ASSETLINE LEASING COMPANY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2020

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ASSETLINE LEASING COMPANY LIMITED

Report on the audit of the financial statements

We have audited the financial statements of Assetline Leasing Company Limited, which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020 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.

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.

(Contd...2/)

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.

Ernst & Young

19 August 2020
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020

	Note	2020 Rs.	2019 Rs.
Interest Income	4.1	8.346.986.053	8.769.234.586
Interest Expense	4.2	(2.613.707.815)	(3.123.177.712)
Net Interest Income		5.733.278.238	5.646.056.874
Fee & Service Charge Income	5	190.154.197	215.368.648
Other Operating Income	6	65.673.056	39.264.307
Changes in Fair Value of Investment Properties	20	-	(9.482.910)
Total Operating Income		5.989.105.491	5.891.206.919
Impairment Charges & Net Write Off	7	(1.098.968.062)	(761.582.217)
Net Operating Income		4.890.137.429	5.129.624.702
Operating Expenses			
Personnel Costs	8	(758.026.100)	(743.246.757)
Other Operating Expenses	9	(1.122.536.238)	(1.211.891.281)
Operating Profit before VAT & NBT on Financial Services		3.009.575.091	3.174.486.664
VAT & NBT on Financial Services	10	(539.923.130)	(575.539.031)
Profit before Income Tax		2.469.651.961	2.598.947.633
Income Tax Expense	11	(874.525.739)	(965.078.354)
Profit for the Period		1.595.126.222	1.633.869.279
Earnings Per Share (Rs)	12	11.91	12.20

The Accounting Policies & Notes from pages 08 to 71 form an integral part of these Financial Statements.

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STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	Note	2020 Rs.	2019 Rs.
Profit for the Year		1,595,126,222	1,633,869,279
Other Comprehensive Income			
Other Comprehensive Income to be Reclassified to Statement of Profit or Loss in Subsequent Periods			
Gains/(Losses) arising on re-measuring Financial Assets - Fair Value through Other Comprehensive Income	32	2,107,238	(4,974,874)
Net Other Comprehensive Income/(Loss) to be Reclassified to Statement of Profit or Loss in Subsequent Periods		2,107,238	(4,974,874)
Other Comprehensive Income not to be Reclassified to Statement of Profit or Loss in Subsequent Periods			
Actuarial Gains/(Losses) on Retirement Benefit Obligation	29	5,555,485	3,464,011
Deferred Tax on Actuarial Gain/(Loss)	28	(1,555,536)	(969,923)
Net Other Comprehensive Income/(Loss) not to be Reclassified to Statement of Profit or Loss in Subsequent Periods		3,999,949	2,494,088
Other Comprehensive Income for the Year, net of Tax		6,107,187	(2,480,786)
Total Comprehensive Income for the Year, net of Tax		1,601,233,409	1,631,388,493

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STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2020

	Note	2020 Rs.	2019 Rs.
Assets			
Cash and Cash Equivalents	13	107.235.801	360.674.538
Deposits with Licensed Commercial Banks	14	2.234.456.144	2.718.493.173
Financial Assets at Amortised cost - Loans and Advances	15	2.256.781.975	2.612.784.135
Financial Assets at Amortised cost - Lease Rentals Receivable & Stock Out on Hire	16	30.146.035.559	32.727.180.606
Financial Assets - Fair Value through Other Comprehensive Income	17	139.392.609	233.184.922
Other Financial Assets	18	219.663.512	78.978.234
Other Non Financial Assets	19	59.985.992	91.930.787
Investment Properties	20	287.286.388	287.000.000
Property, Plant & Equipment	21	96.473.120	125.778.272
Intangible Assets	22	29.937.256	46.828.103
Right of Use Assets	23	113.457.262	-
Total Assets		35.690.705.618	39.282.832.770
Liabilities			
Bank Overdraft		123.919.985	363.828.670
Debt Instruments Issued & Other Borrowed Funds	24	19.904.826.651	24.216.354.239
Other Financial Liabilities	25	1.604.877.005	1.432.721.107
Other Non Financial Liabilities	26	166.811.833	132.893.173
Income Tax Payable	27	194.298.493	574.021.934
Deferred Tax Liability	28	357.252.116	654.424.647
Retirement Benefit Obligations	29	82.560.039	67.459.943
Total liabilities		22.434.546.122	27.441.703.713
Shareholders' Funds			
Stated Capital	30	3.550.000.000	3.550.000.000
Statutory Reserve Fund	31	902.552.488	822.796.177
Fair Value through Other Comprehensive Income Reserve	32	3.790.410	1.683.172
Retained Earnings	33	8.799.816.598	7.466.649.708
Total Shareholders' Funds		13.256.159.496	11.841.129.057
Total Liabilities and Shareholders' Funds		35.690.705.618	39.282.832.770

I certify that these Financial Statements are presented in compliance with the requirements of the Companies Act No. 07 of 2007.

....

Divisional Manager - Finance and Accounting

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

.... Director

.... Director

The Accounting Policies & Notes from pages 08 to 71 form an integral part of these Financial Statements.

ERNST & YOUNG
19 August 2020
Colombo
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STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020

	Stated Capital	Statutory Reserve Fund	Available for Sale Reserve	FVOCI Reserve	Retained Earnings	Total
	Rs.	Rs.		Rs.	Rs.	Rs.
	Note 30	Note 31		Note 32	Note 33	
Balance as at 31 March 2018	3,550,000,000	741,102,713	6,658,046	-	6,303,978,388	10,601,739,147
Impact of Adopting SLFRS 9-Financial Instruments	-	-	(6,658,046)	6,658,046	(280,812,637)	(280,812,637)
Net Profit for the Year	-	-	-	-	1,633,869,279	1,633,869,279
Other Comprehensive Income net of Tax	-	-	-	(4,974,874)	2,494,088	(2,480,786)
Transfer to Statutory Reserve	-	81,693,464	-	-	(81,693,464)	-
Dividend Declared	-	-	-	-	(111,185,946)	(111,185,946)
Balance as at 31 March 2019	3,550,000,000	822,796,177	-	1,683,172	7,466,649,708	11,841,129,057
Net Profit for the Year	-	-	-	-	1,595,126,222	1,595,126,222
Other Comprehensive Income net of Tax	-	-	-	2,107,238	3,999,949	6,107,187
Transfer to Statutory Reserve Fund	-	79,756,311	-	-	(79,756,311)	-
Dividend Paid	-	-	-	-	(186,202,970)	(186,202,970)
Balance as at 31 March 2020	3,550,000,000	902,552,488	-	3,790,410	8,799,816,598	13,256,159,496

The Accounting Policies & Notes from pages 08 to 71 form an integral part of these Financial Statements.

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STATEMENT OF CASH FLOWS

Year ended 31 March 2020

	Note	2020 Rs.	2019 Rs.
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense		2.469.651.961	2.598.947.633
Adjustments for			
Depreciation of Property Plant & Equipment	9	54.254.867	55.965.927
Amortization of Intangible Assets	9	19.543.617	19.480.123
Amortization of Right of Used Assets	9	44.741.158	-
Withholding tax attributed to Deposits & Building Rent		(6.668.013)	(17.843.785)
Provision for Gratuity	8	25.150.959	20.938.951
Profit on Disposal of Property. Plant & Equipment	6	(2.225.683)	(1.670.999)
Provision/ Donation of Investment Property	20.1	-	32.400.000
Change in Fair Value of Investment Property	20.1	-	9.482.910
Impairment Charges and Net Write off on Loans. Lease and Other Losses	7	1.097.075.030	741.305.993
Interest on Borrowing	4.2	2.598.898.354	3.123.177.712
Interest on Finance Lease	4.2	14.809.461	-
Deferred Securitisation		3.449.735	-
Dividend Income	6	(481.600)	(412.800)
Operating Profit before Working Capital Changes		6.318.199.846	6.581.771.665
(Increase)/Decrease in Lease Rentals Receivable & Stock Out on Hire		1.717.363.294	(818.648.477)
(Increase)/Decrease in Loans and Advances		123.640.274	(932.197.394)
(Increase)/Decrease in Financial Asset - Fair Value through Other Comprehensive Income		95.899.551	4.590.651
(Increase)/Decrease in Other Financial Assets		(141.616.668)	41.195.808
(Increase)/Decrease in Other Non Financial Assets		(67.576.986)	(166.022.320)
Increase/(Decrease) in Other Financial Liabilities		172.155.899	(154.669.887)
Increase/(Decrease) in Other Non Financial Liabilities		19.109.200	22.507.478
Cash used in Operations		8.237.174.409	4.578.527.524
Gratuity Paid	29.2	(4.495.378)	(2.469.160)
Income Tax Paid		(1.446.787.453)	(1.169.969.157)
Net Cash From/(Used in) Operating Activities		6.785.891.578	3.406.089.207
Cash Flows from / (Used in) Investing Activities			
Deposits with Licensed Commercial Banks		2.040.000.000	(2.040.000.000)
Acquisition of Property. Plant & Equipment and Intangible Assets		(27.760.786)	(53.181.673)
Improvement Cost in Investment Property	20.1	(286.388)	(3.482.910)
Proceeds from Disposal of Property. Plant & Equipment		2.383.985	3.405.649
Dividend Received		481.600	412.800
Net Cash Flows from/(Used in) Investing Activities		2.014.818.411	(2.092.846.134)
Cash Flows from / (Used in) Financing Activities			
Proceeds From Bank Borrowing	24.1	24.450.000.000	26.183.155.116
Repayment of Bank Borrowing	24.1	(29.370.360.000)	(23.831.335.333)
Proceeds From Commercial Paper	24.2	623.265.045	912.989.502
Proceeds From Inter Company Borrowings	24.3	(442.000.000)	(3.158.000.000)
(Increase)/Decrease in Right of Used Assets		(158.198.420)	-
Dividend Paid		(186.202.970)	-
Interest Paid		(2.174.780.722)	(3.021.173.310)
Net Cash Flows From /(Used in) Financing Activities		(7.258.277.067)	(2.914.364.025)
Net Increase/(Decrease) in Cash and Cash Equivalents		1.542.432.923	(1.601.120.952)
Cash and Cash Equivalents at the beginning of the year		675.963.336	2.278.252.101
Impairment for Deposits with Licensed Commercial Banks		(624.299)	(1.167.813)
Cash and Cash Equivalents at the end of the year		2.217.771.960	675.963.336

The Accounting Policies & Notes from pages 08 to 71 form an integral part of these Financial Statements.

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1. CORPORATE INFORMATION

1.1 General

Assetline Leasing Company Limited (The Company) is a public limited liability company incorporated and domiciled in Sri Lanka. The Company was incorporated on 4th March 2003 and obtained the trading certificate on 23rd March 2003. The Company was re-registered under the Companies Act No 07 of 2007. The registered office of the Company is located at No. 120,120A Pannipitiya Road, Battaramulla. The Company is registered under the Finance Leasing Act No 56 of 2000 and amendments thereto.

1.2 Principal Activities and Nature of Operations

The Company provides a vast range of financial services which includes providing Finance Lease, Hire Purchase, Mortgage Loans, Margin Trading Facilities, Personnel Loans, Factoring and Trade Finance Loans and Other Financial Services.

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

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is DPMC Assetline Holdings (Private) Limited. In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is David Pieris Holdings (Private) Limited, which is incorporated in Sri Lanka.

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2.1 BASIS OF PREPARATION

2.1.1 Statement of Compliance

The Financial Statements of the Company which comprise Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007.

2.1.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of Financial Statements of the Company as per Sri Lanka Accounting Standards (SLFRSs and LKASs) and the provisions of the Companies Act No 7 of 2007.

2.1.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31 March 2020 were authorized for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 19 August 2020.

2.1.4 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position.

Item	Basis of measurement	Note No.	Page Ref. No
Financial Assets measured at fair value through Other Comprehensive Income (FVOCI) –	Fair Value	17	42
Investment Property	Fair Value	20	44
Defined Benefit Obligation	Present Value	29	50-51

2.1.5 Functional & Presentation Currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates. Financial Statements are presented in Sri Lankan Rupees (Rs), which is the Company's functional currency. There was no change in the Company's presentation and functional currency during the year under review.

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2.1.6 Presentation of Financial Statements

The assets and liabilities in the Statement of Financial Position of the Company are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements.

An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 36 to the Financial Statements.

2.1.7 Materiality and Aggregation

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

2.1.8 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

2.1.9 Rounding off

The amounts in the financial statements have been rounded off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard (LKAS 1) – 'Presentation of Financial Statements'.

2.1.10 Comparative Information

The comparative information is re-classified wherever necessary to confirm to the current year's presentation.

The company has not restated the comparative information for 2019 for Lease within the scope of Sri Lanka Accounting Standard – SLFRS 16 on "Leases". Therefore, the comparative information for 2019 is reported under Sri Lanka Accounting Standard – LKAS 17 on "Leases" and is not comparable to the information presented for 2020. Recognition of amount of operating lease liability as at April 1, 2019 is disclosed in note 23.1 to the Financial Statements together with the amount of Right of Use Assets recognized under SLFRS 16.

2.1.11 Events After the Reporting Date

Events after the Reporting Date are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in note 40 to the Financial Statements.

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2.1.12 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard –LKAS 7 on 'Statement of Cash Flows' whereby operating activities, investing activities and financing activities are separately recognized. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in note 13.1 to the Financial Statements.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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 recognised in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows:

2.2.1 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company.

The Board of Directors is satisfied that the Company does not have significant impact from Covid 19 pandemic where the Company has evaluated the impact of the Covid 19 pandemic on the going concern assumption considering a wide range of factors under multiple stress scenarios relating to expected income, cost management, profitability, operating cash flows, unused credit lines and the ability to defer non-essential capital expenditure. Based on the above fact, the Company prepared the Financial Statements for the year ended 31 March 2020 on the going concern basis.

2.2.2 Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in note 35 to the Financial Statements.

2.2.3 Useful Life-time of the 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. Details are given in note 2.4.18 to the Financial Statements. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

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2.2.4 Deferred Tax Liabilities/(Assets)

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Details of deferred tax liability and asset are given in note 28 to the Financial Statements.

2.2.5 Defined Benefit Plans

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

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company. The details are discussed in note 29 to the Financial Statements.

2.2.6 Commitment and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in note 39 to the Financial Statements.

2.2.7 Impairment Losses on Loans & Advances and Lease Rental Receivable & Stock out on Hire

The determination of expected credit loss allowances is highly subjective and judgmental. With the introduction of SLFRS 9 in 2018, a number of additional judgements and assumptions are introduced and reflected in the financial statements, including the identification of significant increases in credit risk and the application of forward looking economic scenarios. The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates driven by a number of factors and changes in which can result in different levels of allowances.

Expected Credit Loss (ECL)

The Company measures loss allowances using both lifetime ECL and 12-month ECL. When estimating ECL Company determine whether the credit risk of a financial asset has increased significantly since initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort in order to evaluate ECL. This includes both quantitative and qualitative information and analysis. based on the Company's historical experience, informed credit assessment and including forward-looking information. Details of the ECL are given in note 2.4.1.10.1 to the Financial Statements.

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Individual Impairment

The Company reviewed their individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of profit or loss. In particular, management judgement was required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates were based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance made. Details of detail of individual impairment are given in note 2.4.1.10.5 to the Financial Statements.

2.3 NEW / AMENDMENTS TO ACCOUNTING STANDARDS EFFECTIVE FROM 1ST JANUARY 2020

The Company applied SLFRS16 –"Leases "and IFRIC 23- "Uncertainty over Income Tax Treatments" which are effective for annual periods beginning on or after 1 January 2019, for the first time with the initial application date of 1 April 2019. The Company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3.1 SLFRS 16 - Leases

2.3.1.1 Definition of a lease

Previously, the Company determined whether arrangement is or contain a lease under LKAS 17/IFRIC 4. Under SLFRS 16, 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.

On transition, Company has applied the SLFRS 16 only to the contracts which were previously recognised as leases under LKAS 17/IFRIC 4 and contracts which were entered into or changed after January 1, 2019. Therefore, the contracts which were not classified as leases under LKAS 17/IFRIC 4 were not reassessed to determine whether there is a leases.

The Company used modified retrospective approach to apply SLFRS 16. Therefore, the comparative figures were not restated and continue to be reported under LKAS 17.

