.
Loan 5		64,583,333	Security Assigned-Lease receivables of Rs.107.5Mn.
Loan 6		166,666,667	Security Assigned-Lease receivables of Rs.275Mn.
Loan 7		300,000,000	Repayable in 8 semi annual equal installments at variable interest rate subject to monthly review. Security Assigned- Pro note and receipts
Nations Trust Bank PLC	A(lka)		
Loan 1	Fitch	485,300,000	Repayable in 33 equal monthly installments of Rs. 14.7Mn and final payment of Rs. 14.9Mn at variable interest rate subject to quarterly review. (after an initial grace period of 2 months) Security assigned - Rs.650 Mn over lease receivables
Loan 2		243,100,000	Repayable in 35 equal monthly installments of Rs. 6.9 Mn and final payment of Rs. 8.5 Mn at variable interest rate subject to quarterly review. Security assigned - Rs.325 Mn over lease receivables
Seylan Bank PLC	A(lka) Fitch	298,500,000	Repayable in 60 monthly installments with the applicable fixed interest rate. Security Assigned-Lease receivables of Rs.509Mn.
Safe Holding (Pvt) Ltd- Securitization 01		386,666,660	Repayable in 30 monthly installments at variable interest rate subject to monthly review after an initial grace period of 6 months Security Assigned-Lease receivables of Rs.650Mn
M-Power Capital Ltd			
Securitization 02		442,000,000	Repayable in 24 months at the fixed interest rate after an initial grace period of 6 months. Security Assigned vehicle loan receivables of Rs.975 Mn.
Securitization 04		387,000,000	Repayable in 24 months at the fixed interest rate after an initial grace period of 6 months. Security Assigned-vehicle loan receivables of Rs.503Mn.
First Capital Ltd - Securitization 03		349,274,167	Repayable in 24 months at the fixed interest rate after an initial grace period of 6 months. Security Assigned-vehicle loan receivables of Rs.750Mn.

Notes to the Financial Statements

As at 31 March,	2022 Rs.	2021 Rs.
30. LIABILITIES TO FBIL CUSTOMERS		
Balance as at beginning of the year	962,059	962,059
Payment made during the year	-	-
Derecognition of liability	(962,059)	-
Balance as at end of the year	-	962,059

The liability is derecognised as the relevant parties agreed to the settlement based on the Scheme of Arrangements approved at the meeting of the creditors of First Barakah Investments Ltd (FBIL), held on 12/02/2011 and upheld by the Colombo Commercial High Court [Case No. H.C.(Civil) 01/2011 (CO)] and eight years lapsed from their confirmation dated 27/12/2013.

As at 31 March,	2022 Rs.	2021 Rs.
31. TRADE & OTHER PAYABLES		
Vendor payables	177,362,562	161,046,151
Bonus provision	42,046,362	24,500,000
Insurance premium payables	35,173,423	9,521,470
Other payables	59,526,112	83,848,487
	314,108,459	278,916,108

	2022 Rs.	2021 Rs.
32. EMPLOYEE BENEFITS		
Present value of unfunded obligations	12,849,802	11,904,906
Present value of funded obligations	-	-
Total present value of obligations	12,849,802	11,904,906
Fair value of planned assets	-	-
Net retirement benefit obligations	12,849,802	11,904,906
32.1 Movement in present value of employee benefits		
Balance as at beginning of the year	11,904,906	9,027,972
Expenses recognised in the profit or loss (Note 32.2)	4,226,302	4,483,319
Actuarial (gain) / loss recognized in the other comprehensive income	1,234,059	297,272
Benefits paid during the year	(4,515,465)	(1,903,657)
Balance as at end of the year	12,849,802	11,904,906
32.2 Expenses recognized in the profit or loss		
Interest cost	880,963	947,937
Past service cost	(145,646)	-
Current service cost	3,490,985	3,535,382
	4,226,302	4,483,319

The provision for retirement benefits obligations for the year is based on the Actuarial Valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Limited., as at 31 March 2022. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method", the method recommended by the Sri Lanka Accounting Standards - LKAS 19 " Employee Benefits". The liability is not externally funded.

During 2021/22, the pension arrangements was adjusted to reflect new legal requirements as per Minimum Retirement age of workers Act No. 28 of 2021 regarding the retirement age. As a result of the plan amendment, the Company defined benefit obligation decrease by 145,646. A corresponding past service credit was recorgnised in profit or loss during 2021/22.

32.3 The assumptions used for the actuarial valuation are given below.

As at 31 March,	2022	2021
Discount rate per annum	14.0%	7.5%
Annual salary increment rate	10.0%	6.0%
Staff turnover ratio	20.0%	10.0%
Retirement age	55 Years	55 Years
Mortality table	A 1967/70	A 1967/70
Average future work life time	4.44 Years	8.24 Years

32.4 Sensitivity of assumptions used in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Statement of Profit or Loss & Other Comprehensive Income and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate to the total Comprehensive Income and retirement benefit obligation for the year ended 31 March 2022.

Sensitivity effect on employment benefit obligation	Increase / (Decrease) in the Liability	
As at 31 March,	2022 Rs.	2021 Rs.
Decrease in discount rate (1%)	95,316	12,800,390
Increase in discount rate (1%)	(905,798)	11,113,880
Decrease in salary increment rate (1%)	(950,909)	11,085,763
Increase in salary increment rate (1%)	135,821	12,816,869

Notes to the Financial Statements

As at 31 March,	2022 Rs.	2021 Rs.
33. DEFERRED TAX LIABILITIES/ (ASSET)		
33.1 Movement of net deferred tax liabilities		
Balance as at beginning of the year	19,357,692	47,496,138
Recognized in the profit or loss		
Amounts reversing during the year	(52,695,015)	(28,067,101)
Recognized in the other comprehensive income		
Amounts originating / (reversing) during the year	(296,174)	(71,345)
Balance as at end of the year	(33,633,497)	19,357,692

33.2 Origination of deferred tax assets / (liabilities)

As at 31 March,	Temporary Difference 2022 Rs.	Tax Effect 2022 Rs.	Temporary Difference 2021 Rs.	Tax Effect 2021 Rs.
Deferred tax assets :				
Employee benefits	12,849,803	3,083,953	11,904,905	2,857,177
Right of use asset	-	-	2,993,008	718,322
Provision for impairment	207,455,147	49,789,235	16,667,189	4,000,125
	220,304,950	52,873,188	31,565,102	7,575,624
Deferred tax liabilities :				
Property, plant and equipment	(7,843,142)	(1,882,354)	(10,214,305)	(2,451,433)
Accelerated depreciation for tax purpose - Leased assets	(69,108,783)	(16,586,108)	(101,341,180)	(24,321,883)
Right of use asset	(2,546,788)	(611,229)	-	-
Investment property	(1,600,000)	(160,000)	(1,600,000)	(160,000)
Net deferred tax asset / (liabilities)		33,633,497		(19,357,692)

The tax base of the Company is computed in accordance with the Inland Revenue Act No. 24 of 2017 and amendments thereon. However temporary Difference generated through Accelerated Depreciation for Tax Purpose on Leased Assets is applicable only for the contracts incepted prior to 01 April 2018 and computed in accordance of the provision available in the Inland Revenue Act No 10 of 2006. The temporary difference is significant due to claiming capital allowances in advance in previous financial years.

