SMB LEASING PLC

ANNUAL REPORT 2021

Our Mission

Our mission is to be an excellent provider of innovative financial products and services aimed at creating and enhancing the wealth of our society.

Our Corporate Objectives

To provide an excellent service to our customers.

To enhance shareholders' wealth by means of stable and attractive returns.

To develop highly satisfied and motivated employees at all levels who will make an effective and efficient contribution towards the economic development of Sri Lanka.

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About This Report

The Company Profile

SMB Leasing PLC is a Specialised Leasing Company established in 1992 and listed in the Colombo Stock Exchange. The Company operates only in Sri Lanka with the Head Office located in Colombo. The Company is primarily engaged in providing finance leases, mortgage loans, personal loans and gold loans. Corporate information is given on the inner back cover of this report.

Annual Report

The Annual Report comprises reports covering the Company's operations for the financial year ended December 31, 2021. Wherever relevant, the preceding year's performance and indicators have been reflected for comparative analysis.

Reporting Framework

The annual financial statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS) issued by the Institute of Chartered Accountants of Sri Lanka. Financial and non-financial information presented, where applicable, conform to the requirements of the Companies Act No. 7 of 2007, the Finance Leasing Act No. 56 of 2000 as amended by Finance Leasing (Amendment) Act No 24 of 2005 and subsequent amendments thereon, the Listing Rules of Colombo Stock Exchange, the Directions issued by the Central Bank of Sri Lanka and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

External Assurance and Test of Compliance

The financial statements were audited by M/s. KPMG, Chartered Accountants and their Report is given on pages 084 to 086 of this report.

Presentation

Printed copies of this report will be posted to only those who request for the same in writing. This report will be made available on the official website of the Company www.smblk.com in PDF format.

Contact

Questions and inquiries on this Annual Report 2021 and information presented therein are to be directed to:

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Key Highlights of the Year

TOTAL ASSETS	Rs. million	3,990
INTEREST INCOME	Rs. million	170
PROFIT AFTER TAX	Rs. million	53
NET ASSETS PER SHARE	Cents	0.034
OPERATING INCOME	Rs. million	250
BASIC EARNINGS PER SHARE	Rs.	0.01
INVESTMENT PROPERTIES	Rs. million	143
LOANS AND ADVANCES	Rs. million	1,115
SHAREHOLDERS' FUNDS	Rs. million	3,252
TOTAL LIABILITIES	Rs. million	738
STATUTORY RESERVES	Rs. million	38
RETAINED EARNINGS	Rs. million	122

Chairman's Message

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of SMB Leasing PLC for the financial year ended December 31, 2021.

Financial year 2021 began with multi dimensional challenges stemming from pandemic related disruptions and significant balance of payment challenges. At present the economic outlook remains uncertain due to fiscal and external in-balances. The policy makers are taking urgent measures to address high level of debt and restore external stability. In 2021, the real GDP expanded by 3.5 percent thanks to the significant contribution from the manufacturing, financial services, construction and real estate activities. Low tourism income coupled with accelerated inflation compounded the vulnerabilities that continued from the previous year. During the latter part of 2021 the foreign currency remittance from migrated workers shifted towards informal channels which resulted in gradual depletion of the country's foreign reserves.

With the continuation of the COVID-19 pandemic our business was operated under conditions of limited mobility. The Central Bank of Sri Lanka provided unprecedented support to pandemic effected businesses by continuing the debt moratoria that was introduced in the last year. The Company contributed to these efforts by providing debt moratoria to our valuable customers who were facing pandemic led disruptions. While supporting our customers we made significant progress against the strategic priorities by focusing on high yield products and recorded the highest disbursement value in the history of the Company by simplifying the value chain of the organization.

Due to the moratoria schemes implemented by the Central Bank of Sri Lanka the Company was compelled to suspend all forms of recovery action till March 2022. Since April 2022 the Company has put in place robust recovery initiatives to collect monies defaulted which will have a positive bottom-line impact in the year 2022.

Measures were also taken to ensure safety of our staff who were invariably exposed to various elements of risks while performing duties during this pandemic.

Despite unfavorable economic and business conditions, the Company managed to record a total asset base of Rs. 3.9 billion by end of 2021 which is the highest total assets the Company has recorded since its inception.

In December 2021 the Company received in-principle approval from the Monetary Board of the Central Bank of Sri Lanka to upgrade its self to a Licensed Financed Company. The Board has prepared several changes to facilitate this upgrading and I am confident that our shareholders will endorse these initiatives taken by the Board in the upcoming Extra Ordinary General Meeting. In parallel to the aforementioned upgrade we are also planning to expand our branch network in the year 2022 to reach a wide customer base covering several provinces of the country. The Company will also commence real estate business in the year 2022 in order to increase the product mix of the Company thereby providing positive return to the shareholders. With our competitive strategies we are confident of capitalizing the opportunities that are ahead of the Company upon obtaining the Finance Business License.

The current domestic and global developments inevitably post many challenges to the finance sector. However, the Company is well positioned to safeguard its self against these vulnerabilities due to the core competence that it had developed over the last several years. We wish to initially build a niche market in the licensed finance sector and gradually grow the Company to become one of the leading Licensed Finance Companies in the next five years.

I am confident that 2022 will present considerable growth opportunities given the country's remarkable resilience and its ability to emerge from various crisis's which has been demonstrated time and again in the past.

The Board will provide leadership to the Company's transformation to a formulatable force in the finance industry in this endeavor.

I am delighted to welcome Mr. Anura Chandrasiri to the Board as an Independent Non Executive Director. Mr. Chandrasiri brings a wealth of experience including legal, risk management and operations.

The Board is ever mindful of its statutory, fiduciary and regulatory responsibilities. Our commitment to uphold strong and effective corporate governance is a fundamental part of the business management. As a part of this commitment, we nurture a respectful working environment for all employees of the Company with zero tolerance policy for any violation of the employee Code of Conduct. During 2021, all Board Sub Committees conducted meetings regularly to discuss pending matters in detail and recommended necessary actions required to be taken.

The Board strives to enhance shareholder value and provide an acceptable return for their investments whilst retaining sufficient resources for business growth.

As I conclude, I wish to express my gratitude to my colleagues on the Board for their consistent support, keen participation, invaluable counsel, and insightful guidance extended at all times and their valued expertise shared to drive the Company forward. I wish to specifically commend the Chief Executive Officer and the Corporate Management team who provided exemplary leadership and boundless energy to drive our strategies for growth and business excellence. My heartfelt thanks to each and every member of the staff for their unconditional efforts, commitment and dynamism which allowed the Company to overcome challenges in 2021 and continue its journey towards upgrading its self to a Licensed Finance Company. I look forward to their continued support in sustaining the growth trajectory of the Company in 2022 and beyond.

I wish to place on record, my appreciation to the Central Bank of Sri Lanka as the industry regulator for their continuous support and advice to direct the Company to a more sustainable future that is built on a foundation of strong ethics and good governance. I also wish to extend my sincere gratitude to the shareholders and all other stakeholders for the steadfast support and confidence placed in us.

As we aspire to transform this Company into a leading financial institution in the country in the years to come, I look forward to your continued patronage in the future.

Ravi Wijeratne
Chairman

Colombo
May 31, 2022

Chief Executive Officer's Message

The Company began 2021 amidst the continued unprecedented global pandemic coupled with economic concerns fueled by foreign exchange shortfalls which were prevalent throughout 2021. Amidst these unpredictabilities, our overall strategic transformation progressed well during the year and the Company responded to the challenging operating environment with renewed hope and optimism. Throughout the year the courage and resilience of our staff has been remarkable which resulted in improved financial performance in 2021. It is therefore my pleasure to present to you the annual report for the financial year ended December 31, 2021.

With the Sri Lanka's economy remaining under pressure with the aftereffects of the pandemic which compounded the pre-pandemic vulnerabilities, the 2021 financial year was an exceptionally turbulent one. In this context, the non-banking financial sector played a critical role in anchoring financial stability for small and medium enterprises thereby creating an environment to support the economic growth. Sri Lanka's economic recovery was negatively impacted by rising inflation and pressure on the exchange rates due to the depleted foreign exchange reserves. Though the government imposed fiscal and monetary policy measures to revive the economy, the debt obligations and sharp drop in tourism earnings and decrease in worker remittances resulted in a rapid erosion of the country's gross foreign reserves. In the latter part of 2021 the rupee depreciated substantially due to the flexible exchange rate policy.

The profit after tax of the Company increased by 175 percent for the year ended December 31, 2021. This is despite of over Rs. 90 million deferments in the interest income for the year 2021 due to the moratoria granted to the customers. The interest expense as a percentage of interest income reduced from 38 percent to 30 percent in the year under review due to the effective risk management measures taken by the Company. Additional allowance for expected credit losses had to be incorporated to the 2021 statement of profit and loss due to the recent economic and political uncertainties that are prevailing in the country. Nevertheless, the Company managed to achieve total earnings of Rs. 76 million for the year 2021. Pawning continues to be the most profitable line of business and the Company expects the same trend to continue in 2022. The total assets of the Company was over Rs. 3.9 billion at the end of 2021 which is the highest asset value recorded by the Company since its inception. Another noteworthy achievement of the year is the achievement of a core capital over Rs. 3 billion which surpasses the minimum core capital of Rs. 2.5 billion that is required to obtain the Finance Company License.

Over the last two years, the Company became more resilient to operational challenges in the external environment by adopting a pragmatic approach to discover opportunities. Our business lines are more streamlined than it was several years ago. With the cessation of the debt moratorium in March 2022, robust recovery strategies have been implemented with increased focus on willful defaulters. Legal action is been initiated in house to coincide with recovery initiatives. Further, lending initiatives in 2022 have been carefully implemented using a tight credit evaluation approach. These efforts are expected to improve both top line and bottom line in 2022.

Successful completion of the rights issue during a COVID-19 lockdown signaled the shareholder and investor confidence in the growth trajectory set out by the management. The capital raised in the rights issue enhanced the Company's core capital beyond 3 billion crossing the 2.5 billion core capital that is required of a licensed finance company. It also improved the liquidity position and capital adequacy ratio of the Company. With the increased capital structure post rights issue provides a solid platform for the Company to transform itself to a licensed finance company and create long-term value for our shareholders.

The main priorities for 2022 is to obtain the Finance Business License and increase the company's reach by opening several new branches covering five districts. This will enhance the company's customer reach and positively contribute towards portfolio expansion.

The low cost funds sourced through the rights issue will also foster a considerable portfolio expansion in 2022 and facilitate a prosperous growth allowing the Company to further penetrate the markets and provide substantial returns to the shareholders in years 2022 and beyond. The Company underscores its commitment to reward our longstanding shareholders who have been with the Company during tough times.

We are fortified by a sustainable business model, talented and dedicated people at every level of the organization, an effective and clear strategy, ethical and respectful working culture with integrity and transparency at its core.

Operational efficiency and human resource development initiatives continue to further boost the overall performance of the Company. All operational processes of the company have been re-engineered to increase efficiency with an embedded customer focus. This has allowed the Company to adapt and drive change in the business model while facing the challenges from the operating environment and the economy. With the lessons learnt from lockdowns and restrictions of mobility, the Company is in the process of investing for a fully integrated remote work arrangement which will assist the staff to provide seamless services to our valuable customers.

We have a highly dedicated team with an admirable attitude and commitment which in my view is the biggest strength of the Company. Our team strives for excellence in order to create value for our shareholders and customers whilst maintaining an ethical and respectful work environment fulfilling all statutory, fiduciary and regulatory responsibilities. As disclosed in the Human Capital Report, discipline, honesty, integrity, fairness, responsibility, transparency and accountability plays an integral role in our work culture. As we continue towards expansion and growth, the Company's intense scrutiny and focus on regulatory aspects of business remain tighter than ever. In 2022, we continue to work closely with auditors and regulators to ensure compliance in the transition to a licensed finance company.

I would like to convey my sincere appreciation to our Chairman Mr. Ravi Wijeratne and the Board of Directors for their invaluable advice, guidance, constant support and the confidence placed in me. My heartfelt thanks to my Corporate Management team for their positive attitude, creativity, boundless energy, continuous counsel and advice which have enriched the decisions taken at the top management to drive our strategies for growth and business excellence.

I am grateful to all our team members for their commitment and dedication and to the families of all employees for the support extended to make our journey a success. Also, I would like to extend my heartfelt gratitude to our customers for their loyal patronage and shareholders for their unwavering support. I wish to respectfully thank the financial and other regulatory authorities including Central Bank of Sri Lanka, Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standards Monitoring Board for their support and cooperation.

While profitability will always be our core concern, the last two years have redefined the path to success and value creation. While it is difficult to completely anticipate the risks and opportunities offered in the current operating environment, the Company is confident that it has the experience, ability, and resources to rise to the occasion and deliver value to our shareholders in our journey towards sustainable growth.

Supul Wijesinghe
Chief Executive Officer

Colombo
May 31, 2022

MANAGEMENT DISCUSSION & ANALYSIS

Economic Outlook & Business Environment

Overview of Global Economic and Business Environment*

In the backdrop of the pandemic resurgence, the global economic recovery continued to regain its momentum. This is aided by accommodative fiscal and monetary policies. However, the global growth is expected to moderate in 2022 and inflation is expected to persist longer. As per the recent developments have made it abundantly clear that the pandemic will have prolonged impacts in to medium term and will result in a drop in global GDP by a cumulative USD 5.3 trillion over the next five years as per the projections by economists. Furthermore, the climate change together with pandemic threaten to exacerbate the economic divergences among the world's economies. As per world economic outlook forecast the global economy is expected to grow 5.9 percent in 2021 and 4.9 percent in 2022. The reasons for the downward trend in the advanced economies is due to supply disruptions and for developing economies is due to low income levels. However, the overall dip in the economies is due to worsening pandemic dynamics. Nevertheless, the impacts are partially offset by stronger near-term prospects such as commodity exports to emerging markets and to developing economies. Although, employment is generally expected to continue lagging the recovery in output.

In mitigating the adverse health impacts of COVID-19 pandemic vaccination rollouts proven to be very effective. However, unequal access to vaccines, vaccine hesitancy, and higher infectiousness have left many people still susceptible and providing fuel to the spread of the pandemic. The highly transmissible Delta and omicron variants and emergence of new variants undermine vaccine effectiveness and made the future of the recovery uncertain. This resulted implications for the resilience of a recovery already in uncharted territory, characterized by pandemic induced supply demand mismatches that could worsen with a more protracted health crisis.

Gaps in expected recoveries across economies have widened since the July forecast, for instance between advanced economies and low-income developing countries. As recoveries proceed, the risks of derailments and persistent scarring in heavily impacted economies remain so long as the pandemic continues.

Meanwhile, inflation has increased markedly in the United States and some emerging market economies. As restrictions are relaxed, demand has accelerated, but supply has been slower to respond. Commodity prices have also risen significantly from their low levels of last year. Although price pressures are expected to subside in most countries in 2022, inflation prospects are highly uncertain. These increases in inflation are occurring even as employment is below pre-pandemic levels in many economies, forcing difficult choices on policymakers particularly in some emerging market and developing economies.

In respect of the global trade despite temporary disruptions, trade volumes are expected to grow almost 10 percent in 2021, moderating to about 7 percent in 2022 in line with the projected broader global recovery as stated in the world economic outlook. Trade growth is projected to moderate to about 3.5 percent over the medium term. The overall trade recovery masks a subdued outlook for tourism-dependent economies and cross-border services more generally. As stated in the October 2020 WEO, countries where tourism and travel account for a larger share of GDP are projected to suffer larger declines in activity compared to pre–COVID-19 forecasts. Travel restrictions and lingering fears of contagion are likely to weigh on cross-border tourist activity until virus transmission declines durably.

Oil prices rose 13.9 percent between February and August 2021 on the rapid economic recovery in advanced economies. In light of falling global inventories, OPEC+ (Organization of the Petroleum Exporting Countries, plus Russia and other non-OPEC oil exporters) agreed in July to gradually phase out their remaining 5.8 million barrel per day production curbs by September 2022.

Local Environment**

Country Context

World Bank Group has published that Sri Lanka is facing unsustainable debt and significant balance of payments challenges. In the economic outlook is highly uncertain due to the fiscal and external imbalances. It is being highlighted that urgent policy measures are needed to address the high levels of debt and debt service, reduce the fiscal deficit, restore external stability, and mitigate the adverse impacts on the poor and vulnerable.

Recent developments

The country's real GDP has been estimated to have expanded by 3.5 per cent in 2021 subject to strong 12.3 per cent, year-on-year, rebound from a low base in the second quarter of the year. Significant contributions have been made from manufacturing, financial services, construction, transport, and real estate activity. Despite of the contribution of the tourism sector, exports expanded significantly, led by the textile industry. Higher imports of intermediate and capital goods increased imports. The $3.20 poverty rate is estimated to have slightly declined to 10.9 percent in 2021, still above pre-pandemic levels.

Year-on-year inflation accelerated to 17.5 percent in February 2022, mostly due to high food inflation at 24.7 percent, amid rising global commodity prices, adjustments to fuel prices, and partial monetization of the fiscal deficit. Moreover, an agrochemical imports ban between May and November reduced agricultural production. The increase in prices affected the ability of households to cover living expenses, leading

** World Economic Outlook - April 2021 by International Monetary Fund (IMF)*

*** Sri Lanka Overview - April 2021 by World Bank Group* to a deterioration of welfare and more food insecurity. Since August 2021, the central bank has increased policy rates and the statutory reserve ratio by 200 basis points to mitigate the pressures.

The trade deficit widened to USD 8.1 billion in 2021 from USD 6 billion in 2020 as a rising import bill offset the increase in export earnings, despite import restrictions on non-essential goods. Declines in remittances (22.7 percent) and tourism receipts (61.7 percent) are estimated to have further widened the current account deficit to USD 3.2 billion (or 3.8 percent of GDP) in 2021.

The government has mobilized external financing from bilateral partners, including a financial assistance package from India worth US$ 1.4 billion in January 2022 to pay for essential imports and boost foreign exchange liquidity. A further US$ 1 billion support from India was signed on March 17, 2022. However, official reserves at US$ 2.3 billion in February 2022 (equivalent to 1.3 months of imports) remain low relative to foreign currency debt service, estimated at USD 5.6 billion from April to December 2022 (including domestic instruments issued in foreign currency). Net foreign assets of the banking system declined to US$ -4.9 billion in December 2021, showing escalating foreign exchange liquidity shortages. After keeping the exchange rate broadly fixed around 201 LKR/US$ for seven months, the CBSL floated the currency on March 07 to stem reserve losses. By end of March, the currency had depreciated by 46 percent.

The fiscal deficit is estimated to have remained at 11.1 percent of GDP in 2021, and public and publicly guaranteed debt to have increased to 117 percent of GDP. The fiscal deficit was mostly financed by domestic resources, including the central bank. Fitch, S&P, and Moody's downgraded the sovereign rating deeper into the substantial risk investment category.

Local Economic Outlook

The heightened fiscal and external risks pose significant uncertainty to the economic outlook and Sri Lanka faces an external financing gap in 2022 and beyond. The real GDP growth outlook is subject to the continuing fiscal and external imbalances. Despite expected further tightening of monetary policy, inflation will likely stay elevated, due the recent currency depreciation and high commodity prices, partly related to the Russia-Ukraine War and associated sanctions. The fiscal deficit is projected to stay high amid low revenue generation and rigid expenditures. The current account deficit is expected to increase due to the high global commodity prices, partially offset by gradually increasing remittances due to the float of the currency. Poverty at $3.20 per day is projected to remain broadly unchanged from 2021. A shortfall of external financing, larger than expected impacts of the Russia-Ukraine War and associated sanctions on commodity prices and tourism, as well as the possible emergence of new COVID variants pose downside risks. On the upside, an opening of China could provide a boost to tourism.

It has been highlighted that the structural sources of vulnerabilities faced by Sri Lanka is required to be addressed immediately. This would require reducing fiscal deficits especially through strengthening domestic revenue mobilization. Fiscal consolidation needs to be accompanied by tighter monetary policy to contain pressures on inflation. Sri Lanka also needs to find feasible options to restore debt sustainability. The financial sector needs to be carefully monitored amid high exposure to the public sector and the impact of the recent currency depreciation on banks' balance sheets. The necessary adjustments may adversely affect growth and impact poverty initially but will correct the significant imbalances, subsequently providing the foundation for stronger and sustainable growth and access to international financial markets. Mitigating the impacts on the poor and vulnerable would remain critical.

Key conditions and challenges

Due to the COVID-19 pandemic, the economy contracted by 3.6 percent in 2020, raising the $3.20 poverty rate to an estimated 11.7 percent. In 2021, an expeditious vaccination campaign contributed to economic recovery. However, fiscal deficits sharply widened and public debt significantly increased due to the pandemic and pre-pandemic tax cuts. Foreign exchange earnings declined, while large international sovereign bond repayments came due. Heightened fiscal and external risks led to a series of sovereign credit rating downgrades, preventing market-based refinancing. Official reserves declined to critically low levels and a foreign exchange shortage has affected the supply of some essentials. Inadequate fuel supply for thermal generation resulted in scheduled power cuts.

Sri Lanka's macroeconomic challenges are linked to years of high fiscal deficits, driven primarily by low revenue collection, and erosion of export competitiveness due to a restrictive trade regime and weak investment climate. Growth slowed to an average 3.1 percent between 2017 and 2019 from the 6.2 percent between 2010 and 2016, as a peace dividend and a policy thrust toward reconstruction faded away and macroeconomic shocks adversely impacted growth. Structural adjustments are needed to restore debt sustainability, significantly increase revenue collection, and to improve the investment climate, restore competition, and support reforms to improve productivity in agriculture. Public investments and future borrowings should prioritize key sectors and address immediate needs and induce sustainable and resilient growth through economic transformation.

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Performance of Non-Bank Financial Institutions***

The non-banking financial institution sector performance has considerably improved during the year 2021 in terms of credit asset growth, profitability and non-performing loans. However, growth in leasing portfolio declined mainly due to fiscal and macroprudential policy measures imposed by the government to curtail importation of motor vehicles to restrict foreign exchange outflows. This has negatively affected core lending products in the sector. According to 2021 Annual Report of CBSL non-banking finance companies recorded a growth during the year under review due to the increase in other secured loans and advances and pawning advances. Despite of negative setbacks imposed on the sector the loans and advances granted by non-banking financial institutions recorded a 9.9 per cent growth in 2021 compared to the contraction of 5.7 per cent in 2020. Sector as a whole maintained capital at healthy levels above the minimum regulatory requirements despite certain institutions encountering difficulties to meet regulatory requirements at an individual level. The Central Bank continued to monitor the key prudential indicators placing consideration on reviving the NBFIs with weak financial positions. The sector exhibited the loans and advances provided by the NBFIs an increase of 9.9 per cent (LKR 102.7 billion) to LKR 1,142.5 billion in 2021 compared to the contraction of 5.7 per cent in 2020.

Business Growth

By end of 2021 the NBFI sector comprised of 39 finance companies and 3 leasing companies. Further, 1359 branches and outlets were located outside the Western Province out of 1,707 branches and 309 outlets in total. The asset base of the sector mainly consists of loans and advances which accounted for 76.8% of the sector assets. Finance leases accounted for the highest share of loans and advances, representing 48.3%. Lending activities of the sector showed signs of slowing down in response to fiscal and macroprudential policy measures taken to curtail importation of motor vehicles and lending towards vehicles and the slowdown in economic activities among other reasons. Credit provided by the sector grew by 9.9% to LKR 1,142.5 billion in 2021 when compared to the contraction of 5.7% in the corresponding period of 2020.

According to the 2021 CBSL Annual Report, the investment portfolio of the sector comprises of investment in equities, capital market debt instruments, government securities and Investment properties. Investment portfolio recorded a marginal growth of 5.4% in 2021 compared to the phenomenal growth of 20.2% in the corresponding period 2020 mainly due to the increased investments in government securities maturing in less than 12 months. Other assets, mainly maintained in the form of cash, balances with banks and financial institutions showed a decline of 12.4% in 2021.

However, the Central Bank continue to strengthen the soundness of the NBFI sector by the implementation of the prudential Financial Sector Consolidation Masterplan. This will ensure strong and stable NBFIs in the medium term, with the objective of safeguarding depositors of the non-bank financial institutions sector. Furthermore, number of measures were introduced to provide NBFIs with flexibility to support the businesses and individuals affected by the outbreak of the COVID-19 pandemic.

Risks in the leasing sector

From a credit risk perspective, gross non-performing advances ratio reduced by 13.9% by end of December 2021 on a year on year basis compared to an increase of 26.2% recorded at end of 2020. Although the gross non-performing ratio declined to 11 per cent by end 2021 from 13.9 per cent reported as at end 2020, still the gross non-performing ratio of the sector remains high. The net non-performing ratio reduced to 2.7 per cent by end 2021 from 4.2 per cent reported by end 2020, due to higher provision coverage for non-performing advances. The provision coverage ratio increased to 66.8 per cent in December 2021, compared to 58.9 per cent reported in December 2020. Though the underlying credit risk of the sector still remains manageable, the impact of the freezing of classification of loans under the moratoria needs to be factored in when assessing the credit risk of the sector. Similarly, following the COVID-19 pandemic, there was an increasing trend in pawning advances and gold loans in 2021 (by Rs. 58 billion). Hence, any potential price drop in the gold market would adversely affect the performance of the sector and its non-performing advances.