2.3.1.2 As a lessor

Lessor's accounting under SLFRS 16 is substantially similar to the accounting treatment for leases under LKAS 17. Lessor can continue to classify the contracts either finances or operating leases according to the LKAS 17 guidelines. Therefore, there is not any impact to the Company's Financial Statements from SLFRS 16 where the company is a lessor.

2.3.1.3 As a lessee

The Company previously classified leases either operating lease or finance lease based on the substance of the transaction. Under SLFRS 16, Company recognised a right of use assets and a lease liability except for the short-tern leases and leases for which the underlying asset is low value.

(a) Leases classified as operating lease under LKAS 17

The Company measured the lease liability at the present value of the remaining lease payments. The lease payments were discounted using the incremental borrowing rate as at April 1, 2019. The right-of-use asset was measured at the same amount as the lease liability on date of initial application, adjusted only for any prepaid or accrued lease payments.

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The Company has applied the following practical expedience to calculate the lease liability and right of use asset

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Short term lease and low value lease were not considered
- Incremental borrowing rate (10.72% - 13.11%) was used to discount the remaining lease payments.
- Initial direct cost for leases previously accounted as operating leases were excluded.

(b) Leases previously classified as finance lease under LKAS 17

Right of use assets and lease liability for the finance lease classified under LKAS 17 are similar to the carrying value of the lease assets immediately before the April 1, 2019.

2.3.2 IFRIC 23 -Uncertainty over Income Tax Treatments

This Interpretation clarifies how to apply the recognition and measurement requirements in LKAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. IFRIC 23 addresses how to reflect uncertainty in accounting for income taxes that are scoped in LKAS 12.

2.3.2.1. IFRIC 23 Interpretation specially addresses following issues

- Whether an entity considers uncertain tax treatments separately

  The Company should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty.

- The assumptions an entity makes about the examination of tax treatments by taxation authorities

  The Company should assumed that a taxation authority will examine amounts and it has a right to examine and have full knowledge of all related information when the Company assess whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates,

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

  The Company should consider whether it is probable that a taxation authority will accept an uncertain tax treatment.
  If the Company concludes it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings.

  If the Company concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates.

  The Company should measure the impact of the uncertainty using one of the following methods that it concludes would best predict the resolution of the uncertainty.

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i) The most likely amount - The single most likely amount in a range of possible outcomes and may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value.
ii) The expected value - The sum of the probability-weighted amounts in a range of possible outcomes and may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value.

- How an entity considers changes in facts and circumstances.

The judgements and estimates made to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgements.

The Company has applied IFRIC 23 when the Company determined the taxable profit, tax bases, unused tax losses, unused tax credits and tax rates during the financial year. However, there is no material uncertainty over tax treatment that would require separate disclosures in the Financial Statements by this interpretation

2.4 GENERAL ACCOUNTING POLICIES

2.4.1 Financial Instruments – Initial Recognition, Classification, and Subsequent Measurement

2.4.1.1 Date of Recognition

The Company initially recognises loans & advances and Lease Rentals Receivable & Stock Out on Hire, deposits and subordinated liabilities, etc., 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.

2.4.1.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments.

All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9. Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with in the Statement of Profit or Loss.

'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the company immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Operating Income

2.4.1.3 Classification and Subsequent Measurement of Financial Assets

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in note 2.4.1.3.1
- Fair value through other comprehensive income (FVOCI), as explained in note 2.4.1.3.2 and 2.4.1.3.3
- Fair value through profit or loss, (FVTPL), as explained in note 2.4.1.3.4

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2.4.1.3.1 Loans and advances, Lease rental receivables and stock out on hire - Financial assets at amortised cost

The Company only measures Loans and advances and lease rental receivables and stock out on hire at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

(a) 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 how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

(b) The SPPI test

Assessments whether contractual cash flows are solely payments of principal and interest

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, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

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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; and
- Features that modify consideration of the time value of money.

2.4.1.3.2 Debt instruments at FVOCI

The Company applies the new category under SLFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale under LKAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in the Income Statement in the same manner as for financial assets measured at amortised cost. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to the Income Statement.

2.4.1.3.3 Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in the Income Statement as net trading gain/(loss) when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

2.4.1.3.4 Fair value through profit or loss, (FVTPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

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2.4.1.4 Classification and Subsequent Measurement of Financial Liabilities

On initial recognition, the Company classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortised cost; and
- Financial liabilities at fair value through profit or loss.

The subsequent measurement of financial liabilities depends on their classification. SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities.

Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

2.4.1.5 Reclassification of Financial Instruments

Financial Assets

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company's changes its objective of the business model for managing such financial assets. Consequent to the change in the business model, the Company reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

Measurement of reclassification of financial assets

(a) Reclassification of Financial Instruments at 'Fair value through profit or loss'

- To Fair value through other comprehensive income

  The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognized in OCI.

- To Amortised Costs

  The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

(b) Reclassification of Financial Instruments at 'Fair value through other comprehensive income'

- To Fair value through profit or loss

  The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.

- To Amortised Costs

The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust the reclassified fair value. The adjusted amount becomes the amortized cost.

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EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

(c) Reclassification of Financial Instruments at 'Amortised Costs'

- To Fair value through other comprehensive income

  The asset is re-measured to fair value, with any difference recognized in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

- To Fair value through profit or loss

  The fair value on the reclassification date becomes the new carrying amount. The difference between amortized cost and fair value is recognized in profit and loss.

The company did not reclassify any of its financial assets or liabilities for the financial year under review.

2.4.1.6 De-recognition of Financial Instrument

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when

- The rights to receive cash flows from the asset which have expired
- The Company has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;
- The Company has transferred substantially all the risks and rewards of the asset or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been re-cognised in Statement of Profit or Loss.

Financial Liability

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

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2.4.1.7 Modification of Financial Instrument

Financial assets

If the terms of a financial asset are modified, 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 derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. 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.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre- modification interest rate.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

2.4.1.8 Offsetting of Financial Instruments

Offset and the net amount presented in the Statement of Financial Position when and only when the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs / SLFRSs.

2.4.1.9 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 35 to the Financial Statements.

2.4.1.10 Impairment of Financial Assets

2.4.1.10.1 SLFRS 9 – "Financial Instrument" – Key Transition Impact on the Impairment

The Company recognises loss allowance using expected Credit losses (ECL) on loans and receivables and other financial instrument measured at amortised cost model using dual measurement approach which the loss allowance is measured as either 12-month expected credit losses or lifetime expected credit losses.

Under ECL model Company uses a dual measurement approach, under which the loss allowance is measured as either 12-month ECL or lifetime ECL. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition. Special rules apply to assets that are credit-impaired.

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The Company applies three-stage approach to measuring expected credit losses (ECL) on Loans and receivables and other financial assets measured at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk (SICR) since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Significant increase in credit risk and staging criteria standard (SLFRS 9) has given 30-day rebuttable presumption for increase in credit risk. However, the Company considers that the significant increase in credit risk do not occurred equal or later than 60 days (30 days past due)

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgments used in impairment model prescribed in SLFRS 9 which uses combination of both qualitative factors and backstop based on delinquency. It is considered that a significant increase in credit risk occurs no later than when an asset is equal or more than 90 days past due. Where there is a significant increase in credit risk Company uses lifetime ECL model to assess loss allowances instead of 12–month ECL model.

The indications of credit impairments are as similar to LKAS 39. The Company considers the indications of credit default do not occur equal or later than 180 days (or 150 days past due) which is in line with the regulatory definition of default.

The key inputs used for measurement of ECL are likely to be the term structures of the following variables:

Probability of Default (PD)	PD is estimates at a certain date, which are calculated, based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. The Company forecast PD by incorporating forward looking economic variables such as Unemployment, GDP growth, Inflation, Risk free rate and using lag effect of these variables.
Loss Given Default (LGD)	LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.
Exposure at default (EAD)	EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

The Company has used these parameters from internally–developed statistical models using historical data. All inputs were adjusted to reflect forward-looking information and future economic scenarios.

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The ECL impairment is based on the credit losses expected to arise over the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the impairment is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default event on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments

a) Definition of Default and Cured

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security or the borrower becomes 150 days past due on its contractual payments.

As a part of a qualitative assessment whether an individual significant customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay.

- Significant financial difficulty of the borrower or issuer
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise
- It is 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.
- The borrower is deceased

The Company's policy to re-classifies financial instruments out of the stage 3 when none of the default criteria have been presented and the borrower is no longer considered as none performing in accordance with the directives of the Central Bank. Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure.

b) Significant Increase in Credit Risk

The Company continuously monitors all loan and lease portfolio subject to ECLs. In order to determine whether a portfolio is subject to 12mECL or LTECL, the Company assesses whether there has been significant increase in credit risk since initial recognition. The Company considers an exposure to have a significant increase credit risk when it is past due for equal or more than 30 days.

c) Calculation of Expected Credit Loss (ECL)

ECL is a probability weighted estimate of credit losses. Credit losses are measured 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). ECL is discounted at the effective interest rate of the financial asset.

2.4.1.10.2 Grouping Financial Assets Measure in Collective Assessment

The Company calculates ECLs either on a collective or an individual basis. The Company assesses the customers for individual impairment those who have exposure equal to or more than internally established threshold. However if the customer is determined to be not impaired, such customer will be moved back to collective ECL calculation.

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For collective assessment, the Company categorises exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans and receivable as described below:

- Product type
- Equipment type
- Based on the risk characteristic

2.4.1.10.3 Debt Instrument Measured as FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statements of financial position which remain at fair value. Instead, an amount equal to the impairment that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycle to the profit and loss upon derecognition of the assets.

2.4.1.10.4 Forward looking information

The Company incorporates forward looking information in to this model for calculation of ECL. Using variety of external actual and forecasted Information, the Company formulates a base case view of the future direction of relevant economic variables as well as a representative range (Best Case and worst Case) of other possible forecast scenarios. Following are the forward looking economic inputs

- GDP rate
- Unemployment rate
- Risk free rate
- Inflation

2.4.1.10.5 Individually assessed loan and receivables

The Company evaluates all individual significant loan and receivable at each reporting date to determine whether there is any objective evidence that a loan is impaired. The criteria used to determine whether there is objective evidence include:

- Past due contractual payments of either principal or interest
- The probability that the borrower will enter bankruptcy or other financial realisation
- A significant downgrading in credit rating by an external credit rating agency
- known cash flow difficulties experienced by the borrower
- Current economic conditions of the borrower
- Any other legal proceedings against the borrower

Impairment losses are calculated by discounting the expected future cash flows of loans and receivables at its original effective interest rate and comparing the resultant present value with the loans and receivables current carrying amount. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

2.4.1.10.6 Write-offs

The Company's carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

2.4.1.10.7 Rescheduled and Restructured Loans

Rescheduled /restructured loans are classified in to the three stages as the date of restored based on the number of days in past due. Number of days in past due are calculated by adding arrears days before and after rescheduled. If the modification is substantial, loan is derecognised.

2.4.1.10.8 Renegotiated Loans

Where possible, the company seeks to restructure accommodations rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, impairment is measured using the original EIR as calculated before the modification of terms and the loan is considered with past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to a criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

2.4.1.10.9 Reversal 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 financial asset impairment allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

2.4.2 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, balances with banks and Investments with short maturities i.e. three months or less from the date of acquisition.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balance with banks and Investments with short maturities i.e. three months or less from the date of acquisition net of outstanding bank overdrafts.

2.4.3 Leases

The company applied Sri Lanka Accounting Standard –SLFRS 16 "Leases" with effect from January 1, 2019 using modified retrospective approach. Therefore the comparative figures were not restated and continue to be reported under LKAS 17/IFRIC 4

2.4.3.1 Identifying a lease

Policy applicable after April 1, 2019

At inception of a contract, Company can assess whether the 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. To determine whether contract conveys the right to control the use of identified asset, the Company considers the following criteria

- A contract can involve the use of an identified asset when an asset is explicitly identified in a contract or if the asset is implicitly identified at the point at which it is made available for use by the customer. However, even if a contract specifies a particular asset, Company does not have the right to use that asset if the supplier has substantive right to substitute the asset throughout the period of use. That asset is not an identified.

- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and,

- The Company has the right to direct the use of an identified asset throughout the period of use only if either:

(a) the Company has the right to direct how and for what purpose the asset is used throughout the period of use or

(b) the relevant decisions about how and for what purpose the asset is used are predetermined and

 (i) the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

 (ii) the Company designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

Policy applicable before April 1, 2019

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

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

Agreements which do not transfer to the Company all the risk and rewords incidental to ownership of the leased items are operating lease.

2.4.3.2 The Company as the Lessee

Policy applicable after April 1, 2019

The company recognises a right of use asset and lease liability at the commencement date. Initially, right of use asset is recognised at cost, which comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Company and an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right of use asset is subsequently measured at cost less any accumulated depreciation and accumulated impairment and adjusted for any measurement of the lease liability

Right of use asset is depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company apply LKAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified

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Lease liability is initially measured at the present value of the lease payments that are not paid at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the Company's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments the fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

The lease liability is subsequently measured as amortised cost by using effective interest rate method.

The company discloses the right of use asset under note no 23.1 to the Financial Statements and corresponding lease liability under note no 23.2.1to the Financial Statements.

Short tern lease and lease of low value assets

The Company elects not to recognise right of use asset and lease liability for either short-term leases or leases for which the underlying asset is of low value, the Company recognises the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis. The Company apply another systematic basis if that basis is more representative of the pattern of the Company's benefit.

Policy applicable before April 1, 2019

The company recognises finance lease as asset and liability in their Statement of Financial Position at amount equal to the fair value of the lease property or if low, the present value of minimum lease payments.

The discount rate to be used in calculating minimum lease payments is the interest rate implicit in the lease, if this is practicable to determined, if not, the Company's incremental borrowing rate is used. Any initial direct cost of the Company is added to the amount recognised as an asset Operating lease asset is not recognised on the Statement of Financial Position. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

2.4.3.3 The Company as the Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

The Company recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Company apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Accounting policies applied by the Company as the Lessor in the comparative figure is not different with SLFRS 16

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2.4.4 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard – LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.4.5 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

2.4.6 Other Non-Financial Assets

Other Non-Financial Assets includes advances paid for suppliers, prepayments, trading stock and tax receivables. Trading stock includes repossessed assets. Other Non-Financial Assets except for trading stock are valued at the lower. Trading stock is measured at the lower of cost or net realisable value.

2.4.7 Investment Properties

Recognition

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Measurement

Investment properties are initially, recognised at its cost including related transactions cost. Subsequent to the initial recognition, Investment Properties are stated at fair value, which reflect market conditions at the reporting date.

Investment properties of the Company are carried at fair value, any gains or losses arising from changes in fair value are recognised to the Statement of Profit or Loss in the year in which they arise.

The Company measures the fair value of investment property and the Company obtains a valuation at least every three year by an independent valuer who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

De-recognition

Investment property is derecognised upon disposal or when no future economic benefit is expected from its disposal. Any gains or losses arising on de-recognition is included in the Statement of Profit or Loss in the year in which the investment property is derecognised.

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Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use

2.4.8 Property, Plant and Equipment

Recognition

Property, Plant and Equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year. Property, Plant & Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant & Equipment.

Measurement

An item of Property, Plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

a) Cost Model

Property, Plant and Equipment of the Company is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

b) Revaluation Model

Under revaluation model, properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. On revaluation of an asset, any increase in the carrying amount is recognised in 'Other comprehensive income' and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to profit and loss . If the value is increased, it is recognized as income to the extent of previously written down. Any decrease in the carrying amount is recognized as expenses to the Statement of Profit and Loss or debited to other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of such asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset. The company has not used the revaluation model to recognise the property plant and equipment.

Subsequent Cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. On-going repairs and maintenance cost are expensed as incurred

De-recognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or losses arising from de-recognition of an item of property, plant and equipment is included in other operating income in the Statement of Profit or Loss when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised

Borrowing Cost

As per the Sri Lanka Accounting Standard – LKAS 23 on Borrowing Cost, The Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur. The Company does not capitalise any borrowing cost which is relating to the qualifying assets during the financial year under review.

2.4.9 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. The Company's intangible assets include the value of computer software.

Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognised as an expense by the Company in previous Annual Financial Statements or Interim Financial Statements are not recognised as part of the cost of an intangible asset at a later date.