33.3 Movement in recognized deferred tax assets and liabilities

For the year ended 31 March,		2022 Charged / (Reversed) in		
	Balance as at 01 April 2021	Profit or Loss	OCI	Balance as at 31 March 2022
Employee benefits	**2,857,177**	**(69,398)**	**296,174**	**3,083,953**
Right of use asset	**718,322**	**(1,329,551)**	**-**	**(611,229)**
Provision for impairment	**4,000,125**	**45,789,110**	**-**	**49,789,235**
Property, plant and equipment	**(2,451,433)**	**569,079**	**-**	**(1,882,354)**
Accelerated depreciation for tax purpose				
- Leased assets	**(24,321,883)**	**7,735,775**	**-**	**(16,586,108)**
Investment property	**(160,000)**	**-**	**-**	**(160,000)**
	(19,357,692)	**52,695,015**	**296,174**	**33,633,497**

For the year ended 31 March,		2021 Charged / (Reversed) in		
	Balance as at 01 April 2020	Profit or Loss	OCI	Balance as at 31 March 2021
Employee benefits	2,339,844	445,988	71,345	2,857,177
Right of use asset	786,920	(68,598)	-	718,322
Provision for impairment	-	4,000,125	-	4,000,125
Property, plant and equipment	(6,689,208)	4,237,775	-	(2,451,433)
Accelerated depreciation for tax purpose				
- Leased assets	(43,773,694)	19,451,811	-	(24,321,883)
Investment property	(160,000)	-	-	(160,000)
	(47,496,138)	28,067,101	71,345	(19,357,692)

As at 31 March,	2022 Rs.	2021 Rs.
34. STATED CAPITAL		
Issued and fully paid - Ordinary shares of 176,955,971	**1,769,559,710**	1,769,559,710
Right issue made - Ordinary shares of 60,000,000	**600,000,000**	-
Issued and fully paid - Ordinary shares of 236,955,971	**2,369,559,710**	1,769,559,710

The Company made a right issue of Rs. 600,000,000/- on 07 of March 2022.

Ordinary shares

The holders of the 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. All ordinary shares rank equally with regard to the Company's residual assets.

35 STATUTORY RESERVE FUND

Statutory reserve fund was created to comply with the Direction No. 1 of 2003 (Capital Funds) issued by the Central Bank . The Company is required to transfer 5% of Net Profits to this Reserve Fund as long as the Capital Funds are not less 25% of total deposit liabilities. During the Year 2021/2022, the Company transferred Rs. 16,327,983/- to the Statutory Reserve Fund.

Notes to the Financial Statements

36. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE

This reserve includes the cumulative net change in the Fair Value of Financial Assets which recognized in Other Comprehensive Income. When such investment is derecognized, the related cumulative Gain / (Loss) previously recognized is reclassified to Profit or Loss. During the Year Company has derecognized Fair Value Gain of Rs. 8,586,929/- on Treasury Bonds. (Previous year (2021) gain - Rs. 1,728,331/-).

When measuring fair values of Financial Investments the company used the latest publicly available information in line with the prior year.

37. RETAINED EARNINGS

This represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

38. SUBSEQUENT EVENTS

There were no material circumstances that have arisen since the reporting date, which require adjustment to or disclosure in the Financial Statements.

39. LITIGATIONS AND CLAIMS

Litigation is a common occurrence in the industry due to the nature of the business undertaken. The Company has formal controls and policies in place for managing legal claims. Once professional advice has been obtained and the amount of loss is reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. The Company confirms that there is no case filed against the Company which is not disclosed which would have a material impact on the Statement of Financial Position of the Company except the below mentioned. No adjustments have been made in the Financial Statement in this regard as management of the company believes that there is no likelihood of an unfavorable outcome.

i) Case No.647/16/L has been filed by previous owner of the land to cancel the Deed of Transfer which he executed to our customer on the basis of not properly passed the consideration. Answer filed by the Company and 1st & 2nd Defendants steps to serve summons due on 26 October 2018. 1st and Second Defendant have not accepted the summons, therefore Court wants to step taken to serve summons on the 1st and the 2nd defendants. This case then moved on to 31/01/2021 for plaintiff's steps and then moved on to 21/05/2021. It has been further postponed due to Covid 19 pandemic and the same will be calling 24/06/2022 for 1st and 2nd Defendants' steps.

ii) Case No. 16131/M -Money case filed by the supplier of Harvester Machine A Base Mech Farm Pvt Ltd, against the Company Answers filed on 15 March 2018. Written submissions regarding the issues made by the Plaintiff and case was postponed to 8th July 2021 for trial. Thereafter the matter was fixed for Trial on 3rd October 2022.

iii) Case No.4835/M - customer defaulted the lease facility as per our instructions customer handed over the bike to the Company. Customer instituted this action to recover his money Rs. 400,000/- paid to the Dealer at the time of purchasing the bike or the return of the asset by him. This matter was re fixed for Written Submissions on 21st May 2020 and then the case was fixed to hear on 13th July 2021. Trial was proceeded and accordingly the matter was fixed for Further trial on 24th June 2022.

iv) "Case No.M 17489 - Customer applied for a lease of Rs. 2,000,000 initially to import a Wagon R and claimed that he has paid Rs.1 million to former Matara Branch Manager to reduce the facility amount by Rs.1 Million which was not available in the Company records and the customer also failed to submit any evidence to establish the payment.

The Company repossessed the vehicle for the arrears and customer has filed a case against the Company. The injunction order is issued on 31st October 2019.

The Company filed the objections along with the affidavit. The case was fixed and written submissions was made on 06th March 2020. Then this case fixed for order on 03/05/2021, and moved on to 17th May 2021 thereafter. It has been further postponed due to Covid 19 pandemic and the same was re fixed for Order on 26th August 2022."

v) "Case No.HC/Civil/90/CO- W.U. Seneviratne And Company (Private) Limited has filed action against 10 Banks and 11 finance companies under part 10 of the Companies Act. Requesting the Court appoint an expert to restructure the repayment of debts as going concern. The Company is being cited as the 13th Respondent in their petition.

This matter was called on 17th January 2020 for objection. President's Counsel appearing on behalf of the petitioner informed courts that the petitioner is in the process of getting a report from an independent consultant regarding the restructuring of the company. Court granted, 19 of March 2020 as the date for the independent consultant's report and for the objections of the respondents. Thereafter the date was postponed to 29 May 2020 due to Covid 19 outbreak and then to 23rd June 2020. Meantime, the 4th Respondent has already filed petition to vacate the order. It has been further postponed due to Covid 19 pandemic. Thereafter the Petitioner was withdrawn the case."

vi) Case No.DMR/1698/20- M M Bandara has filed a case against the Company. This matter called on 08/12/2020 for summons returnable and moved to 20/04/2021. The case was fixed for pre-trial on 20/08/2021. This was again called on 16th March 2022 and re-fixed for Pre trial on 6th July 2022.

40. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of the business, the Company may makes various commitments and incurs contingent liabilities with legal recourse to its Customers. No material losses are anticipated as a result of these transactions.

40.1 Contingent liabilities

As at 31 March,	2022 Rs.	2021 Rs.
Letter of credit	-	241,792,512
	-	241,792,512

There were no any other material contingent liabilities, which require adjustment to or disclosure in the Financial Statements as at the reporting date, other than disclosed above.

40.2 Capital commitments

There were no material capital commitments which require disclosure in the Financial Statements as at reporting date.

41. COMPARATIVE FIGURES

Comparative figures have been re-classified wherever necessary and conform to the current year classification.

Notes to the Financial Statements

42. ASSETS PLEDGED

The following assets have been pledged as securities against the Long-term and Short- term borrowings that have been disclosed under the Note 29.2 to the Financial Statements.

Lending Institute	Nature of Assets	Nature of Liability	Value of Assets Pledged
Sampath Bank PLC	Lease Receivables	Long Term Loan	215,463,697
Hatton National Bank PLC	Lease Receivables & Vehicle Loan Receivable	Long Term Loan	2,131,285,017
Commercial Bank of Ceylon PLC	Lease Receivables	Short Term Loan	1,635,949,588
Nation Trust Bank PLC	Lease Receivables	Long Term Loan	982,089,720
Peoples Bank	Lease Receivables	Long Term Loan	613,115,634
Seylan Bank PLC	Lease Receivables	Long Term Loan	404,907,761
Securitization 1	Vehicle Loan Receivables	Long Term Loan	506,293,471
Securitization 2	Vehicle Loan Receivables	Long Term Loan	658,373,219
Securitization 3	Vehicle Loan Receivables	Long Term Loan	565,980,466
Securitization 4	Vehicle Loan Receivables	Long Term Loan	544,787,975

43. RELATED PARTY DISCLOSURES

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 (LKAS 24) "Related Party Disclosures", the details of which are reported below. The Pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated Customers.