From the market risk perspective, the sector continued to experience a low market risk which comprises interest rate risk and equity risk. When the interest rate risk is considered, with the recent persistent upward revisions of Treasury bill interest rates, reference rates for deposits were revised upward from 01 November 2021. Accordingly, interest rate risk may increase due the negative mismatch in the maturity profile of the interest-bearing assets and liabilities. However, equity risk of the sector remained low during the period under review as the exposure to equity market in the form of investments in listed shares declined to 0.8 per cent in 2021 from 1 per cent of total assets in 2020.

In terms of liquidity risk, the sector-maintained liquidity well above the minimum required level during 2021. The overall regulatory liquid assets available in the sector was Rs. 155.9 billion by end December 2021, against the stipulated minimum requirement of Rs. 89.9 billion. However, the liquidity surplus by end 2021 declined by 25.9 per cent (Rs. 23 billion) compared to the liquidity surplus of Rs. 89 billion recorded in December 2020, mainly due to the increase in minimum

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liquidity requirements consequent to the discontinuation of regulatory relaxations imposed on liquid asset requirements in response to the COVID-19 pandemic. The liquidity ratio (liquid assets against deposits and borrowing) increased to 14.1 per cent by end December 2021, compared to 13 per cent recorded by end 2020.

Profitability and Capital Resources

In terms of profitability the net interest income of the sector significantly increased by 18.2 per cent (Rs. 20.2 billion) in 2021 reaching Rs. 131.4 billion. This was due to the significant decline in interest expenses by 27.1 per cent (Rs. 31.8 billion) despite the decline in interest income by 5 per cent (Rs. 11.5 billion). The net interest margin of the sector (net interest income as a percentage of average assets) increased to 8.6 per cent in 2021 from the 7.3 per cent in 2020, due to a greater increase in the net interest income compared to the marginal increase in (gross) average assets.

The non-interest income increased by 54.5 per cent (Rs. 17.5 billion) and non-interest expenses increased by 11.1 per cent (Rs. 8.7 billion) during 2021 which significantly contributed to the profitability of the sector. Non-interest expenses increased mainly due to the increases in salaries, wages, and other benefits to the staff (Rs. 4.7 billion), administrative expenses (Rs. 2.8 billion), and other expenses (Rs. 3 billion). The loan loss provisions made against NPLs declined by Rs. 27.1 billion, largely due to increased collection during the period. The sector's profit after tax significantly grew by 307.1 per cent from Rs. 13.7 billion in 2020 to Rs. 55.6 billion in 2021, mainly due to the substantial increase in non-interest income by Rs. 17.5 billion including gains from trading or investment securities by Rs. 1.2 billion, service charges by Rs. 1.8 billion and default charges by Rs. 6.8 billion. The increase in profitability was reflected in the sharp increase in the Return on Equity (ROE) to 20.2 per cent and Return on Assets (ROA) before tax to 5.4 per cent in 2021, relative to 6.1 per cent and 1.7 per cent recorded respectively, in 2020. High ROA and ROE figures would be beneficial for the sector's capital generation enabling the attraction of new investors to the sector. The cost to income ratio also improved to 69 per cent in 2021, from 89.7 per cent in 2020, largely due to the reduction in total expenses and increased income during the period, while the efficiency ratio improved to 51.3 per cent during 2021.

When the capital is concerned the sector continued to remain resilient with capital maintained above the minimum regulatory requirement during the year. The capital base improved to Rs. 251.6 billion by end 2021 compared to Rs. 218.9 billion recorded by end 2020, with the infusion of new capital by several LFCs to meet regulatory requirements of Rs. 2 billion by 01 January 2021 and Rs. 2.5 billion by 01 January 2022. The sector's core capital and total capital ratios increased to 15.5 per cent and 17 per cent, respectively, by end 2021 from the reported levels of 14.5 per cent and 15.7 per cent at end 2020.

In 2021, the Masterplan was introduced to build a strong and stable 25 Non-Bank Financial

Institutions complying with prudential requirements with diversified business models. 6 preliminary approvals have already been granted to 12 LFCs/SLCs for acquisitions and amalgamations under the Masterplan. In addition to the introduction of the Masterplan, several regulatory actions were also initiated by the Central Bank with a view to avoiding further deterioration of the financial positions, maintaining the stability of such institutions, and safeguarding the interests of depositors.

Equity Market***

The Colombo stock market recorded an exponential growth during the year 2021, driven by local investors. The All Share Price Index (ASPI) and Standard & Poor's Sri Lanka 20 (S&P SL 20) index recorded growth of 80.5 per cent and 60.5 per cent, respectively, during the year 2021. The market capitalisation stood at Rs. 5,489.2 billion as at end 2021 recording a growth of 85.4 per cent. Further, market capitalisation as a percentage of GDP reached a 10-year high of 36.7 per cent at end 2021 compared to 19.7 per cent at end 2020.

Domestic investors' presence in the equity market was prominent with their preference shifting towards equity investments due to the prevailed low interest rate regime in 2021. Quantities of securities held by local individual investors increased to Rs. 30.5 billion as at end 2021 recording a year-on-year growth of 53.3 per cent. Meanwhile, quantities of securities held by local institutional investors recorded a 17.8 per cent year-on-year growth. However, the quantities of securities held by individuals and institutional foreign investors recorded a marginal a year-on-year growth of 0.3 per cent and 2.6 per cent, respectively.

With active domestic investor participation and some timely initiatives carried out by both the Colombo Stock Exchange (CSE) and Securities and Exchange Commission (SEC) such as digitisation, the daily turnover and capital raising improved during 2021. During 2021, there were 13 new equity Initial Public Offerings (IPOs) which raised Rs. 12.7 billion. The Price to Earnings Ratio (PER) and Price to Book Value (PBV) stood at 13.6 and 1.7, respectively, at end 2021 compared to PER of 11.2 and PBV of 1.1 remained by end 2020. The secondary market recorded an extraordinary average daily turnover of Rs. 4,888.2 million during the year 2021 compared to an average daily turnover of Rs. 1,899 million recorded during the year 2020.

Foreign participation at the market remained negligible during the period under review. Only 2.9 per cent of total turnover in 2021 originated through foreign purchases compared to the 13.4 per cent contribution recorded in 2020, while foreign outflows from the market continued. The market recorded Rs. 52.6 billion foreign outflows during the year 2021 compared to an

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outflow of Rs. 51.1 billion recorded during the previous year. Accordingly, the foreign holding as a percentage of the total value of equity reduced to 24.6 per cent as at end 2021, compared to 25.4 per cent recorded at end 2020.

Development Finance and Access to Finance***

The Central Bank through various credit schemes contributed to overcome the challenges faced by MSMEs including self-employed individuals of all economic sectors during the COVID-19 pandemic. The Central Bank continued to coordinate, facilitate, and implement various refinance, interest subsidy and credit guarantee schemes, while providing a range of credit supplementary services during 2021. Total loans released during 2021 was Rs. 27,268 million among 80,899 beneficiaries through Participating Financial Institutions (PFIs) under 14 refinance loan schemes and 6 interest subsidy and credit guarantee schemes of which 58 per cent accounted for refinance schemes and 42 per cent accounted for interest subsidy and credit guarantee schemes.

Extraordinary measures were taken by the Central Bank to cope with the COVID-19 Pandemic. The Central Bank continued to implement several extraordinary policy measures throughout the year providing concessions to businesses and individuals affected by the pandemic. Accordingly, moratoria were offered for the concessionary credit schemes implemented by the Central Bank viz extending the repayment period up to 36 months from 24 months and grace period until 30 September 2021 and subsequently extended until 31 December 2021. Further, the tourism sector was facilitated with extraordinary measures by extending the grace period for loans until 30 June 2022. The Central Bank continued to support MSMEs by providing moratoria and implemented several credit schemes. With the intention of establishing market driven value chain financing in the country, the Central Bank implemented a Domestic Agriculture Development programme (DAD-PP) as a pilot project to identify gaps and opportunities to develop a comprehensive value chain programme for the agriculture sector in Sri Lanka. Further, Operating Instructions were issued to introduce and implement a credit guarantee and interest subsidy scheme for MSME rice mill owners and intensification of shrimp farms in Sri Lanka. A credit guarantee and interest subsidy scheme to enhance the dairy farming and developing MSMEs were initiated in 2021.

Developing and implementing a National Financial Inclusion Strategy (NFIS) for Sri Lanka was identified during the recent past as a key focus area of the country in order to achieve the Sustainable Development Goals. The Central Bank successfully launched the NFIS of Sri Lanka in March 2021 and several actions were taken to operationalise the implementation of the NFIS to identify and promote financial inclusion across the country. In recognition of the need for improving financial education as a priority action across all policy pillars of the NFIS, an island wide financial literacy survey was successfully completed in 2021, and the modules and educational materials are being developed by the Ministry of Education in collaboration with the Central Bank and other relevant stakeholders to incorporate financial education into the school curriculum as a compulsory subject starting from Grade 6 to 11. Financial literacy is one of the main pillars identified under the NFIS and a main role has to be played by the Regional Development Department (RDD) of the Central Bank in order to enhance financial literacy of the country's people. With the objective of enhancing financial literacy throughout the country, RDD initiated several programmes during the year with the support of 6 Regional Offices of the Central Bank. Accordingly, 08 Training of Trainers (TOT) discussions, 17 Radio and TV programmes, 07 knowledge sharing programmes and more than 330 financial literacy, entrepreneurship and skill development programmes were conducted in 2021. Amidst the constraints associated with widespread uncertainties of the COVID-19 pandemic, several programmes were carried out as online programmes utilising the newly developed online oriented training and awareness materials.

Our Plans

The future of our company remains uncharted with a myriad emerging opportunities and possibilities for evolution within a dynamic business landscape. Our company gained multitude of strengths and synergies following the rights issue held during the year under review leading to a turnaround situation within a relatively a short time span. With the strong capital and liquidity buffers built up following the rights issue, the Company is well poised to drive a stronger growth to materialize the objectives promised to its shareholders at the time of raising the funds via the rights issue. Thereby, yielding a guaranteed positive impact to increase shareholder return by fueling all the strategic expansions of the Company.

The principal purpose of increasing the stated capital is to strengthen the core capital of the Company to be eligible to obtain the finance business license upon paying-off of public deposits and purchase of certain assets of the finance company, Swarnamahal Financial Services PLC at a value of LKR 425,322,569.49 under the Masterplan for Consolidation of non-banking financial institutions of the Central Bank of Sri Lanka. Furthermore, to surpass the new capital adequacy requirement of LKR 2,500,000 stipulated by the Central Bank of Sri Lanka for licensed finance companies by 1st January 2022. Alongside the set strategic plan of the Company to open more branches to enhance the reach to a wider network of customers will provide upthrust to lending operations and expand its lease,

*** *2021 Annual Report - Central Bank of Sri Lanka* loan and pawning portfolios to yield higher returns to its shareholders.

The Company intends to further strengthen the credit evaluation process to minimize non-performing loans. Efforts are made to improve the collection process while maintaining high service standards. The customer portfolio will be carefully managed to minimize willful defaulters and provide assistance to those who are in genuinely difficult circumstances.

Sound corporate governance, disciplined risk management and a compliance culture have contributed to the success of the Company. There will be greater emphasis placed on staff training and empowerment in 2022 as these are vital areas that helps maintain high standards of service delivery. A performance culture will continue to drive excellence in all areas of operations. These attributes will be the common thread that connects all our strategic initiatives as we look to our future.

Financial Capital and Review

Financial Capital

Shareholder's funds, borrowings and cash generated from the operations contribute mainly to the financial capital of SMB Leasing PLC. On the contrary the financial capital is reinvested in other capital input forms and proactively managed its risk return dynamics by executing its underpinned strategy towards value creation. In 2021 seamless accessibility to financial capital is ensured by means of a rights issue to facilitate growth aspirations of the Company.

2021 Performance

The financial year ended December 31, 2021 was an exceptional year for SMB Leasing PLC. The Rs. 2,143 Mn rights issue has fortified the internal funds position of our company enabling us to satisfy the core capital requirement of Rs. 2,500 Mn as at January 1, 2022 to qualify to obtain finance business license. With the intended turnaround in our company's performance from Rs. 70 Mn loss in 2020 to Rs. 53 Mn profit in the year under review embarked on in 2021 to revitalize the business paradigm to fulfill the growth aspirations of the Company. Interest Income, Fee and commission income together with Other operating income stood at Rs. 255 Mn in the year under review with 42% growth to the corresponding year 2020 of Rs. 180 Mn. Total assets of the Company grew by 54.3% and recorded at Rs. 3,989 Mn in the year under review and the comparative 2020 stood at Rs. 1,823 Mn.

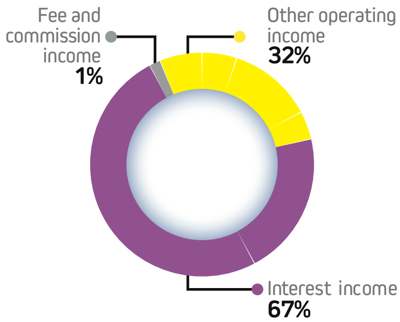
Despite the unprecedented challenges faced during the year, our visionary leadership remained focused on implementing the strategic plan, which was continuously reevaluated in tandem with the dynamic changes in the operating context. The external challenges, stemming mainly from the rapid spread of the COVID-19 pandemic, were unprecedented during the financial year under review. The sudden halt in economic activity, inaccessibility in reaching customers, regulatory changes and Government's restrictions on the importation of vehicles impacted our operations. Against this backdrop, we delivered commendable results, with all financial indications pointing towards greater and better times ahead for our Company. This was achieved through focused leadership, dynamism and dedication of the management team and the staff members and by leveraging our internal and external strengths.

Income Analysis

Despite muted borrowing, moratoria and company's selective lending approach and elevated credit risk prevalent in the market the Company was able to gain an expansion in interest income by 10% during the year under review and recorded Rs. 170 Mn in line with the broader industry trends. Irrespective of the added pressure on the top-line due to uncertainty and the volatility created in the economic environment the Company was able to pursue growth in all its product segments. The recorded interest income is Rs. 170 Mn in 2021 and the comparison of 2020 is recorded at Rs. 154 Mn. The growth in the interest income is supported by 40% strong growth in the gross pawning advances portfolio to Rs. 164 Mn in year under review from Rs. 117 Mn in 2020.

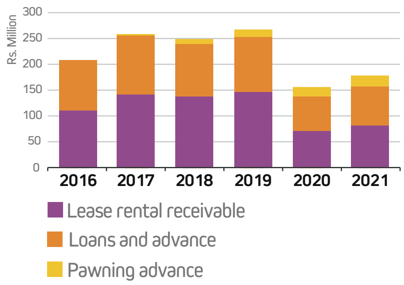
Income Components

An extensive proportion of the total income comprises of the interest income. The income proposition recorded for 2021 is 67% from interest income, 32% from other operating income and the contribution from fee and commission income is 1%. It has been observed that the Other Operating income segment has grown significantly by 282% respectively. The interest income yielded from the investment of the proceeds received from rights issue in fixed deposits attributed to the significant growth in other operating income.



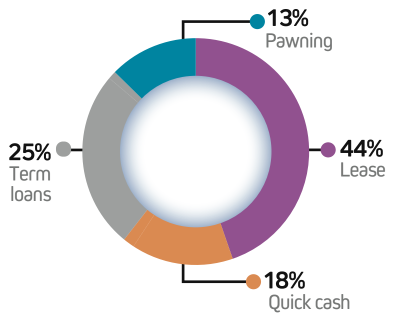
Income Growth

As depicted by the below graph interest income has steadily grown during the years 2016 to 2017 with a slight dip in 2018 due to significant number of facilities reaching maturity. The Company regained its growth momentum in 2019 due to growth in all three product portfolios Leases Loans and Pawning. However, a sharp decline in the top-line was recorded in 2020 due to the unprecedented impacts of COVID-19 pandemic. Irrespective of all setbacks the Company is back on track regaining its momentum by achieving 10% growth and recording its total interest income at Rs. 170 Mn for 2021 with the comparative for 2020 Rs. 154.2 Mn.



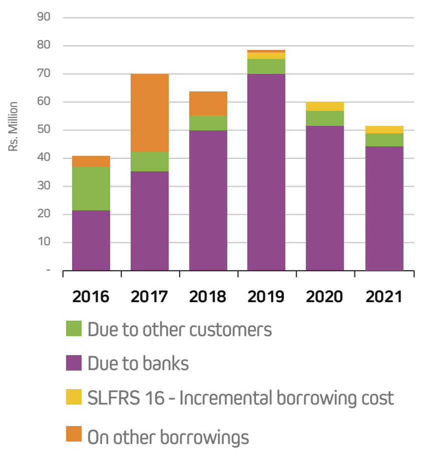
Product-wise Interest Income

There are no major shifts in the product composition in 2021. Similar to the last year, leasing income made the highest contribution in 2021 followed by term loans and quick cash interest income.



Interest Expense Components

Total interest expense dropped by 13% to Rs. 51.8 Mn during the year under review from Rs. 59.7 Mn in 2020. In keeping with the Company's growth prospects it is imperative to maintain the cost of funds at manageable levels as substantial proportion of the portfolio is funded by the borrowings from the commercial banks of Sri Lanka. The Company invested proceeds received from the rights issue in fixed deposits in commercial banks of Sri Lanka with the objective of keeping them as collateral to negotiate cash margin loans to fund its lending operations at higher margins. Thereby maintaining the cost of its funding lines at lower levels by means of attracting lower interest rates and a longer repayment period on equated monthly instalments. During the past years focus on borrowings from other sources has reduced and the Company has stopped obtaining securitization which had led to uneven repayment terms in the past which had adversely affected the Company's cash flows. Interest cost on leased assets as a result of adoption of SLFRS 16 is recorded at Rs. 2.7 Mn which comprises of 5% out of the total interest expense.

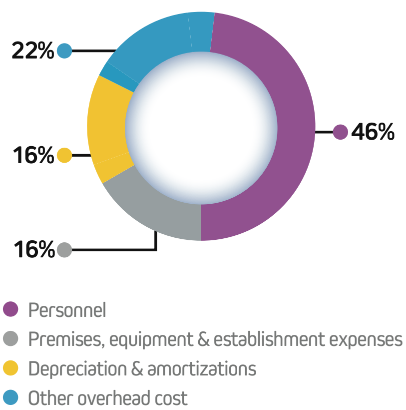


Net Interest Income

Net interest income is denominated by the net of interest income received on lending products and the interest expenses incurred on the sources of funding. The key drivers of net interest income are credit demand, economic and business activity interest rates, competition, client reach and attractiveness of products. For the year 2021, the Company recorded Rs. 118.6 Mn net interest income and this is an expansion of 26% with the comparative 2020 of Rs. 94.5 Mn. This was achieved by increasing the interest income by 10% and by reducing interest expenses by 13% while accommodating an ordinary capital erosion.

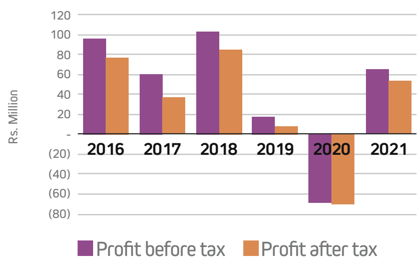
Cost Breakdown

During the year ended December 31, 2021, the Company's operating expenses increased from Rs. 111 Mn to Rs. 120 Mn compared to the previous year mainly due to increase in expenses incurred in keeping safe and healthy environment within the Company premises to support client engagements.



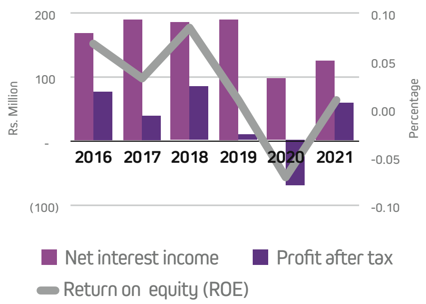
Profitability Trend

The Company continued its commitment to serving its customers across the country, delivering high-quality uninterrupted services, despite unprecedented challenges faced due to the pandemic resulting in volatility and economic slowdown. This hard work is attested by recording Rs. 53 Mn net profit after tax which is a Rs. 123 Mn increase compared with the 2020 year net loss of Rs. 70Mn.

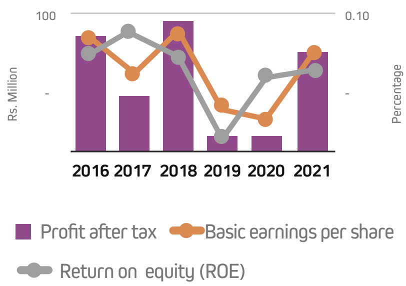


Return on Equity

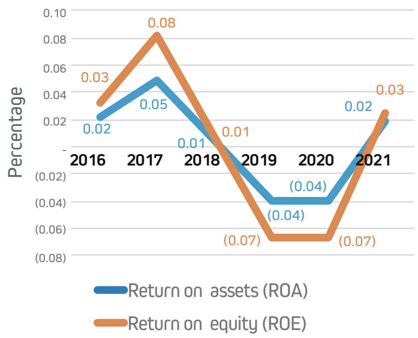
The Company posted a return on Equity of 3% following the turnaround with Rs. 53 Mn net profit attributable in the year under review.



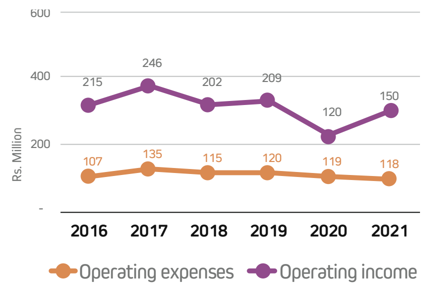
Consequently, to this performance, the earnings of the shareholders have also increased ensuring sustained wealth maximization.



As depicted by the below graph the Company was able to earn stable returns for its shareholders over the past years except for the downward trend started following the year 2018 due to sustained adverse impacts of COVID-19 throughout 2020 and 2021, especially due to the moratoria declared by CBSL directives had unbearable shocks on our top-line.

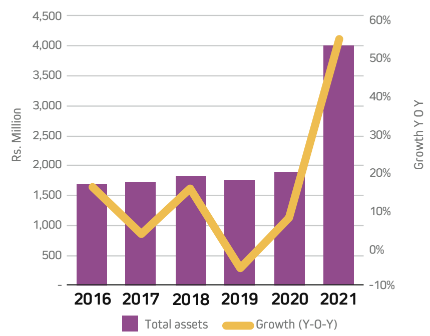


Irrespective of the adversity faced due to COVID-19 pandemic the Company was able to maintain a spread between operating income and expenses despite inflationary and other economic factors.



Asset Growth

Despite many adverse conditions prevailed in the market the Company was able to achieve a total assets growth of 54% to Rs. 3,989 Mn as at December 31, 2021 from Rs. 1,823 Mn as at December 31, 2020. The growth in the asset base is mainly reflected in increase in financial placements with financial institutions and cash and cash equivalents. This will be utilized to finance its lending operations and expand its lease, loan, and pawning portfolios giving a higher yield to the shareholders. This phenomenal growth was funded by the proceeds of the rights issue of shares. Predominantly, the Company sought to build up its liquidity buffer, targeting to expand the portfolio by the expansion of its branch network. Despite the pandemic situation and its negative outcomes, the Company remains confidant with the enhanced liquidity position to achieve the targets through new customer acquisition on a continuous basis and expanding through the boundaries of its niche market.



Capital

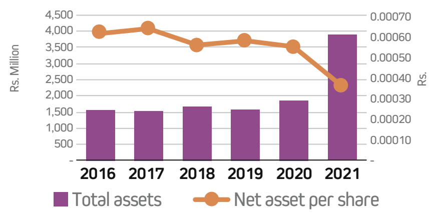
Capital infusion of Rs. 2,143 Mn by way of a rights issue increased the stated capital of the Company to Rs. 3,252 Mn as at December 31, 2021 compared to Rs. 2,440 Mn the previous year. And the total equity stood at Rs. 3,259 Mn in the year under review and Rs. 1,037 Mn in the previous year.

The Company met the minimum capital requirements stipulated by the Central Bank of Sri Lanka of for the year 2021 while plans have already been made to increase it to meet the minimum capital requirement of Rs. 2,500 Mn as at January 1, 2022 to qualify to obtain finance business license. As shown in the table, the Company also maintained the capital adequacy ratios comfortably above the minimum requirements.