Computer Software

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of 'Intangible Assets' and carried at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent Expenditure

Expenditure incurred on computer software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

De-recognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset is included in the Statement of Profit or Loss when the item is derecognised.

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2.4.10 Other Financial Liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost. Other financial liabilities include trade payables, advances collected from customers and other financial payable. Trade payables are obligations to pay for vehicle suppliers in the ordinary course of business.

2.4.11 Other Non-Financial liabilities

The Company classifies all non-financial liabilities other than post-employment benefit liability, deferred tax and current tax liabilities under other non-financial liabilities. Other non-financial liabilities include guarantee fee, statutory payments, provision and other non-financial payable. These liabilities are non-interest bearing and recorded at the amounts that are expected to be paid.

2.4.12 Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

2.4.13 Interest Income and Interest expense

Under SLFRS 9, interest income or expense is recorded using the effective interest rate method (EIR) for all financial instruments measured at amortised cost, interest bearing financial assets designated at fair value through profit or loss and interest income on interest bearing financial assets designated at fair value through other comprehensive income under SLFRS 9.

EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the assets. The calculation of the interest income does not revert to the gross basis, even if the credit risk of the asset improves.

2.4.14 Fee and Service Charge income

Fee and Service charge income includes transfer fee and service charges arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Fee and Service charge income are given in note 5 to the Financial Statements.

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2.4.15 Other Operating Income

Income earned from other sources, which are not directly related to the normal operations of the Company is recognised as other operating income. Other operating income includes gains/loss on disposal of property, plant and equipment, hiring income, rent income and dividend income. Other operating income is given in note 6 to the Financial Statements.

Dividend income

Dividend income is recognised when the right to receive the payment is established

Gain or Losses on Disposal of Property, Plant and Equipment

Gains or losses resulting from the disposal of property, plant and equipment are recognised in the Statement of Profit or Loss, in the period in which the sale occurs.

Operating Lease Income

Income arising on operating leases is accounted for on a straight-line basis over the lease terms on on-going leases and is recorded in the Statement of Profit or Loss in other operating income.

2.4.16 Impairment (Charges)/Reversal for Loans, Lease and Other Losses

The Company recognises the changes to the impairment provision for loans and other losses which are assessed as per the SLFRS 9. The methodology adopted by the Company is explained in the note 2.4.1.10 to the Financial Statements.

2.4.17 Personnel Expense

Personnel expenses include salaries and bonus, terminal benefits and other staff-related expenses. The provision for bonus is recognised when it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Short Term Employee Benefits

Short term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term benefits as a result of past service provided and where the Company has legal or constructive obligation to pay.

Defined Contribution Plans

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

Defined Benefit Plan

Defined Benefit plan is post-employment benefit plan other than the Defined Contribution plan. The Company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit Method (PUC) as required by LKAS No 19, Employee Benefits.

Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard- LKAS 19 - Employee Benefits.

2.4.18 Other Operating Expenses

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at the profit for the year. Other operating expenses are given in note 9 to the financial Statements.

Depreciation of Property, Plant & Equipment

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives, based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Estimated useful lives are as follows

Class of Asset	Useful life	% per annum
Motor Vehicles	4 Years	25
Furniture & Fittings	5 Years	20
Office Equipment	5 Years	20
Leasehold Improvements	3 Years	33.33

Amortization of Intangible Assets

Intangible assets are amortised on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the assets economic benefits are consumed by the Company.

Intangible assets represent the cost of computer software and the useful life time is as follows.

Asset Category	Useful life	% per annum
Computer software	4 years	25

Amortization of Right of Use Assets

Asset Category	Useful life	% per annum
Right of Use Assets	4 years	25

Changes in Estimates

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

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Deferred Expenses

The costs of acquiring new businesses including commission, marketing and promotional expenses, which vary with and directly related to production of new businesses, are deferred to the extent that these costs are recoverable out of future rentals.

2.4.19 Taxation

2.4.19.1 Income taxation

As per Sri Lanka Accounting Standard - LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Income Statement except to the extent it relates to items recognised directly in 'Equity' or 'Other Comprehensive Income (OCI)', in which case it is recognised in Equity or in OCI.

a) Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto at the rates specified in note 11 to the Financial Statements.

b) Deferred Tax Liability

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

c) Deferred Tax Assets

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in the equity and not in the Statement of Profit or Loss.

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2.4.19.2 Value added tax (VAT) on finance service

VAT on financial services is calculated in accordance with Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees including cash benefits, none cash benefits and provision relating to termination benefits computed on prescribed rate

2.4.19.3 National building tax (NBT) on finance service

NBT on Financial Services is calculated in accordance with the Nations Building Tax Act (NBT) Act No. 9 of 2009 and amendments thereto. NBT was payable at 2% on Company's value additions attributable to financial services with effect from 1st January 2014. However, NBT on Financial Services has been removed with effect from January 1, 2020.

2.4.19.4 Economic service charge (ESC)

As per provisions of the Economic Service Charge (ESC) Act No. 13 of 2006 and amendments thereto, Economic service charge is payable at 0.5% on Company's liable turnover and is deductible from income tax payable. ESC is not payable on turnover on which income tax is payable. However, ESC has been removed with effect from January 1, 2020.

2.4.19.5 Withholding tax on dividend (WHT)

WHT arises from the distribution of dividends by the Company and recognises at the time the liability to pay the related dividend is recognised. However, WHT on dividend payment has been removed with effect from January 1, 2020

3. Sri Lanka Accounting Standards issued but not yet effective as at March 31, 2020

The following new accounting standards/ amendments have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those accounting standards will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements. None of those have been early adopted by the Company.

3.1 SLFRS 17 Insurance Contracts

SLFRS 17 Insurance Contracts, is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosures. Once effective, SLFRS 17 replaces existing SLFRS 4 Insurance contracts. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

SLFRS 17 is effective for reporting periods beginning on or after 1 January 2021. Early application permitted, if the entity is applying SLFRS 16 and SLFRS 15 on or before the date in which it first apply SLFRS17. This standard is not applicable to the Company.

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3.2 Amendments to LKAS 1 and LKAS 8: Definition of Material

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

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

The amendments to the definition of material are not expected to have a significant impact on the Company's Financial Statements.

3.3 Amendments to SLFRS 3: Definition of a Business

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

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

3.4 Amendments to references to the conceptual framework in SLFRS standards

Revisions to the Conceptual Framework were made because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework includes:

- a new chapter on measurement;
- guidance on reporting financial performance;
- improved definitions of an asset and a liability, and guidance supporting these definitions; and
- clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting

Since the amendments are effective for annual periods beginning on or after 1 January 2020, the Company will not be affected by these amendments as at the reporting date. Further, the amendments to the references to the conceptual framework in SLFRS standards are not expected to have a significant impact on the Company's Financial Statements.

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4. INTEREST INCOME AND EXPENSES

4.1 Interest Income

	2020 Rs.	2019 Rs.
Financial Assets at Amortised Cost		
Interest on Lease (Note 4.1.1)	7.102.086.189	7.510.498.832
Interest on Stock Out on Hire	140.618	1.393.018
Interest on Term Loan	405.884.914	376.514.194
Interest on Margin Trading	28.858.050	33.435.220
Overdue Interest	491.992.474	489.559.831
Interest on Saving Deposits	709.788	897.154
Interest on Fixed Deposits	292.722.854	331.276.988
Interest on Government Securities	24.591.166	25.659.349
Total Interest Income	8.346.986.053	8.769.234.586

4.1.1 Interest on Lease

Leasing Interest Income	8.033.770.953	8.313.136.098
Deferred Promotion Expenses	(931.684.764)	(802.637.266)
	7.102.086.189	7.510.498.832

4.2 Interest Expense

Interest on Commercial Papers	297.376.839	196.083.602
Interest on Bank Loans	1.238.317.480	1.340.689.044
Interest on Bank Overdrafts	21.830.659	45.230.038
Interest on Intercompany Loans	1.041.373.376	1.541.175.028
Interest on Lease Liability (Note 23.2)	14.809.461	-
Total Interest Expense	2.613.707.815	3.123.177.712
Net Interest Income	5.733.278.238	5.646.056.874

5. FEE & SERVICE CHARGE INCOME

	2020 Rs.	2019 Rs.
Service Charge	117.705.500	136.597.848
Vehicle Transfer Fee	72.448.697	78.770.800
	190.154.197	215.368.648

6. OTHER OPERATING INCOME

	2020 Rs.	2019 Rs.
Dividend Income	481.600	412.800
Profit/(Loss) on Disposal of Property, Plant and Equipment	2.225.683	1.670.999
Rent Income	23.958.921	19.121.810
Other Income Recognised from Client	33.400.388	10.289.655
Other Income	5.606.464	7.769.043
	65.673.056	39.264.307

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7. IMPAIRMENT CHARGES/ (REVERSAL) AND NET WRITE OFF

	2020 Rs.	2019 Rs.
Impairment charges		
Deposits with Licensed Commercial Banks (Note 7.1)	1,893,032	(299,482)
Financial Assets at amortised cost - Loans and Advances (Note 7.1)	20,696,561	50,173,388
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire (Note 7.1)	225,487,280	204,522,326
Other Charges Receivable from Client (Note 7.1)	931,390	477,232
Investment Property (Note 20.1)	-	21,200,000
	249,008,263	276,073,464
Provision against net write off		
Financial Assets at amortised cost - Loans and Advances (Note 15.3.1)	114,478,674	56,544,886
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire (Note 16.3.1)	181,430,172	67,526,996
Other Charges Receivable from Client (Note 18.2.3.1)	3,268,742	-
	299,177,588	124,071,882
Direct net write off		
Loans and Lease Rentals Receivables (Note 7.2)	550,782,211	361,436,870
	1,098,968,062	761,582,216

7.1. The table below shows the impairment charges for financial instruments for the year recorded in stagewise in Profit or Loss.

For the year 2020	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Deposits with Licensed Commercial Banks	1,893,032	-	-	1,893,032
Financial assets at amortised cost - Loans and Advances	9,563,104	27,181,183	(16,047,726)	20,696,561
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	96,466,696	73,652,103	55,368,481	225,487,280
Other Charges Receivable from Client	867,537	14,986	48,867	931,390
	108,790,369	100,848,272	39,369,622	249,008,263

For the year 2019	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Deposits with Licensed Commercial Banks	(299,482)	-	-	(299,482)
Financial assets at amortised cost - Loans and Advances	12,349,066	(18,262,028)	56,086,350	50,173,388
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	16,947,891	34,541,292	153,033,143	204,522,326
Other Charges Receivable from Client	323,200	144,157	9,875	477,232
	29,320,675	16,423,421	209,129,368	254,873,464

7.2 Write Off & Write Back - Loan and Lease Receivable & Stock Out on Hire

	2020 Rs.	2019 Rs.
Direct write off during the year	749,220,229	482,179,416
Direct write back during the year	(198,438,018)	(120,742,546)
	550,782,211	361,436,870

7.3 Analysis of Write off and Write back

	2020 Rs.	2019 Rs.
Write off		
Direct write off during the year	749,220,229	482,179,416
Provision against write off		
Financial Assets at amortised cost - Loans and advances (Note 15.3.1)	116,987,022	56,692,166
Financial Assets at amortised cost - Lease Rental Receivables & Stock Out on Hire (Note 16.3.1)	210,603,303	78,183,336
Other Charges Receivable from Client (Note 18.2.3)	4,047,409	1,850,107
	1,080,857,963	618,905,025
Write back		
Direct write back during the year	(198,438,018)	(120,742,546)
Provision against write back		
Financial Assets at amortised cost - Loans and advances (Note 15.3.1)	(2,508,348)	(147,280)
Financial Assets at amortised cost - Lease Rental Receivables & Stock Out on Hire (Note 16.3.1)	(29,173,131)	(10,656,340)
Other Charges Receivable from Client (Note 18.2.3)	(778,667)	(1,372,875)
	(230,898,164)	(132,919,041)
	849,959,799	485,985,984

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8. PERSONNEL COSTS

	2020 Rs.	2019 Rs.
Salary & Bonus	604,848,608	584,724,267
Contribution to Defined Contribution Plan	61,899,903	57,435,058
Gratuity Charge for the Year (Refer Note No.29.3)	25,150,959	20,938,951
Staff Training	8,257,556	10,583,616
Staff Welfare Expenses	57,869,074	69,564,865
	758,026,100	743,246,757

9. OTHER OPERATING EXPENSES

	2020 Rs.	2019 Rs.
Directors' Emoluments	49,362,325	77,055,723
Auditors' Remuneration	2,799,393	2,200,000
Non-Audit Fee to Auditors	2,344,079	2,619,184
Professional & Legal Expenses	29,257,726	27,740,847
Depreciation on Property, Plant & Equipment	54,254,867	55,965,927
Amortization of Intangible Assets	19,543,617	19,480,123
Amortization of Right of Use Assets (Note 23.1)	44,741,158	-
Short-Term Lease Expenses	62,809,280	-
Operating Lease Expense	-	103,794,805
Office Administration & Establishment Expenses	752,378,366	776,262,002
Advertising and Sales Commission Expenses	76,123,473	91,606,520
Insurance Expenses	19,819,322	14,467,756
Community Welfare Expense	9,102,632	40,698,394
	1,122,536,238	1,211,891,281

10. VAT & NBT ON FINANCIAL SERVICES

	2020 Rs.	2019 Rs.
VAT on Financial Services	496,081,181	507,828,557
NBT on Financial Services	43,841,949	67,710,474
	539,923,130	575,539,031

11. TAXATION

11.1 The major components of income tax expense for the years ended 31 March are as follows.

Income Statement	2020 Rs.	2019 Rs.
Current Income Tax		
Income Tax for the Year	1,157,266,650	1,424,466,642
Under/(Over) Provion of Current Taxes in Respect of Previous Year	15,987,156	4,399,669
	1,173,253,806	1,428,866,311
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Note 28)	(298,728,067)	(463,787,957)
	874,525,739	965,078,354

11.2 A reconciliation between tax expenses and the product of accounting profit multiplied by the statutory tax rate is as follows.