43.1 Parent and the ultimate controlling party

Fintrex Finance Limited is a subsidiary of Bluestone 1 (Pvt) Ltd. The ultimate parent of the Company is Fairfax Financial Holding, a Company incorporated in Canada.

43.1.1 Transactions with parent Company

There was a Share transactions occurred during the year with Bluestone 1 (Pvt) Ltd.

Right Issue of ordinary shares

Number of shares issued and fully subscribed	60,000,000
Issue price per share	Rs.10/-
Total proceeds from right issue of shares	Rs. 600,000,000/-

43.2 Transactions with Key Management Personnel (KMPs) and their Close Family Members (CFMs)

According to Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors) has been classified as Key Management Personnel of the Company.

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include;

(a) the individual's domestic partner and children;
(b) children of the individual's domestic partner; and
(c) dependents of the individual or the individual's domestic partner
There were no any transactions with CFM during the year.

43.2.1 Compensations to Key Management Personnel (KMPs)

There were no compensation paid to key management personnel during the year other than those disclosed below.

Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling activities of the company. Such KMPs include the Board of Directors of the Company and of its parent. Transactions with close family members of the KMPs, have also been taken in to consideration in the following disclosure.

According to Sri Lanka Accounting Standard - LKAS 24 “Related Party Disclosures”, Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors), their Close Family Members (CFM) and selected key employees who meet the above criteria have been classified as Key Management Personnel of the Company. Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by that KMPs in their dealing with the entity. They may include KMPs domestic partner and children of the KMPs domestic partner and dependents of the KMPs domestic partner.

For the year ended 31 March,	2022 Rs.	2021 Rs.
Short-term employee benefits	**5,400,000**	5,100,000

43.2.2 There were no loans have been granted to the Directors of the Company during the Year or outstanding as at the reporting date.

43.2.3 Transactions with related companies

There is no transaction took place with related parties during the financial year under consideration.

44. FINANCIAL RISK MANAGEMENT

The Board of Directors possess the overall responsibility for the establishment and oversight of the Company’s risk management framework. The Board has delegated this responsibility to two sub committees of the Board.

The Board has established the Integrated Risk Management Committee (IRMC) which is responsible for developing and monitoring risk management policies and procedures in specified risk areas .With the cooperation of the management, the committees make decisions on behalf of the Board. Senior Management is responsible for implementing the risk management framework by identifying risks and managing those risks with appropriate risk mitigation strategies. Monthly risk review reports are submitted by the Risk and Compliance officer to IRMC Committee.

The Audit Committee is responsible for monitoring and reviewing risk management policies and procedures and reviewing the adequacy of risk management framework in relation to the risks faced by the company. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The Audit Committee presents vital matters to the Board whenever required and seeks for review and approval of the Board.

Risk management and related reporting issues that are associated with financial institutions valuations of complex transactions and their impact to capital requirements, has received unstinted attention in the recent decade. Numerous risks inherent to a financial institution due to its nature of business and also other factors, are managed through a process of ongoing identification, measurement and monitoring activities subject to risk limits and other controls. This process of risk management is critical to Company’s continuing profitability and building reputation, with each individual in the Organisation being responsible and accountable for risk exposure relating to scope of work.

Notes to the Financial Statements

Company's risk management process is streamlined in effect to ensure there is appropriate balance between risk and rewards. By instilling various controls and strategies, the Management continuously strives to mitigate risks in the attempt of generating higher profits.

As a finance Company, is exposed to a number of risks arising from dealing in financial transactions, involving mainly financial assets and liabilities. Key risks associated with Company's business revolve around:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Currency risk

44.1 Credit risk

Credit risk is the potential loss incurred in the event that a borrower fails to fulfill agreed obligations. The Company's credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company.

i. Management of Credit Risk

Managing credit risk which is deemed the main risk element to a finance company like ours, the management takes into account all elements of credit risk exposures both at micro and macro levels. This includes analysing individual obligor default risk, industry specific risk and geographical risk as part of comprehensive credit risk management process.

In order to achieve this the Board of Directors has delegated responsibility for the oversight of credit risk of the Company to Board Credit Committee (BCC).

A separate Credit evaluation department, is responsible for managing the Company's credit risk, including the following:

- 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.
- 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, the Head of Company credit, COO, CEO, the Company Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk: Company Credit Committee assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and receivables, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, and product types. Regular reports on the credit quality of portfolios are provided to Company Credit Committee, which may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Company is required to implement Company credit policies and procedures, with credit approval authorities delegated from the Company Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval. Regular audits of business units and Company credit processes are undertaken by internal audit.

ii. Cash and cash equivalents

Cash and cash equivalents comprise of cash and cheque in hand and cash at bank and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments.

The Company held cash and cash equivalents of Rs.59.9Mn at 31st March 2022 (2021: Rs.34.8Mn). The cash and cash equivalents are held with financial institution counter parties that are rated at least BB+(lka) based on ICRA or Fitch ratings.

iii. Collateral Management

The primary source of repayment of credit exposures is the cash flows while the collaterals obtained by the Company act as a possible secondary recourse. Collateral generally include cash, marketable securities, properties, stocks, trade debtors, other receivables machinery and equipment and other physical or financial assets and are assessed at the inception, in accordance with the guidelines issued by the Central Bank of Sri Lanka. Clear guidelines are in place to determine the suitability of collateral in credit risk mitigation based on their different characteristics and for valuation, to ensure the collaterals will continue to provide the anticipated secondary source of repayment in an eventuality. In mitigating credit risk, the Company resorts to obtaining collaterals which are valued by recognised external valuers and also by our own internal valuation who possess the expertise accurate valuations. Periodic estimation of values of collateral ensures that they will continue to provide the expected repayment source in an event where the primary source has not materialized. The collaterals vulnerable to frequent fluctuations in values are subject to stringent haircuts and/ or more frequent valuations. The Company also accepts personal guarantees, guarantees from other financial institutions and credit-worthy bodies as collateral for credit facilities. The financial strength of guarantors as against their cash flows, net worth, etc. is taken into consideration to establish their capacity to repay the facilities in case of a default.

The Company holds collateral in the form of vehicles, property, stocks, gold articles and guarantors and other credit enhancements against certain of its credit exposures.

iv. Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable a supportable information that is relevant and available without undue cost or efforts. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing;

- the remaining lifetime probability of default(PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectation).

If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for lifetime expected credit losses (LTECL). The Company determines when a significant increase in credit risk has occurred based on the assessment of business model. It is considered that significant increase in credit risk takes a place when a facility is overdue more than 60 days.

Notes to the Financial Statements

The maximum exposure to the credit risk at the reporting date is stated below.

As at 31 March	2022 Rs.	2021 Rs.
Loans and advances		
Finance lease receivables	6,248,571,009	5,019,491,970
Hire purchase receivables	109,474	109,474
Loans & advances to other customers	5,036,919,372	3,346,999,886
Factoring receivables	1,920,499	2,822,431
	11,287,520,354	8,369,423,761

The above stated Financial Assets are backed with the underlying securities.

Debt and other instruments		
Cash and cash equivalents	312,049,491	166,532,603
Financial investments at amortised cost	647,135,954	181,659,066
Financial assets measured at fair value through other comprehensive income	46,916,224	56,919,879
Other receivables	34,825,761	25,186,399
	1,040,927,430	430,297,947

Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to credit risk management in terms of analyzing customer credit worthiness through rigorous customer investigation before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities. Indicators have been developed to measure risks associated with credit which are reviewed on a continuous basis for the entire organization as well as for each product and operational location.

44.1.1 Analysis of risk concentration

(a) Concentration by Industry

Company monitors credit concentration risk by referring degree of credit exposure by various sectors. The following table shows the maximum credit exposure before deducting the respective provision for impairment of Company's loans and advances to various sectors as at the end of the financial year.