As at December 31,	2021		2020	
Indicator	Minimum requirement %	Company %	Minimum requirement %	Company %
Core capital adequacy ratio	7.00	121.67	6.50	50.87
Total capital adequacy ratio	10.50	119.59	10.50	48.15

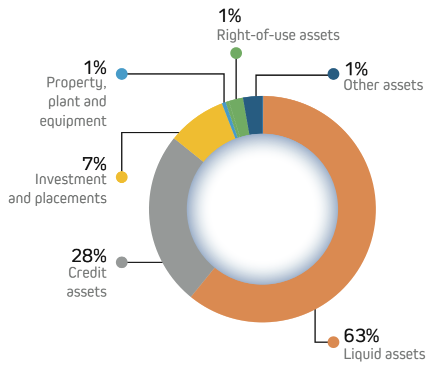
Net Assets Per Share

The financial year 2021 recorded a decrease of net assets per share from 0.054 Cents to 0.034 Cents as a result of increase in the number of shares following the rights issue held in the year under review.

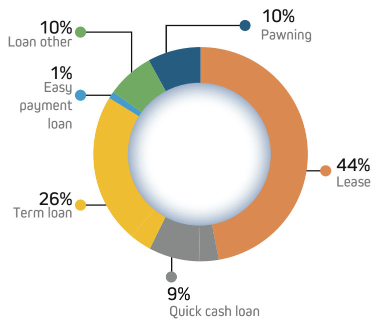


Asset Composition

The Company's asset composition didn't have any major shifts from 2020 except for an ordinary drop in Property, Plant and Equipment and Right-of-use assets. The Company's balance sheet is tilted more towards liquid assets due to investment of the proceeds received from the rights issue as financial placements with financial institutions and cash and cash equivalents. This will be utilised to finance its lending operations and expand its lease, loan, and pawning portfolios giving a higher yield to the shareholders.



The new growth strategies implemented for 2021 were extensively centered on collateral-based lending. Improving the quality of the lending portfolio was a strategic priority for the year to build a solid financial foundation for the future of the Company. Therefore, while aggressively pushing new lending, the Company intensified its recovery initiatives and internal credit procedural aspects to ensure better quality of lending.

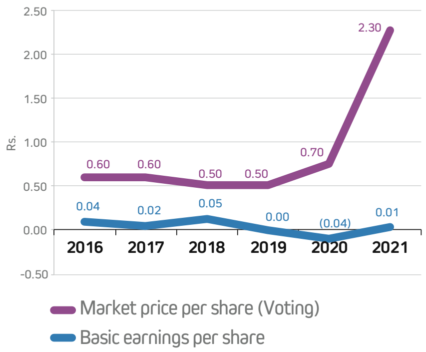


Leasing continues to be company's mainstay while being 43% of the portfolio and greater focus is placed on granting asset backed facilities to maintain high standards of credit quality. In 2021, the Company deployed increased resources to expand the loan portfolio and the pawning portfolio. Compared to the corresponding period 2020, in 2021 Term Loan portfolio has grown by a moderate 20% to Rs. 412.2 Mn, pawning portfolio by 40% to Rs. 164.5 Mn and loan other segment by a significant 57% to Rs. 164.3 Mn.

Market Price Analysis

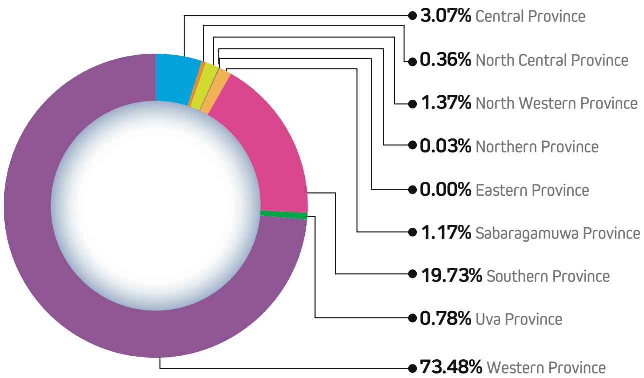
The Colombo Stock Exchange (CSE) operations were also interrupted in 2021 due to the pandemic containment measures. However, the onset of the third wave of the pandemic in August, further impacted the resuscitation momentum to a greater extent. Amidst the challenging backdrop market price per share has increased from Rs. 0.70 in 2020 to Rs. 2.30 in 2021.

However, basic earnings per share increased from negative 4 Cents in 2020 to positive 1 Cent in 2021.



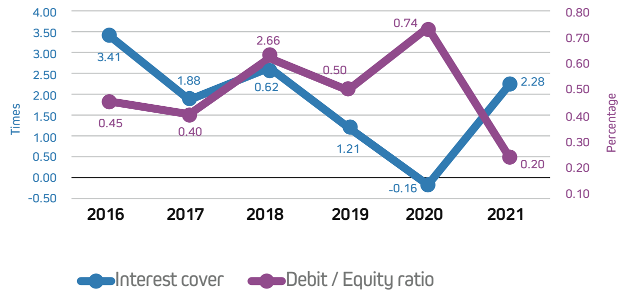
Geographical analysis of customers

Larger segment of the Company's customers is from Western Province which is amounting to 72.83% followed closely by the Southern Province amounting to 19.32%. It is encouraging that our customer base has gathered momentum and dispersed over the rest of the Island despite being a relatively small player in the industry. This is a testimony to the fact that our service is well accepted by a cross section of people all over the country.



Gearing

With impressive profitability and the rights issue held in the year under review, our debt to equity ratio improved from 0.74 to 0.20 upholding investor confidence even during the pandemic period. With the turnaround, reported profit before interest and tax is Rs. 118 Mn. And interest cover has shifted from negative 0.16 to 2.58 times in 2021.



Shareholder's Funds

Shareholder's funds at the end of the year under review increased by 213% and stood at Rs. 3,251 Mn.

Irrespective of the adverse impacts faced by the COVID-19 pandemic SMB Leasing PLC will continue to focus on creating value to shareholders who are the critical stakeholders of the Company. The successful achievement of growth over the past years showcases our commitment to achieve success always without compromising on our ethical business practices and while maintaining financial stability of the business operation to continue in to the future.

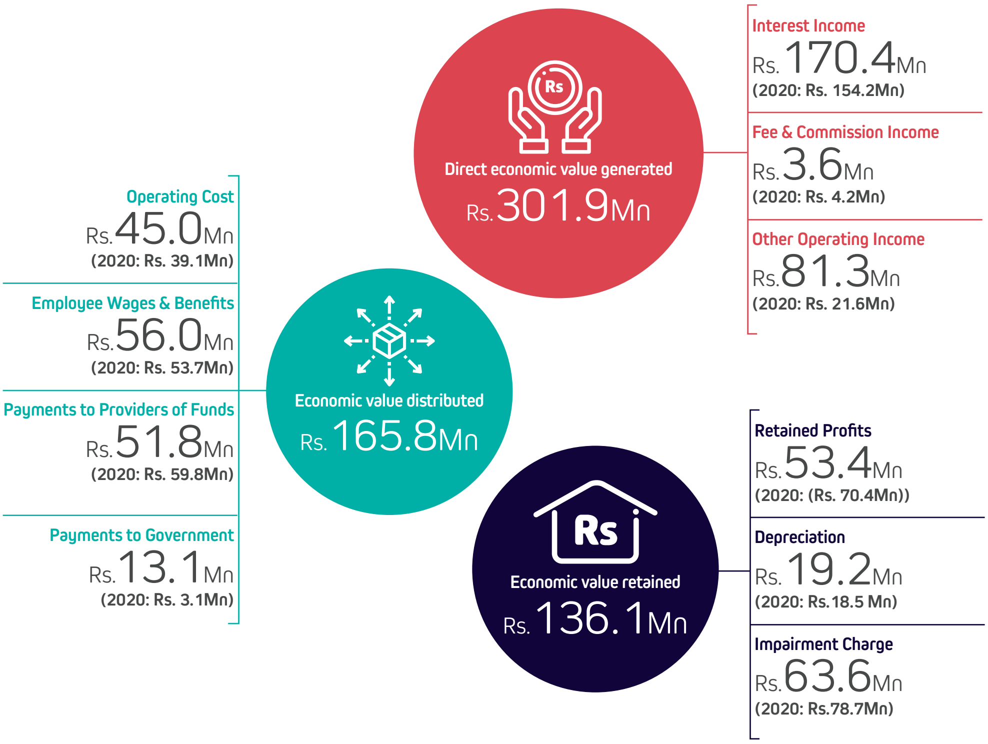
Looking Forward

Given the strong capital and liquidity buffers following the rights issue, the Company is well poised to drive a stronger growth by utilizing all the resources to maximize the shareholder wealth. In order to materialize the principal purpose of increasing the stated capital is to strengthen the core capital of the Company to be eligible to obtain the finance business license in 2022 under the Masterplan for Consolidation of non-banking financial institutions of the Central Bank of Sri Lanka.

Alongside the set strategic plan of the Company to open more branches to enhance the reach to a wider network of customers will provide upthrust to lending operations and expand its lease, loan and pawning portfolios to yield higher returns to its shareholders.

Direct Economic Value Generated and Distributed

Direct economic value generated and distributed (DEVG&D) presents information on the creation and distribution of economic value by the Company. This provides a basic indication of how the Company has created wealth for its stakeholders.



	2021		2020 Restated	
Generated	**301,938,100**	**100%**	**180,162,048**	**100%**
Interest income	170,423,635		154,249,577	
Fee & commission income	3,625,443		4,239,037	
Other operating income	127,889,021		21,673,434	
Distributed	**165,847,532**	**55%**	**155,669,792**	**86%**
Operating costs	44,958,705	15%	39,085,054	22%
Employee wages and benefits	55,959,275	19%	53,730,539	30%
Payments to providers of capital				
- Dividends to shareholders		-		-
- Interest payments for borrowings	51,818,785	17%	59,754,875	33%
Payments to government				
- Tax on financial services	10,753,675	4%	3,099,324	2%
- Income tax	2,357,092	1%	-	-
Retained	**136,090,568**	**45%**	**24,492,256**	**14%**
Retained (loss) / profit for the year	53,431,161	18%	(70,454,725)	-39%
Depreciation	19,200,132	6%	18,536,471	10%
Impairment (reversal) / charge	63,611,117	21%	78,717,142	44%

Human Capital Management

Our Vision

Human Capital consists of the skills, experience, value and work ethics of employees. The Company believes in creating a passionate and a committed workforce through trust, unity, customer focus and engagement. Building talent and bringing the best out of everyone through professional development and personal support is the core in SMBL HR philosophy.

HR Policy Framework

HR policy framework has been refined in keeping pace with the changing needs of the organization and evolving work environment. The refined HR strategy focuses on:

- Implementing an objective recruitment process to ensure that high caliber staff are recruited
- Implementing a talent management framework and succession planning
- Implementing a KPI based performance management system.

A comprehensive HR policy framework is in place to ensure that employees remain satisfied at work whilst being part of a high performing team. The framework covers numerous aspects of HR including recruitment, remuneration, training and development, performance management and grievance handling among others.

SMBL upholds the highest standards of discipline, professionalism, ethics and compliance. The Company's code of conduct outlines highest standards of corporate behavior, business ethics and integrity.

Clear expectations and principles have been set in guiding professional excellence and make each employee aware of their obligations towards creating professional work environment. Each employee is aware of their obligations and rights under the code of conduct.

Building human and intellectual capital is intrinsically linked to employee retention and attraction. SMBL has created a great place to work where employees are inspired and motivated to perform at their optimum level. A conducive environment that inspires high levels of performance and motivates employees to realize their potential has been created. The management encourages bottom up strategic planning, business development and cost engineering processes.

Frequent interaction between the management and staff ensures that staff is kept engaged and motivated. Branch visits by the senior management team infuse a sense of belonging and pride. Regular meetings are held among middle and top management to discuss issues and strategies. Corporate management meetings are held at least once a week and branch managers and branch staff visit the head office at least once a month for performance reviews.

SMBL do not discriminate on the grounds of race, religion, gender, age and any other socioeconomic factor in the recruitment, training and promotion of its employees. The Company maintains an open and supportive working culture that encourages teamwork.

The health and well-being of employees is valuable for the Company, and it has put in place numerous measures to see that employees maintain a fine work-life balance to achieve personal and professional satisfaction.

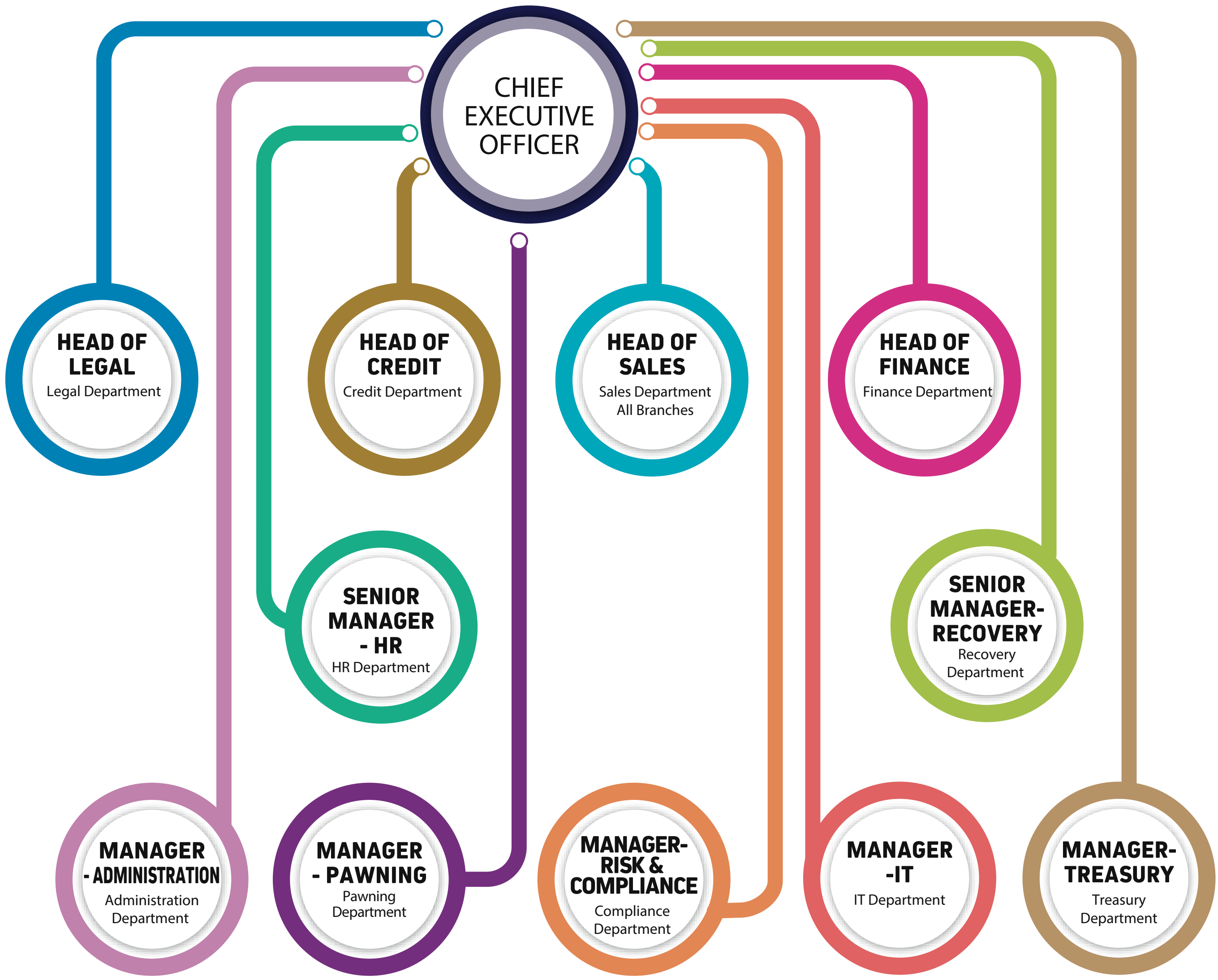
All employees are expected to display integrity at all times and to act ethically in whatever they do. The HR policies uphold equality in the workplace, giving everyone the opportunity to work in a respectful working environment. Company has adhered to labour laws and regulations and complied with all its statutory obligations.

Our Team

A strong-team comprising a diverse mix of individuals are the primary value creators for the Company. As an equal opportunity employer, our team represents both genders, all major ethnic groups in the country and generations X, Y and Z who work together in a conducive environment with dignity and mutual respect. Employees are typically engaged on fulltime employment with a few on contracts where the need is likely be for a specific time.

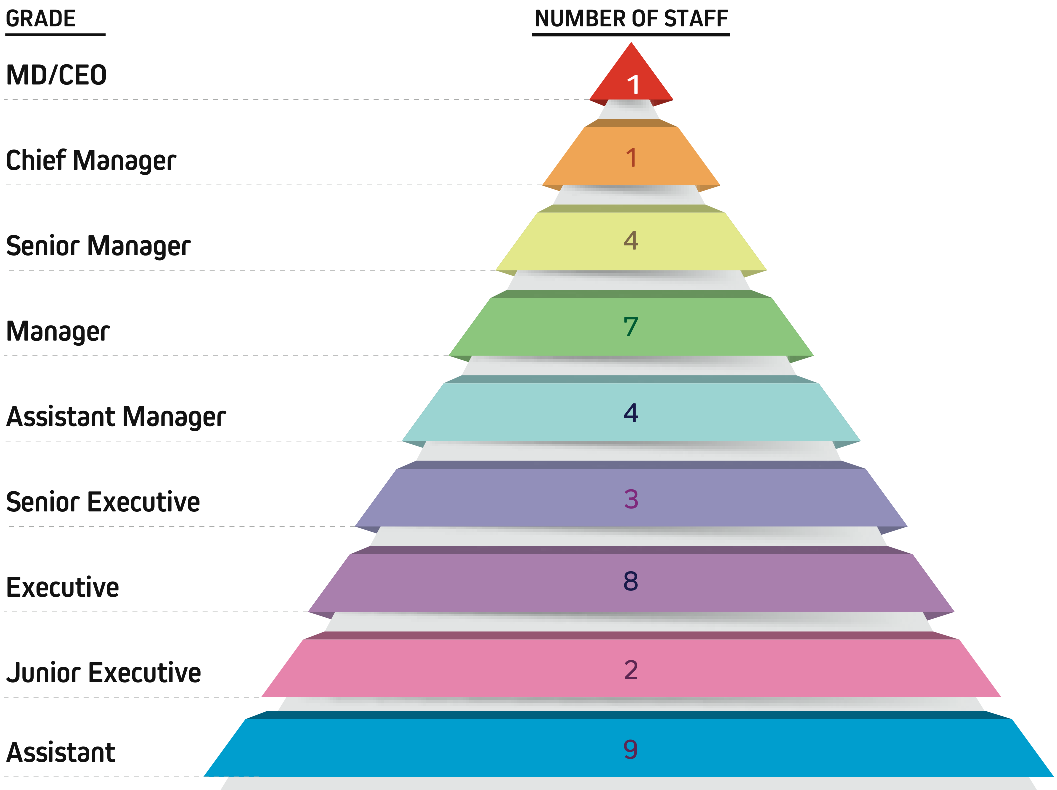
High Level Organisation Structure with Departmental / Functional Responsibilities

SMBL has rationalized and refined the organization structure with departments and staff grades to provide clarity on roles and responsibilities of each department/function/employee and also to ensure a formal hierarchy to facilitate strategy execution.



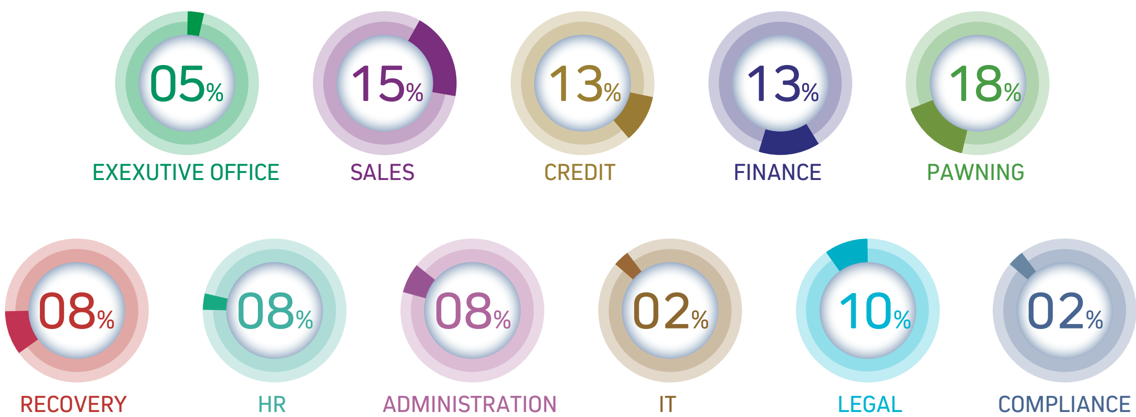
Employee Grades

Employee grades have been incorporated to the organization structure so that all employees are privy career progression discussions with the human resources department. This will ensure that each employee has a clear career path in the organization and can work towards their internal career goals knowing the qualification, experience and competencies required to go to the next grade in his/her department.



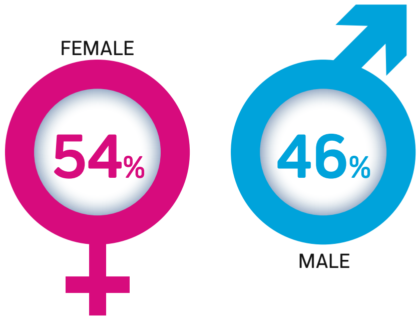
Staff by Department

Our team as at December 31, 2021 comprises 86% permanent employees and 14% contract employees. This high percentage of permanent employees encourage them to take ownership of their deliverables within the organization.



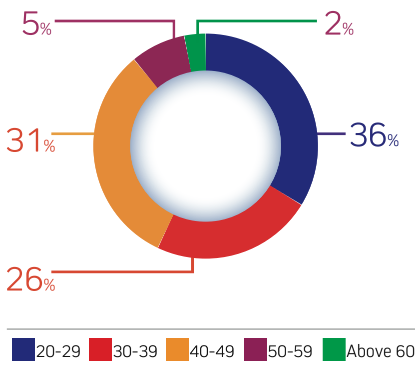
Employee Demographics

Gender Representation



SMBL is an equal opportunity employer and this has enabled the Company to maintain a fair balance of employees in Credit age, gender and a balance mix of skills and experience, who contribute in creating a sustainable work environment. At present, gender-wise composition is on the path of achieving a sound balance in gender diversity with females accounting for 46% of employees. This statistic will further improve in the coming years as the Company promotes diversity and communicates the importance of inclusivity among the staff.

Age of Employees

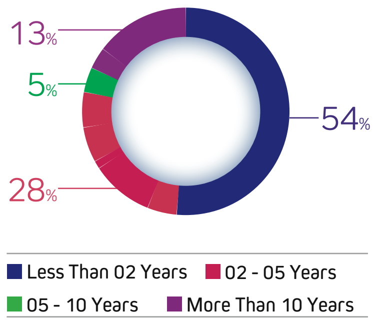


In terms of workforce age, SMBL is fortunate to have a wellbalanced team comprising of 63% experienced employees who are over 30 years of age and a youth group that comprises of 36% of employees below the age of 30 years. Overall, SMBL has relatively younger workforce with 62% of our total employees being below 40 years of age. The company recruited a significant number of graduates in the recent past to boost the talent pool of the Company and the management believes in nurturing and training the educated youth of Sri Lanka to take on the leadership positions in the organization in the future.

Staff Qualifications

The qualification levels of SMBL workforce is given in the below chart. The profiles of Corporate Management are given on pages xxxx to xxxx of this report.

Length of Service



SMBL also has a good mix between experienced long-term employees and newcomers who bring in fresh ideas.

Recruitment

One of the primary objectives of SMBL's HR framework is to cultivate a strong productive workforce that will contribute towards organizational success. The recruitment process plays a pivotal role in this aspect. Since the HR Department was aligned with the Corporate Strategy Function in 2017, the HR Department has implemented a competitive and a transparent recruitment process with the objective of attracting highly qualified and competent staff with hallmarks in integrity, honesty, ethics, discipline and compliance. The recruitments are done on the basis of merit and canvassing for applicants is strictly not allowed nor When a position in the Company is vacant or when a new position is created, an advertisement is published in a suitable media, following which, applications are rapidly processed, and a short list of candidates is prepared by the HR Department by assessing their level of experience and qualifications for the post at hand. As a recruitment strategy, candidates who reside within close proximity of the workplace are given preference if they possess the required qualifications, capabilities and experience.

Close proximity from home to workplace gives the employee the opportunity to feel motivated, to devote their maximum effort when doing their day-to-day work at the workplace and to have more time with their families due to less time spent on travel. The first interview is conducted by the entertained.

Human Resources Department and HR interview process is driven by one principal goal "To weed out any potentially unsafe hires". This is to ensure that the Company eliminate anyone and everyone who might even remotely end up costing the company more money, cause legal issues, not be a good cultural fit, or in any other way cause the company some type of embarrassment and/or inconvenience if recruited.

For the final interview the candidate will face a larger panel that consists of the Head of the HR Department, Head of the recruiting Department and where required the CEO.

Once the selection is finalized, the HR Department will issue the letter of appointment and subsequently request copies of relevant certificates from the chosen candidate. Following recruitment, all staff are updated with important details of the newly recruited employee by sending

a New Staff on Board announcement. Reference letters are also sent to the referees and if necessary a verification of employment is conducted with the

candidate's previous employer. Following the successful completion of this process, the candidate will be ready to join the Company.