	2020 Rs.	2019 Rs.
Accounting Profit Before Income Taxation	2,469,651,961	2,598,947,633
Statutory Income Tax *	666,806,029	727,705,337
Tax Effect of Non Deductible Expenses	1,321,465,017	2,348,443,409
Tax Effect of Other Allowable Credits	(830,874,364)	(1,651,566,520)
Tax Effect of Exempt Income	(130,032)	(115,584)
	1,157,266,650	1,424,466,642
Under/(Over) Provision of Current Tax in Respect of Previous Year	15,987,156	4,399,669
Deferred Taxation Charge/(Reversal) (Note 28)	(298,728,067)	(463,787,957)
Total Expenses for the Year	874,525,739	965,078,354
Effective Tax Rate	35.41%	37.13%

*Statutory income tax has been calculated by using 28% for first 9 month ended December 31, 2019 and 24% for last 3 month ended March 31, 2020

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12. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year. as per LKAS 33- Earnings Per Share

For the Year ended 31st March	2020 Rs.	2019 Rs.
Profit/ (Loss) Attributable to Ordinary Shareholders	1.595.126.222	1.633.869.279
Weighted Average Number of Ordinary Shares during the year	133.958.971	133.958.971
Earnings Per Share	11.91	12.20

13. CASH AND CASH EQUIVALENTS

	2020 Rs.	2019 Rs.
Cash at Bank	89.962.348	94.098.401
Cash in Hand	17.273.453	266.576.137
	107.235.801	360.674.538

13.1 For the purposes of the statement of cash flow, the year end cash and cash equivalents comprise the followings

	2020	2019
Cash and Cash Equivalents	107.235.801	360.674.538
Deposits with Licensed Commercial Banks (Maturity less three Months)	2.050.000.000	666.588.356
Interest Receivables	187.217.507	12.773.148
Less: Impairment for expected credit losses	(2.761.363)	(244.036)
Bank Overdraft	(123.919.985)	(363.828.670)
Cash and Cash Equivalent for Cash Flows purpose	2.217.771.960	675.963.336

14. DEPOSITS WITH LICENSED COMMERCIAL BANKS

	2020 Rs.	2019 Rs.
Deposits with Licensed Commercial Banks	2.050.000.000	2.706.588.356
Interest Receivables	187.217.507	12.773.148
Less: Impairment for expected credit losses (Note 14.2)	(2.761.363)	(868.331)
	2.234.456.144	2.718.493.173

14.1 Analysis of Deposits with Licensed Commercial Banks based on Exposure to Credit Risk

2020	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Deposits with Licensed Commercial Banks	2.050.000.000	-	-	2.050.000.000
Interest Receivables	187.217.507	-	-	187.217.507
Less: Impairment for expected credit losses	(2.761.363)	-	-	(2.761.363)
	2.234.456.144	-	-	2.234.456.144

2019	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Deposits with Licensed Commercial Banks	2.706.588.356	-	-	2.706.588.356
Interest Receivables	12.773.148	-	-	12.773.148
Less: Impairment for expected credit losses	(868.331)	-	-	(868.331)
	2.718.493.173	-	-	2.718.493.173

14.2 Impairment for Expected Credit Loss

	2020 Rs.	2019 Rs.
Balance as at 1st April	868.331	1.167.813
Net Impairment Charge/(Reversal)	1.893.032	(299.482)
Balance as at 31st March	2.761.363	868.331

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15. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES

	2020 Rs.	2019 Rs.
Term Loan	2.360.176.307	2.523.498.284
Margin Trading	109.665.960	281.649.583
	2.469.842.267	2.805.147.867
Less: Specific Impairment	-	(48.475.314)
Less: Collective Impairment	(213.060.292)	(143.888.418)
	2.256.781.975	2.612.784.135

15.1 Analysis of Financial Assets based on Exposure to Credit Risk -Loans and Advances

As at 31st March 2020	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Exposure subject to Collective Impairment	2.104.834.476	176.043.131	188.964.660	2.469.842.267
Gross Loans and Advances	2.104.834.476	176.043.131	188.964.660	2.469.842.267
Impairment for Expected Credit Losses	(44.576.702)	(42.543.043)	(125.940.547)	(213.060.292)
Net Loans and Advances	2.060.257.774	133.500.088	63.024.113	2.256.781.975

As at 31st March 2019	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Exposure subject to Individual Impairment	-	16.180.858	58.074.456	74.255.314
Exposure subject to Collective Impairment	2.463.384.052	81.594.378	185.914.122	2.730.892.552
Gross Loans and Advances	2.463.384.052	97.775.236	243.988.578	2.805.147.866
Impairment for Expected Credit Losses	(35.013.598)	(15.361.860)	(141.988.273)	(192.363.731)
Net Loans and Advances	2.428.370.454	82.413.376	102.000.305	2.612.784.135

15.2 Impairment for Expected Credit Losses -Loans and Advances

	2020 Rs.	2019 Rs.
Balance as at 01 April	192.363.731	144.837.801
Impairment Reversal - Specific Provision	-	(2.647.459)
Gross Charge to Profit or Loss (Note 15.3)	135.175.235	106.718.275
Provision Against Net Write Off during the year (Note 15.3.1)	(114.478.674)	(56.544.886)
Balance as at 31 March	213.060.292	192.363.731

15.3 Movement in Impairment for Expected Credit Losses Based on Exposure to Credit Risk-Loans and Advances

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2019	35.013.598	15.361.860	141.988.273	192.363.731
Gross Charge to Profit or Loss	9.563.104	34.535.859	91.076.272	135.175.235
Provision Against Net Write Off during the year (Note 15.3.1)	-	(7.354.676)	(107.123.998)	(114.478.674)
Balance as at 31 March 2020	44.576.702	42.543.043	125.940.547	213.060.292

15.3.1 Provision Against Net Write Off

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Provision against write off	-	7.354.676	109.632.346	116.987.022
Provision against write back	-	-	(2.508.348)	(2.508.348)
	-	7.354.676	107.123.998	114.478.674

16. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES & STOCK OUT ON HIRE

	2020 Rs.	2019 Rs.
Gross Rentals Receivables	42,364,472,366	45,543,140,748
Less: Unearned Income	(11,446,185,932)	(12,269,196,547)
Less: Specific Impairment	(5,689,124)	(92,655)
Less: Collective Impairment	(766,561,751)	(546,670,940)
Total Rentals Receivable (Note 16.4 & 16.5)	30,146,035,559	32,727,180,606

Lease rental receivables include receivables amounting to Rs. 3,880 Mn- (2019 Rs. 3,880 Mn) that have been assigned under a securitisation funding arrangement.

16.1 Analysis of Financial Assets based on Exposure to Credit Risk -Lease Rental Receivables & Stock Out on Hire

As at 31st March 2020	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Exposure subject to Individual Impairment	24,663,545	4,436,564	3,787,076	32,887,185
Exposure subject to Collective Impairment	26,797,335,644	3,537,396,614	550,666,991	30,885,399,249
	26,821,999,189	3,541,833,178	554,454,067	30,918,286,434
Gross Lease Rental receivables & Stock Out on Hire				
Impairment for Expected Credit Losses	(267,914,665)	(231,764,845)	(272,571,365)	(772,250,875)
Net Lease Rental receivables & Stock Out on Hire	26,554,084,524	3,310,068,333	281,882,702	30,146,035,559

As at 31st March 2019	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Exposure subject to Individual Impairment	-	92,655	-	92,655
Exposure subject to Collective Impairment	29,626,179,114	3,045,808,450	601,863,982	33,273,851,546
Gross Lease Rental receivables & Stock Out on Hire	29,626,179,114	3,045,901,105	601,863,982	33,273,944,201
Impairment for Expected Credit Losses	(171,447,968)	(158,112,742)	(217,202,885)	(546,763,595)
Net Lease Rental receivables & Stock Out on Hire	29,454,731,145	2,887,788,363	384,661,097	32,727,180,606

16.2 Impairment for Expected Credit Losses -Lease Rental Receivables & Stock Out on Hire

	2020 Rs.	2019 Rs.
Balance as at 01 April	546,763,595	342,241,268
Gross Charge to Profit or Loss (Note 16.3)	406,917,452	272,049,322
Provision Against Net Write Off (Note 16.3.1)	(181,430,172)	(67,526,995)
Balance as at 31 March	772,250,875	546,763,595

16.3 Movement in Impairment for Expected Credit Losses Based on Exposure to Credit Risk-Lease Rental Receivables & Stock Out on Hire

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2019	171,447,968	158,112,742	217,202,885	546,763,595
Gross Charge to Profit or Loss	101,682,406	116,565,393	188,669,653	406,917,452
Provision Against Net Write Off during the year (Note 16.3.1)	(5,215,709)	(42,913,290)	(133,301,173)	(181,430,172)
Balance as at 31 March 2020	267,914,665	231,764,845	272,571,365	772,250,875

16.3.1 Provision Against Net Write Off

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Provision against write off	6,931,965	47,893,669	155,777,669	210,603,303
Provision against write back	(1,716,256)	(4,980,379)	(22,476,496)	(29,173,131)
	5,215,709	42,913,290	133,301,173	181,430,172

16. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES & STOCK OUT ON HIRE (Contd..)

16.4 As at 31st March 2020	**1 Year**	**1- 5 Year**	**More than 5 Year**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Rental Receivables	20,376.142.784	21.925.240.725	63.088.857	42.364.472.366
Less: Unearned Income	(6,296.281.783)	(5.144.906.751)	(4.997.398)	(11.446.185.932)
	14,079.861,001	16.780.333.974	58.091.459	30.918.286.434
Less: Specific Provision				(5.689.124)
Less: Collective Impairment				(766.561.751)
				30.146.035.559

16.5 As at 31st March 2019	**1 Year**	**1- 5 Year**	**More than 5**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Rental Receivables	20,624,468,136	24,760.687,286	157.985.326	45.543.140.748
Less: Unearned Income	(6,545.360,028)	(5.708.562.986)	(15.273.533)	(12.269.196.547)
	14,079,108.108	19.052.124.300	142.711.793	33.273.944.201
Less: Specific Provision				(92.655)
Less: Collective Impairment				(546.670.940)
				32.727.180.606

17. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	**2019**
	Rs.	**Rs.**
Treasury Bond	139.197.909	232.990.223
Unquoted Shares	194.700	194.700
	139.392.609	233.184.923

The unquoted ordinary shares include investments that have been made primarily for the regulatory purpose. Such investments are recorded at cost due to unavailability of information to value such investments at fair value.

18. OTHER FINANCIAL ASSETS	**Note**	**2020**	**2019**
		Rs.	**Rs.**
Refundable Deposits and Prepayment		23,422,398	7.414,383
Amounts Due From Related Parties	18.1	123.908.733	22.041.862
Other Charges Receivable from Client	18.2	72.332.381	49.521,989
		219.663.512	78.978.234

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18. OTHER FINANCIAL ASSETS (Contd...)

18.1 Amounts Due From Related Parties

	Relationship	Note	2020 Rs.	2019 Rs.
David Pieris Holdings (Pvt) Ltd	Ultimate Parent Company	34.3	31.578	621.895
David Pieris Motor (Company) Lanka Ltd	Affiliate Company	34.3	-	102.032
David Pieris Motor Company (Pvt) Ltd	Affiliate Company	34.3	2.183.305	1.357.456
DP Global Ventures (Pvt) Ltd	Affiliate Company	34.3	12.951	4.591
DP Logistics (Pvt) Ltd	Affiliate Company	34.3	585.822	477.139
DP Automobiles (Pvt) Ltd	Affiliate Company	34.3	119.046.747	18.528.119
David Pieris Racing & Leisure (Pvt) Ltd	Affiliate Company	34.3	6.620	3.896
DP Technologies (Pvt) Ltd	Affiliate Company	34.3	-	507.497
DPMC Assetline Holding (Pvt) Ltd	Parent Company	34.3	1.861	175.041
Assetline Corporate Services (Pvt) Ltd	Affiliate Company	34.3	89.750	57.487
Assetline Securities (Pvt) Ltd	Affiliate Company	34.3	2.872	23.209
Assetline Insurance Brokers (Pvt) Ltd	Affiliate Company	34.3	137.652	-
Assetline Capital (Pvt) Ltd	Affiliate Company	34.3	15.018	183.502
DP Infotech (Pvt) Ltd	Affiliate Company	34.3	1.794.557	-
			123.908.733	22.041.862

18.2 Other Charges Receivable from Client

	2020 Rs.	2019 Rs.
Other Charges Receivable from Client	74.287.672	50.545.890
Less: Specific Impairment	(92.061)	(178.512)
Less: Collective Impairment	(1.863.230)	(845.389)
	72.332.381	49.521.989

18.2.1 Analysis of Other Financial Assets based on Exposure to Credit Risk -Other Charges Receivable from Client

As at 31st March 2020	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Exposure subject to Individual Impairment	-	9.905	82.156	92.061
Exposure subject to Collective Impairment	64.170.933	8.562.218	1.462.460	74.195.611
Gross Loan and Lease Rental receivables & Stock Out on Hire	64.170.933	8.572.123	1.544.616	74.287.672
Impairment for Expected Credit Losses	(1.619.000)	(214.127)	(122.164)	(1.955.291)
Net Loan and Lease Rental receivables & Stock Out on Hire	62.551.933	8.357.996	1.422.452	72.332.381

As at 31st March 2019	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Exposure subject to Individual Impairment	-	122.381	56.131	178.512
Exposure subject to Collective Impairment	44.952.137	4.514.479	900.762	50.367.377
Gross Loan and Lease Rental receivables & Stock Out on Hire	44.952.137	4.636.859	956.893	50.545.889
Impairment for Expected Credit Losses	(751.463)	(199.141)	(73.297)	(1.023.901)
Net Loan and Lease Rental receivables & Stock Out on Hire	44.200.674	4.437.719	883.596	49.521.989

18.2.2 Impairment for Expected Credit Losses -Other Charges Receivable from Client

	2020 Rs.	2019 Rs.
Balance as at 01 April	1.023.901	546.669
Gross Charge to Profit or Loss (Note 18.2.3)	4.200.132	1.850.107
Provision Against Net Write Off (Note 18.2.3.1)	(3.268.742)	(1.372.875)
Balance as at 31 March	1.955.291	1.023.901

18.2.3 Movement in Impairment for Expected Credit Losses Based on Exposure to Credit Risk-Other Charges Receivable from Client

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2019	751.463	199.141	73.297	1.023.901
Gross Charge to Profit or Loss	883.482	614.091	2.702.559	4.200.132
Provision Against Net Write Off (Note 18.2.3.1)	(15.945)	(599.105)	(2.653.692)	(3.268.742)
Balance as at 31 March 2020	1.619.000	214.127	122.164	1.955.291

18.2.3.1 Provision Against Net Write Off

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Provision against write off	18.136	796.982	3.232.291	4.047.409
Provision against write back	(2.191)	(197.877)	(578.599)	(778.667)
	15.945	599.105	2.653.692	3.268.742

19. OTHER NON FINANCIAL ASSETS

	2020 Rs.	2019 Rs.
Trading Stock	40,325,515	9,552,976
Other Receivables	19,660,477	82,377,811
	59,985,992	91,930,787

20. INVESTMENT PROPERTIES

20.1 Qualitative and Quantitative disclosures of the Investment properties

	2020 Rs.	2019 Rs.
Balance at the beginning of the year	287,000,000	325,400,000
Improvement Cost	286,388	3,482,910
Donation to the Charity	-	(11,200,000)
Provision made - Embilipitiya	-	(21,200,000)
Change in Fair Value of Investment Property	-	(9,482,910)
Balance at the end of the year	287,286,388	287,000,000

The Company obtains a valuation at least every three year by an independent valuer who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. Therefore, Company has continued same valuation for the current year which has been performed by Mr. W. M. Chandrasena Chartered Valuation Surveyor as at 31 March 2019. The Investment Property of the Company includes the followings

Location	Buildings Sq. Ft	Land in Extent	Fair Value 2020	Fair Value 2019
Pelawatta - Parliament Road	11040	08P	101,213,922	101,000,000
Pelawatta - Pannipitiya Road	7386	08.46P	82,072,466	82,000,000
Ward Place - Colombo 08	2475	03P	36,000,000	36,000,000
Nugegoda	-	17P	68,000,000	68,000,000
Embilipitiya	1224	27A 01R 24P	21,200,000	21,200,000
Provision made - Embilipitiya			(21,200,000)	(21,200,000)
			287,286,388	287,000,000

20.2 Net profit from investment properties

	2020 Rs.	2019 Rs.
Rental income derived from investment properties	10,880,445	11,490,277
Direct operating expenses (including repair and maintenance) generate rental income	(1,346,814)	(867,426)
Direct operating expenses (including repair and maintenance) that did not generate rental income	(3,550,270)	(2,549,403)
Net profit arising from investment properties carried at fair value	5,983,361	8,073,448

20.3 Fair value related disclosures of the Investment Properties

Fair Value hierarchy

The fair value of the Company's investment property are categorised into Level 3 of the fair value hierarchy.

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Type of Property	Valuation technique	Significant unobservable inputs	Range 2020	Range 2019
Land & Building	Direct Comparison Method	Estimated Price per sq.ft (Building)	Rs. 5,500- Rs. 7,000	Rs. 5,500- Rs. 7,000
		Estimated Price per perch (Land)	Rs. 5.5 Mn- Rs. 8.5Mn	Rs. 5.5 Mn- Rs. 8.5Mn
Land	Direct Comparison Method	Estimated Price per perch	Rs. 4 Mn	Rs. 4 Mn

Significant increase/(decrease) in this input in isolation would result in a significant (lower)/higher fair value.