Sector	Balance as at 31 March 2022	As %	Balance as at 31 March 2021	As %
Agriculture & Fishing	474,841,725	4%	403,760,319	4%
Construction	870,532,326	7%	497,575,096	6%
Financial and business services	482,641,684	4%	312,555,362	3%
Infrastructure	106,671,042	1%	58,002,729	1%
Manufacturing	1,490,378,548	12%	992,005,407	11%
New economy	260,542,914	2%	61,537,185	1%
Services	3,649,647,722	30%	3,437,088,171	38%
Tourism	298,339,205	2%	256,549,836	3%
Trades	1,966,337,789	16%	1,081,583,175	12%
Transport	2,191,357,575	18%	1,782,644,939	20%
Other customers	242,462,449	2%	115,584,983	1%
Grand total	12,033,752,979	100%	8,998,887,203	100%

(b) Concentration by product

Product	Balance as at 31 March 2022	As %	Balance as at 31 March 2021	As %
Finance lease receivables	**6,635,350,148**	**55%**	5,444,062,249	60%
Hire purchase receivables	**109,474**	**0%**	109,474	0%
Secured loans	**4,284,478,596**	**36%**	2,776,613,193	31%
Trade finance receivables	**1,098,358,420**	**9%**	767,021,876	9%
Factoring receivables	**15,456,341**	**0%**	11,080,411	0%
Grand total	**12,033,752,979**	**100%**	8,998,887,203	100%

44.1.2 Impairment assessment

For accounting purposes, the Company uses an Expected Credit Loss model (ECL)for the recognition of losses on impairment in accordance with SLFRS 9 commencing from 01.04.2018.

“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.

The Company 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 are then adjusted to reflect forward-looking information.

PD – The probability of default represents the likelihood of a borrower defaulting on its financial obligation (as per “definition of default and credit impaired” above) either over the next 12 months (12mPD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due is the primary input into the determination of the term structure of PD for exposures. Days past due are determined by counting the number of days since the due date. The Company 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.

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 Company 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.

EAD – The exposure at default represents the expected exposure in the event of a default. The Company 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 Company assesses the possible default events within 12 months. For all other loans EAD is considered for default events over the lifetime of the financial instrument.

- Significant financial difficulty of the customer
- A breach of contract such as a default of payment
- Where the Company grants the customer a concession due to the customer experiencing financial difficulty
- It becomes probable that the customer will enter bankruptcy or other financial reorganization
- Observable data that suggests that there is a decrease in the estimated future cash flows from the credit granted

Notes to the Financial Statements

44.1.2.1 Valuation of immovable properties obtained as Collateral

Land, land and building which are obtained as collateral against any accommodation are valued frequently based on the Board approved valuation policy. The valuation obtained at the initiation of loan is considered as collateral value for performing Loans. All residential properties obtained as collateral for non-performing loans are valued in every five years and the other properties are valued in every four years. The Valuations are obtained from the panel of external, independent property valuers approved by the Board of Directors of the Company.

44.1.2.2 Write-off of loans and advances

Loans (and the related impairment allowance) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

44.1.2.3 Reversals of impairment

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

44.1.3 Credit quality by class of financial assets

The Company maintains the credit quality of Financial Assets using number of rental / installments in arrears. The table below shows the credit quality by number of rentals / installments in arrears for all Financial Assets exposed to credit risk. The amounts presented are Gross Receivable amounts.

As at 31 March 2022	Carrying value Rs.	Arrears period (Months) 1-3 Rs.	3-6 Rs.	6-12 Rs.	12+ Rs.
Finance lease receivables	6,635,350,148	5,653,867,519	628,647,323	57,692,308	295,142,998
Hire purchase receivables	109,474	109,474	-	-	-
Loans and advances to other customers and factoring	5,398,293,357	4,817,671,872	180,938,417	48,838,283	350,844,785
	12,033,752,979	10,471,648,865	809,585,740	106,530,591	645,987,783

As at 31 March 2021	Carrying value Rs.	Arrears period (Months) 1-3 Rs.	3-6 Rs.	6-12 Rs.	12+ Rs.
Finance lease receivables	5,444,062,249	3,890,527,191	1,021,963,959	180,890,448	350,680,651
Hire purchase receivables	109,474	109,474	-	-	-
Loans and advances to other customers and factoring	3,554,715,480	3,132,062,128	96,148,049	1,559,574	324,945,729
	8,998,887,203	7,022,698,793	1,118,112,009	182,450,022	675,626,380

44.1.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another Financial Assets. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under any circumstances.

The Company manage it's liquidity risk through Asset and Liability Management (ALM) Policies. ALM is a key risk management discipline which directs the management of On-and-Off financial position assets and liabilities in such a way that the institution is able to offer competitively priced products and services to customers whilst maintaining an appropriate risk / reward profile that creates shareholder value, ALCO is entrusted with this task.

Liquidity management in response to COVID-19 and current economic conditions

The Company took cognizance of the reality that preservation of capital is of utmost importance during the business downturn resulting from the pandemic and the current economic conditions and took necessary action to ensure that there is sufficient liquidity available for its operational requirements. Several important decisions were made in this regard affecting both the short- and long-term business horizons.

The steps taken by the Company to respond to possible future liquidity constraints arising from the COVID-19 pandemic are listed below,

- In March 2022, the Company raised Rs.600Mn equity capital through issuance of a Right Issue.
- During the year, the Company obtained term loan facilities from banks and securitization loans amounting to Rs.1.8Bn and Rs.887Mn respectively.

The availability of approved but unutilized funding facilities was a comfort factor during this period. As at 31 March 2022 the Company has the unutilised short term and overdraft facilities of Rs.456Mn and long term facilities of Rs.200Mn. Further, the Company has negotiated new working capital as well as term funding lines from financial institutions at very favourable interest rates. Further, as disclosed in Note No. 44.2.1, the Company has sufficient net current assets to satisfy short-term working capital requirements of the Company.

The global situation on COVID-19 is easing off, and hence the company expects the threat caused by COVID 19 will gradually decline. However, the Management will continue to monitor developments, and will take timely action to mitigate any risks to the financial stability of the Company

Notes to the Financial Statements

44.2.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summaries the maturity profile of the undiscounted cash flows of the Company's Financial Assets and Liabilities as at 31 March 2022.

Description	Carrying value	Contractual maturity	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.
Financial Assets						
Cash & cash equivalents	312,049,491	312,049,491	312,049,491	-	-	-
Financial investments at amortised cost	647,135,954	656,124,745	555,793,745	100,000,000	-	331,000
Financial investments at FV through OCI	46,916,224	63,750,000	-	5,500,000	58,250,000	-
Gross loans & receivables to other customers	12,033,752,979	13,494,238,597	2,802,836,467	4,175,365,373	6,505,752,061	10,284,695
Other receivables	79,816,137	79,816,137	79,816,137	-	-	-
Total financial assets	13,119,670,784	14,605,978,969	3,750,495,840	4,280,865,373	6,564,002,061	10,615,695
Financial liabilities						
Bank overdrafts	81,082	81,082	81,082	-	-	-
Other financial liabilities due to customers	1,858,224,777	2,259,073,717	386,210,897	517,111,899	1,355,750,921	-
Interest bearing loans and borrowings	7,077,780,596	7,922,132,330	1,013,547,673	4,392,061,281	2,516,523,376	-
Lease Liabilities	110,379,848	142,027,895	11,488,280	30,921,464	88,381,352	11,236,800
Trade and other payables	314,108,459	314,108,459	314,108,459	-	-	-
Total financial liabilities	9,360,574,762	10,637,423,483	1,725,436,391	4,940,094,643	3,960,655,649	11,236,800

44.3 Market risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies and equity prices. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company.

44.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Movements in interest rates are closely monitored. Further the Company maintains an adequate Net Interest Margin (NIM) so that increases in interest expenses can be absorbed. The assets and liabilities maturity mismatch is also closely monitored so that the possible adverse effects arising due to interest rate movements could be minimized. Although the mismatch in assets and liabilities in terms of maturity is widely prevalent in the industry, in view of the composition of the portfolio of the Company, this mismatch has been mitigated to a significant extent.