Training and Development

Training and development is a key priority for the Company to enhance knowledge, competencies, skills, attitudes and performance of staff. Training new recruits and existing employees is of paramount importance to the SMBL and the company has a knowledge and learning culture which has inculcated a thirst for technical and business knowledge among employees. The objective is to ensure that employees stay informed about the developments in their respective profession, the industry and the local and global economy.

Within the year, employees have participated in training programs and seminars conducted covered technical and industry specific subjects and regulatory changes. In-house training programs were arranged at the Head Office during the year for newly recruited sales staff. In addition, new recruits follow the standard induction training program. The objective of the program is to familiarize new entrants with the Company's operational processes, systems, practices, culture and values. Thereafter, the new entrants undergo a hands-on training phase, learning and improving their skills on-the job. All staff are encouraged to continuously acquire knowledge, competencies and develop skills under the guidance of experienced mentors who serves as the foundation for talent development. SMB Leasing PLC is an approved training partner for CA Sri Lanka for Executive, Business and Corporate Levels.

Development activities played an integral role in constantly uplifting technical knowhow of the workforce, equipping them with the skill sets, knowledge and experience to face the challenges and sophistication of an evolving industry. Training and development will uplift the skills of the employees, who will be able to extend a superlative service to the customers, and gain the required competitive advantage. Training and development also serves as an employee retention strategy.

Performance Appraisal

Key Performance Indicators (KPIs) are incorporated into performance targets to monitor performance of employees. SMBL conducts formal annual performance appraisals across all departments to monitor staff performance against predefined KPIs to reward top performers. These performance measurements enable the Company to decide on bonuses, salary increments and additional training requirements. It also provides insight to management on consistently performing high achievers, to decide on future career advancements. It further allows management to take appropriate steps regarding employees with performance below expectation.

Each staff member understands that they are accountable for achieving their individual goals which in turn contribute towards the achievement of corporate objectives and the bottom line of the Company. A 'process driven' rather than a 'people driven' culture offers employees a clear sense of the targets to be achieved and the necessary tools in achieving the financial and operational accomplishments that the Company achieves year on year.

With constant evaluation and regular feedback, the management continuously looks at ways to improve and grow the talent pool which would benefit the Company in the future.

Perquisites & Benefits

The remuneration policy of the Company is to ensure appropriate compensation levels are made available to all employees in the organization in order to attract and retain high-caliber staff, with the right mix of experience, skills and knowledge to deliver on the strategy of the Company and reward them in par with industry standards. In addition to an attractive remuneration, staff are eligible for the following benefits.

Employees' Provident Fund (EPF)

All employees join the Employees' Provident Fund for which the collective contribution will be as follows:

Company Contribution –
12% on the basic salary.

Employee Contribution –
8% on the basic salary.

Employees' Trust Fund (ETF)

The Company makes a contribution of 3% on the basic salary.

Gratuity

Employees are entitled to half a month's gross salary for each completed year of service when leaving the Company, provided an employee has worked continuously for five years and over up to the time of resignation.

Bonus

The employee may be paid an annual bonus depending on the profits made by the Company and the employee's performance. The payment of bonuses is solely decided by the Management.

Medical benefits

Employees and their family members can claim OPD and hospitalisation expenses of the amount specified in the hospital and surgical expenses insurance policy.

Personal accident cover

Employees also have a worldwide personal accident insurance paid by the company. Which also includes permeant disability cover, partial disability cover.

Mobile SIM

All employees are provided a mobile connection with a monthly allowance for each category.

Maternity leave

The Company is also sensitive to the needs of its female employees, especially when they need time to care for their newborns. As stipulated by labour regulations, female employees are granted paid leave for 84 working days for which Saturday is accounted as half a day.

Paternity Leave

Male employees are eligible for five working days paternity leave.

Culture & Respectful Working Environment

SMBL's corporate culture is one that respects individuality and one which empowers high performance and positive work ethics. SMBL foster equality and mutual respect among our team members while encouraging open communication and novel ideas. At SMBL, the work culture revolves around creating a positive and harmonious balance between work and personal life. The Board and the management require all employees to act diligently, executing their duties at all times with integrity while continuing to adhere to organizational rules and regulations. During the financial year under review, there were no reported incidences of discrimination among staff members.

SMBL adheres to the required safety standards and continued to provide staff efficient work floor structures that include individual workstations that are equipped with necessary PC systems and other corporate equipment. A spacious lunchroom is provided for the staff members attached to the Head Office. In terms of employee health and safety, necessary precautionary measures are taken to protect employees from physical hazards such as fire. SMBL being a service-oriented organization that deals primarily in financial transactions, the type of tasks carried out by our employees do not directly pose safety risk or disease related health hazards. There were no injuries to the staff while on duty in 2021.

The Company's security requirements have been outsourced to a reputed security company which provides security personnel to handle security at Head Office premises. All SMBL branches are equipped with CCTV to monitor physical activities for the safety of all employees.

Employee Grievance

SMBL adopt a people-centric culture across all departments which facilitate interactions between all employees. The "open door" corporate culture facilitates free flow of information and importantly allows staff grievances to be picked up early and to

be resolved then and there by the senior management. Employee grievances are generally picked up directly by the respective Head of Department and resolved jointly with the assistance of the Human Resource Department.

An approved framework is in place for addressing employee grievances which ensures equitable treatment and anonymity. The human resource department is equipped with persons of the relevant expertise and experience to deal with employee grievances of significance. Grievances that cannot be resolved or any unresolved concerns are brought formerly to the attention of the HR Department and it is firstly routed upward to the respective HOD and if still unresolved it will be escalated to the Head of the HR Department and the Chief Executive Officer to take appropriate action to address such grievances.

At the time of joining, all employees are bound to sign and accept the letter of appointment acknowledging the terms and conditions of his/her employment. A formal job description is issued to all staff upon joining, specifying the job role and responsibilities, thus eliminating any future misunderstandings. To eliminate possible grievances arising due to misunderstandings of internal rules and regulations, a copy of the Procedure Manual has been issued to all staff which specifies standard practices and rules for employees to follow including requirements on employee conduct.

Management Information on Human Resources

SMBL utilizes a Human Resource Information System (HRIS) to generate a constant stream of invaluable employee information, to better manage the workforce and to take appropriate decisions. HRIS provides a full-fledged on-line leave approval system. The attendance of all staff is monitored electronically using a thumb print attendance system.

Measures taken to prevent COVID 19.

SMBL consider our customers and our staff as the most valuable assets of the Company who drives our Business.

During the pandemic situation of the country, and especially during the peak times of Covid 19 in Sri Lanka SMBL took many initiatives to serve our customers, and lookafter staff by taking many steps to prevent the spreading of Covid 19 among the staff members and took necessary action for the protection of customers as well.

We have taken following precautions to prevent spreading Covid 19 virus among customers who are visiting to branches.

1. We strictly and 100% followed the Health guidelines which composed by the Sri Lanka Health Ministry.
2. We serve our customers by using digital platforms to avoid customers entering to the premises for their financial matters
3. Offered moratorium to all customers at their request in compliance to the instructions received from Central Bank of Sri Lanka.
4. During the quarantine curfew period SMBL staff reported to work on roster basis to serve our customers and we made special work shifts arrangements due to the issues of transportation in the country.

Following steps were taken for our staff members to ensure their safety and also helped Covid effected staff members in many ways during the peak time.

1. Conducted periodic PCR tests
2. Distribution of Oximeters to all staff members
3. Distribution of thermometers to staff members
4. Full Sanitization of the office premises/ staff workstations frequently
5. Coordinate and admitted Covid detected staff members to the star class hotel quarantine centers with special care and facilities (Managed by leading private hospitals) ensuring better safety and effective treatments for their wellbeing.
6. Provided transportation to all staff members during the lockdown period of the country

South Asian Business Excellence Award 2021 (Special category – COVID response)

SMB Leasing PLC was recognized for its outstanding response to the Covid -19 crisis at the 2021 South Asian Business Excellence awards held in Colombo on December 10 , 2021 with the participation of over 400 companies from Sri Lanka , Maldives, Pakistan, Bangladesh and Nepal. The winners of the South Asian Business Awards under go a meticulous evaluation process conducted by panel of professionals and academics.

Risk Management

Integrated Risk Management

Introduction

"Risk" the uncertainty in the Business Environment has a continuous and a rigorous impact on the Business Objectives of the Company. The Risk Management Strategy of the Company shows how effective the Company is managing the impact to its objectives caused by this uncertainty in the Business Environment.

The effectiveness of the Risk Management Strategy depends on the strength of the following activities.

- Identification of Risk
- Measurement and Evaluation of Risk
- Analysis of Risk Treatment Methods
- Selection and Implementation of Risk Treatment Methods
- Monitoring Performance

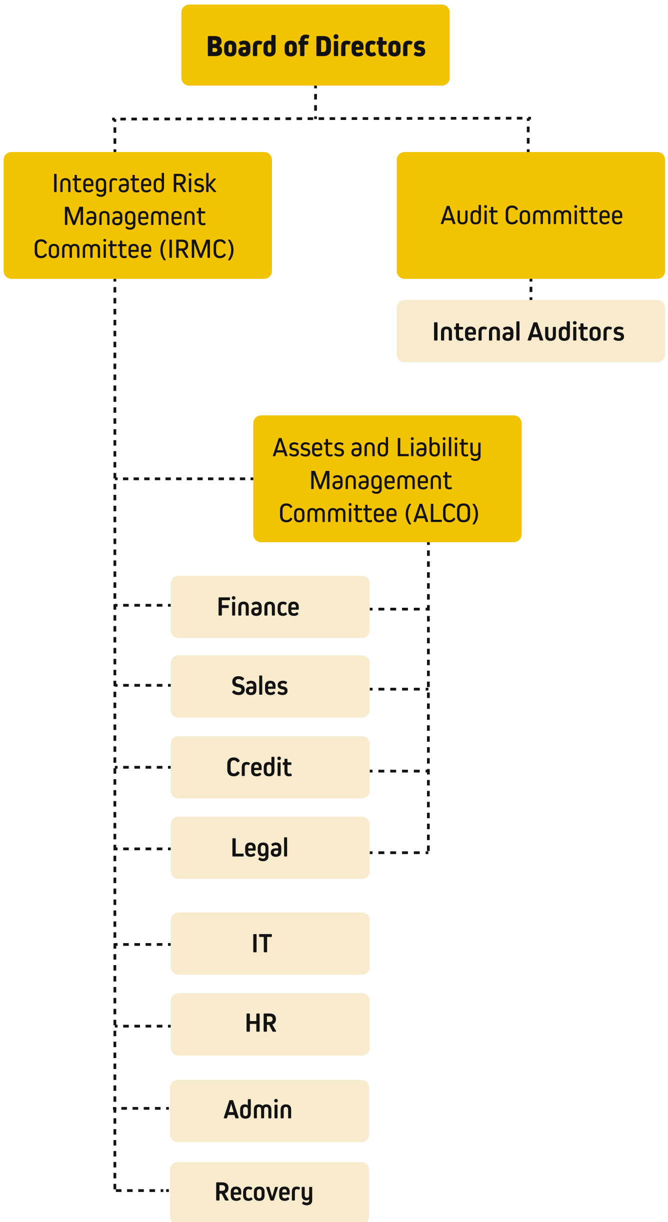
The primary responsibility for Integrated Risk Management lies with the Board of Directors. As delegated by the Board of Directors, the Integrated Risk Management Committee (IRMC) reviews and assesses the adequacy and effectiveness of the risk management policy of the Company.

The Integrated Risk Management Committee (IRMC) consists of Committee Chairman, CEO, Manager – Compliance and the department and functional heads. The identification, measurement and evaluation of risk routes through the Integrated Risk Management Committee (IRMC).

The risk factors are identified by the risk register which is updated at the Departmental level. These risk factors are discussed at the Integrated Risk Management Committee (IRMC) and high-risk factors are brought to the attention of the committee members.

The risk treatment methods are proposed and selected at the Committee and the time plan for implementation of those risk treatment methods are decided by the Committee.

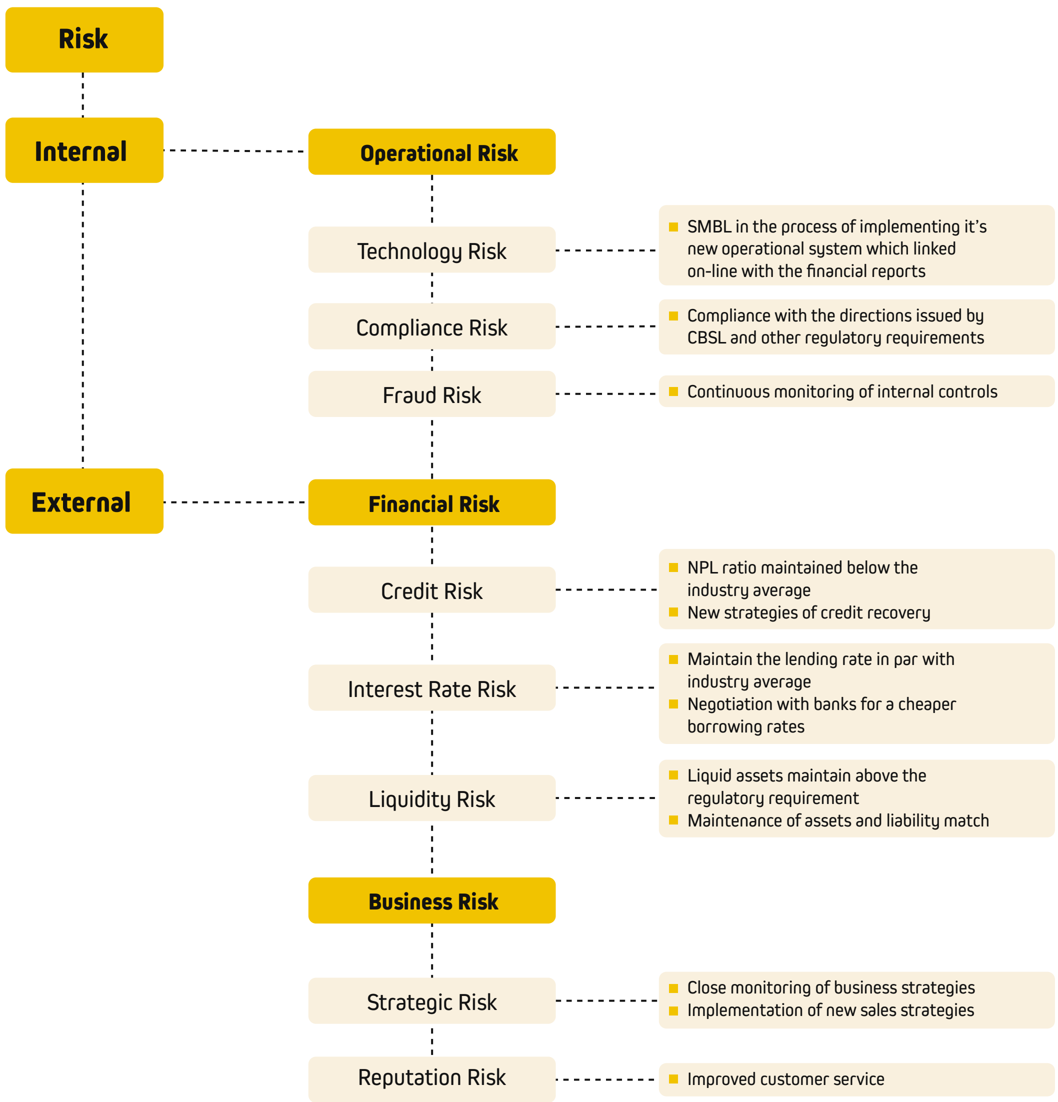
The Company's Risk Management Structure



Monitoring performance is done at the departmental level and the performances are reported to the Integrated Risk Management Committee (IRMC). After evaluating the performance, if the Integrated Risk Management Committee (IRMC) feels still the risk is not mitigated and should be brought to the attention of the Board of Directors it is done via a Risk Report submitted by the Chairman of the Committee to the Board of Directors.

SMB Leasing PLC's Risk Landscape

Approach in 2020 for Risk Management



Assets and Liability Management Committee (ALCO)

The ALCO functions as an independent committee. The main objective of the Committee is to evaluate the liquidity position, sources of funding and the market risk of the Company and to suggest for any remedial action and policy changes wherever needed.

The ALCO is chaired by the CEO and consist of Finance Manager and Head of Credit.

The main tasks of the Committee are as follows,

- Analyze the liquidity position of the Company
- Seek and evaluate the sources of funding and the interest rates
- Analyze the lending portfolio and the interest rates
- Review the assets and liability maturity statement
- Analyze the competitors' position
- Updating on the rules and regulations and the amendments thereto

Based on its assessments, the ALCO recommends to the Integrated Risk Management Committee (IRMC) on any action it deems necessary to limit or mitigate and to manage the liquidity risks of the Company.

Audit Committee and the Internal Auditors

The Audit Committee and the Internal Auditors plays a combine role in risk management. Internal auditors carry out independent reviews of compliance with risk policies and procedures to ensure effectiveness of risk management procedures. In addition, the internal auditors evaluate the Internal controls of the Company. Any deviations with the laid down procedure are reported to the Audit Committee. The recommended actions for deviations and non compliances are monitored and followed up by the Internal Auditors.

Shareholders and Investors Information

Twenty Largest Ordinary (Voting) Shareholders as at December 31, 2021

		2021		Comparative holdings of the top 20 holders in 2020	
	Ordinary voting shares	**No. of Shares**	**%**	**No. of Shares**	**%**
1	Mr H.R.S. Wijeratne	4,169,342,304	64.44	194,882,451	16.35
2	Standard Chartered Bank Singapore S/A HI Bank Singapore Branch	626,055,720	9.68	104,342,620	8.76
3	Sampath Bank PLC/ Dr.T.Senthilverl	272,517,353	4.21	268,705,956	22.55
4	Ms C.N.M. Anthony	72,162,100	1.12	N/Q	N/Q
5	Mr H.K. Pushpakumara	42,934,000	0.66	15,613,562	1.31
6	Mrs K.J.A.N. Sangakkara	40,811,461	0.63	N/Q	N/Q
7	Seylan Bank PLC/Senthilverl Holdings (Pvt) Ltd	34,805,393	0.54	85,805,393	7.20
8	Mr M.J.N.S. Fernando	25,018,640	0.39	N/Q	N/Q
9	Mis A.C. Jayasinghe	25,000,000	0.39	N/Q	N/Q
10	Hatton National Bank PLC/Anuja Chamila Jayasinghe	24,520,601	0.38	N/Q	N/Q
11	Hatton National Bank PLC/Ruwan Prassana Sugathadasa	23,656,025	0.37	N/Q	N/Q
12	Mr P.N.G.D. Silva	23,500,001	0.36	N/Q	N/Q
13	Mr R. Gautam	22,300,000	0.34	17,400,000	1.46
14	Mrs S.K. Beruwalage	20,501,000	0.32	N/Q	N/Q
15	Mr W. Gunarathne	20,316,206	0.31	20,316,206	1.70
16	Commercial Bank Of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	17,122,474	0.26	16,470,674	1.38
17	Mr T.C.B. Maranthota	17,000,000	0.26	N/Q	N/Q
18	Mr D.M.T. Dassanayake	13,586,528	0.21	N/Q	N/Q
19	Cosmo Mart(Private Limited	13,344,825	0.21	N/Q	N/Q
20	Sinharaja Hills Plantation Private Limited	13,000,000	0.20	13,000,000	1.09
	Total shares held by the top 20 holders - 2021	**5,517,494,631**	**85.27**	**-**	**-**
	Balance shares held by other ordinary voting shareholders - As at December 31, 2021	952,880,417	14.73	-	-
	Total ordinary voting shares	**6,470,375,048**	**100.00**	**-**	**-**

Twenty Largest Ordinary (Non-Voting) Shareholders as at December 31, 2021

		2021		Comparative holdings of the top 20 holders in 2020	
	Ordinary non-voting shares	**No. of Shares**	**%**	**No. of Shares**	**%**
1	Hatton National Bank PLC/Dinesh Gangadharan	224,316,841	7.28	N/Q	N/Q
2	Mr R. Gautam	166,000,000	5.39	50,649,997	8.25
3	Mr T. Pragash	86,025,473	2.79	N/Q	N/Q
4	Mr D. Gangadharan & Mrs H. Dinesh	85,734,514	2.78	N/Q	N/Q
5	Seylan Bank PLC/Jayantha Dewage	77,187,082	2.50	16,521,480	2.69
6	Mr P.M.D. Abeygoonawardena	46,650,000	1.51	N/Q	N/Q
7	Mr S.D. Divakarage	41,223,996	1.34	5,670,666	0.92
8	Mr M.A.M. Azlam	40,727,585	1.32	N/Q	N/Q
9	Sampath Bank PLC/ Dr.T.Senthilverl	40,171,815	1.30	40,171,815	6.54
10	Hatton National Bank PLC/Biswajith Udayapriya Hettiarachchi	36,308,849	1.18	N/Q	N/Q
11	DFCC Bank PLC/T.L. Samarawickrama	36,000,000	1.17	6,000,000	0.98
12	People's Leasing & Finance PLC/Mr.R.Kannan	35,800,000	1.16	N/Q	N/Q
13	Mr J.J. Ravindran	34,440,000	1.12	5,240,000	0.85
14	Mr P.N.G.D. Silva	33,000,000	1.07	N/Q	N/Q
14	Mr P.H. Susil Ranatunga	33,000,000	1.07	N/Q	N/Q
16	Hatton National Bank PLC/Ratnasabapathy Iyer Shanmugasarma	30,000,000	0.97	N/Q	N/Q
17	Mr M.L.A. Benedict	28,734,100	0.93	17,734,100	2.89
18	Mrs K.J.A.N. Sangakkara	25,000,000	0.81	N/Q	N/Q
19	Mr K.M.S.M. Razeek & Mr K.M.S.M. Rajabudeen & Mr K.S.M.R. Mohamed	22,095,755	0.72	N/Q	N/Q
20	Hatton National Bank PLC/Ruwan Prassana Sugathadasa	20,466,806	0.66	N/Q	N/Q
	Total shares held by the top 20 holders - 2021	**1,142,882,816**	**37.09**	**-**	**-**
	Balance shares held by other ordinary voting shareholders - As at December 31, 2021	1,938,720,896	62.91	-	-
	Total ordinary voting shares	**3,081,603,712**	**100.00**	**-**	**-**

N/Q- Not qualified for Top 20 Shareholders in 2020

Directors' and CEO's Shareholding as at December 31, 2021

Name	Position	Type of share	2021 No. of Shares	2021 % of Holdings	2020 No. of Shares	2020 % of Holdings
Mr. H. R. S. Wijeratne	Chairman - NED	Voting	4,169,342,304	64.44	194,882,451	16.35
		Non Voting	-	-	-	-
Mr. T. M. Wijesinghe	INED	Voting	-	-	-	-
		Non Voting	-	-	-	-
Mr. A. T. S. Sosa	INED	Voting	1,000	-	1,000	-
		Non Voting	-	-	-	-
Mr. M. S. A. Wadood	INED	Voting	-	-	-	-
		Non Voting	-	-	-	-
Mr. L. Abeysinghe	INED	Voting	-	-	-	-
		Non Voting	-	-	-	-
Mr. H. H. A Chandrasiri*	INED	Voting	100	-	-	-
		Non Voting	-	-	-	-
Mr. S. C. Wijesinghe	CEO	Voting	-	-	-	-
		Non Voting	-	-	-	-

NED - Non-Executive Director

INED - Independent Non-Executive Director

* Mr. H. H. A Chandrasiri is appointed to the board with effect from July 26, 2021.

Share Information

	2021	2020
Book Value		
Net assets per share - Group (Rs.)	0.34	0.58
Share Prices		
Ordinary Shares - Voting		
Highest (Rs.)	2.5	0.8
Lowest (Rs.)	0.3	0.3
Last Traded (Rs.)	2.3	0.7
Ordinary Shares - Non Voting		
Highest (Rs.)	0.8	0.5
Lowest (Rs.)	0.1	0.2
Last Traded (Rs.)	0.7	0.4
Earnings		
Basic (loss) / earnings per share (Rs.)	0.01	-0.04
Price earning ratio (Times)	230	-32.5
Dividend per share	-	-
Dividend pay out ratio	-	-
Frequency of Shares Traded		
Number of shares traded		
Voting	3,213,519,740	279,350,370
Non voting	5,656,705,258	160,576,942
Number of Transactions		
Voting	35,783	4,829
Non voting	38,361	2,731
Total Number of Shareholders		
Voting	10,838	9,701
Non voting	6,081	4,226
Total Number of Public Shareholders		
Voting	10,834	9,699
Non voting	6,081	4,226
Percentage of Public holding		
Voting	35.56%	83.65%
Non voting	100%	100.00%
Float Adjusted Market Capitalisation		
SMB Leasing PLC value (Rs. Mn)	5,292	697
Solvency and Debt Capital		
Debt to equity ratio (Times) - Group	0.20	0.68
Tier 1 capital ratio (%)	121.67	50.87
Total capital ratio (%)	119.59	48.15
Interest cover (Times) - Group	1.96	0.05
Current ratio (Times) - Group	10.45	1.75

Minimum Public Holding Requirement

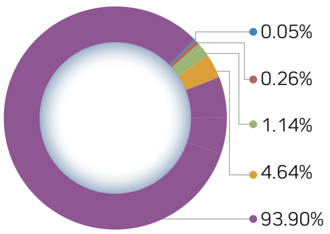
The Company is in compliance with Option 3 of Section 7.14.1 (a) of the Listing Rules of the Colombo Stock Exchange pertaining to minimum public holding.