21. PROPERTY, PLANT AND EQUIPMENT

21.1 Gross Carrying Amounts

	Balance As at 01.04.2019 Rs.	Additions for the year Rs.	Disposals Rs.	Balance As at 31.03.2020 Rs.
Motor Vehicles	3,410,000	-	(3,260,000)	150,000
Furniture & Fittings	41,843,044	2,735,083	(352,024)	44,226,103
Office Equipment	247,181,850	18,545,410	(6,728,119)	258,999,141
Leasehold Improvements	97,608,616	3,827,524	-	101,436,140
Total	390,043,510	25,108,017	(10,340,143)	404,811,384

21.2 Depreciation

	Balance As at 01.04.2019 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2020 Rs.
Motor Vehicles	3,410,000	-	(3,260,000)	150,000
Furniture & Fittings	27,112,766	5,570,309	(313,396)	32,369,679
Office Equipment	165,089,610	34,925,822	(6,608,445)	193,406,987
Leasehold Improvements	68,652,862	13,758,736	-	82,411,598
	264,265,238	54,254,867	(10,181,841)	308,338,264

21.3 Gross Carrying Amounts

	Balance As at 01.04.2018 Rs.	Additions for the year Rs.	Disposals Rs.	Balance As at 31.03.2019 Rs.
Motor Vehicles	5,619,000	-	(2,209,000)	3,410,000
Furniture & Fittings	41,397,806	4,421,261	(3,976,023)	41,843,044
Office Equipment	226,970,891	28,549,731	(8,338,772)	247,181,850
Leasehold Improvements	82,997,657	16,200,529	(1,589,570)	97,608,616
	356,985,354	49,171,521	(16,113,365)	390,043,510

21.4 Depreciation

	Balance As at 01.04.2018 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2019 Rs.
Motor Vehicles	5,615,844	3,158	(2,209,002)	3,410,000
Furniture & Fittings	25,272,702	5,331,682	(3,491,618)	27,112,766
Office Equipment	140,987,665	31,431,677	(7,329,732)	165,089,610
Leasehold Improvements	50,801,817	19,199,410	(1,348,365)	68,652,862
	222,678,028	55,965,927	(14,378,717)	264,265,238

21.5 Net Book Values

	2020 Rs.	2019 Rs.
Furniture & Fittings	11,856,424	14,730,278
Office Equipment	65,592,154	82,092,240
Leasehold Improvements	19,024,542	28,955,754
	96,473,120	125,778,272
	96,473,120	125,778,272

During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 25.10Mn (2019 Rs. 49.17 Mn).

Cost of fully depreciated assets which are still in use by the Company as at 31st March 2020 is Rs. 169.6 Mn (2019 Rs. 184.85 Mn).

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22. INTANGIBLE ASSETS

22.1 Computer Software

	Balance As at 01.04.2019 Rs.	Additions Improvements Charge to P/L Rs.	Balance As at 31.03.2020 Rs.
Cost of the Intangible Assets	107,377,282	2,652,770	110,030,052
Amortisation & Impairment	60,549,179	19,543,617	80,092,796
Net Book Value			29,937,256

22.2 Computer Software

	Balance As at 01.04.2018 Rs.	Additions Improvements Charge to P/L Rs.	Prior Year Adjustment Rs.	Balance As at 31.03.2019 Rs.
Cost of the Intangible Assets	107,447,129	4,010,153	4,080,000	107,377,282
Amortisation & Impairment	41,069,056	19,480,123	-	60,549,179
Net Book Value				46,828,103

23. RIGHT OF USE ASSETS

23.1 Gross Carrying Amounts

Set out bellow is the carrying amount of Right of Use Asset and movement for the year

	2020 Rs.
Effect of adaption of SLFRS 16 as at 01 April 2019	147,269,131
Addition and Improvement	10,929,289
Balance as at 31 March 2020	158,198,420

Accumulated Amortisation

	2020 Rs.
Effect of adaption of SLFRS 16 as at 01 April 2019	-
Charge for the Year	44,741,158
Balance as at 31 March 2020	44,741,158
Net Book value as at 31 March 2020	113,457,262

23.2 Lease Liability

Set out bellow is the carrying amount of Lease Liability and movement for the year

	2020 Rs.
Effect of adaption of SLFRS 16 as at 01 April 2019	147,269,131
Additions	10,929,289
Ascertain of Interest	14,809,461
Payment	(56,056,979)
Balance as at 31 March 2020	116,950,902

23.2.1 Maturity Analysis of Lease Liability

	2020 Rs.
Less than one Year	6,098,699
1-5 Year	100,181,489
More than 5 Year	10,670,714
	116,950,902

23.2.2 Reconciliation of Lease Liability as at 31 March 2020 to Operating Lease Commitment as at 31 March 2020

	Rs.
Operating Lease commitment as at 31 March 2019 (Note 39.2.1)	153,505,355
Discounted Operating Lease commitment as at 1 April 2019 *	210,078,411
Less	
Commitment relating to Lease of low value	-
Commitment relating to short term Leases **	62,809,280
Total Lease Liability as at 1 April 2019	147,269,131

* The present value of operation lease commitment as at 1 April 2019 has been calculated by using weighted avarage incremental borrowing rate of 10.72% - 13.11%

** Shor-term lease includes buildings rented out from Related Companies (David Pieris Motor Company (Pvt) Ltd. David Pieris Automobile (Pvt) Ltd and David Pieris Holdings (Pvt) Ltd)

The amounts for the year ended 31 March 2020 have been prepared in accordance with the Sri Lanka Accounting Standard - SLFRS 16 (Lease). However prior period amounts have not been restated

24. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS

	Note	2020 Repayable within 1 year Rs.	2020 Repayable after 1 year Rs.	2020 Total Rs.	2019 Repayable within 1 year Rs.	2019 Repayable after 1 year Rs.	2019 Total Rs.
Bank Loans	24.1	5,987,082,326	2,374,011,622	8,361,093,948	10,506,899,187	2,471,814,133	12,978,713,320
Commercial Papers	24.2	2,678,716,410	-	2,678,716,410	1,923,211,847	-	1,923,211,847
Inter Company Borrowings	24.3	7,632,016,293	1,233,000,000	8,865,016,293	1,727,429,072	7,587,000,000	9,314,429,072
		16,297,815,029	3,607,011,622	19,904,826,651	14,157,540,106	10,058,814,133	24,216,354,239

24. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS (Contd..)

24.1 Bank Loans

	As at 31.03.2019			Loans	Interest	Capital	Interest	As at 31.03.2020		
	Capital Rs.	Int. Payable Rs.	Total	Obtained Rs.	Expenses Rs.	Repayment Rs.	Paid Rs.	Capital Rs.	Int. Payable Rs.	Total Rs.
Commercial Bank of Ceylon PLC										
LoanNo:1915253	535,064,000	1,269,348	536,333,348	-	38,345,093	399,528,000	39,368,285	135,536,000	246,155	135,782,155
LoanNo:1989383	400,024,000	1,194,154	401,218,154	-	37,241,188	199,992,000	37,965,349	200,032,000	469,993	200,501,993
STL	250,000,000	1,246,575	251,246,575	1,800,000,000	92,159,178	950,000,000	89,460,821	1,100,000,000	3,944,932	1,103,944,932
Hatton National Bank PLC			-				-	-	-	-
Loan 5	166,640,000	825,804	167,465,804	-	6,952,037	166,640,000	7,777,841	-	-	-
STL	5,300,000,000	33,922,137	5,333,922,137	8,050,000,000	322,048,963	11,150,000,000	345,312,120	2,200,000,000	10,658,979	2,210,658,979
Sampath Bank PLC			-					-	-	-
Loan No :759	125,300,000	265,087	125,565,087	-	2,410,370	125,300,000	2,675,457	-	-	-
Loan No :913	177,600,000	404,928	178,004,928	-	10,151,599	177,600,000	10,556,527	-	-	-
Loan No :920	131,300,000	299,364	131,599,364	-	7,502,999	131,300,000	7,802,363	-	-	-
STL	1,500,000,000	3,269,589	1,503,269,589	1,760,000,000	107,682,011	3,260,000,000	110,951,600	-	-	-
Nations Trust Bank PLC - STL	1,000,000,000	3,580,547	1,003,580,547	6,040,000,000	111,556,226	5,810,000,000	109,211,528	1,230,000,000	5,925,245	1,235,925,245
NDB Bank PLC - STL	300,000,000	1,472,877	301,472,877	-	8,206,027	300,000,000	9,678,904	-	-	-
Securitization 01	1,983,155,116	57,898,973	2,041,054,089	-	332,957,533	-	3,492,044	1,983,155,116	387,364,462	2,370,519,578
Seylan Bank	1,000,000,000	3,980,822	1,003,980,822	6,800,000,000	164,553,991	6,700,000,000	164,773,747	1,100,000,000	3,761,066	1,103,761,066
	12,869,083,116	109,630,205	12,978,713,320	24,450,000,000	1,241,767,215	29,370,360,000	939,026,587	7,948,723,116	412,370,832	8,361,093,948

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24. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS (Contd...)

24.1 Bank Loans (Contd...)

Name of the Bank	Repayment Terms	Security
Commercial Bank of Ceylon PLC	60 equal monthly installments	Term loan agreement
Commercial Bank of Ceylon PLC	60 equal monthly installments	Term loan agreement
Commercial Bank of Ceylon PLC	Within 12 months	The corporate guarantee of Rs.2.02 Bn from DPMC Assetline Holdings (Pvt) Ltd
Hatton National Bank PLC	Within 4 months	The corporate guarantee of Rs 500 Mn Bn from DPMC Assetline Holdings
NDB Bank PLC	Within 3 months	The corporate guarantee of Rs.300 Mn from DPMC Assetline Holdings (Pvt) Ltd
Nations Trust Bank PLC	Within 3 months	Loan agreement
Sampath Bank PLC	POD - On demand	The corporate guarantee of Rs.2.8 Bn from DPMC Assetline Holdings (Pvt) Ltd
Standard Chartered Bank	Within 12 months	Loan agreement

24.2 Commercial Papers

	2020 Repayable within 1 year Rs.	2020 Repayable after 1 year Rs.	2020 Total Rs.	2019 Repayable within 1 year Rs.	2019 Repayable after 1 year Rs.	2019 Total Rs.
Commercial Papers	2,536,254,547	-	2,536,254,547	1,912,989,502	-	1,912,989,502
Interest Payable	142,461,863	-	142,461,863	10,222,345	-	10,222,345
	2,678,716,410	-	2,678,716,410	1,923,211,847	-	1,923,211,847

24.3 Inter Company Borrowings

	2020 Repayable within 1 year Rs.	2020 Repayable after 1 year Rs.	2020 Total Rs.	2019 Repayable within 1 year Rs.	2019 Repayable after 1 year Rs.	2019 Total Rs.
David Pieris Motor Company (Lanka) Ltd	7,507,000,000	550,000,000	8,057,000,000	1,150,000,000	7,507,000,000	8,657,000,000
Assetline Insurance Brokers (Pvt) Ltd	80,000,000	216,000,000	296,000,000	165,000,000	80,000,000	245,000,000
DPMC Assetline Holdings (Pvt) Ltd		190,000,000	190,000,000	190,000,000	-	190,000,000
Assetline Capital (Pvt) Ltd		130,000,000	130,000,000	100,000,000	-	100,000,000
Assetline Securities (Pvt) Ltd		77,000,000	77,000,000	30,000,000	-	30,000,000
DP Logistics (Pvt) Ltd		70,000,000	70,000,000	40,000,000	-	40,000,000
Interest Payable	45,016,293	-	45,016,293	52,429,072	-	52,429,072
	7,632,016,293	1,233,000,000	8,865,016,293	1,727,429,072	7,587,000,000	9,314,429,072

24.4 Terms & Condition for Inter Company Borrowings

Inter Company Borrowings	Facility Amount	Maturity Date	Period	Repayment Terms	Security Status
David Pieris Motor Company (Lanka) Ltd	250,000,000	3/19/2022	24 months	At Maturity	Term loan agreement
David Pieris Motor Company (Lanka) Ltd	300,000,000	6/20/2021	24 months	At Maturity	Term loan agreement
David Pieris Motor Company (Lanka) Ltd	800,000,000	9/26/2020	24 months	At Maturity	Term loan agreement
David Pieris Motor Company (Lanka) Ltd	900,000,000	9/26/2020	24 months	At Maturity	Term loan agreement
David Pieris Motor Company (Lanka) Ltd	950,000,000	9/26/2020	24 months	At Maturity	Term loan agreement
David Pieris Motor Company (Lanka) Ltd	980,000,000	9/26/2020	24 months	At Maturity	Term loan agreement
David Pieris Motor Company (Lanka) Ltd	1,000,000,000	9/26/2020	24 months	At Maturity	Term loan agreement
David Pieris Motor Company (Lanka) Ltd	27,000,000	12/12/2020	24 months	At Maturity	Term loan agreement
David Pieris Motor Company (Lanka) Ltd	1,000,000,000	3/19/2021	24 months	At Maturity	Term loan agreement
David Pieris Motor Company (Lanka) Ltd	850,000,000	3/22/2021	24 months	At Maturity	Term loan agreement
David Pieris Motor Company (Lanka) Ltd	1,000,000,000	3/27/2021	24 months	At Maturity	Term loan agreement
Assetline Insurance Brokers Pvt Ltd	140,000,000	9/15/2021	24 months	At Maturity	Term loan agreement
Assetline Insurance Brokers Pvt Ltd	80,000,000	1/23/2021	24 months	At Maturity	Term loan agreement
Assetline Insurance Brokers Pvt Ltd	25,000,000	7/5/2021	24 months	At Maturity	Term loan agreement
Assetline Insurance Brokers Pvt Ltd	51,000,000	10/7/2021	24 months	At Maturity	Term loan agreement
DPMC Assetline Holdings Pvt Ltd	190,000,000	9/28/2021	24 Months	At Maturity	Term loan agreement
Assetline Capital Pvt Ltd	100,000,000	7/5/2021	24 Months	At Maturity	Term loan agreement
Assetline Capital Pvt Ltd	30,000,000	9/12/2021	24 Months	At Maturity	Term loan agreement
Assetline Securities Pvt Ltd	22,000,000	7/19/2021	24 Months	At Maturity	Term loan agreement
Assetline Securities Pvt Ltd	30,000,000	7/5/2021	24 Months	At Maturity	Term loan agreement
Assetline Securities Pvt Ltd	25,000,000	11/29/2021	24 Months	At Maturity	Term loan agreement
DP Logistics Pvt Ltd	70,000,000	7/5/2021	24 Months	At Maturity	Term loan agreement

25. OTHER FINANCIAL LIABILITIES

	Note	2020 Rs.	2019 Rs.
Trade - Related Parties	25.1	513.014.926	169,370.546
Trade - Other Parties		530,680.757	445,357.839
Amount Collected from customers		306.797,567	570.126.213
Amounts Due to Related Parties	25.2	60.747.576	22.233.589
Advertising and Promotion Expenses Payable		22,222,006	3.861.699
Dividend Payable		-	95.619.914
Sundry Creditor		171,414.173	126.151,307
		1,604.877,005	1.432,721.107

25.1 Trade Payables to Related Parties

	Relationship			
David Pieris Motor Company (Pvt) Ltd	Affiliate Company	34.3	416,135.921	8.950.930
David Pieris Motor Company (Lanka) Ltd	Affiliate Company	34.3	80,737,505	153.128.616
David Pieris Automobiles (Pvt) Ltd	Affiliate Company	34.3	16,141.500	7,291.000
			513,014,926	169.370.546

25.2 Amounts Due to Related Parties

	Relationship			
David Pieris Holdings (Pvt) Ltd	Ultimate Parent Company	34.3	37.935.101	11.991.841
DPMC Assetline Holdings (Pvt) Ltd	Parent Company	34.3	1.372.568	248.578
David Pieris Motor Company (Pvt) Ltd	Affiliate Company	34.3	11.507.077	5.627.551
David Pieris Motor Company (Lanka) Ltd	Affiliate Company	34.3	125,166	-
David Pieris Racing & Leisure (Pvt) Ltd	Affiliate Company	34.3	872,350	336.175
DP Technologies (Pvt) Ltd	Affiliate Company	34.3	-	2,182.653
DP Infotech (Pvt) Ltd	Affiliate Company	34.3	5,373,214	-
DP Automobiles (Pvt) Ltd	Affiliate Company	34.3	418.000	180.000
DP Logistics (Pvt) Ltd	Affiliate Company	34.3	2,224,511	1.250.000
Assetline Corporate Services (Pvt) Limited	Affiliate Company	34.3	861.620	355.768
Assetline Capital (Pvt) Ltd	Affiliate Company	34.3	57,969	60.000
Assetline Securities (Pvt) Ltd	Affiliate Company	34.3	-	1.023
			60,747,576	22,233.589

26. OTHER NON FINANCIAL LIABILITIES

	2020 Rs.	2019 Rs.
Guarantee Fee	352.218	369.921
Statutory Payment	47.868,967	130.131.514
Lease Liability (Note 23.2)	116,950,902	-
Sundry Creditors	1.639,746	2,391.738
	166.811.833	132,893.173

27. INCOME TAX LIABILITIES

Income Taxation Payable	2020 Rs.	2019 Rs.
As at 01 April	574.021.934	467.049.110
Income Tax Paid	(1.446.787.453)	(1.169.969.157)
Adjustment (ESC/ WHT ect.)	(106.189.794)	(151,924.330)
Prior year (Over)/Under Provision (Note 11.1)	15,987,156	4,399.669
Provision for the Year (Note 11.1)	1.157,266,650	1,424,466,642
As at 31 March	194.298.493	574,021.934

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28. DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method using the effective tax rate of 28% (2019 - 28%).