Further the increase of policy rates and subsequent increase in treasury bills rates compelled the market rates to increase significantly. As a result the interest rate risk is on the rise for all financial institutions of the country including the Company. The impact of rising interest rate risk did not materialized in the current financial year. The Company is currently implementing the risk mitigation strategies to reduce the impact of interest rate risk. Moreover the current economic crisis of the country may result in negative atmospheres on funding and liquidity. The Company has always maintained its capital and liquidity buffers over and above the regulatory minimum levels. Hence the Company's ability to withstand the shocks, stands at a higher level.

	Overnight Rs.	1-3 Months Rs.	4-6 Months Rs.	7-12 Months Rs.	1-3 Years Rs.	4-5 Years Rs.	Over 5 Years Rs.	Total Rs.
Rate sensitive assets (RSA)	204,041,918	3,793,217,853	663,787,647	2,702,819,930	3,714,676,830	1,556,810,939	7,756,713	12,643,111,829
Rate sensitive liabilities (RSL)	-	1,514,500,984	1,139,725,577	3,238,033,972	2,478,113,966	565,711,955	-	8,936,086,455
Period gap	-	2,278,716,868	(475,937,930)	(535,214,043)	1,236,562,864	991,098,984	7,756,713	3,707,025,374
Cumulative gap	-	2,278,716,868	1,802,778,938	1,267,564,896	2,504,127,759	3,495,226,743	3,502,983,456	

The risk arises as a result of exchange difference is considered as minimal.

	Sensitivity effect on interest rate 2022 Rs.	2021 Rs.
Decrease in interest rate 7%	245,208,842	211,114,477
Increase in interest rate 7%	(245,208,842)	(211,114,477)

COVID-19 has necessitated easing of monetary policies to facilitate the recovery across most economies. However, the volatility in interest rates remains high due the scale of the economic impact caused by the pandemic. The Company has been closely monitoring these developments and devising strategies to ward off any adverse effect caused in the form of interest rate risk.

44.4 Operational risk

Operational risk is the risk of loss arising from fraud, systems failure, human error or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but it should manage these risks through a control framework and by monitoring and responding to potential risks and management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- compliance with regulatory and other legal requirements
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development

Compliance with Company's standards is supported by a programme of periodic reviews undertaken by Internal Audit.
The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Company and Audit Committee. Audit Committee instructs the management to take the corrective actions to overcome any deficiencies identified.

44.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company, as at the reporting date, do not hold 'Financial instruments' denominated in currencies other than its functional / reporting currency, hence do not get exposed to currency risk arising from translation of such balances in to the functional / reporting currency, which is Sri Lankan Rupees.

Notes to the Financial Statements

44.6 Impact to the Company due to Current Economic Condition

The Company has prepared financial statements for the year ended 31st March 2022 on the basis that it will continue to operate as a going concern. The Company recorded a strong growth in profitability compared to previous year owing the positive customer sentiment and the effectiveness of business strategies adopted by the management.

In determining the basis of preparing the financial statements for the year ended 31st March 2022, based on available information, the management has assessed the prevailing macroeconomic conditions and its impact on the company and the appropriateness of the use of the going concern basis.

The Company is expected to encounter macro-economic challenges such as the continuous devaluation of the rupee, import restrictions, rise in general inflation, down-grade of credit rates, depleting of foreign currency reserves, shortage of essential supplies, impact due to mismatch between lending and deposits rates, increase in policy rates and the resultant pressure on disposable income levels of general public.

Accordingly, the Company is expected to encounter numerous challenges in the form of subdued demand for credit and greater credit risk due to the potential loss of income of the customer base.

Towards, mitigating this risk, the company has taken steps to focus on asset backed short term lending, applying strict credit guidelines to minimize credit risk, secured additional liquidity through a broad basing deposit mobilizing to manage possible liquidity issues. The company has adopted strict cost management methods.

Based on these proactive analysis and our operating model, financial strength of the company and the backing of the group, the management is confident that the company has no impact to its business continuity and expects to manage the above challenges effectively.

45. CAPITAL MANAGEMENT

Company is required to manage its capital taking into account the need to meet the regulatory requirements and to maintain a capital buffer against unexpected losses as well as to cater to the current and future business needs, stakeholder expectations and to seek available options for raising and generating capital.

Capital management is deemed a pivotal assessment exercise in sustaining an adequate buffer against losses arising from any unforeseen risks. So Management monitors Company's capital adequacy position closely through the Finance Division and reports to the Board monthly. Capital adequacy is a measure of the Company's ability to tolerate associated risks in doing its finance business. The main objective of maintaining adequate capital in terms of regulatory capital adequacy ratios is to safeguard the depositors, whilst sustaining customer confidence. The capital adequacy measurement being a widely accepted concept specifies the limit up to which Company can expand in terms of its risk weighted assets. In pursuit of business expansion and diversification, Company engages itself in activities dealing in financial instruments that regularly change the risk and capital profile of the Company. Accordingly, regulatory capital requirements ensure the Company does not move into undue expansion beyond specified limits and signals the Company to be cautious and not to take undue risk through growth of its assets especially in areas risky than others.

In this context, Company's capital strength serves as a cushion in absorbing any unexpected losses that may arise and is a good indicator of Company's levels of safety towards stakeholders more importantly its depositors. Company's policy on capital is to retain a strong capital base at all times so as to ensure investor, creditor and market confidence and to back the sustainable growth of the Company.

Company reviews its capital adequacy ratios (CAR) on a monthly basis to ensure compliance to prudential requirements on capital. The Company's Core minimum capital ratios i.e. tire 1 Capital Ratio and total capital ratio were maintained well above the minimum regulatory requirements of 7% and 11% respectively throughout 2021/22 financial year.

The computation of the CAR ratios is in two parts and involves firstly a working to arrive at the Tier 1 capital and the capital base for the two ratios CCR and TRWCR respectively. A separate computation is carried out to derive at the total risk weighted assets as at a given date.

The details of the computation of capital and the ratios of the Company as at 31 March 2022 are given below:

As at 31 March	2022 Rs.
Issued and paid-up ordinary shares / common stock (cash)	2,369,559,710
Statutory reserve fund	53,917,670
Retained earnings	729,123,239
General and other reserves	-
Less; Gain/(loss) on valuation of investment property	(2,900,000)
Tier I : Core capital	3,149,700,619
Less; Adjustments to Tier 1 capital	(15,863,209)
Supplementary capital	-
Eligible Tier 2 capital	3,133,837,410
Total capital	3,133,837,410
Deductions	
Equity Investments in Unconsolidated Banking & Financial Subsidiaries	-
Investments in Capital of Other Banks / Financial Associates	-
Capital base	3,133,837,410
Total risk weighted assets	
Total asset base	12,620,432,271
Weight given for credit & operational risk	(999,756,372)
Risk weighted amount for operational risk	1,708,639,679
Risk weighted assets	13,329,315,579
Tire 1 capital ratio (Minimum requirement 7%)	
Total eligible core capital (Tier I Capital)	3,149,700,619
Total risk-weighted assets	13,329,315,579
	23.63%
Total capital ratio (Minimum requirement 11%)	
Total capital base	3,133,837,410
Total risk-weighted assets	13,329,315,579
	23.51%

Notes to the Financial Statements

46. FINANCIAL INSTRUMENTS

46.1 Classification of financial assets & financial liabilities

The table below provide a reconciliation between line items in the Statement of Financial Position and categories of Financial Assets & Financial Liabilities of the Company as per SLFRS.

	As at 31 March 2022		
	Finance asset at fair value through profit or loss	Finance asset at amortized cost	Finance asset at fair value through other comprehensive income (FVOCI)
	Rs.	Rs.	Rs.
Assets			
Cash and cash equivalents	-	312,049,491	-
Financial investments at amortized cost	-	454,606,986	-
Financial assets - FVOCI	-	-	46,916,224
Finance lease receivables	-	6,248,571,009	-
Hire purchase receivables	-	109,474	-
Loans & advances to other customers	-	5,036,919,372	-
Factoring receivables	-	1,920,499	-
Financial investments in treasury bills	-	192,528,968	-
Total financial assets	-	12,246,705,799	46,916,224

	As at 31 March 2022		
	Financial liabilities at fair value through profit or loss (FVTPL)	Financial liabilities at amortized cost	Finance liabilities at fair value through other comprehensive income (FVOCI)
	Rs.	Rs.	Rs.
Liabilities			
Bank overdrafts	-	81,082	-
Other financial liabilities due to customers	-	1,858,224,777	-
Interest bearing loans & borrowings	-	7,077,780,596	-
Lease liabilities	-	110,379,848	-
Total financial liabilities	-	9,046,466,303	-

46.2 Fair value measurement

The Company measures the Fair Value using the following Fair Value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of Fair Value Measurement of Financial & Non-Financial Assets and Liabilities is provided below.

Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.
When available, the Company 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.

Level 2

Inputs other than quoted prices included within level that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

This category includes instruments valued using;
(a) quoted prices in active markets for similar instruments,
(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.
This category includes all instruments for which 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 of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. 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.

Notes to the Financial Statements

46.2.1 Assets and liabilities measured at fair value and fair value hierarchy

The following table provides an analysis of Assets & 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 categorized. These amounts were based on the values recognized in the Statement of Financial Position.

As at 31 March 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Finance asset at fair value				
- Treasury bonds	46,585,224	-	-	46,585,224
- Unquoted shares	-	-	331,000	331,000
Total financial assets at fair value	46,585,224	-	331,000	46,916,224
Non-financial assets				
- Investment property	-	-	6,800,000	6,800,000
Total non-financial assets at fair value	-	-	6,800,000	6,800,000
Total assets at fair value	46,585,224	-	7,131,000	53,716,224

As at 31 March 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Finance asset at fair value				
- Treasury bonds	56,588,879	-	-	56,588,879
- Unquoted shares	-	-	331,000	331,000
Total financial assets at fair value	56,588,879	-	331,000	56,919,879
Non-financial assets				
- Investment property	-	-	6,800,000	6,800,000
Total non-financial assets at fair value	-	-	6,800,000	6,800,000
Total assets at fair value	56,588,879	-	7,131,000	63,719,879

46.2.2 Level 3 fair value measurement

Investment property

Reconciliation from the opening balance to the ending balance for the Investment Property in the Level 3 of the Fair Value hierarchy is available in Note 24.

Note 24.1 provides information on Significant Unobservable Inputs used as at 31 March 2022 in measuring Fair Value of value of Land categorised as Level 3 in the Fair Value hierarchy.

Note 24.1 provides details of valuation techniques used and sensitivity of Fair Value measurement to changes in significant unobservable inputs.

Equity securities

Value of unquoted shares of Rs. 331,000 in the Company as at the end of the 31 March 2022 (Rs. 331,000 as at end of the 31 March 2021) categorized under Financial Investments - FVOCI , which Fair Value can not be reliably measured is stated at Cost in the Statement of Financial Position.

Fair value of financial assets and liabilities not carried at fair value

	2022		2021	
	Carrying amount Rs	Fair value Rs	Carrying amount Rs	Fair value Rs
Cash and cash equivalents	312,049,491	312,049,491	166,532,603	166,532,603
Loans & receivables to banks	647,135,954	647,135,954	181,659,066	181,659,066
Finance lease Receivables	6,248,571,009	6,248,571,009	5,019,491,970	5,019,491,970
Hire purchase receivables	109,474	109,474	109,474	109,474
Loans & advances to other customers	5,036,919,372	5,036,919,372	3,346,999,886	3,346,999,886
Factoring receivables	1,920,499	1,920,499	2,822,431	2,822,431
Other receivables	79,816,137	79,816,137	45,502,425	45,502,425
	12,326,521,936	12,326,521,936	8,763,117,855	8,763,117,855
Financial liabilities				
Bank overdrafts	81,082	81,082	125,464,284	125,464,284
Other financial liabilities due to customers	1,858,224,777	1,858,224,777	455,374,458	455,374,458
Interest bearing loans & borrowings	7,077,780,596	7,077,780,596	5,705,517,080	5,705,517,080
Lease liabilities	110,379,848	110,379,848	64,897,900	64,897,900
Liabilities of FBIL customers	-	-	962,059	962,059
Trade & other payables	314,108,459	314,108,459	278,916,108	278,916,108
	9,360,574,762	9,360,574,762	6,631,131,889	6,631,131,889

SUPPLEMENTARY INFORMATION

10 Years Summary

	2022 Rs. '000	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000
Operating Results					
Gross Income	2,106,329	1,625,409	1,970,881	1,649,056	1,244,630
Interest Income	1,955,827	1,549,448	1,892,153	1,580,105	1,206,710
Interest Expenses	660,299	510,691	772,623	675,008	489,619
Net Interest Income	1,295,528	1,038,757	1,119,531	905,097	717,091
Net Other Operating Income	150,502	75,962	78,728	68,951	37,920
Total Operatng Income	1,446,030	1,114,719	1,198,259	974,048	755,011
Impairment Charge	117,544	236,407	612,166	225,661	241,608
Operating Expenses	753,479	541,992	493,619	452,390	334,636
VAT on Financial Services	134,988	85,525	62,438	87,943	35,962
Profit before income tax	440,018	250,795	30,035	208,054	142,804
Income Tax	112,521	56,480	-2,037	91,721	22,967
Profit after income tax	327,498	194,315	32,072	116,333	119,837
Financial Position					
Assets					
Cash and cash equivalents	312,049	166,533	15,054	105,143	99,618
Investments	694,052	238,579	332,587	306,841	420,195
Leases,loans and advances	11,287,520	8,369,424	7,201,727	7,868,368	5,811,773
Other receivables	79,823	45,509	70,175	56,500	28,745
Deferred tax assets	33,633	-	-	-	-
Investment property	6,800	6,800	6,800	6,800	23,200
Right of use assets	107,833	61,905	67,055	-	-
Intangible assets	15,863	17,953	22,396	23,341	27,294
Property,plant and equipment	82,858	38,710	56,634	65,249	82,499
Total Assets	12,620,432	8,945,412	7,772,428	8,432,243	6,493,325
Liabilities					
Bank overdraft	81	125,464	515,678	417,736	432,227
Borrowings	7,077,781	5,705,517	4,756,931	5,469,502	1,540,302
Deposits from customers	1,858,225	455,374	187,012	533,090	2,694,597
Other payables	531,745	405,071	226,501	375,840	321,690
Deferred tax liabilities	-	19,358	47,496	63,996	-
Total Liabilities	9,467,832	6,710,784	5,733,618	6,860,165	4,988,815
Equity					
Stated Capital	2,369,560	1,769,560	1,769,560	1,340,295	1,340,295
Reserves	783,041	465,068	269,251	231,784	164,215
Total Equity	3,152,601	2,234,628	2,038,810	1,572,078	1,504,509
Total Liabilities and Equity	12,620,432	8,945,412	7,772,428	8,432,243	6,493,325
Financial Indicators					
Earnings per share (Rs.)	1.80	1.10	0.21	0.87	0.89
Net assets per share (Rs.)	13.30	12.63	13.42	11.73	11.23
Return on shareholders' funds (%)	12.16	9.09	2.10	7.41	8.31
Return on average assets (%)	3.04	2.32	0.50	1.53	2.33
Net interest margin (%)	12.58	12.87	13.70	12.60	12.29
Cost to income ratio (%)	52.11	48.62	44.09	49.98	46.67
Gross non performing loans (%)	6.50	9.80	21.26	7.71	5.74
Net non performing loans (%)	0.29	3.04	10.25	1.96	3.23
Core Capital Ratio (%)	23.63	23.10	23.00	17.00	25.00
Total Risk Weighted Capital Ratio (%)	23.51	22.90	23.00	17.00	25.00