Distribution of shareholders

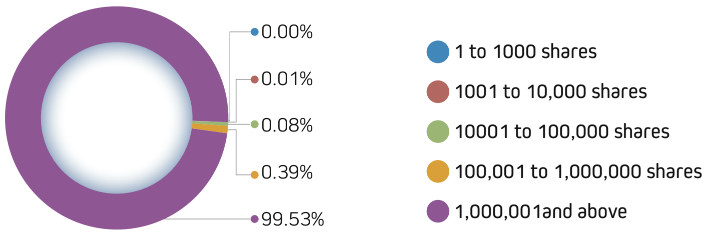
Ordinary Voting-Shareholding as at 31st December 2021

Range of Shareholdings	Resident			Non-Resident			Total		
	Number of Shareholders	No. of Shares	(%) of Holdings	Number of Shareholders	No. of Shares	(%) of Holdings	Number of Shareholders	No. of Shares	(%) of Holdings
1 to 1,000	4,874	3,174,619	0.05	10	5,297	0.00	4,884	3,179,916	0.05
1,001 to 10,000	3,274	14,987,478	0.26	6	43,590	0.01	3,280	15,031,068	0.23
10,001 to 100,000	1,725	66,451,161	1.14	9	497,467	0.08	1,734	66,948,628	1.03
100,001 to 1,000,000	720	269,864,780	4.64	8	2,542,800	0.39	728	272,407,580	4.21
1,000,000 & above	208	5,461,224,919	93.90	4	651,582,937	99.53	212	6,112,807,856	94.47
Total	**10,801**	**5,815,702,957**	**100.00**	**37**	**654,672,091**	**100.00**	**10,838**	**6,470,375,048**	**100.00**

Ordinary Voting- Resident



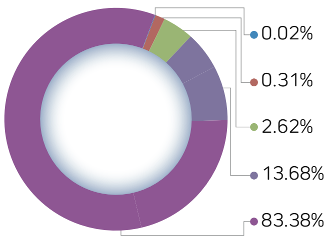
Ordinary Voting - Non-Resident



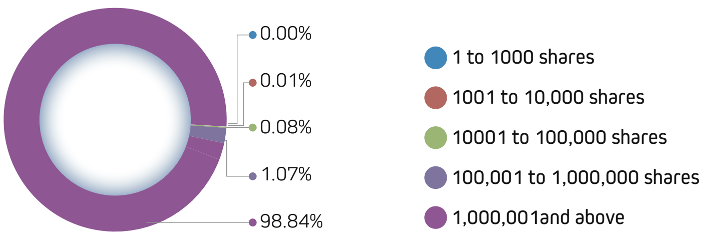
Ordinary Non Voting Shareholding as at 31st December 2021

Range of Shareholdings	Resident			Non-Resident			Total		
	Number of Shareholders	No. of Shares	(%) of Holdings	Number of Shareholders	No. of Shares	(%) of Holdings	Number of Shareholders	No. of Shares	(%) of Holdings
1 to 1,000	1,308	538,266	0.02	3	275	0.00	1,311	538,541	0.02
1,001 to 10,000	1,633	8,910,318	0.31	3	17,000	0.01	1,636	8,927,318	0.29
10,001 to 100,000	1,691	76,031,894	2.62	5	146,500	0.08	1,696	76,178,394	2.47
100,001 to 1,000,000	1041	396,361,365	13.68	6	1,963,010	1.07	1047	398,324,375	12.93
1,000,000 & above	384	2,416,525,084	83.38	7	181,110,000	98.84	391	2,597,635,084	84.29
Total	**6,057**	**2,898,366,927**	**100.00**	**24**	**183,236,785**	**100.00**	**6,081**	**3,081,603,712**	**100.00**

Ordinary Non Voting- Resident



Ordinary Non Voting - Non-Resident



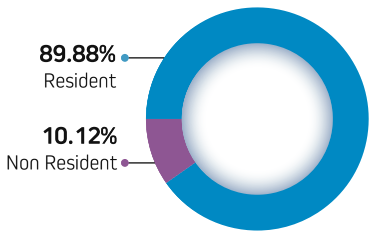
Composition of Shareholders

Ordinary Voting Shares

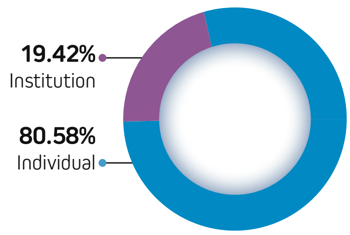
	December 31, 2021			December 31, 2020		
	Number of Shareholders	No. of Shares	(%) of Holdings	Number of Shareholders	No. of Shares	(%) of Holdings
Resident	10,801	5,815,702,957	89.88	9,665	1,066,955,696	89.53
Non-Resident	37	654,672,091	10.12	36	124,811,076	10.47
Total	**10,838**	**6,470,375,048**	**100.00**	**9,766**	**1,191,766,772**	**100.00**
Individual	10,549	5,214,108,324	80.58	9,527	584,672,975	49.06
Institution	289	1,256,266,724	19.42	174	607,093,797	50.94
Total	**10,838**	**6,470,375,048**	**100.00**	**9,766**	**1,191,766,772**	**100.00**

The percentage of Ordinary Voting Shares held by the public was 83.65% of the issued share capital as at December 31, 2020.

Ordinary Voting



Ordinary Voting

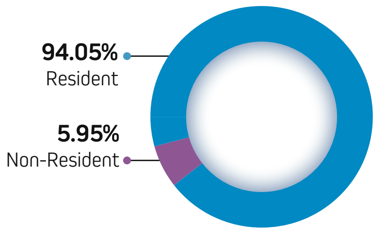


Ordinary Non-Voting Shares

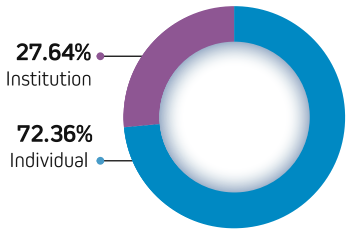
	December 31, 2021			December 31, 2020		
	Number of Shareholders	No. of Shares	(%) of Holdings	Number of Shareholders	No. of Shares	(%) of Holdings
Resident	6,057	2,898,366,927	94.05	4,203	550,662,694	89.67
Non-Resident	24	183,236,785	5.95	23	63,403,407	10.33
Total	**6,081**	**3,081,603,712**	**100.00**	**4,343**	**614,066,101**	**100.00**
Individual	5,892	2,229,782,403	72.36	4,143	464,706,033	75.68
Institution	189	851,821,309	27.64	83	149,360,068	24.32
Total	**6,081**	**3,081,603,712**	**100.00**	**4,343**	**614,066,101**	**100.00**

The percentage of Ordinary Non Voting Shares held by the public was 100.00% of the issued share capital as at 31st December 2020.

Ordinary Non-Voting



Ordinary Non-Voting



CORPORATE STEWARDSHIP

Board of Directors

Mr. Ravi Wijeratne
Chairman
Non-Executive Director

Mr. Ravi Wijeratne is the Chairman / Managing Director of Rank Holdings and Rank Group of Companies with interest that vary from property, logistic, hydropower and wind energy, solid waste management and entertainment. Rank Container Terminals Ltd is one of the largest dry ports in Sri Lanka and handles 80% of the import cargo volume that is imported through the Port of Colombo.

Rank Entertainment Holding (Pvt) Ltd is one of the two licensed gaming companies operating in Sri Lanka and has been in operation for the past 20 years.

Mr. Wijeratne is an Accountant and has obtained his qualification from the London School of Accountancy & Management in the United Kingdom.

Mr. Thilan Wijesinghe
Independent Non-Executive Director

Mr. Thilan Wijesinghe graduated with honours from the State University of New York and Cornell University, USA, with three BSc degrees in Business Administration, Industrial Engineering and Economics.

Having commenced his career as a Senior Management Consultant at PricewaterhouseCoopers, Colombo, he was the Head of Planning at Sampath Bank. In 1992 Mr. Wijesinghe pursued entrepreneurial interests by co-founding Asia Capital, which became Sri Lanka's largest investment bank in terms of market capitalisation. Mr. Wijesinghe was a key initiator in successfully launching the Regent Sri Lanka Fund in 1993, the first ever country fund dedicated to Sri Lankan equities. He served on the Board of this Dublin-listed company for 3 years.

Having exited his investment in Asia Capital, Mr. Wijesinghe has served as Chairman/Director General of the Board of Investment and CEO/MD of Asian Hotels Corporation PLC, Forbes & Walker Ltd and Overseas Realty PLC. Mr. Wijesinghe is a co-founder of the Sri Lanka Institute of Information Technology (SLIIT), Sri Lanka's largest IT University, where he serves as a Board member for life.

He functions as Chairman/Shareholder of TWCorp (Pvt) Ltd, a real estate focused investment advisory and development management company, Digital Commerce Lanka (Pvt) Ltd, an e-commerce partnership with Dialog Axiata PLC, and Sapphirus Lanka (Pvt) Ltd, a company exporting precision manufactured sapphire to premium international jewelers. He is also on the Board of leisure companies affiliated to MJF Group, makers of Dilmah Tea and several other public and private companies.

Mr. Shardha Sosa
Independent Non-Executive Director

Mr. Shardha Sosa is an Associate Member of the Chartered Institute of Management Accountants – UK, Fellow member of Certified Management Accountants of Sri Lanka and a Member of the British Computer Society with over 27 years of experience.

Starting his career in 1990 as a Management Trainee, he has experience in the grades of Accountant, Chief Accountant and Financial Controller from 1998 to 2015 at MJF Holdings (Dilmah Tea). He is presently the Director - Finance at Forbes & Walker (Pvt) Limited. Having led multi-functional teams and implementing many ERP systems, has in depth knowledge of Planning, Budgeting, Costing, Pricing, Treasury Operations, Risk Management Procedures, ERP Planning, Taxation and Investment Analysis. He has been a key figure in the development and expansion of Dilmah Tea.

Mr. Saadi Wadood
Independent Non-Executive Director

Mr. Saadi Wadood is an experienced lawyer who has specialised in Corporate Law. Has 20 years of experience as a lawyer after being enrolled at the Supreme Court in 1997. Graduating LLM with Merit Pass from the Kings College- University of London has a wide experience in handling commercial cases in the District Courts, High Courts (Commercial and Civil), Court of Appeal and the Supreme Courts. Acting as a legal consultant in several companies, he has been a delegate and an active member of the Bar Association of Sri Lanka for several years. Also, handles commercial arbitration work and resolutions of commercial disputes. Mr. Wadood was appointed as a Senior Director in September 2018.

Mr. Lolitha Abeysinghe
Independent Non-Executive Director

Mr. Lolitha Abeysinghe is the Managing Director of Chelinaa Capital Corporation. He has a Masters Degree in Business Administration and a Diploma in Marketing. He is also a Fellow at Toronto Centre, Canada in Securities Regulations. Mr. Abeysinghe is also a former Commissioner of the Securities and Exchange Commission of Sri Lanka.

Mr. Anura Chandrasiri
Independent Non-Executive Director

Mr. H H Anura Chandrasiri is a legal professional with sound financial acumen in providing corporate leadership to lead organization to engage in best practices of stewardship and governance.

He is a LLB, with a Masters Degree in Financial Economics from the University of Colombo. Mr. Chandrasiri also holds a postgraduate Diploma in Criminology & Criminal Justice from the University of Sri Jayawardenepura of Sri Lanka.

Corporate Management Team

Mr. Supul Wijesinghe
Chief Executive Officer

Mr. Supul Wijesinghe holds a BSc in Business Administration from the University of Sri Jayewardenepura and a Masters in Accounting & Finance from the University of Kelaniya. He is a Fellow Member of the Chartered Institute of Management Accountants – United Kingdom, Fellow Member of the Association of Chartered Certified Accountants – United Kingdom and a Member of the Institute of Chartered Accountants of Sri Lanka.

Having commenced his career at PricewaterhouseCoopers (PwC) where he last served as an Assistant Manager, he joined the World Bank as a Financial Management Specialist and worked in Bank's operations in Sri Lanka, Maldives and Pakistan for over 6 years and then went on to join 3M, a Fortune 500 Company, as the Country Finance Head for 3M's operation in Sri Lanka, a position he held until joining SMB Leasing PLC in March 2017 as the Chief Financial Officer & Head of Strategy. He was appointed as the Chief Executive Officer with effect from January 1, 2020.

He counts for over 24 years' experience in audit, risk management, financial management, strategic planning, business transformation, compliance, treasury, and performance analysis. He is presently serving as a Director of Financial Ombudsmen of Sri Lanka (Guarantee) Limited.

Mr. Nigel Wijesinghe
Head of Credit

Mr. Nigel Wijesinghe has an MBA from the Federal University of Wales in United Kingdom. He has also completed OMEGA Credit Skills in USA and Credit Evaluation at Asia Pacific Credit Association, Manila.

Nigel started his career as an Executive at Hatton National Bank was subsequently promoted to positions of Assistant Manager, Manager, Senior Manager and HNB Regional Head for Colombo.

Thereafter, he went on to join National Bank of Umm Al Qaiwain in UAE as Manager – Credit & Risk. Then Nigel moved to Pan Oceanic Bank in Solomon Islands as the Chief Operating Officer a position which he held until joining SMB Leasing PLC in 2018.

He counts for over 36 years banking experience in operations, internal audit, risk management, credit evaluation, collection and credit management.

Ms. Ayesha Weerakondaarachchi
Head of Legal

Ms. Ayesha Weerakondaarachchi is an Attorney-at-Law by profession. She is also a Notary Public for the judicial zone of Colombo, Company Secretary and a Commissioner for Oaths.

Ayesha started her career as the Associate Lawyer at Paul Ratnayake Associates in 2005 and was promoted as an Instructing Attorney in 2007. In 2010, Ayesha moved to UK and joined Palis Solicitors in London where she handled legal matters relating to immigration and housing. After working in UK for over 5 years she returned to Sri Lanka in 2015 and joined Daya Group (Pvt) Ltd as the Group Legal Officer. Prior to joining SMB Leasing PLC in December 2019, Ayesha worked as the Group Head of Legal at IWS Holdings Group.

In a legal career spanning over 16 years, Ayesha has appeared for numerous cases in Magistrate's Courts, District Courts, High Courts, Commercial High Court, Institute of Arbitration, Court of Appeal and Supreme Court and has hands-on experience in all aspects of litigation work, drafting of deeds, settlement of legal documents, debt recovery, drafting and preparation of appeals, labour laws, arbitration and providing legal submissions to the Boards of Directors.

Mr. Upul Wijesinghe
Head of Sales

Mr. Upul Wijesinghe holds a Diploma in Hire Purchase & Lease Financing and a Certificate Course of Marketing & Financial Services from Institute of Bankers.

Upul commenced his career as a Sales Officer in SMB Leasing PLC and held various positions in the organisation prior to been designated as Head of Sales in 2011. He has over 21 years' experience in banking, leasing, hire purchase and credit management.

Ms. Menaka Silva
Head of Finance

Ms. Menaka has obtained her Bachelor of Science Degree and Master of Business Administration(MBA) Degree from the University of Kelaniya. She is a Fellow Member (FCMA) of the Institute of Certified Management Accountants of Sri Lanka and a Fellow Member (FCPM) of the Institute of Chartered Professional Managers.

Menaka started her career in 2002 as a Management Trainee at Interco Services Ltd and since then has held various positions in her career obtaining over 20 years experience in the fields of accounting and finance. Prior to joining SMB Leasing PLC she worked as the Chief Accountant at Apparel Technologies (Pvt) Ltd.

Mr. Kumar Munasinghe
Senior Manager – Recovery

Mr. Kumar Munasinghe holds a Higher Diploma in Sales & Marketing from the Indian Institute of Management.

Kumar started his career as a Banking Assistant at Seylan Bank and then joined Lanka Orix Finance PLC as a Marketing Executive. Thereafter, he went on to join The Finance Company PLC as a Branch Manager and was subsequently promoted as a Cluster Manager. Kumar then moved to Softlogic Finance PLC as a Senior Sales Manager. Kumar worked as a Regional Sales Head at Orient Finance PLC until joining SMB Leasing PLC. He has over 27 years of sales experience in recovery, leasing, loans and pawning.

Ms. Nayomi Mawella

Senior Manager – HR

Ms. Nayomi is a Member of the Chartered Institute of Personnel Management (CIPM) and holds an MBA in Human Resources Management from the Open University of Sri Lanka.

Nayomi started her career in 2000 as an HR Assistant at Tritel Services. In 2005 Nayomi joined DPJ Holdings as a HR Executive and was promoted to the grade of Assistant Manager. In 2010 she joined Alpha Industries as an Assistant Manager – HR and went on to join Ultratech Cement Lanka as Assistant Manager HR & Administration in 2012. In 2015 Nayomi joined Konsept Centro as Manager – HR & Administration. She joined TKS Finance as Head of Human resources in 2018 and in 2019 Nayomi joined LCB Finance as Head of Human Resources, a position she held until joining SMB Leasing PLC in June 2021.

Ms. Thanuja Wimalasiri

Manager - Risk and Compliance

Ms. Thanuja Wimalasiri holds a Bachelor of Science (BSc) from the University of Colombo and a Masters in Business Administration from the Postgraduate Institute of Management (PIM). She is an Associate Member of the Chartered Institute of Management Accountants (CIMA) – United Kingdom.

Thanuja started her career in 2006 as an Accounts Associate at WNS and then moved to Gateway Group as a Senior Accounts Executive. In 2008, Thanuja moved to Dialog Axiata PLC as a Finance Executive and in 2012 she joined to Maga Neguma Road Construction (Pvt) Limited as a Finance Manager. She was promoted as a Senior Finance Manager in charge of corporate planning and strategy in 2017, a position which she held till joining SMB Leasing PLC as Finance Manager in 2019. She was redesignated as Manager - Risk and Compliance with effect from May 1, 2022.

She has over 16 years' experience in accounting, financial management, corporate planning and strategy.

Mr. Dickson Gunathilake

Manager – Information Technology

Mr. Dickson Gunathilake has a Diploma in AS 400 Operating System, SQL 400, Query 400 & IMAS 400 from Golden Key Software Solutions Ltd. Dickson started his career in 1992 as a Data Controller at Golden Key Credit Card and was promoted to the positions of Computer Operator, System Operator, Data Processing Executive and Senior Data Processing Executive. Then he moved to Golden Key Software Solutions Ltd as a Software QA Engineer in 2005 and was promoted to the position of Senior Software QA Engineer. Dickson joined Seylan Merchant Bank in May 2009 as Assistant Manager – IT. He was promoted as Manager – IT of SMB Leasing PLC in 2016.

He has over 30 years' experience in credit card operations, data processing, software projects, system implementation, quality assurance, pawning systems, AS400, IMAS, eIMAS, InBank and SkyBank.

Mr. Roshan Buultjens

Manager – Pawning

Mr. Roshan Buultjens holds a Diploma in Gemology from the Association of Gemology in Sri Lanka.

Roshan started his career in 1995 at Swarna Mahal Jewellers (Pvt) Ltd and moved to Ceylinco Diamond Trading in 2006. Thereafter he joined The Standard Credit Finance Ltd as an Assistant Manager in 2010. Prior to joining SMB Leasing PLC in 2017, Roshan worked as an Assistant Manager at Multi Finance PLC.

He has over 24 years experience in pawning and gold loans.

Ms. Randulani Godage

Manager – Administration

Ms. Randulani Godage is a Passed Finalist of Association of Accounting Technicians (AAT) of Sri Lanka.

Randulani started her career in 1998 at Alliance Finance PLC as an Accounts Clerk. In 2002 she joined Yashoda Group of Companies as a Secretary and then joined Advantage Technology Limited as a Secretary. In 2005, Randulani joined Seylan Merchant Leasing as a Senior Secretary and went on to join SMB Leasing PLC in 2010 as the Executive Secretary to the CEO. In 2020 she was given the responsibility of managing the administration department of the Company.

She has over 23 years' experience in accounting, administration and secretarial work.

Ms. Sachini Wijesinghe

Manager - Treasury

Ms. Sachini obtained her Bachelor of Science Degree Specialized in Accounting from the University of Sri Jayewardenepura with First Class Honours. She is a Member of the Institute of Chartered Accountants of Sri Lanka, Member of the Chartered Institute of Management Accountants(CIMA) in the United Kingdom and an Affiliate of the Association of Chartered Certified Accountants(ACCA) in the United Kingdom.

Sachini started her career at KPMG, one of the Top 4 International Audit Firms and then joined 3M, a Fortune 500 Company as an Assistant Accountant. In 2017, she joined SMB Leasing PLC as Assistant Accountant and became the first Chartered Accountant to be produced by SMB Leasing PLC under the Company's training partnership with the Institute of Chartered Accountants of Sri Lanka. While being employed at SMB Leasing PLC she represented the Institute of Chartered Accountants of Sri Lanka at the South Asia Young Chartered Accountants Forum which was held in India. In July 2019, Sachini joined Dialog Finance PLC as Assistant Manager - Financial Accounting & Reporting and went on to join Richard Pieris & Company PLC as Manager – Financial Analysis. Sachini re-joined SMB Leasing PLC in February 2021.

Corporate Governance and Compliance

According to the requirements stated in Section 2(7) of the Finance Leasing (Corporate Governance) Direction No 4 of 2009 issued by the Central Bank of Sri Lanka and the Code of Best Practice on Corporate Governance issued jointly by Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, the Board of Directors issue this corporate governance report setting out the compliance with the CBSL Directions, Code of Best Practice on Corporate Governance and Listing Rules. Section 7.10 (a) of the Listing Rules issued by the Colombo Stock Exchange states that a statement confirming that the Company is in compliance with the corporate governance rules needs to be published in the annual report confirming compliance to corporate governance provisions of the listing rules for financial years commencing on or after April 1, 2007.

Corporate Governance is the process by which companies are directed and controlled by the Board of Directors in the best interest of the shareholders ensuring greater transparency, accuracy and timely financial reporting.

SMB Leasing PLC is committed to uphold the highest standards of corporate governance and ethical conduct in all its business activities. The Board of Directors are responsible for creating and delivering sustainable stakeholder value through the management of SMB Leasing PLC's business.

The disclosures will include measures adopted to protect the interest of stakeholders, the responsibility for the system of internal controls implemented by the management, the Company's commitment to ethical standards of business conduct, information of particular interest to employees, community and customers.

Statement of Compliance

SMB Leasing PLC has placed greater focus on compliance with the regulations of regulatory bodies such as the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

The Board ensures that the Company complies with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and is in line with the same unless disclosed to the contrary.

According to the provisions of the Finance Leasing (Corporate Governance – Amendment) Direction No. 1 of 2013, the external auditor's certification of the compliance with the Corporate Governance Directions has been issued on May 31, 2022.

Governance Principles and Activities

The Board of Directors

Composition

The Board comprises of five Non- Executive Directors of whom four are Independent Directors. The Chairman also acts as a Non Executive Director. All directors encompass a wide range of skills, talents and experience required to add value to enhance the business.

Composition of the Board as at December 31, 2021 was as follows.

No. of Members	6
Executive	Nil
Non Executive	6
Independent	5
Non Independent	1

Gender Representation

Male	6
Female	Nil

Board composition by age as at December 31, 2021

41-50 years	2
51-60 years	4

Board composition by length of tenure as at December 31, 2021

0-2 years	2
3-4 years	2
5-6 years	2

Professional Experience

Accounting and finance	4
Management accounting	3
Corporate law	2
HR and administration	5

Responsibilities of the Board

The ultimate responsibility of all operations of the Company and being accountable to the stakeholders lies with the Board of Directors. Matters reserved for the Board and the Board appointed Sub Committees and those delegated to the management are clearly defined.

The Board is involved and ensures,

- Formulating corporate strategy and strategic direction of the Company
- Monitoring the effectiveness of the Company's risk management strategy
- Compliance with regulatory and legal standards

- Reviewing the integrity of the Company's accounting and financial statements
- Approval of financial statements for publication
- Approval of budget and corporate plans
- Safeguard interest of shareholders and other stakeholders
- Making recommendations to the shareholders on changes to the Board

Meetings

Meetings are held every month to review and evaluate the performance of the company. Special meetings are convened when necessary.