The movement on the deferred income tax asset/(liability) account is as follows .

	2020 Rs.	2019 Rs.
Balance as at 1 April	(654.424.647)	(1.117.242.682)
Charge to Profit or Loss	298.728.067	463.787.957
Charge to Other Comprehensive Income	(1.555.536)	(969.923)
Balance as at 31 March	(357.252.116)	(654.424.647)

Deferred Tax Assets (Liabilities) and Income Tax Relates to the Following

	Statements of Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Deferred Tax Liability						
Depreciation of Property Plant & Equipment	(13.703.029)	(18.042.033)	4.339.004	1.356.427	-	-
Depreciation of Lease Assets	(377.776.678)	(655.271.398)	277.494.720	457.259.988	-	-
	(391.479.707)	(673.313.431)	281.833.724	458.616.415	-	-
Deferred Tax Assets						
Right of Use of Assets	11.110.780	-	11.110.780			
Retirement Benefit Obligation	23.116.811	18.888.784	5.783.563	5.171.542	(1.555.536)	(969.923)
	34.227.591	18.888.784	16.894.343	5.171.542	(1.555.536)	(969.923)
Deferred Income Tax (Charge)/Reversal			298.728.067	463.787.957	(1.555.536)	(969.923)
	(357.252.116)	(654.424.647)				

29. RETIREMENT BENEFIT OBLIGATIONS

	Note	2020 Rs.	2019 Rs.
29.1 Net Liability Recognised in the Statement of Financial Position			
Balance as at 1 April		67.459.943	52.454.163
Provision made during the year	29.3 & 29.4	19.595.474	17.474.940
Benefits paid by the plan	29.2	(4.495.378)	(2.469.160)
Balance as at 31 March		82.560.039	67.459.943

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29. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

29.2 Defined Benefit Obligation

	Note	2020 Rs.	2019 Rs.
Balance as at 1 April		67,459,943	52,454,163
Current Service Cost	29.3	18,033,973	15,868,943
Interest Cost	29.3	7,116,986	5,070,008
Benefits paid by the plan		(4,495,378)	(2,469,160)
(Gains) /Losses due to the Changes in Financial Assumptions	29.4	(139,435)	(9,479,540)
(Gains) /Losses due to the Changes in experience	29.4	(5,416,050)	6,258,516
(Gains) /Losses due to the Changes in Demographic Assumptions	29.4	-	(242,987)
Balance as at 31 March		82,560,039	67,459,943

29.3 Amounts Recognised in Profit or Loss

	2020 Rs.	2019 Rs.
Current Service Cost for the Year	18,033,973	15,868,943
Interest Cost for the Year	7,116,986	5,070,008
	25,150,959	20,938,951

29.4 Amounts Recognised in Other Comprehensive Income

	2020 Rs.	2019 Rs.
(Gains) /Losses due to the Changes in Financial Assumptions	(139,435)	(9,479,540)
(Gains) /Losses due to the Changes in experience	(5,416,050)	6,258,516
(Gains) /Losses due to the Changes in Demographic Assumptions	-	(242,987)
	(5,555,485)	(3,464,011)

29.5 Assumptions

Assumptions	2020	2019
Discount Rate	9.94%	10.91%
Salary Increment	10.00%	11.00%
Retirement Age	55 Years	55 Years
Expected Average Future Working Years	6.14 Years	6.14 Years

29.6 Sensitivity of Assumptions Employed 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 retirement benefit liability measurement.

The sensitivity of the statement of Comprehensive income and statement of Financial Position is the effect of the assumed changes in discount rate and salary scale in the profit or loss and retirement benefit obligation for the year.

	2020		
Increase/(Decrease) in discount rate	**Increase/(Decrease) in salary increment**	**Sensitivity Effect on statement of Comprehensive Income - Increase/(Reduction) in results for the year (Rs. Mn)**	**Sensitivity Effect on Retirement Benefit Obligation - Increase/(Reduction) in liability (Rs. Mn)**
1%		4.65	-4.65
-1%		-5.21	5.21
	1%	-5.03	5.03
	-1%	4.58	-4.58

	2019		
Increase/(Decrease) in discount rate	**Increase/(Decrease) in salary increment**	**Sensitivity Effect on statement of Comprehensive Income - Increase/(Reduction) in results for the year (Rs. Mn)**	**Sensitivity Effect on Retirement Benefit Obligation - Increase/(Reduction) in liability (Rs. Mn)**
1%		3.96	-3.96
-1%		-4.44	4.44
	1%	-4.39	4.39
	-1%	3.99	-3.99

30. STATED CAPITAL

	2020		2019	
Issued and Fully Paid-Ordinary Shares	**No of Shares**	**Rs.**	**No of Shares**	**Rs.**
Stated Capital	133.958.971	3.550.000.000	133.958.971	3.550.000.000
	133.958.971	3.550.000.000	133.958.971	3.550.000.000

The Authorised Capital and Par Value Concept in relation to shares were abolished by the Companies Act No. 07 of 2007. The total amount received by the Company or due and payable to the Company in respect of the issue and calls of the shares are referred to as stated capital.

Stated Capital

The holders of ordinary shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at meetings of the Company.

31. STATUTORY RESERVE FUND

The Reserve Fund is maintained in compliance with the Central Bank Direction No. 5 of 2006 issued to specialised leasing companies. As per the said Direction. every registered Finance Leasing Establishment shall maintain a reserve fund. out of the net profit after the payment of tax of each year. before any dividend is declared. A sum equivalent to not less than 5 percent of such profits should be transferred until the amount of the Reserve Fund is equal to 50 percent of the issued and paid up ordinary share capital of the relevant establishment and further a sum equivalent to not less than 2 percent of such profits until the amount of Reserve Fund is equal to the issued and paid- up ordinary share capital of the relevant establishment.

	2020 Rs.	2019 Rs.
At the beginning of the year	822.796.177	741.102.713
Profit transferred during the year	79.756.311	81.693.464
At the end of the year	902.552.488	822.796.177

32. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE

Fair value through other comprehensive income reserve. which comprises changes in fair value of Financial Assets - Fair Value through Other Comprehensive Income

	2020 Rs.	2019 Rs.
Balance as at 1 April	1.683.172	6.658.046
Changes in fair value during the year	2.107.238	(4.974.874)
Balance as at 31 March	3.790.410	1.683.172

33. 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 dividend payments.

34. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosures), the details which are reported below.

34.1 Terms and Condition

The Company carries out transactions with KMPs & their close family members in the ordinary course of its business on an arms length basis at commercial rates.

34.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosures) key managerial personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition, a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all of the three activities mentioned in the above definition (i.e planning, directing and controlling the activities of the entity).

KMP of the Company

Key Management Person are Directors of the Company, Directors of its parent Company, Directors of its ultimate parent Company, Compliance Officer of the Company and the Chief Executive Officer of the Company.

34.2.1 Key Management Personnel Compensation

	2020 Rs.	2019 Rs.
Short Term Employees Benefits	33,331,170	77,055,723
Post - Employment Benefits	1,749,600	3,936,723
Money Value of Perquisites	-	876,107
Other Long Term Benefits	572,000	600,000
	35,652,770	82,468,553
Direct and indirect accommodations as a percentage of Capital funds	0.00%	0.08%

34.2.2 Transactions, Arrangements , Agreements and Expense by KMP and their CFMs

	2020 Rs.	2019 Rs.
Commercial Papers		
Commercial Paper issued during the year	2,884,220,916	1,874,201,155
Commercial Paper matured during the year	(2,719,955,871)	(1,000,000,000)
Expenses		
Interest Expense	251,337,488	196,083,602

Accommodations Granted to KMP	Type of Security	Transactions Amount	Amount of Outstanding	
			2020	2019
		Rs.	Rs.	Rs
Lease rental receivable	Absolute Ownership of the Leased Assets & Personal Guarantee	-	-	1,463,725

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34. RELATED PARTY DISCLOSURES (Contd...)

34.3 Transactions with Group Companies

Name of the Company and Relationship	Nature of Transactions	2020 Rs.	2019 Rs.
DPMC Assetline Holdings (Pvt) Ltd	**As at March 31**		
- Parent Company	Non Trading Receivable	1,861	175.041
	Non Trading Payable	1.372.568	248.578
	Loan Payable	190.934.175	191.247.129
	Transactions for the period		
	Loan Obtained	-	155.000.000
	Loan Repayments	-	465,000.000
	Interest Expenses	21.802.110	68.191.443
	Dividend Payment	186.202.967	95.619.912
	Received - Reimbursement of Expenses	146.732	1.435.267
	Reimbursed Expenses	861.064	190.722
	Professional Charges	2.217.185	3.964.708
	Leased Hold Improvement	-	1.210.768
	Other Expense	-	3.655
David Pieris Holdings (Pvt) Ltd	**As at March 31**		
- Ultimate Parent Company	Non Trading Receivable	31.578	621.895
	Non Trading Payable	37.935.101	11.991.841
	Loan Payable	439.548.093	-
	Transactions for the period		
	Loan Obtained	400.000.000	5.627.000.000
	Loan Repayments	-	10.627,000.000
	Interest Expenses	38.613.918	559.514.092
	Leasing of Motor Vehicles	-	30.154.225
	Received - Reimbursement of Expenses	12.476	33.458.994
	Internal Audit Fees	11.240.819	8.568.333
	Rent Expenses	65.599.177	57.277.872
	Sale of Assets	19.102	-
	RMV Charges	-	143.660
	Purchase of Fixed Assets	68.357	21.730
	Reimbursed Expenses	116.542.130	141.520.557
	Service Charge Income	-	387.090
	Other Expense	122.138	2.240
David Pieris Motor Company (Lanka) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	-	102.032
	Non Trading Payable	125.166	-
	Trading Payable	80.737.505	153,128.616
	Loan Payable	8.098.184.212	8.704.671.508
	Transactions for the period		
	Loan Obtained	550,000.000	10.317.000.000
	Loan Repayments	1.150.000.000	8.440,000.000
	Interest Expenses	961.773.099	867.285.328
	Leasing of Motor Vehicles	1.566.098.052	3.846.502.005
	Received - Reimbursement of Expenses	44.302	102.032
	Purchased of Assets	37.969	-
	RMV Charges	27.579.320	72.117.990
	Sales Commission	88.262	-
	Other Expense	251.180	-
David Pieris Motor Company (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	2.183.305	1.357.456
	Non Trading Payable	11.507.077	5.627.551
	Trading Payable	416.135.921	8.950.930
	Transactions for the period		
	Received - Reimbursement of Expenses	5.481.631	1.357.456
	Commission & Other Income	1.011.120	-
	Leasing of Motor Vehicles	2.165.717.428	107.210.220
	Reimbursed Expenses	65.852.384	59.269.321
	Purchased of Assets	330.249	-
	RMV Charges	33.176.510	-
	Purchased of promotional items	-	5.764.216
	Rent Expense	1.564.020	945.675
	Other Expense	1.081.091	1.083.324

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34. RELATED PARTY DISCLOSURES (Contd...)

34.3 Transactions with Group Companies

Name of the Company and Relationship	Nature of Transactions	2020 Rs.	2019 Rs.
Assetline Insurance Brokers (pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	137,652	-
	Loan Payable	363,906,670	246,727,927
	Transactions for the period		
	Loan Obtained	135,000,000	105,000,000
	Loan Repayments	25,000,000	-
	Interest Expenses	38,375,817	22,391,227
	Received - Reimbursement of Expenses	1,991,960	2,740,026
DP Logistics (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	585,822	477,139
	Non Trading Payable	2,224,511	1,250,000
	Loan Payable	70,361,430	40,306,312
	Transactions for the period		
	Loan Obtained	70,000,000	80,000,000
	Loan Repayments	40,000,000	40,000,000
	Interest Expenses	7,210,625	4,200,285
	Building Rent Income	5,064,578	4,542,039
	Received - Reimbursement of Expenses	58,645	189,354
	Sale of Assets	12,075	2,334,383
	Outsource Service	14,401,125	18,262,679
	Other Expense	23,519	-
Assetline Corporate Services (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	89,750	57,486
	Non Trading Payable	861,620	355,768
	Transactions for the period		
	Received - Reimbursement of Expenses	629,099	764,809
	Secretarial Fees	5,653,664	4,657,004
	Reimbursed Expenses	41,134	31,666
	Sale of Assets	15,958	-
Assetline Securities (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	2,872	23,208
	Non Trading Payable	-	1,023
	Loan Payable	77,391,409	30,340,660
	Transactions for the period		
	Loan Obtained	77,000,000	45,000,000
	Loan Repayments	30,000,000	15,000,000
	Interest Expenses	6,126,065	4,273,792
	Sale of Assets	4,408	-
	Received - Reimbursement of Expenses	213,671	852,258
	Reimbursed Expenses	3,130	15,456
	Margin Trading -Purchased of share	103,648,501	46,051,668
	Margin Trading -Sell of shares	112,359,163	63,710,349
	Dividend Payment	2	-
	Other Expense	-	105,987
DP Infotech (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	1,794,557	-
	Non Trading Payable	5,373,214	-
	Transactions for the period		
	Building Rent Income	6,260,974	-
	Received - Reimbursement of Expenses	17,568	-
	Repair and Computer System Maintenance	61,635,068	-
	Employee secondment charges	2,151,698	-

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34. RELATED PARTY DISCLOSURES (Contd..)

34.3 Transactions with Group Companies (Contd...)

		2020 Rs.	2019 Rs.
DP Automobiles (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	70,347	27,119
	Non Trading Payable	418,000	180,000
	Trading Receivable	118,976,400	18,501,000
	Trading Payable	16,141,500	7,291,000
	Transactions for the period		
	Received - Reimbursement of Expenses	35,413	27,119
	Leasing of Motor Vehicles	171,462,150	138,572,019
	Commission & Other Expenses	1,900,637	1,606,648
	Karting Circuit Membership Fee	-	613,238
	Rent Expenses	2,775,520	1,701,000
	Sale of Vehicle	338,214,160	226,579,500
	Other Expense	6,563	-
DP Global Ventures (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	12,951	4,591
	Transactions for the period		
	Received - Reimbursement of Expenses	8,360	14,956
	Reimbursed Expenses	-	244,922
DP Technologies (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	-	507,497
	Non Trading Payable	-	2,182,653
	Transactions for the period		
	Loan Obtained	-	140,000,000
	Loan Repayments	-	140,000,000
	Interest Expenses	-	4,166,203
	Building Rent Income	-	7,274,035
	Repair and Maintenance	-	20,640,067
	System Modification & Installation	-	4,980,306
	Reimbursed Expenses	-	156,833
	Others	-	1,958,450
David Piers Information Technologies Ltd	**Transactions for the period**		
- Affiliate Company	Reimbursed Expenses	-	176,974
	Repaired & Purchased of Computer Accessories	-	911,934
	Purchase of Office Equipment	-	3,412,426
	Leased Hold Improvement	-	3,087,425
	License Renewal	-	14,309,113
	Repair and Computer System Maintenance	-	38,522,912
	Other Expenses	-	278,935
David Pieris Racing & Leisure (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	6,620	3,896
	Non Trading Payable	872,350	336,175
	Transactions for the period		
	Loan Obtained	-	40,000,000
	Loan Repayments	-	40,000,000
	Interest Expense	-	421,151
	Received - Reimbursement of Expenses	6,620	3,896
	Sponsorship	235,000	-
	Karting Circuit Membership Fee	4,413,978	4,588,789
Assetline Capital (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Non Trading Receivable	15,018	183,502
	Non Trading Payable	57,969	60,000
	Loan Payable	130,663,830	101,135,534
	Transactions for the period		
	Loan Obtained	130,000,000	100,000,000
	Loan Repayments	100,000,000	-
	Interest Expense	13,511,093	10,731,507
	Received - Reimbursement of Expenses	264,320	722,725
	Dividend Payment	2	-
	Income Fund	1,143,303	1,466,396
	Purchased of Asset	56,989	-
	Courier Charges	301,773	360,726
	Reimbursed Expenses	191,019	4,000

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35. FAIR VALUE OF FINANCIAL INSTRUMENTS

35.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by Valuation techniques.