2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000
979,627	742,384	442,047	199,526	102,220
943,025	695,078	379,429	158,380	20,188
430,092	264,312	118,430	43,754	6,309
512,933	430,766	260,999	114,626	13,880
36,602	47,307	62,618	41,146	82,032
549,535	478,073	323,617	155,772	95,911
102,608	127,919	18,676	2,703	-
312,931	255,252	185,946	125,227	81,054
24,750	18,995	18,193	9,378	2,021
109,246	75,906	100,802	18,464	12,837
6,896	8,111	16,930	5,366	-9,782
102,350	67,796	83,872	13,098	22,619
119,293	140,843	41,481	16,175	4,994
363,277	273,287	1,994,186	752,953	331,339
5,079,079	4,839,358	2,864,480	1,240,561	362,296
28,652	60,944	58,846	37,069	24,273
4,298	-	159	9,245	12,124
23,200	5,200	3,900	3,900	-
-	-	-	-	-
34,683	34,554	21,603	3,331	642
103,825	47,456	28,120	31,468	29,872
5,756,308	5,401,643	5,012,775	2,094,702	765,540
442,745	92,986	1,383,690	26,980	20,426
2,106,202	2,648,309	1,781,203	200,456	-
1,540,732	1,206,189	485,094	610,997	132,901
287,288	175,135	151,928	129,500	440,981
-	-	-	-	-
4,376,966	4,122,620	3,801,915	967,933	594,308
1,340,295	1,340,295	1,340,295	1,340,295	-
39,047	-61,272	-129,435	-213,526	-221,909
1,379,342	1,279,023	1,210,860	1,126,769	468,386
5,756,308	5,401,643	5,012,775	2,094,702	765,540
0.76	0.51	0.63	0.19	0.32
10.29	9.54	9.03	8.41	8.35
7.70	5.45	7.18	2.65	4.83
1.96	1.30	2.36	2.00	4.00
8.90	8.64	8.89	14.30	7.66
61.01	59.26	71.24	80.39	84.51
7.10	4.66	1.94	1.72	1.72
2.58	1.71	1.21	1.28	1.50
26.00	25.00	34.00	83.00	95.00
26.00	25.00	34.00	83.00	95.00

Glossary of Financial Terms

A

Accounting Policies
Specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual Basis
Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Accrual Gain/(Loss)
Gain or loss arising from the difference between estimates and actual experience in a corporation's defined benefit pension plan obligations.

Amortization
Gradual write-down of the cost of an intangible asset over its useful life.

Amortised Cost
Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

B

Borrowings
All interest-bearing liabilities.

Borrowing Cost
Interest and other costs that an entity incurs in connection with the borrowing of funds.

C

Capital Adequacy Ratio
The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying international best practices on maintenance of capital for financial Institutions, to suit the local requirements.

Capital Funds
Shareholders' funds net of statutory reserves

Cash Equivalents
Highly liquid short-term investments which can be converted into cash immediately with original maturity periods of three month or less.

Collective Impairment Provision
Impairment which measured on a collective basis for homogeneous groups of loans that are not considered individually significant.

Commitment
Credit facilities approved but not yet utilised by the clients as at the reporting date.

Contingencies
A condition or situation existing at reporting date where the ultimate outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate Governance
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and other.

Cost to Income Ratio
The operating expenses, excluding tax on financial services and impairment (charge)/reversal for loans and other losses, expressed as a percentage of total net operating Income.

Cost of Funds
Interest expenses expressed as a percentage of average interest-bearing liabilities.

Credit Rating
An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk
Credit risk is the potential loss arising from a borrower or counterparty failing to meet its obligations in accordance with the agreed terms.

Customer Deposits
Money deposited by account holders and such funds are recorded as liabilities of the entity.

D

Debt
An obligation that requires one party, the debtor, to pay money or other agreed-upon value to another party, the creditor.

Deferred Tax
The net tax effect on items which have been included in the income statement, that may become payable or receivable in a future period in respect of taxable temporary differences.

Depreciation
The systematic allocation of the depreciable amount of an asset over its useful life.

De recognition
Removal of a previously recognised financial asset or liability from an entity's Statement of Financial Position.

Discount Rate
A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

E

Earnings per share (EPS)
Profits attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Economic Value Added (EVA)
A measure of productivity which takes into consideration cost of total invested equity.

Effective Interest Rate (EIR)
Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate
Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

Eligible Deposits
Customer Deposits inclusive of interest accrued after deducting for deposits balances of directors and KMPs.

Equity
Shareholders' fund.

Events after the Reporting Period
Transactions that are not recognised as assets or liabilities in the Statement of Financial Position, but which give rise to the contingencies and commitments.

Expected Credit Losses (ECL)
ECL approach is the loan loss impairment method under SLFRS 9 on "Financial Instruments". ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

Exposure
A claim, contingent claim or position which carries a risk of financial loss.

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 transactions.

Financial Assets
Any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

Financial Assets Measured at Amortised Cost
A financial asset is measured at amortised cost if 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.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)
FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it 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. Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation, and are not held for trading.

Financial Liability
A contractual obligation to deliver cash or another financial asset to another entity to exchange assets or financial liabilities with another entity

Financial Instrument
Any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Finance Lease
A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Funding Mix
The total of shareholders' funds, customer deposits and borrowings from banks and other institutions

G

Global Reporting Initiative
GRI is a leading organisation in the sustainability filed. GRI promotes the use of sustainability reporting as a way for organisation to become more sustainable and contribute to sustainable development.

Going Concern
The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future.

Gross Non Performing Advances
A loan placed on a cash basis (i.e, Interest Income is only recognized when cash is actually collected) after when six instalments or more are overdue, as there is reasonable doubt regarding the collectability of its instalments of capital and interest.

Glossary of Financial Terms

Gross NPA Ratio
The total of the non-performing loans and receivables and non-performing Lease Rentals Receivables expressed as a percentage of the total of average loans and receivables and average Lease Rentals Receivables portfolio.

Gross Portfolio
The total of rental installments outstanding and the un-due capital receivable of the advances granted to customers under leasing, loans and other facilities

H

Hire Purchase
A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

HTM (Held to Maturity)
Investments Non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold till maturity.

I

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowances
Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Impairment Charge/Reversal
An increase/(decrease) of the difference between the carrying value of an asset and the sum of discounted future cash flows generating from the same asset compared to the previous reporting date.

Intangible Asset
An identifiable non-monetary asset without physical substance.

Integrated Reporting
A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long-term in its economic, social and environmental context.

Interest Spread
This difference between the average interest rate earned on the interest earning assets and the average interest rate paid on the interest-bearing liabilities.

K

Key Management Personnel
People those who are having authority and responsibility for planning, directing and controlling the activities of the entity.

L

Lending Portfolio
Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

Lifetime Expected Credit Losses (LTECL)
Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. According to SLFRS 9 on "Financial instruments", the ECL allowance should be based on LTECL unless there has been no significant increase in credit risk since origination.

Liquid Assets
Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with banks and treasury bills & bonds.

Liquidity Assets Ratio
Liquid assets expressed as a percentage of deposits liabilities and eligible borrowings.

Liquidity Risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans and Receivable
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available-for-sale on initial recognition.

Loss Given Default (LGD)
LGD is the percentage of an exposure that a lender expects to lose in the event of obliger default.

M

Materiality
The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements

N

Net Assets Per Share
Shareholders fund divided by total number of ordinary shares in issue.

Net Interest Income (NII)
The difference between incomes earned from interest earning assets and cost incurred on financial instrument/ facilities used for funding the interest earning assets.

Net Interest Margin (NIM)
The margin is expressed as net interest income divided by average interest earning assets.

NPL Ratio
Total non-performing loans as a percentage of the total lending portfolio.

Net Portfolio
The total of rental installments outstanding and the un-due capital receivable of the advances granted to customers under leasing, loans and other facilities net of impairment charge for loans and other losses.

Non-performing Advances
Rentals receivables in arrears equals to six rentals or more than six rentals have been categorised as non-performing.

O

Operational Risk
This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

P

Parent
A parent is an entity which has one or more subsidiaries.

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.

Probability of Default (PD)
PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

Provision Cover
Impairment charge for loans and other losses expressed as a percentage of the total of non-performing loans and lease receivables before discounting for allowance for impairment charge on non-performing loans and lease receivables.

R

Related Parties
Parties who could control or significantly influence the financial and operating policies of the business.

Return On Average Assets (ROA)
Profit after tax expressed as a percentage of the average assets.