Directors' attendance at board and board committee meetings

Name of the Director	Status	Main Board	Audit Committee	Integrated Risk Management Committee (IRMC)	Remuneration Committee	Related Party Transaction Review Committee	Nomination Committee
Total Number of Meetings		10	11	4	-	4	1
Mr. H. R. S Wijeratne	NED	8/10	N/A	N/A	-	N/A	1/1
Mr. T. M. Wijesinghe	INED	10/10	N/A	N/A	N/A	4/4	-
Mr. A. T. S Sosa	INED	10/10	11/11	4/4	N/A	4/4	1/1
Mr. M. S. A. Wadood	INED	10/10	11/11	4/4	-	4/4	N/A
Mr. L. Abeysinghe	INED	9/10	11/11	N/A	N/A	-	N/A
Mr. H. H. A. Chandrasiri *	INED	5/5	N/A	N/A	-	N/A	-

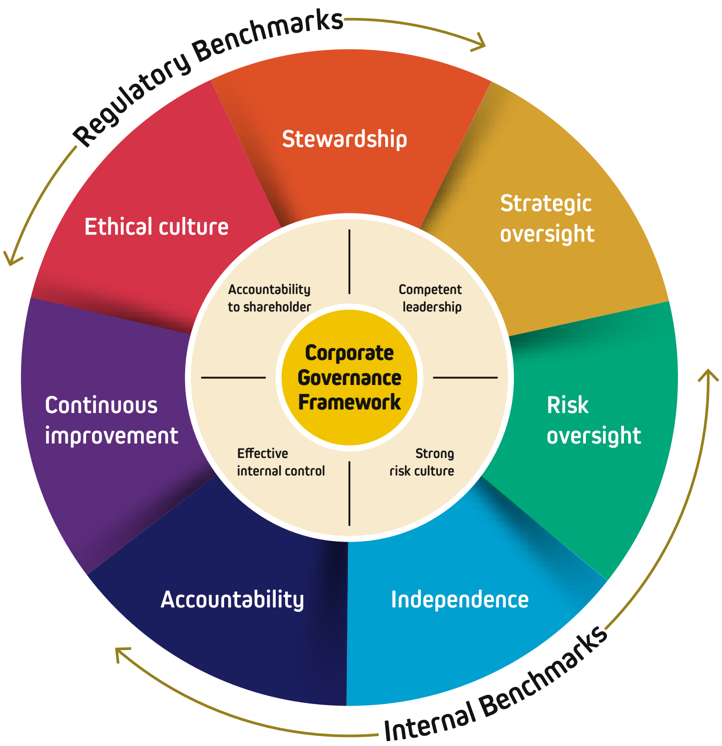
N/A - Not a Member of the Committee
NED - Non-Executive Director
INED - Independent Non-Executive Director

* Mr. H. H. A Chandrasiri appointed to the board with effect from July 26, 2021.

Governance Framework

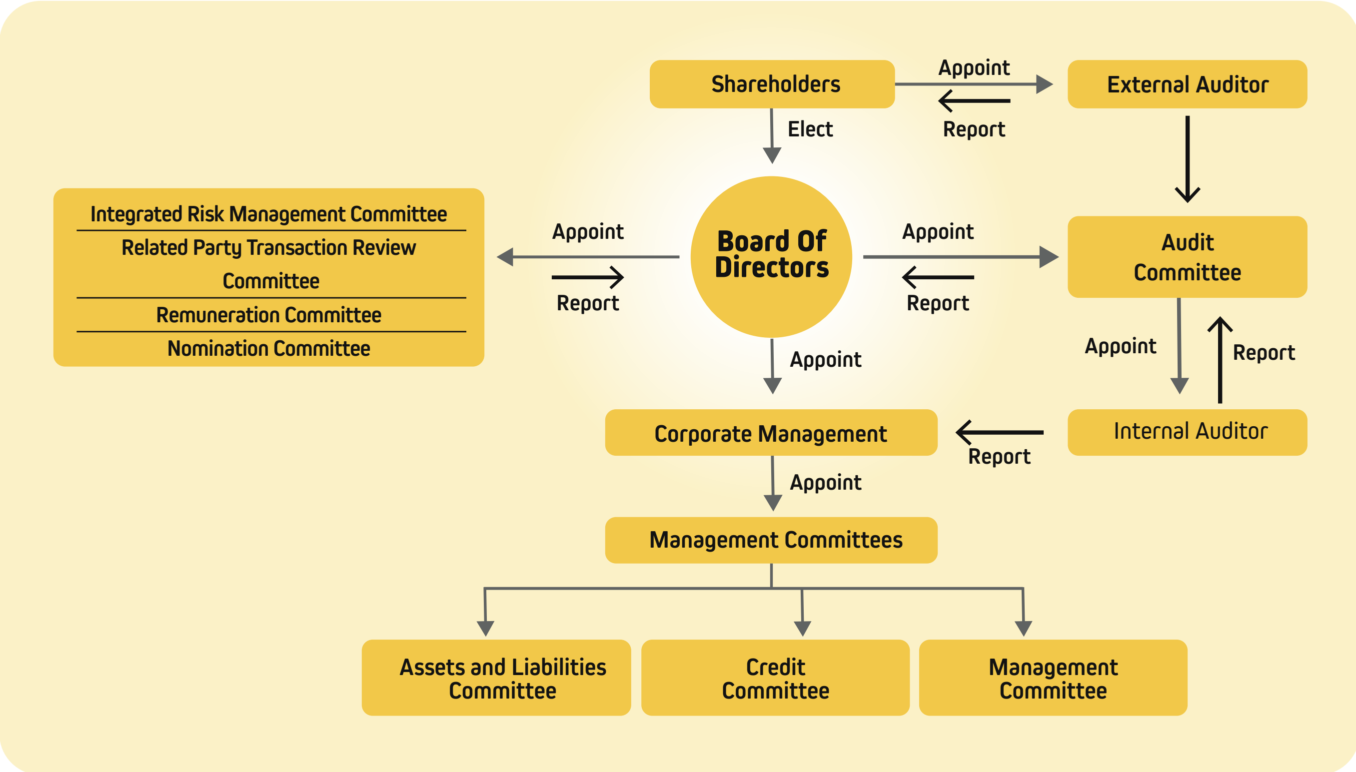
Our governance framework is secured on i) competent leadership, ii) effective internal controls, (iii) a strong risk culture and (iv) accountability to shareholders.

We believe that it is crucial to have a good balance between continuity and fresh perspectives on the Board. Our Board plays a key role in setting our governance standards to meet our stakeholders' expectation. Our leadership model ensures an appropriate balance of power, accountability and independence in decision making.



Governance Structure

The relationships among the Board of Directors, Board Sub Committees, Corporate Management. Shareholders and other Stakeholders are embedded in the Company's governance structure that is illustrated below.



Appointments to the Board

The Company has a Nomination Committee for making recommendations on new appointments to the Board. New directors, including the Chairman are appointed by the Board with reference to the Article of Association. Details of new appointments are disclosed to the shareholders. Regulatory authorities are also informed as required.

Re-election

The Articles of Association provides for one third (1/3rd) of the Directors to retire by rotation each year, with the exception of the Chairman.

Training of New and Existing Directors
The Board acknowledges the need for continuous development and expansion of knowledge and skills of new and existing directors, Accordingly, presentations are made to the Board from time to time regarding their duties and responsibilities and changes in industry related matters.

Evaluation of the Board

The Board adopted the self-assessment undertaken by the Directors annually. Assessments are focused on the Board's contribution to the development, monitoring and implementation of the strategy, risk management, quality of the relationship with the management, employees, and shareholders and ensuring proper functioning of Board Sub Committees.

Communication with Shareholders
The Company as a policy makes efforts to communicate in an equal manner in all situations to provide information to the stakeholders timely. The communication threshold is same for both positive and negative matters.

Means of Communication

The Board of the Company is committed to provide a balanced report of results and progress to the shareholders and respond to questions and issues raised in a timely and consistent manner. This is achieved by the following means of communications.

Financial Statements

The Company reports financial results on a quarterly basis and publishes interim and annual results in accordance with the applicable laws and regulations within the statutory deadlines. This facilitates appropriate decision making to both existing and potential shareholders.

Website

Our corporate website, www.smblk.com provides an additional channel for communication with shareholders and other stakeholders.

Shareholder Meetings

The Company considers the Annual General Meeting (AGM) and other general meetings to be the formal opportunity for dialogue and communication between the Company and its shareholders. The Board welcomes questions from shareholders who have an opportunity to raise issues at shareholder meetings.

Corporate Disclosures

Corporate disclosures and other official news releases are communicated, from time to time, to the Colombo Stock Exchange for dissemination to the public.

Enquires by Shareholders

Shareholder can raise inquiries and concerns with the Board by contacting the Company Secretary, through the following channel:

P W Corporate Secretarial (Pvt) Ltd.
Address No: 3/17, Kynsey Road, Colombo 08.
Email: pwcs@pwcs.lk
Telephone: 011-4640360-3

Submission of Statutory Return

The Company's submission of statutory returns, annual accounts and statutory payments are tabled as follows:

Description	Frequency of submission	Status of Compliance
Central Bank of Sri Lanka		
Submission of monthly returns	Monthly	Compliant
Submission of quarterly returns	Quarterly	Compliant
Submission of annual returns	Annually	Compliant
FIU reporting	For the period 1st day-15th day of a month-within seven working days, 16th day - end of a month within seven working days.	Compliant
EPF payment and return	Monthly	Compliant
ETF payment and return	Monthly	Compliant
Department of Inland Revenue		
Value added tax on financial services - Payment	Monthly	Compliant
Value added tax on financial services - Return	Bi-Annually	Compliant
Stamp duty - Payment	Quarterly	Compliant
Stamp duty - Return	Quarterly	Compliant
Income tax - Return	Annually	Compliant
PAYE tax - Payment	Monthly	Compliant
PAYE tax - Return	Annually	Compliant
Colombo Stock Exchange		
Submission of interim reports	Quarterly	Compliant
Submission of annual reports	Before 5 months ended of financial year	Compliant
Registrar General of Companies		
Annual accounts	Annually	Compliant
Annual returns	Annually	Compliant
Change of Directors and Company Secretary (Form 20)	As required	Compliant
Sri Lanka Accounting & Auditing Standards Monitoring Board		
Annual accounts	Annually	Compliant

Compliance with the Finance Leasing Direction

The Company's compliance with the Finance Leasing (Corporate Governance) Direction No. 4 of 2009 and No. 1 of 2013 - amendment issued by the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka under the Section 34 of the Finance Leasing Act No 56 of 2000 is tabulated below.

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
2. The Responsibilities of the Board of Directors			
2 (1) Strengthening the safety and soundness of the Company			
2 (1) (a)	Approving and overseeing the strategic objectives and corporate values and ensuring that the same is communicated throughout the Company.	Company's strategic objectives and corporate values are determined and approved by the Board of Directors. The decisions taken by the Board regarding strategic objectives and corporate values are communicated to all levels of staff through structured meetings.	Compliant
2 (1) (b)	Approving the overall business strategy of the Company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years.	Company's strategic business plan covering immediate next three years has been approved by the Board. It provides for the overall risk management policy, procedures and mechanisms with measurable goals. The business strategy is reviewed by the Board on a regular basis with updates on the execution thereof by the management at monthly Board meetings.	Compliant
2 (1) (c)	Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently.	Integrated Risk Management Committee, on behalf of the Board, identifies risks and ensures implementation of appropriate systems to manage risks prudently and reports to the Board on a quarterly basis.	Compliant
2 (1) (d)	Approving a policy of communication with all stakeholders, including lenders, creditors, shareholders and borrowers.	Refer Corporate Governance, Pages from 038 to 068 for more information on the Communication Policy.	Compliant
2 (1) (e)	Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems.	The Board Audit Committee, on behalf of the Board undertakes the detailed monitoring and reviewing of the internal controls and reports to the Board on its findings. Refer Director's Statement on Internal Control over Financial Statements, Page 079 for further information on internal control framework of the Company.	Compliant
2 (1) (f)	Identifying and designating key management personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management.	The Board of Directors have been identified and designated as the Key Management Personnel of the Company.	Compliant
2 (1) (g)	Defining the areas of authority and key responsibilities for the Board and for the Key Management Personnel.	The key functions / responsibilities have been defined and approved by the Board and included in their respective job descriptions.	Compliant
2 (1) (h)	Ensuring that there is appropriate oversight of the affairs of the Company by Key Management Personnel, that is consistent with the Company's policy.	Affairs of the Company are reviewed and discussed by the Board at Board meetings on a monthly basis.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
2 (1) (i)	Effectiveness of the governance practices are reviewed and discussed by the Board at Board meetings on a monthly basis.	This direction is overseen by the function of the Board and the Board Nomination Committee.	Compliant
2 (1) (j)	Ensuring that the Company has an appropriate succession plan for Key Management Personnel.	The Board of Directors have considered the Senior Management Personal in relation to the succession plan and was of the view that there is no immediate necessity to identify a succession plan subject to the company's present business model. These positions would be reviewed from time to time annually and as and when required and suitable steps would be taken to identify the requirement of succession.	Compliant
2 (1) (k)	Meeting regularly with the Key Management Personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.	The Board meets the key management personal on monthly basis and respective senior managers who are not members of the board are requested to attend by invitation to discuss specific areas.	Compliant
2 (1) (l)	Understanding the regulatory environment.	On appointment, Directors are apprised comprehensively on the regulatory environment including, governance framework, policies, and processes and their responsibilities as a Director in terms of the applicable rules and regulations. The Board is apprised of any changes to the regulatory environment through the Integrated Risk Management Committee and also by the Company Secretary.	Compliant
2 (1) (m)	Exercising due diligence in the hiring and oversight of external auditors.	The hiring of external auditors is carried out by the Board on the recommendation of the Board Audit Committee. The Board Audit Committee monitors and reviews the external auditor's independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements.	Compliant
2 (2)	Appointment of the Chairman and the Chief Executive Officer and defining and approving their functions and responsibilities.	The Chairman and CEO have been duly appointed and their functions and responsibilities have been defined and approved by the Board.	Compliant
2 (3)	Availability of a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice at the Company's expense.	Directors are permitted to seek independent professional advice as and when required. The Company Secretary facilitates this process.	Compliant
2(4)	Avoidance of conflicts of interest of Directors	Each member of the Board has a responsibility to determine whether he has a potential or actual conflict of interest in material matters which may have a bearing on his independent judgment. Directors who have an interest in a matter under discussion refrain from engaging themselves in the deliberations on that matter and abstain from voting thereon. Such abstentions from decisions are duly reordered by the Company Secretary in the minutes.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
2(5)	Availability of a formal schedule of matters specifically reserved to Company's Board for decision and control.	Company is having policy on delegation of authority. It emphasis authority level of Directors.	Compliant
2(6)	If the Company is or likely to be insolvent the Board to inform the Director - Department of Supervision of Non-Bank Financial Institutions of the Central Bank prior to taking any decisions or actions.	No such situation has arisen to-date. Directors objectively review and evaluate the financial performance and position of the Company so that any such indicator can be identified well in advance.	Not Applicable
2(7)	Inclusion of an Annual Corporate Governance Report on compliance with the corporate governance directions in the Annual Report.	The Company has placed greater focus on compliance with the regulations of the Central Bank of Sri Lanka. The Board has published an Annual Corporate Governance Report on pages from 038 to 068 in this Annual Report.	Compliant
2(8)	Adoption of an annual scheme of self- assessment by the Directors and maintain records of such assessments.	The Board has adopted a scheme of self- assessment to be undertaken by each Director annually.	Compliant

3. Meetings of the Board

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
3(1)	Convening Board meetings at least twelve times a financial year at monthly intervals.	The Board met ten (10) times for the financial year 2021.	Partly Compliant
3(2)	Making arrangements to enable Directors to include matters and proposals relating to promotion of the business and management of its risk in the agenda of regular Board meetings.	All directors are provided an equal opportunity to include proposals for promotion of business and management of risk in the agenda of the monthly Board meetings.	Compliant
3(3)	At least seven days of notice to be given to all Directors for regular Board meetings and reasonable notice period for other Board meetings.	Board meeting calendar for the financial year is prepared by the Company Secretary. The date of the next Board meeting is collectively agreed to, by the members present during the current Board meeting and subsequently communicated to all the members to ensure that at least 7 days' notice is given of the monthly Board meeting. Reasonable notice is given for any other special Board meeting.	Compliant
3(4)	A Director who has not attended at least two- thirds of the meetings or three consecutive Board meetings shall cease to be a Director.	Directors' attendances are monitored. Please refer Page No 039 for details on number of Board meetings held during the year and the individual attendance of the Directors. All Directors have regularly attended Board meetings.	Compliant
3(5)	Appointment of a Company Secretary.	Company has appointed PW Corporate Secretarial (Pvt) Ltd as the Company Secretary. The Company secretary advices the Board on matters relating to provisions of the Companies Act, Board procedures and other applicable rules and regulations.	Compliant
3(6)	Chairman has delegated to the Company Secretary the function of preparing the agenda for Board meetings.	The chairman had delegated the preparation of the Board Meeting agenda to the Company Secretary. The company secretary is responsible for the same.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
3(7)	Directors' access to advice and services of the Company Secretary.	All directors have access to the advice and services of the Company Secretary who is responsible to the Board to ensure that the board procedures and the applicable rules and regulations are complied with. Articles of the Company provides authority to the Board to appoint/ remove the Company Secretary.	Compliant
3(8)	The Company Secretary shall maintain the minutes of Board meetings and the minutes are open for inspection at any reasonable time on reasonable notice by any Director.	The Company Secretary maintains the minutes of Board meetings with sufficient details and the same is available for inspection by any Director.	Compliant
3(9)	Recording of minutes of Board meetings in sufficient detail to demonstrate that the Board acted with due care and prudence in performing its duties.	The Company Secretary records the proceedings of the meetings and the decisions taken there at in sufficient detail so as to satisfy all the requirements specified in this rule.	Compliant

4. Composition of the Board

4(1)	The number of Directors on the Board shall not be less than five (5) and not more than nine (9).	The Board comprised of six Non-Executive Directors as at December 31, 2021.	Compliant
4(2)	The total period of service of a Director other than the Director who holds the position of Executive Director or Chief Executive Officer shall not exceed nine (9) years.	All the present Directors have held their positions for less than nine (9) years.	Compliant
4(3)	An employee of the Company may be appointment, elected or nominated as a Director provided that the total number of Executive Directors shall not exceed half of the number of Directors of the Board.	Employees have not been elected as Directors of the Company.	Compliant
4 (4)	Number of Independent Non-Executive Directors on the Board (as per the criteria specified in this section) shall be at least one fourth of the total numbers of Directors.	Five (5) out of six (6) Directors that held office as at December 31, 2021 are Independent Non- Executive Directors.	Compliant
4(5)	Alternate Director for an Independent Non-Executive Directors should also meet the criteria for independent non-executive status of the appointer.	No alternate directors were appointed during the financial year 2021.	Compliant
4(6)	Non-Executive Directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	All Non-Executive Directors have the necessary skills and experience to bring independent and objective judgment on matters relating to strategy, performance and resources. The composition of the Board also ensures the balance between executive expediency and independent judgment.	Compliant
4(7)	Each Board meeting quorum constitute of at least one-third of Non-Executive Directors.	Each and every Board meeting held in 2021 fulfils this criteria.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
4(8)	The Independent Non-Executive Directors shall be expressly identified in all corporate communications that disclose the names of Directors of the Company. The Company shall disclose the composition of the Board, by category of directors including the name of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in the Annual Corporate Governance Report.	The Independent Non-Executive Directors are identified in all corporate communications that contain the names of Directors of the Company. Corporate Governance Report published on page 039 of this Annual Report provides details of composition of the Board including the Chairman by their name and category of Directorship.	Compliant
4(9)	Availability of a formal and transparent procedure to appoint new Directors to the Board through the Nominating Committee.	The Articles of Association of the Company provides for a formal and transparent procedure applicable to the selection and appointment of Directors to the Board through the Nomination Committee.	Compliant
4(10)	Directors appointed to fill casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	All the directors that held office as at December 31, 2021 have been appointed by shareholders in their AGM.	Compliant
4(11)	Disclosure of resignations/ removal of Directors to the shareholders and to the Director – Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka with reasons for resignation/removal including such Director's disagreement with the Board if any.	All resignations/ removals and appointments of Directors are informed to the Shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange. Prior approval for such resignations / removals and appointments is obtained from the Central Bank of Sri Lanka in terms of the applicable regulations.	Compliant
5. Criteria to assess the fitness and propriety of directors			
5(1)	A person over 70 years of age shall not serve as a Director of the Company.	All Directors that held office as at December 31, 2021 are below the age of 70 years.	Compliant
5(2)	A Director of the Company shall not hold office as a Director of more than 20 companies including subsidiaries and associates of the Company.	Details of other directorships/equivalent positions held by the Directors are set out in their profiles on page 035 of the Annual Report. Accordingly, all Directors have complied with this rule.	Compliant
6. Management Functions Delegated by the Board			
6(1)	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personal to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its function.	Company has a policy on delegation of authority which ensures that the ability of the Board as a whole to discharge its function are not reduced or hindered. Directors act according to this delegation of authority policy.	Compliant
6(2)	Board shall review delegation of authority on a periodic basis.	The Board regularly reviews the policy on delegation of authority to ensure that they remain relevant to the needs of the Company.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
7. The Chairman and the Chief Executive Officer			
7(1)	The role of Chairman and Chief Executive Officer shall not be performed by the same person.	The posts of the Chairman and the Chief Executive Officer (CEO) of the Company are separated ensuring the balance of power and authority. The Chairman is a Non-Executive Director while the Chief Executive Officer is an employee of the Company.	Compliant
7(2)	When the Chairman is a Non-Independent Non-Executive Director, the Board shall designate an Independent Non-Executive Director as the Senior Director of the Company.	Chairman is a Non-Executive Director. The Chairman's role provides effective leadership and strategic insight to the issues of the Board. Mr. M. S. A. Wadood has been appointed as a Senior Director to comply with the rule. This is disclosed on Director profiles on page 035.	Compliant
7(3)	Disclosure of relationship (specified under this rule) between the Chairman and the Chief Executive Officer and relationships among members of the Board in the Corporate Governance Report.	No such relationships that require disclosure under this rule exists as at December 31, 2021.	Compliant
7(4)	Role of the Chairman.	The Chairman provides leadership to the Board and is responsible for governance and the effective operations of the Board.	Compliant
7(5)	The Chairman shall be primarily responsible for the preparation of the agenda for each Board meetings. The Chairman may delegate the function of preparing the agenda to the Company Secretary.	The Chairman has delegated this responsibility to the Company Secretary. The monthly agenda for Board meetings is prepared by the Company Secretary under the supervision of the Chairman and sent to all Directors by the Company Secretary.	Compliant
7(6)	Chairman shall ensure that all Directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	Chairman ensures, that all Directors are properly briefed on issues arising at each Board meeting.	Compliant
7(7)	Chairman shall encourage each Director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interest of the Company.	The Chairman sets the agenda and ensures that Board deliberations are done in an objective manner and opinions of all Directors are appropriately considered in decision making thereby promoting active contributions by the individual Directors to the Board's affairs.	Compliant
7(8)	Chairman shall ensure effective contribution of Non-Executive Directors and ensure constructive relationships between Executive and Non- Executive Directors.	There were no Executive Directors in the Board for the financial year 2021.	Not Applicable
7(9)	The Chairman shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties.	The Chairman is a Non-Executive Director who does not get involved directly in any of the executive duties of the Company and does not supervise any Key Management personnel.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
7(10)	The Chairman shall maintain effective communications with the shareholders and communicate the view of shareholders to the Board.	At general meetings, shareholders are given the opportunity to take up matters for which clarifications needed by the Chairman and the Board. In addition, matters raised by the shareholders outside general meetings are adequately clarified by the Chairman, CEO and/or any other officer.	Compliant
7(11)	The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day management of the Company's operations and business.	Chief Executive Officer is responsible for the day-to-day operations and business of the Company with the assistance of the Corporate Management and is accountable to the Board.	Compliant

8. Board Appointed Committees

8(1)	Presence of at least two Board Committees reporting directly to the Board such as Audit Committee, Integrated Risk Management Committee.	The following Board and Sub-committees have been appointed by the Board and reports directly to the Board. 1. Audit Committee 2. Remuneration Committee 3. Integrated Risk Management Committee 4. Related Party Transaction Review Committee 5. Nomination Committee	Compliant
	Each Committee appoints a secretary to arrange meetings and maintain minutes under the supervision of the Chairman such Committee.	Each Committee has a secretary that arranges its meetings, maintains minutes, records and carries out other secretarial functions under the supervision of the Chairman of the respective Committee.	
	Board shall present a report on performance, duties, functions of each Committee at the Annual General Meeting.	Refer Committee reports published in this Annual Report on pages 073 to 078.	