Level 1 :	Quoted (unadjusted) prices in active markets for identical assets or liabilities in active market
Level 2 :	Valuation technique using observable inputs : quoted prices for similar assets and liabilities in active markets are valued using models where all significant inputs are observable.
Level 3:	Valuation technique with significant unobservable inputs : assets valued using valuation techniques where one or more significant inputs are unobservable.

The following table shows an analysis of assets recorded/disclosed at fair value by level of the fair value hierarchy.

As at 31st March

Assets		**2020** Rs.			**2019** Rs.	
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial Assets FVOCI	139.197.909	-	-	232.990.223	-	-
Investment Property *	-	-	287.286.388	-	-	287.000.000
Total Assets	139.197.909	-	287.286.388	232.990.223	-	287.000.000

Level 3- Investment property Valuation

* The Company has continued a same valuation for the current year which has been performed by Mr. W. M. Chandrasena Chartered Valuation Surveyor as at 31 March 2019.

Date of valuation	31.03.2019
Valuation technique	- Direct Comparison Method
Significant unobservable inputs	- Estimated Price per sq.ft
	- Estimated Price per perch

35.2 Fair Value of Financial Assets & Liabilities Not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values of those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which Fair Value Approximates Carrying Value

Financial Assets and Liabilities that have a short term maturity. it is assumed that the carrying amounts approximate their fair values.

Fixed Rate Financial Instruments

The fair Value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments

Variable Rate Financial Instruments

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

Set out below is the comparison. by class. of the carrying amounts of fair values of the company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non- financial assets and non- financial liabilities.

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35. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

	2020 Rs.				2019 Rs.			
		Fair Value		Carrying		Fair Value		Carrying
FINANCIAL ASSETS	Level 1	Level 2	Level 3	Amount	Level 1	Level 2	Level 3	Amount
Financial Assets at amortised cost - Loans and Advances	-	2,570,008,891	-	2,256,781,975	-	2,920,791,004	-	2,612,784,135
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire		32,272,586,497	-	30,146,035,559		34,509,926,608	-	32,727,180,606
	-	34,842,595,388	-	32,402,817,534	-	37,430,717,612	-	35,339,964,741
FINANCIAL LIABILITIES								
Debt Instruments Issued and Other borrowed funds	-	20,382,343,176	-	19,904,826,651	-	24,241,928,905	-	24,216,354,239
	-	20,382,343,176	-	19,904,826,651	-	24,241,928,905	-	24,216,354,239

The following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value because, they are short-term in nature or re-price to current rated frequently:

FINANCIAL ASSETS

Cash and Cash Equivalents
Deposits with Licensed Commercial Banks
Financial Assets - Fair Value through Other Comprehensive Income
Other Financial Assets

FINANCIAL LIABILITIES

Bank Overdraft
Other Financial Liabilities

36. MATURITY ANALYSIS

An analysis of assets and liabilities based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is as follows

As at 31 March 2020	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
ASSETS						
Cash and Bank Balances	107,235,801	-	-	-	-	107,235,801
Deposits with Licensed Commercial Banks	2,234,456,144	-	-	-	-	2,234,456,144
Financial Assets at amortised cost - Loans and Advances	1,119,802,961	651,938,081	425,873,785	59,122,151	44,997	2,256,781,975
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	5,343,978,987	8,388,443,608	13,742,573,489	2,614,455,993	56,583,482	30,146,035,559
Financial Assets - Fair Value through Other Comprehensive Income	1,251,351	21,819,730	116,126,828	-	194,700	139,392,609
Other Financial Assets	219,138,662	-	524,850	-	-	219,663,512
Other Non Financial Assets	56,863,808	3,122,184	-	-	-	59,985,992
Investment Properties	-	-	-	-	287,286,388	287,286,388
Property, Plant & Equipment	-	-	-	-	96,473,120	96,473,120
Intangible Assets	-	-	-	-	29,937,256	29,937,256
Right of Use Assets	11,334,786	31,856,770	67,404,200	2,861,506	-	113,457,262
TOTAL ASSETS	9,094,062,500	9,097,180,373	14,352,503,152	2,676,439,650	470,519,943	35,690,705,618
LIABILITIES						
Bank Overdraft	123,919,985	-	-	-	-	123,919,985
Debt Instruments Issued and Other Borrowed Funds	5,815,922,189	10,481,892,840	1,760,149,472	1,846,862,150	-	19,904,826,651
Other Financial Liabilities	1,604,296,005	-	275,000	306,000	-	1,604,877,005
Other Non Financial Liabilities	55,959,630	22,820,254	56,726,363	20,634,872	10,670,714	166,811,833
Income Taxation Payable	-	194,298,493	-	-	-	194,298,493
Deferred Tax Liability	-	-	-	-	357,252,116	357,252,116
Retirement Benefit Obligations	-	-	-	-	82,560,039	82,560,039
TOTAL LIABILITIES	7,600,097,809	10,699,011,587	1,817,150,835	1,867,803,022	450,482,869	22,434,546,122

As at 31 March 2019	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
ASSETS						
Cash and Bank Balances	360,674,538	-	-	-	-	360,674,538
Deposits with Licensed Commercial Banks	679,147,648	2,039,345,525	-	-	-	2,718,493,173
Financial Assets at amortised cost - Loans and Advances	1,181,738,179	834,244,571	504,021,229	91,607,794	1,172,362	2,612,784,135
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	4,887,188,871	8,963,041,138	15,220,955,759	3,515,707,573	140,287,265	32,727,180,606
Financial Assets - Fair Value through Other Comprehensive Income	48,679,406	54,286,318	104,721,640	25,302,858	194,700	233,184,922
Other Financial Assets	77,953,384	50,000	974,850	-	-	78,978,234
Other Non Financial Assets	65,632,389	16,130,148	7,673,250	2,495,000	-	91,930,787
Investment Properties	-	-	-	-	287,000,000	287,000,000
Property, Plant & Equipment	-	-	-	-	125,778,272	125,778,272
Intangible Assets	-	-	-	-	46,828,103	46,828,103
TOTAL ASSETS	7,301,014,416	11,907,097,699	15,838,346,728	3,635,113,225	601,260,702	39,282,832,770
LIABILITIES						
Bank Overdraft	363,828,670	-	-	-	-	363,828,670
Debt Instruments Issued and Other Borrowed Funds	4,631,524,350	9,526,015,756	8,110,044,184	1,948,769,949	-	24,216,354,239
Other Financial Liabilities	1,432,721,107	-	-	-	-	1,432,721,107
Other Non Financial Liabilities	132,893,173	-	-	-	-	132,893,173
Income Tax Payable	218,821,625	355,200,309	-	-	-	574,021,934
Deferred Tax Liability	-	-	-	-	654,424,647	654,424,647
Retirement Benefit Obligations	-	-	-	-	67,459,943	67,459,943
TOTAL LIABILITIES	6,779,788,925	9,881,216,065	8,110,044,184	1,948,769,949	721,884,590	27,441,703,713

37. RISK MANAGEMENT

37.1 Introduction

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is exposed to credit risk, interest rate risk, liquidity risk, operational risk, the latter being subdivided into regulatory & compliance risk, reputation risk and environmental risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry.

The Company's policy is to monitor those business risks through the Company's strategic planning process

Impact of the Covid 19 Pandemic

The outbreak of COVID 19 has caused disruptions to business and economic activities, and had created a widespread uncertainty to the global and local economy.

The economic market uncertainty could have a significant adverse impact on the future operations of the Company and cause significant adverse changes to assets and liabilities of the Company. Further, economic downturn from local and global lockdown had a significant impact on the supply chain and almost all business in the country. However, management is continuously monitoring the impact of COVID-19 on its financial performance, finance position and cash flow of the Company. Therefore, Company has considered different possible outcomes to assess the possible impact from Covid 19 to the Company's operations and its liquidity position.

When the Company operates its business in prevailing situation in the country, Company has strictly adhered to the direction and guideline issued by the Government and Central Bank of Sri Lanka. The Company has offered relief measures in line with the direction issued by CBSL. This includes deferred repayment period of credit facilities.

37.1.1 Risk Management Structure

The board is primarily responsible for risk management initiatives. Integrated Risk Management committee (IRM), which is a sub-committee of the board has been established and delegated risk management responsibilities. This Committee plays a vital role in establishing best practices in relation to risk policies and practices within the company.

The quantum and level of risks that the company is willing to accept is decided at the Board Risk Committee level, and the decisions made by this committee is communicated to the Board of Directors. The Board ratifies the risk policies and risk tolerance levels agreed at the Integrated Risk Management Committee meetings.

The committee fulfills the requirement set out in the Finance Leasing Direction No. 4 of 2009 on Corporate Governance for Finance Leasing Establishments issued by Central Bank of Sri Lanka (CBSL) under Finance Leasing Act, No. 56 of 2000.

This Committee consists of such number of members, as the board may determine from time to time. The committee currently consists of membership of 1 Directors, Chief Executive Officer and key management personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.

In addition to the IRM Committee, Risk Management function is managed by Risk Management Unit (RMU). RMU is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. RMU is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on once in a two month, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

The Company's policy is to ensure that risk management processes throughout the Company are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit division discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Committee.

37.1.2 Risk measurement & Reporting System and Risk Mitigation

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk

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37. RISK MANAGEMENT (Contd...)

37.2 Credit Risk

Credit risk refers to the risk that borrowers will default on any type of debt by failing to make payments they are obligated to do. The risk of loss of principal or loss of a financial reward stems from a borrower's failure to repay a loan or otherwise meet a contractual obligation. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

37.2.1 Impairment Assessment

The Company recognises loss allowance using expected Credit losses (ECL) on loans and receivables and other financial instrument measured at amortised cost model using dual measurement approach which the loss allowance is measured as either 12-month expected credit losses or lifetime expected credit losses.

The ECL impairment is based on the credit losses expected to arise over the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the impairment is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default event on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Impact of the Covid 19 Pandemic

CA Sri Lanka has issued a guideline in connection with the estimation of expected credit loss for the financial assets as at 31 Marches 2020. This guideline allowed to use probability of default (PD), loss given default (LGD) and economic factor adjustment (EFA) computed as at 31 December 2019 in order to estimate the expected credit loss as at 31 March 2020 due to absent of the reliable information to reassess the above factors as at 31 March 2020. However, the Company reassessed the PD, LGD and EFA as at 28 February 2020 with the available information and these factors were used to estimate the expected credit loss as at 31 March 2020.

Definition of Default and Cured

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security or the borrower becomes 150 days past due on its contractual payments.

As a part of a qualitative assessment whether an individual significant customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay.

- Significant financial difficulty of the borrower or issuer
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise
- It is 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.
- The borrower is deceased

The Company's policy to re-classifies financial instruments out of the stage 3 when non of the default criteria have been presented and the borrower is no longer considered as none performing in accordance with the directives of the Central Bank. Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure.

Significant Increase in Credit Risk

The Company continuously monitors all loan and lease portfolio subject to ECLs. In order to determine whether a portfolio is subject to 12mECL or LTECL, the Company assesses whether there has been significant increase in credit risk since initial recognition. The Company considers an exposure to have a significant increase credit risk when it is past due for equal or more than 30 days.

37. RISK MANAGEMENT (Contd...)

37.2 Credit Risk

Calculation of ECL

ECL is a probability weighted estimate of credit losses. Credit losses are measured 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). ECL is discounted at the effective interest rate of the financial asset

Individually assessed allowances

The Company reviews their individually significant loans and advances at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the statement of 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, resulting in future changes to the impairment allowance.

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether 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 in to account data from the loan portfolio (such as levels of arrears, credit utilization, loan-to-collateral ratios, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, inflation and interest rates.)
The criteria used to determine whether there is objective evidence include:

- Past due contractual payments of either principal or interest
- The probability that the borrower will enter bankruptcy or other financial realisation
- A significant downgrading in credit rating by an external credit rating agency
- known cash flow difficulties experienced by the borrower
- Current economic conditions of the borrower
- Any other legal proceedings against the borrower

Impairment losses are calculated by discounting the expected future cash flows of loans and receivables at its original effective interest rate and comparing the resultant present value with the loans and receivables current carrying amount. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively assessed allowances

The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) and futuristic economic data (such as economic conditions, unemployment levels and local or industry–specific problems).

The Company applies three-stage approach to measuring expected credit losses (ECL) on Loans and receivables and other financial assets measred at amortised cost. Assets migrate through the three stages based on the change in credit quality since initial recognition.

37.2.1.1 Assessment of provision for impairment

37.2.1.1 (a) Analysis of the total provision for impairment is as follows.

As at 31 March 2020	Note	Stage 1	Stage 2	Stage 3	Total
Deposits with Licensed Commercial Banks	14.1	2,761,363	-	-	2,761,363
Financial assets at amortised cost - Loans and Advances	15.1	44,576,702	42,543,043	125,940,547	213,060,292
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	16.1	267,914,665	231,764,845	272,571,365	772,250,875
Other Charges Receivable from Client	18.2.1	1,619,000	214,127	122,164	1,955,291
Total provision for impairment		316,871,730	274,522,015	398,634,076	990,027,821

As at 31 March 2019	Note	Stage 1	Stage 2	Stage 3	Total
Deposits with Licensed Commercial Banks	14.1	868,331	-	-	868,331
Financial assets at amortised cost - Loans and Advances	15.1	35,013,598	15,361,860	141,988,273	192,363,731
Financial assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	16.1	171,447,968	158,112,742	217,202,885	546,763,595
Other Charges Receivable from Client	18.2.1	751,463	199,141	73,297	1,023,901
Total provision for impairment		208,081,360	173,673,743	359,264,455	741,019,558

37. **RISK MANAGEMENT (Contd...)**

37.2.1.1 **Assessment of provision for impairment (Contd...)**

37.2.1.1 (b) **Movement of the total provision for impairment during the period**

	2020 Rs.	2019 Rs.
Balance as at 1st April	741,019,558	488,793,553
Impairment Reversal - Specific Provion	-	(2,647,459)
Net charge to profit or loss	249,008,263	254,873,464
Balance as at 31st March	990,027,821	741,019,558

37.2.1.2 **Sensitivity Analysis : Impact of staging of loans on collective allowance for expected credit losses**

The Company has estimated the impairment provision on loans and advances to other customers as at March 31, 2020, subject to various assumptions. The changes to such assumptions may lead to changes in inputs used for the computation of the impairment provision.

The following table demonstrates the sensitivity of the impairment provision of the Company as at March 31, 2020 to a reasonably possible change in PDs, LGDs and forward looking information.

Sensitivity on ECL	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Income Statement
	Stage 1	Stage 2	Stage 3	Total	
PD 1% increase across all age buckets	48,810,764	9,504,652	-	58,315,416	(58,315,416)
PD 1% decrease across all age buckets *	(60,856,062)	(9,385,996)	-	(70,242,058)	70,242,058
LGD 5% increase	46,153,135	46,356,044	-	92,509,179	(92,509,179)
LGD 5% decrease *	(59,456,076)	(46,237,388)	-	(105,693,464)	105,693,464

* The PD/LGD decrease is capped to 0%, if applicable.

37.2.2 **Analysis of Maximum Exposure to Credit Risk**

The following table shows the maximum exposure to credit risk by class of financial assets and fair value of collateral held by the Company.

	2020		2019	
	Maximum Exposure to credit Risk Rs.	Net Exposure Rs.	Maximum Exposure to credit Risk Rs.	Net Exposure Rs.
Cash and Bank Balance	107,235,801	89,962,348	360,674,538	94,098,401
Deposits with Licensed Commercial Banks	2,234,456,144	2,234,456,144	2,718,493,173	2,718,493,173
Financial Assets at amortised cost - Loans and Advances	2,256,781,975	-	2,612,784,135	-
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	30,146,035,559	-	32,727,180,606	-
Financial Assets - Fair Value through Other Comprehensive Income	139,392,609	139,392,609	233,184,922	233,184,922
Other Financial Assets	219,663,512	147,331,131	78,978,234	29,456,244
	35,103,565,600	2,611,142,232	38,731,295,608	3,075,232,740

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37. RISK MANAGEMENT (Contd...)