Return on Average Equity (ROE)
Attributable profits divided by average shareholders' funds.

Right of Use of Assets (ROU)
An asset that represents a lessee's right to use an underlying asset for the lease term.

Risk Weighted Assets
The sum total of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk-weighted factors.

S

Shareholders' Funds
This consists of issued and fully paid up ordinary shares and other reserves.

Significant Increase in Credit Risk (SICR)
According to SLFRS 9, an entity should assess whether the risk of default on a financial instrument has increased significantly since initial recognition. The assessment should consider reasonable and supportable information that is relevant and available without undue cost or effort. There is a rebuttable presumption in the Standard that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due.

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.

Statutory Reserve Fund
A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 1 of 2003.

T

Tier I Capital
Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital
Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term-debts.

U

Useful Life
The period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

V

Value Addition
Value of wealth created by providing leasing and other related services considering the cost of providing such services..

W

Working Capital
Capital required to finance the day to day operations computed as the excess of current assets over current liabilities.

Y

Yield To Maturity
Discount rate at which the present value of future cash flows would equals the security's current price.

Fintrex Anthem

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Together let's keep on moving...
Lifting each other ... reaching higher higher higher ...
Building the greatest place for all

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Notes

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Fintrex Finance Limited will be held by electronic means on July 28, 2022 at 2.45 p.m. centered at No. 851, Dr DannisterDe Silva Mawatha, Colombo 14 for the following purposes:

AGENDA

1. To receive and consider the Annual Report of the Boardof Directors and the Statement of Accounts for the year ended 31st March 2022 together with the Report of the Auditors thereon.
2. To re-elect Mr. Shrihan Perera as a Director in terms of Article 103 of the Articles of Association of the Company.
3. To re-elect Mr. S N Jayasinghe as a Director in terms of Article 103 of the Articles of Association of the Company.
4. To re-elect Mr. K Sivaskantharajah as a Director in terms of Article 103 of the Articles of Association of the Company.
5. To pass the ordinary resolution setout below to re-appoint Mr. J R F Peiris who is 71 years of age, as a Director of the Company:-

“IT IS HEREBY RESOLVED THAT Mr. J R F Peiris who is 71 years of age be and is hereby appointed as a Director of the Company and it is hereby declared as provided for in Section 211(1) of the Companies Act No.7 of 2007 that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. J R F Peiris”.

6. To re-appoint Messrs. KPMG, Chartered Accountants as the Auditors and to authorize the Directors to determine their remuneration.
7. To authorize the Directors to determine donations for the year ending 31stMarch 2023 and up to the date of the next Annual General Meeting.

By Order of the Board
FINTREX FINANCE LIMITED
P W CORPORATE SECRETARIAL (PVT) LTD

Director/Secretaries
18th July 2022

Notes:

1. A shareholder entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote on behalf of him/her.
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Office of the Secretaries, No.3/17, Kynsey Road, Colombo 08, 48 hours before the date of the Annual General Meeting.

Form of Proxy

I/We* ....

of ....

being a shareholder / shareholders* of FINTREX FINANCE LIMITED hereby appoint

.... of

....or failing him/her*

Mr. Ajit Damon Gunewardene	or failing him*
Mr. James Ronnie Felitus Peiris	or failing him*
Mr. Shantanu Nagpal	or failing him*
Mr. A S Ibrahim	or failing him*
Mr. Shrihan Perera	or failing him*
Mr. S N Jayasinghe	or failing him*
Mr. K Sivaskantharajah	

as my/our* Proxy to represent me/us* to speak and to vote on my/our* behalf at the Annual General Meeting of the Company to be held on the 28th day of July 2022 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

	FOR	AGAINST
1) To re-elect Mr. Shrihan Perera as a Director in terms of Article 103 of the Articles of Association of the Company	☐	☐
2) To re-elect Mr. S N Jayasinghe as a Director in terms of Article 103 of the Articles of Association of the Company	☐	☐
3) To re-elect Mr. K Sivaskantharajah as a Director in terms of Article 103 of the Articles of Association of the Company	☐	☐
4) To pass the ordinary resolution set out below to re-appoint Mr. J R F Peiris who is 71 years of age, as a Director of the Company	☐	☐

"IT IS HEREBY RESOLVED THAT Mr. J R F Peiris who is 71 years of age be and is hereby appointed as a Director of the Company and it is hereby declared as provided for in Section 211(1) of the Companies Act No.7 of 2007 that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. J R F Peiris".

	FOR	AGAINST
5) To re-appoint Messrs KPMG, Chartered Accountants as the Auditors and to authorize the Directors to determine their remuneration.	☐	☐
6) To authorize the Directors to determine donations for the year ending 31st March 2023 and up to the date of the next Annual General Meeting.	☐	☐

In witness my/our hands this .... day of .... Two Thousand and Twenty Two.

....

Signature

Notes: 1. A Proxy need not be a shareholder of the Company

2. Instructions as to completion appear on the reverse hereto.

* Please delete what is inapplicable.

Form of Proxy

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registered Office of the Secretaries, No.3/17, Kynsey Road, Colombo 08, 48 hours before the date of Annual General Meeting.

3. If you wish to appoint a person other than the Chairman or a Director of the Company as your proxy, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.

4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.

5. In the case of a Company/ Corporation, the Proxy must be executed in accordance with the Articles of Association/Statute.

Corporate Information

NAME OF THE COMPANY
Fintrex Finance Ltd. Formerly Known as a
Melsta Regal Finance Ltd.

LEGAL FORM OF THE COMPANY
Incorporated as a Public Limited
Liability Company under the Companies Act No. 07 of 2007.Registered under the Finance Business Act No. 42 of 2011 and the Finance Leasing Act No. 56 of 2000.

BUSINESS REGISTRATION NO.
PB878

DATE OF INCORPORATION
29th March 2007

DATE OF NAME CHANGE
3rd September 2018

REGISTERED OFFICE
No. 851, Dr. Danister De Silva Mawatha (Baseline Road),
Colombo 14.
Telephone :+ 94-11-7977 977
Hotline - +94-11-7200 100
E Mail – info@fintrexfinance.com

DIRECTORATE
- Mr. Ajit Damon Gunewardene - Chairman
  (Non-Executive Non-Independent)
- Mr. James Ronnie Felitus Peiris
  (Non-Executive Non-Independent)
- Mr. Shantanu Nagpal
  (Non-Executive Non-Independent)
- Mr. Ahamed Sabry Ibrahim – Senior Director
  (Non-Executive Independent)
- Mr. Shrihan Blaise Perera
  (Non-Executive Independent)
- Mr. Kathirgamar Sivaskantharajah
  (Non-Executive Independent)
- Mr. Seminda Nilam Jayasinghe
  (Non-Executive Independent)

FINANCIAL YEAR
31st March

AUDITORS
KPMG
Chartered Accountants
No.32A,
Sir Mahamed Macan Markar Mawatha, P.O.Box 186, Colombo 03.

SECRETARIES
P. W. Corporate Secretarial (Pvt) Ltd
No 3/17, Kynsey Road,
Colombo 08.

LAWYERS
Nithya Partners
97A, Galle Road,
Colombo 03

Shiranthi Gunawardena Associates
No.22/1, Elliot Place,
Colombo 08.

Paul Rathnayake Associates
No 59, Gregory's Road,
Colombo 07.

TAX IDENTIFICATION NUMBER
114014125

BANKERS
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
People's Bank
Nations Trust Bank PLC
Sampath Bank PLC
National Development Bank PLC
Seylan Bank PLC
Sanasa Development Bank
Muslim Commercial Bank
Cargills Bank

optima
Designing Your Year!
Designed & Produced by
Optima Designs (Pvt) Ltd.
A full service design and print company.
www.optimadesigns.lk

Fintrex Finance Limited
No. 851, Dr. Danister De Silva Mawatha (Baseline Road), Colombo 14, Sri Lanka.
Telephone No: 0117 977 977 | Fax No: 115 200 111
E-mail: info@fintrexfinance.com | Website: www.fintrexfinance.com