8(2) Audit Committee

8(2) (a)	The Chairman of the Audit Committee shall be a Non-Executive director who possesses qualifications and experience in accountancy and or audit.	The Chairman of the Audit committee is Independent Non-Executive Director. He is a Member of the Institute of Chartered Management Accountants-UK He possesses over 30 years of experience in finance and accountancy.	Compliant
(2) (b)	Majority of Board members appointed to the Committee shall be Non-Executive Directors.	Audit Committee consists of four Independent Non-Executive Directors.	Compliant
8(2) (c)	Audit Committee shall make recommendations on matters in connection with		
	(i) the appointment of the external auditor	The Committee has recommended M/s. KPMG, Chartered Accountants be reappointed as the External Auditors of the Company for the financial year 2021.	Compliant
	(ii) implementation of the Central Bank guidelines issued to external auditors	The Committee has implemented Central Bank guidelines issued to auditors.	Compliant
	(iii) application of the relevant accounting standards;	The Committee ensures that the relevant accounting standards are applied.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
	(iv) the service period, audit fee and any resignation or dismissal of the External auditor provided that the engagement of an audit partner shall not exceed five years and not to re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	The Committee has taken steps to ensure compliance to this Section.	Compliant
8(2) (d)	The Committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes.	The Committee monitors and reviews the external auditor's independence, objectivity and the effectiveness of the audit process.	Compliant
8(2) (e)	The Committee shall develop and implement a Board approved policy on the engagement of an external auditor to provide non-audit services based on the criteria specified in this rule.	The Board as a general policy to discourage the engagement of external auditors for non-audit services. However, if required, non-audit services will be obtained from the external auditors with the prior approval of the Committee and the Board in full compliance with the criteria set out in this rule for such engagements.	Compliant
8(2) (f)	The Committee shall discuss and finalise the nature and scope of the audit (including all aspects set out in this rule) with the external auditors before commencing the audit.	The Auditors make a presentation at the Committee Meeting with details of the proposed audit plan and the scope. The Committee approves the engagement after ensuring that all criteria and required approval is obtained to that effect.	Compliant
8(2) (g)	Committee shall review the financial information of the Company, in order to monitor the integrity of the financial statements, annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein.	Quarterly financial statements and annual financial statements are circulated to all members of the Committee. The Committee reviews all such financial statements in detail and obtain clarifications from the management where necessary during that review. Once the Committee determines that the said financial statements are prepared according to the applicable accounting standards and the required disclosures are in place, the committee recommends the financial statements for approval by the Board of Directors.	Compliant
8(2) (h)	The Committee shall discuss issues, problems and reservations arising from the interim and final audits and any matters the auditor may wish to discuss in the absence of key management personnel if necessary.	No interim audit was conducted for the year under review. The Committee met the external auditors without the presence of management on November 3, 2021 to discuss the matters pertaining to the 2021 statutory audit.	Compliant
8(2) (i)	The Committee shall review the external auditor's management letter and the management's response thereto.	Once the management letter is received, the external auditors are invitedto make a presentation to the Committee. During this meeting, all findings mentioned in the management letter is discussed in detail. Thereafter, the Committee decides on remedial action to be taken in respect of such findings.	Compliant
8(2) (j)	Committee shall take the following steps with regard to the Internal Audit function of the Company.	The Company does not have an in-house Internal Audit Department. Instead, the internal audit function is outsourced to M/s. Deloitte, Chartered Accountants.	Compliant

Section	Governance Requirement		Implementation and Compliance	Status of Compliance
8(2) (j)	i)	Review the adequacy of the scope, functions and resources of the Internal Audit Department.	The scope of the internal audit is decided by the Committee at the beginning of the financial year based on risk and operational priorities. The Committee can call for special internal audits of any area outside the given scope if required during the year.	Compliant
	ii)	Review the internal audit programme and results of the internal audit process;	The annual audit plan is prepared by the internal auditors and submitted to the Committee for approval.	Compliant
	iii)	Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;	At the end of each year, the Committee assess the performance of the internal audits carried out during the year.	Compliant
	iv)	Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	The Committee agrees with the outsourced service provider on the quality of the staff members carrying out the Company internal audit.	Compliant
	v)	Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers; provide opportunity to submit reason for resigning.	Any change to the engagement manager or engagement partner of the internal audit assignment is discussed and agreed with the Committee.	Compliant
	vi)	Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.	Internal auditors share their draft report with the CEO and Finance Manager to obtain management comments for the internal audit findings and the final report is directly submitted to the Audit Committee.	Compliant
8(2) (k)	The Audit Committee shall consider the major findings of internal investigations and management's responses thereto;		All findings of internal audit along with the responses of the management are tabled and discussed at the Committee meetings.	Compliant
8(2) (l)	The Chief Finance Officer, the Chief Internal Auditor and representative of the external auditors may normally attend meetings.		The Finance Manager attends Committee meetings. Since the internal audit function is outsourced, the Company does not have a Chief Internal Auditor.	Compliant
	Other Board members and the Chief Executive Officer may also attend meeting upon the invitation of the committee.		The Chief Executive Officer is invited for Committee meetings.	Compliant
	At least once in six months the committee shall meet with the external auditors without the executive directors being present.		The committee met external auditors without the presence of Corporate Management on November 3, 2021.	Compliant
8(2) (m)	Committee shall have authority to investigate any matter, access to information, obtain external professional advice and all other resources required by the Committee.		The Committee has authority over all aspects referred in this rule. Refer Audit Committee Report given on pages from 073 to 074 of the Annual Report for more details on this.	Compliant
8(2) (n)	The Committee shall meet regularly and record its conclusions.		The Committee had 11 meetings in 2021 and its decisions are recorded by the Company Secretary who also acts as the secretary to the Committee.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
8(2) (o)	Disclose activities of the Committee, number of meetings held and attendance of members at meetings in the Annual Report.	This information has been disclosed in the Audit Committee Report given on pages from 073 to 074 of the Annual Report	Compliant
8(2) (p)	The secretary to the Committee shall recording and maintain detailed minutes of the Committee meetings.	The Company Secretary is the secretary of the Committee. Detailed minutes of the Committee proceedings are recorded and Committee minutes are maintained by the Company Secretary.	Compliant
8(2) (q)	The Committee shall review the process by which employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters.	The Committee has implemented whistle blower policy to facilitate an informal procedure by which employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters.	Compliant
8(3) Integrated Risk Management Committee (IRMC)			
8(3)(a)	The Committee shall consist of at least one Non-Executive Director, Chief Executive Officer and key management personnel supervising credit, marketing operational and strategic risks.	The Committee composition is in full compliance with the provisions of this rule. Please refer Report of the IRMC on page 078 of the Annual report for the composition of the Committee.	Compliant
8(3)(b)	The Committee shall assess all risks to the Company both on individual basis as well as group basis, monthly through appropriate risk indicators and management information.	The Committee assesses all risks, i.e., credit, market, liquidity, operational and strategic risks through appropriate risk indicators.	Compliant
8(3)(c)	Committee shall review the adequacy and effectiveness of Credit Committee, Assets and Liability Committee (ALCO) and other management committees to ensure that those committees manage risks within the quantitative and qualitative limits specified by the IRMC.	ALCO and credit committee proceedings are reviewed by the IRMC and feedback is provided to members of those committees on risk limits.	Compliant
8(3)(d)	Committee shall take prompt corrective action to mitigate the effects of specific risks which are at levels beyond the prudent levels decided by the Committee.	IRMC has determined risk tolerance levels which are being timely updated considering the factors such as strategic objectives of the Company, changes in regulatory requirements and future economic conditions. Each risk category in the risk profile of the Company has been reviewed against the risk tolerance levels by the Committee at their meetings.	Compliant
8(3)(e)	Committee shall at least quarterly assess all aspects of risk management including updated business continuity plans.	The Integrated Risk Management Committee has met four (4) times during the financial year 2021. In the financial year 2020, the IRMC met one (1) times	Compliant
8(3)(f)	Responsibility of the IRMC to take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/ or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Risks are identified collectively by the Risk Management Committee and Assets and Liabilities Committee (ALCO) and such decisions are taken collectively. Further, no instances of non-compliance with this rule were found in 2021.	Compliant
8(3)(g)	The Committee shall submit a risk assessment report within a week of each meeting to the Board.	The Committee Chairman updates the Board within a week of each meeting.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
8(3)(h)	The committee shall establish a compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	Committee has established a compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. Manager -Compliance carried out the compliance officer function for the year 2021 and for all compliance related matters, the Manager -Compliance reports directly to the IRMC.	Compliant

9. Related party transactions

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
9(2)	The Board shall take necessary steps to avoid any conflicts of interest that may arise from any transaction of the relevant establishment with any person, who shall be considered as "related parties" under this rule.	A Board approved process is in place to ensure that there are no conflicts of interest in transactions with related parties, as defined in the direction. The transactions carried out with related parties during normal course of business are disclosed in Note 41 on pages from 142 to 143 of the Annual Report.	Compliant
9(3)	Nature of transactions with Related Parties to which the Corporate Governance Directions apply.	Board approved process is in place to ensure the compliance. No accommodation provided to Directors and/or close relatives.	Compliant
9(4)	The Board shall ensure that the Company does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to an unrelated comparable counterparty of the Company.	Board approved process is in place to ensure the compliance.	Compliant

10. Disclosures

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
10(1)	Board shall ensure that annual audited financial statements and periodical financial statements are prepared and published in accordance with the requirements of the regulatory and supervisory authorities and applicable accounting standards.	The Board ensured that the annual audited financial statements and periodical financial statements of the Company for the year 2021 were prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
10(2) Responsibility of the Board to ensure appropriate disclosures in the Annual Report			
	a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Disclosures on the compliance with applicable accounting standards and regulatory requirements in preparation of the Annual Financial Statement have been made in the 'Directors Responsibility Statement' on page 081.	Compliant
	b) A report by the Board on the Company's internal control mechanism that confirming that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.	Report by board on the effectiveness of the internal controls mechanism to ensure that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of Financial reporting, is given on 'Directors responsibility Statement'.	Compliant
	c) External auditor's certification on the effectiveness of the internal control mechanism.	External auditor has issued the certification on the effectiveness of the internal control mechanism on May 31, 2022.	Compliant
	d) Details of Directors, including names, transactions with the Company.	Details of the Directors are given on page 035 and Directors' transactions with the Company have been disclosed in Note 41.1 to the Financial Statements on page 142.	Compliant
	e) Fees/remuneration paid by the Company to the Directors in aggregate.	The Fees/remuneration paid to the Board of Directors is disclosed in aggregate in Note 41.2 on page 143.	Compliant
	f) Total net accommodation outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds.	Total net accommodation in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds is given Note 41.1 on page 142.	Compliant
	g) The aggregate values of remuneration paid by the Company to its Key Management Personnel and the aggregate values of the transactions of the Company with its Key Management Personnel during the financial year.	The aggregate values of remuneration paid by the Company to its Key Management Personnel is disclosed in Note 41.2 on page 143.	Compliant
	h) a report containing details of compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any noncompliance.	"The Annual Report of the Board of Directors on the Affairs of the Company" on pages from 069 to 072 and the Corporate Governance Report on pages from 038 to 068 describes the manner in which the Company has complied with prudential requirements, regulations, laws and internal controls during the year 2021. There was no material non-compliance to prudential requirements, regulations, laws and internal controls during 2021 affecting the Company.	Compliant
	i) External Auditor's certification of the compliance with the Corporate Governance Direction in the annual corporate governance report.	External auditor's certification on the effectiveness of the internal control mechanism and corporate governance has been issued by the external auditor on May 31, 2022.	Compliant

Company's adherence with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
A. Directors			
A.1 The Board			
Principle A.1	Every public company should be headed by an effective Board, which should direct, lead and control the Company.	The Company is headed by an effective Board of Directors comprised of experienced and influential individuals with diverse backgrounds and expertise as reflected in their profiles on page 035 of the Annual Report .	Compliant
A.1.1	Board meetings should be held at least once in every quarter of a financial year, in order to effectively execute board's responsibilities, while providing information to the board on a structured and regular basis.	The Board met ten (10) times during the financial year 2021.	Compliant
A.1.2	The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.	Board of Directors provide entrepreneurial leadership of the Company and is collectively responsible for the formulation, implementation and monitoring of business strategies of the Company, monitoring the effectiveness of the Company's risk management strategies and internal controls and compliance with ethical and legal standards.	Compliant
A.1.3	The Board collectively, and Directors individually, must act in accordance with the laws of the Country, as applicable to the business enterprise. There should be a procedure agreed by the Board of Directors, to obtain independent professional advice where necessary, at the Company's expense.	The Board collectively as well as individually complied with the laws of the country that are applicable to the Company. A process is in place for the Board to obtain independent professional advice at the expense of the Company.	Compliant
A.1.4	All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Removal of the Company Secretary should be a matter for the Board as a whole.	All Directors have access to the Company Secretary who advises the Board and ensures that applicable rules and regulations are complied with. There's no change in Company Secretary during the year under review.	Compliant
A.1.5	All Directors should bring independent judgment to bear on issues of strategy, performance, resources (including key appointments) and standards of business conduct.	All directors exercise independent judgment in all decisions made by the Board.	Compliant
A.1.6	Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged.	Every Director has dedicated adequate time and effort to the meetings of the Board and Sub-committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. All Board papers are shared with the Board members at least seven days prior to the Board meetings allowing the Directors adequate time to prepare for the Board meeting.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
A.1.7	Training for New and Existing Directors.	Any new Director who joins the Board is given appropriate induction with regard to the affairs of the Company and laws and regulations applicable to the Company. Where required, the Corporate Management and external experts make presentation with regard to the economic and social environment to update the knowledge of any newly appointed Directors.	Compliant
A.2 Chairman and the Chief Executive Officer (CEO)			
Principle A.2	Chairman and CEO are two key tasks at the top of the Company. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no individual has unfettered powers of decision.	The posts of the Chairman and the Chief Executive Officer (CEO) of the Company are separated ensuring the balance of power and authority. The Chairman is a Non-Executive Director while the Chief Executive Officer is an employee of the Company.	Compliant
A.2.1	A decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report.	The Roles of Chairman and CEO have not been combined.	Compliant
A.3 Chairman's Role			
Principle A.3	The Chairman's role in preserving good Corporate Governance is crucial. As the person, responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.	The Chairman provides leadership to the Board preserving good Corporate Governance and preserve order and facilitate the effective discharge of Board functions.	Compliant
A.3.1	The Chairman should conduct Board proceedings in a proper manner.	The Chairman has conducted all Board meetings in compliance with the provisions of this rule and ensures that the Board works effectively and discharges its responsibilities and ensures that all key and appropriate issues are discussed by the Board in a timely manner.	Compliant
A.4 Financial Acumen			
Principle A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	The Board includes members with sufficient financial acumen and knowledge including Chartered Accountants who can provide the Board with necessary guidance in conducting its business. Please refer to Director profiles on page 035.	Compliant
A.5 Board Balance			
Principle A.5	It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking.	The Board for the financial year 2021 comprised of six (6) Non-Executive Directors.	Compliant
A.5.1	The Board should include Non-Executive Directors of sufficient caliber and number for their views to carry significant weight in the Board's decisions.	The current Board comprises only Non- Executive Directors and their views carry significant weight in the Board's decisions.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
A.5.2	Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non- Executive Directors should be 'independent'.	Five out of the six Non-Executive Directors are deemed as Independent Directors (Please refer page 035 of the Annual Report).	Compliant
A.5.3	For a Director to be deemed 'independent' such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.	The independency of the Directors has been decided with full compliance to this rule.	Compliant
A.5.4	Each Non-Executive Director should submit a signed and dated declaration annually of his/ her independence or non-independence against the specified criteria set out in the Code of Best Practice on Corporate Governance.	Non-Executive Directors have submitted declaration on their independency or non- independency in the required form.	Compliant
A.5.5	The Board should make a determination annually as to the independence or non- independence of each Non- Executive Director based on such a declaration made of decided criteria and other information available to the Board and should set out in the Annual Report the names of Directors determined to be 'independent'.	Based on the declarations submitted by each Board member who held office in 2021, the Board has determined that five Independent Non-Executive Directors were in the Company in 2021. The names of the Independent Directors are disclosed in the Annual report. Please refer page 035 of the Annual Report for profiles of the Board of Directors.	Compliant
A.5.6	If an Alternate Director is appointed by a Non-Executive Director such Alternate Director should not be an executive of the Company and such appointee should meet the criteria for Non-Executive Director.	No Alternative Directors were appointed in 2021.	Compliant
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the independent Non- Executive Directors to be the "Senior Independent Director" (SID) and disclose this appointment in the Annual Report.	Although the requirement to appoint a Senior Independent Director does not arise according to the Code of Best Practices on Corporate Governance, the Company has appointed Mr. M.S.A. Wadood as a Senior Director with effect from September 20, 2018 to comply with Section 7 (2) of the Finance Leasing (Corporate Governance) Direction No. 4 of 2009.	Compliant
A.5.8	Senior Independent Director should make himself available for confidential discussions with other directors who may have concerns.	The Senior Independent Director has made himself available for any confidential Discussions with other Directors.	Compliant
A.5.9	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	All Board members are Non-Executive Directors and the Chairman holds meeting with the Non- Executive Directors regularly throughout the year.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes.	All proceedings at meetings are recorded by the Company Secretaries.	Compliant

A.6 Supply of Information

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
Principle A.6	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	Timely and accurate information is provided to the Board to discharge its duties.	Compliant
A.6.1	Management has an obligation to provide the Board with appropriate and timely information. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.	The management provides the Board with monthly information and all matters related to the meeting of the Board and its Sub Committees. In addition, the members of corporate management make representations to the Board Directors on important issues relating to the financial performance, strategy, risk, system and procedures. The Chairman ensures that all Directors are briefed on issues arising at Board meetings.	Compliant
A.6.2	The minutes, agenda and papers required for a Board Meeting should ordinarily be provided to Directors at least seven (7) days before the meeting, to facilitate its effective conduct.	The minutes, agenda and all other information required for the Board and its Sub Committees are submitted (7) days before the meetings.	Compliant

A.7. Appointments to the Board

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
Principle A.7	There should be a formal and transparent procedure for the appointment of new Directors to the Board.	The company has appointed a Nomination Committee on January 27, 2016 for making the recommendations on new appointments to the Board. New Directors, including the Chairman are appointed by the Board by referring Articles of Association as recommended by the Nomination Committee.	Compliant
A.7.1	A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. The Chairman and members of the Nomination Committee should be identified in the Annual Report.	The company has appointed a Nomination Committee for making recommendations on new appointments to the Board. The Members of the Nomination Committee are Mr. H. R. S. Wijeratne (Chairman - Non-Executive Director) and Mr. A.T.S. Sosa (Independent Non-Executive Director).	Compliant
A.7.2	The Nomination Committee or in the absence of a Nomination Committee, the Board as a whole should annually assess Board-composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company.	The combined knowledge and experience of the present composition of the Board matches with the strategic demands of the Company. However, if there is a change in the directorate, the composition of the Board will be reviewed accordingly.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
A.7.3	Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders: a brief resume of the Director; the nature of his expertise in relevant functional areas, the names of companies in which the Director holds directorships or memberships in Board committees and whether such Director can be considered 'independent'.	All appointments of new Directors are informed to the shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange. Regulatory authorities are also informed as required.	Compliant

A.8 Re-election

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
Principle A.8	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	In terms of the Articles of Association all Directors are subject to retirement by rotation. At every AGM, the longest standing director will retire and retiring Director shall be eligible for re-election.	Compliant
A.8.1	Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their re-appointment should not be automatic.	In terms of the Articles of Association all Directors are subject to retirement by rotation. At every AGM, the longest standing Director will retire and retiring Director shall be eligible for re-election.	Compliant
A.8.2	All Directors including the Chairman should be subject to election by shareholders at the first opportunity after their appointment, and to reelection thereafter at intervals of no more than three years.	In terms of the Articles of Association of the Company, all Directors will be re-elected by the shareholders at the first AGM that is held soon after their initial appointment.	Compliant

A.9 Appraisal of Board Performance

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
Principle A.9	Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.	The Board annually appraises its own performance to ensure that it is discharging its responsibilities satisfactorily.	Compliant
A.9.1	The Board should annually appraise itself on its performance in the discharge of its key responsibilities as set out in A.1.2	The Chairman and the Board annually evaluates their performance in the discharge of key responsibilities of the Board including the performance of the Board appointed Sub- Committees.	Compliant
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its Committees.	The Board has adopted a scheme of self- assessment to be undertaken by each Director annually.	Compliant
A.9.3	The Board should state how performance evaluations have been conducted in the Annual Report.	Please refer comment on Principle A.9.1 above and governance principles and activities on page 039.	Compliant

A.10 Disclosure of Information in respect of Directors

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
Principle A.10	Shareholders should be kept advised of relevant details in respect of the Directors.	Shareholders are kept advised of all relevant details in respect of Directors through announcement of Colombo Stock Exchange and disclosures via Annul Report.	Compliant
A.10.1	The Annual Report of the Company should set out the information in relation to each director.	Please refer for information on Directors, Profile on page 035. Director's Interest in Contracts on page 142.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
A.11 Appraisal of Chief Executive Officer (CEO)			
Principle A.11	The Board should be required, at least annually, to assess the performance of the CEO.	CEOs performance is appraised by the Board annually.	Compliant
A.11.1	At the commencement of every fiscal year, the Board in consultation with the CEO, should set, in line with the short, medium and long- term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year.	The Board in consultation with the CEO determines both short term and long term targets for the company that should be met by the CEO.	Compliant
A.11.2	The performance of the CEO should be evaluated by the Board at the end of each fiscal year.	Annual appraisal of the performance of the CEO is carried out by the Chairman.	Compliant

B. Directors

B. 1 Remuneration Procedure

Principle B1	Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	Companies has established a formal policy on executive remuneration and for fixing the remuneration packages of individual Directors.	Compliant
B.1.1	To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, on the Company's framework of remunerating Executive Directors.	A Remuneration Committee has been set by the Board.	Compliant
B.1.2	Remuneration Committees should consist exclusively of Non-Executive Directors, and should have a Chairman, who should be appointed by the Board.	Independent Non-Executive Director has been appointed as the Chairman of the Remuneration Committee.	Compliant
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report.	This information is disclosed in the Report of the Remuneration Committee. Please refer Page 075.	Compliant
B.1.4	The Board should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee.	The Board has decided on the remuneration of Non-Executive Directors, including members of the Remuneration Committee.	Compliant
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors.	There were no Executive Directors in the year under review.	Compliant

B. 2 The Level and Makeup of Remuneration

Principle B2	Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully.	Director remunerations has been set to attract and retain the Directors needed to run the Company.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
B.2.1	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required but should avoid paying more than is necessary for this purpose.	There were no Executive Directors in the year under review.	Compliant
B.2.2	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other Companies.	The Remuneration Committee taken into consideration market information when positioning levels of remuneration of the Company.	Compliant
B.2.3	The Remuneration Committee should be sensitive to remuneration and employment conditions across the Company when determining annual salary increases.	The Remuneration Committee is sensitive to remuneration and employment conditions across the Company when determining annual salary increases recommended by the Management.	Compliant
B.2.4	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels.	There were no Executive Directors in the year under review.	Compliant
B.2.5	Executive share options should not be offered at a discount	No share options were offered.	Compliant
B.2.6	In designing schemes of performance - related remuneration, the Committee should follow the provisions set out in the Code.	There are no performance related elements in remuneration. Please refer the Remuneration Committee Report on page 075 details of the remuneration policy of the Company.	Compliant
B.2.7	Remuneration Committees should consider what compensation commitments (including pension contributions) their Directors' contracts of service entail in the event of early termination.		Not Applicable
B.2.8	Where the initial contract does not explicitly provide for compensation commitments, the Committee should tailor their approach in early termination cases to the relevant circumstances.		Not Applicable
B.2.9	Levels of remuneration for Non Executive Directors should reflect the time commitment and responsibilities of their role.		Not Applicable

B. 3 Disclosure of Remuneration

Principle B3	The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.	Report of the Remuneration Committee includes the Company's remuneration policy and details of Director Remuneration is given on page 075 of the Annual Report.	Compliant
B.3.1	The Annual Report should set out the names of directors comprising the Remuneration Committee, contain a Statement of Remuneration Policy and set out the aggregate remuneration paid to Executive and Non- Executive Directors.	Please refer to the Remuneration Committee Report on page 075 for details of the remuneration policy of the Company. Details of Director Remuneration is given on page 143 of the Annual Report. There were no Executive Directors in the Company for the year under review.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance

C. Relations with Shareholders

C1. Constructive Use of The Annual General Meeting (AGM) and Conduct of General Meetings

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
Principle C1	Board should use the AGM to communicate with shareholders and should encourage their participation	AGMs of the Company is used to effectively communicate with shareholders. Board encourages shareholder participation at AGMs.	Compliant
C1.1	Companies should count all proxy votes and should indicate the level of proxies lodged on each resolution, and the balance for and against the resolution and withheld, after it has been dealt with on a show of hands, except where a poll is called.	The Company has recorded all proxy votes for each resolution prior to the general meeting. All proxy votes cast at meetings are recorded by the Company Secretaries.	Compliant
C1.2	Company should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts.	Separate resolutions are passed on all substantial matters at the AGM including a separate resolution relating to the adoption of the report and accounts.	Compliant
C1.3	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration and Nomination Committees to be available to answer questions at the AGM if so requested by the Chairman.	The Chairmen of the Audit and Remuneration Committees have been available at the Company AGM and have answered questions from the shareholders at AGMs as requested by the Chairman of the Board.	Compliant
C1.4	Company should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	Notice of AGM and other related papers are sent to the shareholders as required by the Companies Act and the Articles of Association.	Compliant
C1.5	A summary of the procedures governing voting at General Meetings should be circulated with every Notice of General Meeting	The Notice of Meeting and Proxy Form with instructions are supplemented to shareholders to vote at the AGM	Compliant