37.2.3 Credit Quality by class of Financial Assets

As at 31 March 2020	Neither Past due nor impaired *	Past due but not impaired *	Individually Impaired	Total
	Rs.	Rs.	Rs.	
Assets				
Cash and Bank Balances	107.235.801	-	-	107.235.801
Deposits with Licensed Commercial Banks	2.234.456.144	-	-	2.234.456.144
Financial Assets at amortised cost - Loans and Advances	1.996.103.822	473.738.445	-	2.469.842.267
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	15.189.710.772	15.695.688.477	32.887.185	30.918.286.434
Financial Assets - Fair Value through Other Comprehensive Income	139.392.609	-	-	139.392.609
Other Financial Assets	162.090.467	59.436.275	92.061	221.618.803
Total	19.828.989.615	16.228.863.197	32.979.246	36.090.832.058

* Collectively assessed for impairment

Aging analysis of past due(i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

As at March 2020	Past due but not impaired				
	Less than 30	31 to 60 days	61 to 90 days	More than 91	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets at amortised cost - Loans and Advances	119.464.992	81.358.019	49.988.787	222.926.647	473.738.445
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	6.793.015.143	4.859.851.583	2.532.340.552	1.510.481.199	15.695.688.477
Other Financial Assets	11.599.103	10.298.207	8.722.705	28.816.260	59.436.275
	6.924.079.238	4.951.507.809	2.591.052.044	1.762.224.106	16.228.863.197

As at 31 March 2019	Neither Past due nor impaired *	Past due but not impaired *	Individually Impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash and Bank Balances	360.674.538	-	-	360.674.538
Deposits with Licensed Commercial Banks	2.718.493.173	-	-	2.718.493.173
Financial Assets at amortised cost - Loans and Advances	2.288.174.113	442.718.440	74.255.314	2.805.147.867
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	16.680.162.644	16.593.688.903	92.655	33.273.944.202
Financial Assets - Fair Value through Other Comprehensive Income	233.184.922	-	-	233.184.922
Other Financial Assets	29.456.244	50.367.378	178.512	80.002.133
Total	22.310.145.634	17.086.774.721	74.526.481	39.471.446.836

* Collectively assessed for impairment

37. RISK MANAGEMENT (Contd...)

37.2.3 Credit Quality by Class of Financial Assets (contd.)

Aging Analysis of past due(i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets

As at March 2019	Past Due but Not Impaired				
	Less than 30 Rs.	31 to 60 days Rs.	61 to 90 days Rs.	More than 91 Rs.	Total Rs.
Financial Assets at amortised cost - Loans and Advances	189.470.768	43.915.136	28.953.677	180.378.859	442.718.440
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	8.411.910.512	4.696.885.246	2.017.766.109	1.467.127.036	16.593.688.903
Other Financial Assets	17.830.533	7.539.433	4.158.534	20.838.878	50.367.378
	8.619.211.813	4.748.339.815	2.050.878.320	1.668.344.773	17.086.774.721

37.2.4 Analysis of Risk Concentration

The following table shows the risk concentration by sector for the Financial Assets components of the Statement of Financial Position.

As at March 2020	Cash and Bank Balances	Deposits with Licensed Commercial Banks	Financial Assets at amortised cost - Loans and Advances	Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	Financial Assets - Fair Value through Other Comprehensive Income	Other Financial Assets
Agriculture	-	-	24.177.123	5.473.655.743	-	13.762.884
Construction	-	-	45.314.323	1.226.847.857	-	3.268.904
Conversion Category - Undefined	-	-	-	1.646.068	-	-
Industry & Manufacture	-	-	93.464.951	394.411.139	-	795.957
Services	-	-	584.289.688	17.127.709.447	-	39.987.281
Tourism	-	-	49.657.046	244.170.869	-	754.763
Trading	-		1.642.966.667	1.994.440.994	-	5.294.613
Transport	-	-	29.431.161	4.453.943.947	-	10.382.738
Bank & Finance	107.235.801	2.237.217.507	-	-	-	-
Government	-	-	-	-	139.392.609	-
Others	-	-	541.308	1.460.370	-	147.371.663
Less: allowance for impairment	-	(2.761.363)	(213.060.292)	(772.250.875)	-	(1.955.291)
Total	107.235.801	2.234.456.144	2.256.781.975	30.146.035.559	139.392.609	219.663.512

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37. RISK MANAGEMENT (Contd...)

37.2.3 Credit Quality by Class of Financial Assets (contd...)

As at March 2019	Cash and Bank Balances	Deposits with Licensed Commercial Banks	Financial Assets at amortised cost - Loans and Advances	Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	Financial Assets - Fair Value through Other Comprehensive Income	Other Financial Assets
Agriculture	-	-	40,165,560	5,974,981,633	-	11,698,771
Construction	-	-	94,555,644	1,085,023,164	-	1,947,540
Conversion Category - Undefined	-	-	-	2,017,644	-	-
Industry & Manufacture	-	-	105,526,835	291,333,430	-	259,266
Services	-	-	708,588,984	18,194,803,034	-	25,258,092
Tourism	-	-	34,254,028	195,985,001	-	247,118
Trading	-		1,783,087,357	1,953,512,127	-	2,959,507
Transport	-	-	38,697,626	5,570,618,172	-	8,152,352
Bank & Finance	360,674,538	2,719,361,504	-	-	-	-
Government	-	-	-	-	233,184,922	-
Others	-	-	271,832	5,669,996	-	29,479,490
Less: allowance for impairment	-	(868,331)	(192,363,731)	(546,763,595)	-	(1,023,901)
Total	360,674,538	2,718,493,173	2,612,784,135	32,727,180,606	233,184,922	78,978,234

37.3 Interest Rate Risk

Interest rate risk refers to the variability in value borne by an interest-bearing asset, such as a loan or a bond, due to variability of interest rates. In general, as rates rise, the price of a fixed rated bond or Loan Portfolio will fall, and vice versa. Asset liability management is a common name for the complete set of techniques used to manage interest rate risk within a general enterprise risk management framework.

The fluctuation of interest rates is an external factor which is beyond the control of the company. Assetline leasing though is affected by movements in interest rates to the extent that its asset / liability mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets. This in turn affects Net Interest income and Net Interest Yields.

Interest rate risk analysis is almost always based on simulating movements in one or more yield curve. The strategy of the company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels.

In setting the Tolerance levels for Interest rate risk, the following metrics are used.

• Minimum Net Interest Spread: In order to maintain the required Net Interest Spread at the budgeting level the required ROA, ROE are inputs. Further the NPL ratios for different categories of assets are used as a proxy for setting the risk premium.

• Setting the proportion of Variable Rated Borrowing's within the Overall Borrowing Mix. This would be set by using the extent to which Budgeted Net Interest Income (NII) is affected by the extensive use of Variable Rated Borrowings.

• Setting the Lending to Borrowing ratio in order to maintain gearing at the desired levels

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37. RISK MANAGEMENT (contd...)

37.3.1 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's Income Statement & Equity.

Currency of Borrowings/ Advance	Increase (Decrease) in basis points	Sensitivity of profit and loss(Before Tax)	Sensitivity of equity
	%	Rs. Mn	Rs. Mn
Long Term Loans linked to AWPLR - 2020	+1/ (-1)	(16)/ 16	(16)/ 16
Long Term Loans linked to AWPLR - 2019	+1/ (-1)	(20)/ 20	(20)/ 20

The base ratio considers in the Interest Rate Sensitivity Analysis is the AWPLR. Since 74.63% of total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Statement of Profit or loss and to Equity.

37.3.2 Interest rate Risk

Interest rate risk exposure on non trading Financial Assets and Liabilities

The table below analyses the company's interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual re-pricing or maturity dates.

As at 31 March 2020	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Cash and Bank Balances	38,695,755	-	-	-	-	68,540,046	107,235,801
Deposits with Licensed Commercial Banks	2,234,456,144	-	-	-	-	-	2,234,456,144
Financial Assets at amortised cost - Loans and Advances	1,119,802,961	651,938,081	425,873,785	59,122,151	44,997	-	2,256,781,975
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	5,343,978,987	8,388,443,608	13,742,573,489	2,614,455,993	56,583,482	-	30,146,035,559
Financial Assets - Fair Value through Other Comprehensive Income	1,251,351	21,819,730	116,126,828	-	-	194,700	139,392,609
Other Financial Assets	72,332,381	-	-	-	-	147,331,131	219,663,512
Total Liabilities	8,810,517,579	9,062,201,419	14,284,574,102	2,673,578,144	56,628,479	216,065,877	35,103,565,600

37. RISK MANAGEMENT (contd...)

37.3.2 Interest rate Risk (Contd...)

As at 31 March 2020	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Liabilities							
Bank Overdraft	123,919,985	-	-	-	-	-	123,919,985
Debt Instruments Issued and Other Borrowed Funds	16,655,524,915	1,259,204,840	443,015,910	1,547,080,986	-	-	19,904,826,651
Other Financial Liabilities	-	-	-	-	-	1,604,877,005	1,604,877,005
Total Liabilities	16,779,444,900	1,259,204,840	443,015,910	1,547,080,986	-	1,604,877,005	21,633,623,641
Total Interest Sensitivity Gap	(7,968,927,321)	7,802,996,579	13,841,558,192	1,126,497,158	56,628,479	(1,388,811,128)	13,469,941,959

As at 31 March 2019	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Cash and Bank Balances	4,707,982	-	-	-	-	355,966,556	360,674,538
Deposits with Licensed Commercial Banks	679,147,648	2,039,345,525	-	-	-	-	2,718,493,173
Financial Assets at amortised cost - Loans and Advances	1,181,738,179	834,244,571	504,021,229	91,607,794	1,172,362	-	2,612,784,135
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	4,887,188,871	8,963,041,138	15,220,955,759	3,515,707,573	140,287,265	-	32,727,180,606
Financial Assets - Fair Value through Other Comprehensive Income	48,679,406	54,286,318	104,721,640	25,302,858	-	194,700	233,184,922
Other Financial Assets	49,521,989	-	-	-	-	29,456,245	78,978,234
Total Liabilities	6,850,984,075	11,890,917,552	15,829,698,628	3,632,618,225	141,459,627	385,617,501	38,731,295,608
Liabilities							
Bank Overdraft	363,828,670	-	-	-	-	-	363,828,670
Debt Instruments Issued and Other Borrowed Funds	22,229,707,079	-	93,015,910	1,893,631,251	-	-	24,216,354,239
Other Financial Liabilities	-	-	-	-	-	1,432,721,107	1,432,721,107
Total Liabilities	22,593,535,749	-	93,015,910	1,893,631,251	-	1,432,721,107	26,012,904,016
Total Interest Sensitivity Gap	(15,742,551,672)	11,890,917,551	15,736,682,719	1,738,986,975	141,459,628	(1,047,103,606)	12,718,391,593

37. RISK MANAGEMENT (contd...)

37.4 Liquidity Risk

Liquidity risk refers to the availability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments. Liquidity risk is financial risk due to uncertain liquidity. An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. In addition, the Company maintains the liquidity ratio prescribed by Central Bank of Sri Lanka.

Impact of the Covid 19 Pandemic

Management considered different possible outcomes to assess the possible impact from Covid 19 to the company's operations and forecast cash flows in order to absorb sudden liquidity shock to comply financial covenant and CBSL liquidity requirement. The factors considered to evaluate liquidity position of the Company are unused credit lines, customer collection ratios, availability of negotiate borrowing facilities to meet short term needs, restructure operations to reduce operating costs and defer capital expenditure. The Company maintains above average for all regulatory required liquidity ratios, although Covid 19 pandemic has impact to the Company's liquidity position.

37.4.1 Statutory Liquid Asset Ratio

As per the requirements of Finance Leasing (Liquid Assets) Direction No. 04 of 2012, Company has to maintain minimum liquid assets, not less than 10% of Total Liabilities and Off Balance Sheet items excluding liabilities to Shareholders, securitizations & Asset backed Long Term Borrowings.

As at 31st March 2020, the Company maintained Statutory Liquid Asset ratio at 11.36%. (As at 2019- 12.13%)

37.4.2 Contractual maturities of Undiscounted Cash flows of Financial Assets & Liabilities

The table below analyses the company's internal interest rate risk exposure on non- trading financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

As at 31 March 2020	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
Assets							
Cash and Bank Balances	38,695,755	-	-	-	-	68,540,046	107,235,801
Deposits with Licensed Commercial Banks	2,286,656,603	-	-	-	-	-	2,286,656,603
Financial Assets at amortised cost - Loans and Advances	1,212,717,284	783,915,103	523,476,389	67,824,313	46,010	-	2,587,979,099
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	7,232,058,019	12,796,646,359	18,420,684,479	3,081,251,755	61,580,880	-	41,592,221,492
Financial Assets - Fair Value through Other Comprehensive Income	1,251,351	22,279,222	118,410,367	-	-	194,700	142,135,640
Other Financial Assets	72,332,381	-	-	-	-	147,331,131	219,663,512
Total Financial Assets	10,843,711,393	13,602,840,684	19,062,571,235	3,149,076,068	61,626,890	216,065,877	46,935,892,147
Liabilities							
Bank Overdraft	123,919,985	-	-	-	-	-	123,919,985
Debt Instruments Issued and Other	17,857,234,007	1,355,281,839	704,576,184	2,771,401,191	-	-	22,688,493,221
Other Financial Liabilities	-	-	-	-	-	1,604,877,005	1,604,877,005
Total Financial Liabilities	17,981,153,992	1,355,281,839	704,576,184	2,771,401,191	-	1,604,877,005	24,417,290,211

37. RISK MANAGEMENT (contd...)

As at 31 March 2019

	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
Assets							
Cash and Bank Balances	4,707,982	-	-	-	-	355,966,556	360,674,538
Deposits with Licensed Commercial Banks	755,300,824	2,070,208,767	-	-	-		2,825,509,591
Financial Assets at amortised cost - Loans and Advances	1,282,692,493	995,796,815	624,875,021	107,081,560	1,228,388	-	3,011,674,277
Financial Assets at amortised cost - Lease Rentals Receivable & Stock Out on Hire	6,856,788,193	13,538,801,845	20,331,575,246	4,113,651,072	155,560,797	-	44,996,377,153
Financial Assets - Fair Value through Other Comprehensive Income	48,720,822	56,067,663	111,058,795	24,440,482	-	194,700	240,482,462
Other Financial Assets	49,521,989	-	-	-	-	29,456,245	78,978,234
Total Financial Assets	8,997,732,303	16,660,875,090	21,067,509,062	4,245,173,114	156,789,185	385,617,501	51,513,696,255
Liabilities							
Bank Overdraft	363,828,670	-	-	-	-	-	363,828,670
Debt Instruments Issued and Other Borrowed Funds	11,318,239,585	4,418,474,638	8,856,353,956	3,284,241,781	-	-	27,877,309,960
Other Financial Liabilities	-	-	-	-	-	1,432,721,107	1,432,721,107
Total Financial Liabilities	11,682,068,255	4,418,474,638	8,856,353,956	3,284,241,781	-	1,432,721,107	29,673,859,737

37.5 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud 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 endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

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38. CAPITAL

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka. Accordingly, Company needs to maintain minimum tier 1 core capital ratio of 6.5% and total capital adequacy ratio of 10.5% as at 31 March 2020. The Company has always maintained capital adequacy ratio above the minimum regulatory requirement.

Capital Management

The primary objective of Company's capital management policy are to ensure that the company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholder's value.

39. COMMITMENT AND CONTINGENT LIABILITIES

39.1 There were no material contingent liabilities outstanding as at the reporting date.

39.2 Commitment

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

39.2.1 Operating Lease Commitments - As the Lessee

	2020 Rs.	2019 Rs.
Less than 1 year	-	99,017,522
01 - 05 years	-	119,436,226
Total	-	218,453,748

39.2.2 Un - Utilised Facilities

	2020 Rs.	2019 Rs.
Margin trading	79,862,894	41,521,796
Trade Finance	3,172,750	-
Total Commitment	83,035,644	41,521,796

40. EVENTS OCCURRED AFTER THE REPORTING DATE

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. No circumstances have arisen since the reporting date which would require adjustment or disclosure in the Financial Statements.

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