C2. Communication with Shareholders

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
Principle C.2	The Board should implement effective communication with shareholders.	The primary mode of communication with shareholders is at the AGM. In addition, Company maintains an updated website that provides information to all stakeholders. Changes of the company are also published at the CSE.	Compliant
C.2.1	There should be a channel to reach all shareholders to disseminate information.	Company maintain an updated website that is used to disseminate financial and other information to shareholders. The website also has contract details of the Company where shareholders can provide their feedback online or via email or telephone.	Compliant
C.2.2	The policy for communication with shareholders should be disclosed	Please refer pages from 040 to 041 of the Corporate Governance Report for Company policy on communications with shareholders. The Company provides fair disclosure with emphasis on the integrity, accuracy, timeliness and relevance of the information provided.	Compliant
C.2.3	How the above policy is implemented should be disclosed	Shareholders are given the Annual Report from the Company either by means of a CD or in hard copy form. Shareholders may at any time request to receive the Annual Report from the Company in printed form without any charge.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
C.2.4	The contact person for such communication should be disclosed.	Shareholders may, at any time, direct questions and request for publicly available information from the Company Secretary.	Compliant
C.2.5	There should be a process to make all Directors aware of major issues and concerns of shareholders.	The Company Secretary shall maintain records of all correspondence received and will deliver as soon as practicable such correspondence to the Board or individual Director/s as applicable.	Compliant
C.2.6	The person to contact in relation to shareholders' matters should be decided (the relevant person with statutory responsibilities is the Company Secretary or in his/her absence should be a member of the Board).	Company Secretary can be contacted for any queries of shareholders. Shareholders are encouraged to provide frequent feedback to the Board through the Company Secretary.	Compliant
C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	Please refer pages from 040 to 041 of the Corporate Governance Report for Company policy on communications with shareholders.	Compliant

C.3 Major and Material Transaction

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
Principle C.3	In compliance with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets.	During the year 2021, the Company did not engage in or commit any 'Major Transactions' which materially affected the Company's net asset base.	Compliant
C.3.1	Prior to engaging in 'major related party transactions' involving the acquisition, sale or disposal of greater than one third of the value of the Company's assets, Directors should disclose to shareholders all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an Extraordinary General Meeting.	Section 185 of the Companies Act requires that the Company should obtain shareholder approval by way of special resolution for such transactions. In addition, the CSE Rule on Related Party Transactions, a Board Sub Committee will be required to review all related party transactions and propose transactions exceeding this threshold for shareholder approval. However, there was no necessity for such approval during the year 2021.	Compliant

D Accountability and Audit

D.1 Financial Reporting

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
Principle D.1	The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.	The Board has presented a balanced and understandable assessment of the Company's financial position, performance and prospects in the Annual Report.	Compliant
D.1.1	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	The Company has reported a true and fair view of its financial position and performance for the year ended on December 31, 2021 and at the end of each quarter of the financial year and all price sensitive information has been disclosed in a timely manner.	Compliant
D.1.2	The Directors' Report in the Annual Report should contain declarations by the directors to the effect set out in the Code.	Please refer Directors' Responsibility Statement on page 081 in the Annual Report.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
D.1.3	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a Report on Internal Controls.	Please refer Director's Responsibility Statement on page 081 Directors' Responsibility Statement on Internal Control Over Financial Reporting on page 079 and Auditor's Report on pages from 084 to 086.	Compliant
D.1.4	The Annual Report should contain a "Management Discussion & Analysis".	Please refer pages from 009 to 033 for the Management Discussion and Analysis.	Compliant
D.1.5	The Directors should report that the business is a going concern.	Please refer the Annual Report of the Board of Directors on pages from 069 to 072.	Compliant
D.1.6	If the net assets of the Company fall below 50% of the value of the shareholders' funds, the directors shall forthwith summon an Extraordinary General Meeting to notify shareholders.		Not Applicable
D.1.7	The Board should adequately disclose related party transactions in the Annual Report.	Please refer Note 41 on pages from 142 to 143 on Related Party Transactions.	Compliant

D.2 Internal Control

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
Principle D.2	The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, affected by a Company's Board of Directors and management, designed to provide reasonable assurance regarding the achievement of Company's objectives.	The Board has ensured the adequacy and the integrity of the Company's internal control system to safeguard shareholders' investments and Company assets.	Compliant
D.2.1	The Directors should annually conduct a review of the risks facing the Company and the effectiveness of the system of internal controls.	The adequacy and the integrity of the Company's internal control system are reviewed by the Board Audit Committee through internal audit reports and system reviews.	Compliant
D.2.2	Company should have an internal audit function.	Company internal audit function is outsourced to M/s, Deloitte, Chartered Accountants.	Compliant
D.2.3	The Board should require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls, and to document to the Board and Board takes the responsibility for the disclosures on internal controls.	The Audit Committee reviewed the internal controls and procedures of the Company and the minutes of the meetings are tabled to the Board meetings. The IRMC reviews processes relating to the risk management framework of the Company and minutes of the meetings are tabled to the Board meeting subsequently.	Compliant
D.2.4	Guidance for responsibility of directors in maintaining a system of internal controls is set out in the Code.	The Directors' responsibility for maintaining a sound system of internal control is given in the Directors' responsibility Statement on Internal Control over Financial Reporting on page 079 of the Annual Report.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
D.3 Audit Committee			
Principle D.3	The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.	The Board has established formal and transparent arrangements for selecting and applying accounting policies, financial reporting and internal control principles. The Board through the Audit Committee maintains an appropriate relationship with the Company's Auditors.	Compliant
D.3.1	The Audit Committee should be comprised of a minimum of two independent Non- Executive Directors (in instances where a Company has only two directors on its Board) or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher.	The Audit Committee comprises of four independent non-executive directors.	Compliant
D.3.2	The duties of the Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors.	Please refer to the Audit Committee Report on pages from 073 to 074 for details of the duties and responsibilities of the Committee.	Compliant
D.3.3	The Audit Committee should have a written Terms of Reference, dealing clearly with its authority and duties.	The Audit Committee's Terms of Reference is stated in the Company's, The audit committee charter.	Compliant
D.4 Disclosures			
Principle D.4	The names of Directors comprising the Audit Committee should be disclosed in the Annual Report. The Annual Report should contain a report by the Audit Committee mentioning a determination of the independence of the Auditors and the basis of such determination.	Please refer Audit Committee Report on pages from 073 to 074.	Compliant
D.5 Code of Business Conduct & Ethics			
Principle D.5	Company must adopt a Code of Business Conduct and Ethics for Directors, and Key Management Personnel.	Company has adopted the Code of Business Conduct and Ethics for Directors, and Key Management Personnel.	Compliant
D.5.1	The existence of a Code of Business Conduct and Ethics for Directors and Key Management Personnel should be disclosed in the Annual Report with an affirmative declaration of compliance.	Please refer the Annual Report of the Board of Directors on pages from 069 to 072.	Compliant
D.5.2	The Chairman must affirm in the Annual Report that he is not aware of any violation of the Code.	No violations have been reported during the year. Please refer the Annual Report of the Board of Directors on pages from 069 to 072.	Compliant
D.6 Corporate Governance Disclosures			
Principle D.6	Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.	Please refer Corporate Governance Report on Pages from 038 to 068.	Compliant
D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report.	Please refer Corporate Governance Report on pages from 038 to 068.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
E. Institutional Investors			
E.1 Shareholder Voting			
Principle E.1	Institutional shareholders have a responsibility to make considered use of their votes.	Institutional shareholders make use of their votes to ensure their voting intentions are translated into practice.	Compliant
E.1.1	A regular and structured dialogue should be conducted with shareholders.	The Annual General Meeting is used as a forum to have a structured and objective dialogue with shareholders.	Compliant
E.2 Evaluation of Governance Disclosures			
	When evaluating governance arrangements, institutional investors should be encouraged to give due weight to all relevant factors.	Institutional investors are encouraged to give weight to governing arrangements.	Compliant
F. Other Investors			
F.1 Investing/ Divesting Decision			
Principle F.1	Individual shareholders should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Individual shareholders investing directly in the Company are encouraged seeking independent advice in investing or divesting decisions. The Annual Report contains sufficient information for potential investors to carry out their own analysis and quarterly financial statements contains information on the progress of the Company to take decisions.	Compliant
F.2 Shareholder Voting			
Principle F.2	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	Individual shareholders are encouraged to participate at the Annual General Meeting and to exercise their voting rights.	Compliant

Compliance with Corporate Governance rules as per Section 7.10 of the Listing Rules of the Colombo Stock Exchange

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
7.10.1 Non-Executive Directors			
7.10.1	Two or one-third of the Directors, whichever is higher, should be Non-Executive Directors.	All six directors of the Board are Non- Executive Directors.	Compliant
7.10.2 Independent Directors			
7.10.2(a)	Two or one-third of Non-Executive Directors, whichever is higher, should be independent.	Five out of the six Non-Executive Directors are deemed as Independent Directors. Please refer the Annual Report of the Board of Directors on pages from 069 to 072.	Compliant
7.10.2(b)	The Board shall require each Non-Executive Director to submit signed declaration of independence/ non-independence annually.	All Directors have been submitted annual declarations during the year.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
7.10.3 Disclosures relating to directors:			
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report.	Please refer pages from 069 to 072 of the Annual Report of the Board of Directors.	Compliant
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.	No such determination was required to be made by the Board, as the Independent Directors of the Company met the specified criteria.	Compliant
7.10.3 (c)	A brief résumé of each Director should be published in the Annual Report including the areas of expertise	Please refer page 035 for the profiles of Board of Directors.	Compliant
7.10.3 (d)	A brief résumé of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public.	When an appointment of a new director, Company immediately submits a brief resume of such Director to the CSE.	Compliant
7.10.4 Criteria for determination of independency of Directors			
7.10.4	(a-h) Requirements for meeting criteria to be independence of a Non-Executive Director.	All of the Independent Directors of the Company met the criteria for independency specified in this rule.	Compliant
7.10.5 Remuneration Committee			
7.10.5	A listed company shall have a Remuneration Committee.	The Company has a Remuneration Committee appointed by the Board.	Compliant
7.10.5(a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher. One Non-Executive Director shall be appointed as Chairman of the Committee by the Board.	The Remuneration Committee comprises of three non-executive directors and one of them acts as a Chairman of the committee. Please refer the "Report of the Remuneration Committee" on page 075.	Compliant
7.10.5(b)	The Committee shall recommend to the Board the remuneration payable to the executive directors and Chief Executive Officer. The Board will make the final determination upon consideration of such recommendations.	Please refer the Report of the Remuneration Committee on page 075.	Compliant
7.10.5(c)	The annual report should set out the names of directors comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non- executive directors.	Please refer the Report of the Remuneration Committee on page 075 for the composition of the Remuneration Committee. Total fees and remuneration paid to all Directors is disclosed on Note 41 on page 143.	Compliant
7.10.6 Audit Committee			
7.10.6	A Listed Entity shall have an audit committee.	Please refer the 'Audit Committee Report' on pages from 073 to 074 in the Annual Report.	Compliant
7.10.6(a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non- Executive Directors, whichever is higher. One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	All the members of the Audit Committee are Non-Executive Directors. One of those Directors acts as the Chairman of the Committee.	Compliant

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
7.10.6(a)	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Both the Chief Executive Officer and the Finance Manager attends the meetings.	Compliant
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body.	The Chairman of the Audit Committee is a member of the Chartered Institute of Management Accountants – UK. Please refer page 035 for profiles of the Audit Committee members.	Compliant
7.10.6(b)	Overseeing whether the Financial Statements of the Company in accordance with Sri Lanka Accounting Standards Overseeing the Company's compliance with financial reporting in accordance with the regulations Overseeing to ensure the adequacy of Company's internal control and risk management process Assessment of the independence and the performance of External Auditors To make recommendation to the Board pertaining to the appointment, reappointment and removal of External Auditors and approve their remuneration and Terms of Engagement.	Please refer to the Audit Committee Report on pages from 073 to 074.	Compliant
7.10.6(c)	The Annual Report shall set out The names of the Directors who comprise the Audit Committee. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. A report by the Audit Committee setting out the manner of compliance of the functions set out in above, during the period to which the Annual Report relates.	Please refer to the Audit Committee Report on pages from 073 to 074.	Compliant

Compliance with Requirements on Disclosures in the Annual Report in Rule 9.3.2 of the Listing Rules

Section	Governance Requirement	Implementation and Compliance	Status of Compliance
9.3.2 (a)	Non-recurrent Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per Audited Financial Statements, whichever is lower.	There were no non-recurrent transactions exceeding 10% of the equity or 5% of the total assets.	Compliant
9.3.2 (b)	Recurrent Related party transactions exceeding 10% of the gross revenue/income as per Audited Financial Statements.	There were no recurrent transactions exceeding 10% of the gross revenue/income The details of the recurrent transactions during the Financial year 2021 are disclosed under "Note 41 Related Party Disclosure" on pages from 142 to 143 of the Financial Statements.	Compliant

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

The Directors of SMB Leasing PLC have pleasure in submitting their report together with the audited financial statements of the Company, Consolidated Financial Statements of the Group for the year ended December 31, 2021 and the Auditors' Report thereon. The Financial Statements were accepted and approved by the Board of Directors on May 31, 2022.

The following details set out in the report provide information required by the Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange and are guided by recommended Code of Best Practices on Corporate Governance issued by the Securities and Exchange Commission of Sri Lanka.

Review of Performance for the year ended December 31, 2021

The operations of the Company for the year ended December 31, 2021 are reviewed in the Chairman's Message and the Chief Executive Officer's Message and in the Management Discussion and Analysis report.

Principal Activities and the Structure

SMB Leasing PLC is a Public Limited Liability Company incorporated in Sri Lanka on September 3, 1992 under the Companies Act No.17 of 1982 and re-registered under the Companies Act No.07 of 2007 (Reg: No PQ- 91) and registered as a Finance Leasing establishment under the Finance Leasing Act No.56 of 2000. The Company is listed on the Main Board of the Colombo Stock Exchange since 1993.

During the year, the principal activity of the Company was to carry out the business of Finance Leasing, Mortgage Loans and Gold Loans. The major shareholder of the Company is Mr. H. R. S. Wijeratne who has a direct holding of 64.44% as at December 31, 2021.

Principal Activities of the Subsidiary

The principal activity of the Company's Subsidiary, SMB Money Brokers (Pvt) Ltd is money brokering activities.

Principal Activities of the Associate

Kenanga Investment Corporation Ltd is engaged in investment banking related activities & providing advisory services.

Financial Statements

The financial statements of the Group and the Company are given on page 087 to 153 of the Annual Report.

Significant Accounting Policies

The significant accounting policies adopted in the preparation of financial statements are given on page 097 to 113 of the annual report.

As per the accounting policy of the Company given in Note 5.3.5 on page 109, the investment in associate is accounted under the equity method and share of profit / (loss) of the associate for each financial year is accounted in the Group Financial Statements based on audited financial statements of the associate.

Auditors

The financial statements for the year ended December 31, 2021 have been audited by Messrs. KPMG, Chartered Accountants who have been re-appointed at the AGM held on June 30, 2021. The fees paid to the Auditors are disclosed in Note 13 to on page 117 of the Annual Report. As far as the Directors are aware, the Auditors do not have any relationship with the Company other than that of Auditors. The Auditors have provided a declaration confirming their independence.

Auditors' Report

The Auditors' Report on the Financial Statements is given on the pages from 084 to 086 of the Annual Report as required by section 168 (1) (c) of the Companies Act No. 07 of 2007.

Board of Directors

The following were Directors of the Company for the year ended December 31, 2021.

Mr. H. R. S. Wijeratne (Chairman)

Mr. T. M. Wijesinghe

Mr. A. T. S. Sosa

Mr. M. S. A. Wadood

Mr. L. Abeysinghe

Mr. H. H. A. Chandrasiri*

** Mr. H. H. A Chandrasiri is appointed to the board with effect from July 26, 2021.*

Retirement of Directors

In terms of Articles 87 and 91 of the Articles of Association of the Company Mr. A. T. S. Sosa retire and being eligible to offer himself for reelection.

Independent Directors

During the year, the following Directors were acting as the Independent Non- Executive Directors of the Company.

Mr. T. M. Wijesinghe

Mr. A. T. S. Sosa

Mr. M. S. A. Wadood

Mr. L. Abeysinghe

Mr. H. H. A. Chandrasiri*

** Mr. H. H. A Chandrasiri is appointed to the board with effect from July 26, 2021.*

Directors' Shareholdings

The shareholdings of the Directors of the Company are shown on page 030 of the Annual Report.

Directors Interest in Contracts

The Directors of the Company have no direct or indirect interest in any contract or proposed contract with the Company, except those specified in Note 41 on page 142 of the Annual Report, which have been disclosed and declared at meetings of Directors.

Interest Register

The Directors' interest register is maintained by the Company and relevant disclosures are made where appropriate.

Board Sub-Committees

The Board, while assuming the overall responsibility and accountability for the management of the Company has also appointed following Board Sub-Committees in 2021 to ensure more effective control over certain affairs of the Company, conforming to the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and the Directions of the Finance Leasing Act No.56 of 2000.

- Audit Committee
- Remuneration Committee
- Integrated Risk Management Committee
- Nomination Committee
- Related Party Transaction Review Committee
- Legal Sub Committee

Audit Committee Report is given on pages 073 to 074 of the Annual Report. Remuneration Committee Report is given on the page 075 of the Annual Report. Risk Committee Report is given on page 078 of the Annual Report. Nomination Committee Report is given on the page 076 of the Annual Report. Related Party Transaction Review Committee Report is given on the page 077 of the Annual Report.

Directors Fees and Remuneration

Directors Fees and Remuneration paid for the financial year ended December 31, 2021 is given on Note 41.2.1 on page 143 of the Annual Report.

Directors Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect the true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRS and LKAS) and Companies Act No. 7 of 2007, unless otherwise disclosed in Notes to the Financial Statements.

Corporate Governance

The Board of Directors has acknowledged the responsibility to maintain an effective corporate governance structures and processes and to be in compliance with all relevant rules, regulations and best practices. The Company being listed on the Colombo Stock Exchange is in compliance with the Listing Rules on Corporate Governance of the Colombo Stock Exchange. In addition, the Company is substantially in compliance with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the Direction No.4 of 2009 on Corporate Governance of the Finance Leasing Act No.56 of 2000. Company's compliance with rules on corporate governance are given in corporate governance report on pages 038 to 041.

Risk Management and Internal Controls

The Board of Directors considers that strong internal controls are integrated to the sound management of the Company and is committed to maintain strict financial, operational and risk management controls over all activities of the Company.

Compliance with Rules & Regulations

The Company has complied with the regulations and the directions issued by the Central Bank of Sri Lanka (CBSL) and tax and other regulations applicable to the Company and have submitted all the returns and the details to the relevant parties by the due dates. In addition, the Company complies with the Financial Transaction Reporting Act No.06 of 2006 by sending a monthly report to the Financial Intelligence Unit (FIU) of Central Bank of Sri Lanka (CBSL). Compliance Reports have been submitted to the Board on monthly basis confirming the same.

Going Concern

After considering the financial position as at the reporting date and considering the future prospects of the Company the Directors have a reasonable expectation that the Company has adequate resources to continue in operations in the foreseeable future. Therefore, the Directors have adopted the assumption of going concern in preparing these Financial Statements.

Statutory Payments

The Directors confirm that to the best of their knowledge and belief, all statutory payments in relation to all relevant regulatory and statutory authorities have been paid and provided for. A statement of compliance by the Board of Directors in relation to statutory payments is included in the Directors Responsibility on Financial Reporting Statement on page 081.

Environmental Protection

The Directors have ensured that every possible step has been taken to comply with the relevant environmental laws and regulations in the country. The Company has not engaged in any activity that is harmful or hazardous to the environment.

Financial Results of the Group

Rs. Mn	2021	2020 Restated
(Loss) / Profit after tax	45.5	(65.8)
Un-appropriated profit brought forward	92.5	160.1
Profits available for appropriation	138.0	94.3
Other comprehensive (expense) / income	4.3	(1.8)
Transfers to statutory reserves	(2.7)	-
Rights issue expenses	(5.2)	-
Un-appropriated profit carried forward	134.4	92.5

Group Revenue

The revenue of the group was Rs. 352.9 million (2020 - Rs. 272.8 million). An analysis of revenue based on segments is disclosed in the segmental analysis on page 153 of the Annual Report.

Financial Investments

Financial investments mainly comprise of the investment portfolios, which have been segregated into different categories as required by Sri Lanka Accounting Standards (SLFRS and LKAS).

The amount of financial investments held by the Group as at December 31, 2021 amounted to Rs. 99.8 million (2020 - Rs. 78.7 million). A detailed description of the financial investments is disclosed in Note 20 on pages 122 to 125 of the Annual Report.

Property, Plant & Equipment

Details relating to Property, Plant & Equipment are disclosed in Note 24 on pages 129 to 131 of the Annual Report.

Intangible Assets

Capital expenditure on acquisition of intangible assets during the year is Nil (2020 - Rs. 1.2 million). The carrying value of intangible assets as at the reporting date amounted to Rs. 5.6 million (2020 - Rs. 6.5 million). Movement of intangible assets from the balance as at January 1, 2021 to balance as at December 31, 2021, additions and disposals made and amortization charge for the year is disclosed in the Note 26 on page 132 of the Annual Report. Following their initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

Investment Properties

Investment property owned by the Group is stated in Note 23 on pages from 126 to 128 of the Annual Report.

Reserves

The reserves consist of Statutory Reserve Fund, Fair Value Reserve and the Retained Reserves. The reserves of the Group are disclosed in the Statement of Changes in Equity on page 091 and in Note 34 to 36 on page 137 of the Annual Report.

Stated Capital

The Stated Capital of the Company as at December 31, 2021 was Rs. 3,062,681,524 comprising 9,551,978,760 number of ordinary shares.

Loan Capital

The Company had issued quoted / unquoted, unsecured, subordinated, redeemable debentures to mobilize funds to be used in the disbursement of lease and loan facilities.

Taxation

A detailed description of the income tax rate applicable to the Company and a reconciliation of the accounting profits with the taxable profits are given in Note 15 on pages 118 to 119 of the Annual Report.

The Group policy is to provide for deferred taxation on all known temporary differences as at the reporting date on the liability method. The deferred tax details of the Group is disclosed in Note 27 on page 133 of the Annual Report.

Donations

No donations were granted during the year 2021 (2020 - NIL).

Provisions

The Directors have taken all responsible steps to ensure adequate provisioning has been made for all known liabilities. The basis adopted for provisioning is disclosed in Accounting Policy No. 3.2.7 on page 096 of the Annual Report.

As at the date of the Report, the Directors are not aware of any circumstances, which would render inadequate amounts provided for in the Financial Statements.

Related Party Transactions

The Board wish to declare that the Company has complied with the Section 9 of the Listing Rules of CSE and accordingly have disclosed the transactions with related parties in terms of the Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosures. The details of the Related Party Transactions are disclosed in Note 41 on pages from 142 to 143 of the Annual Report. Apart from such disclosed transactions, the Company had no other related party transactions for the year 2021.

Events After the Reporting Date

Events that have occurred after the reporting date have been disclosed in Note 40 on page 142 of the Annual Report.

Capital Commitments

The capital expenditure commitments are disclosed in Note 39.1 on page 141 of the Annual Report.

Contingent Liabilities

The contingent liabilities are disclosed in the Note 39.2 on page 142 of the Annual Report.

Share Information

Information relating to Earnings, Net Assets, and Market value per share and share trading is given on page 031 of the Annual Report.

Major Shareholders

Details of the top twenty Shareholders of the Company and the percentages held by each of them are disclosed on page 029 of the Annual Report.

The Distribution and Analysis of the Shareholders

The details of the distribution and analysis of shareholders are given on from pages from 032 to 033 of the Annual Report.

Human Resources Policy

It is the Company policy to practice equal opportunity for all employees. The Company continuously invests in training and development of staff in order to maintain a dedicated and highly motivated team to achieve service excellence.

A brief description of the Company's HR Policy and the Remuneration Methodology is given in the Human Capital Management Report on pages from 021 to 026 of the Annual Report.

The Company's strength of manpower as at December 31, 2021 was 39 (2020 – 38).

Code of Conduct and Ethics

The Board has approved a Human Resource Policy and Procedure Manual which includes a Code of Business Conduct for all its employees and has mandated that it should be followed without any exception. The Company has also adopted Code of Conduct and Ethics for Directors. The Directors and the Key Management Personnel had declared compliance with the relevant Code of Conduct and Ethics.

Equitable Treatment to Stakeholders and Their Interest

The Company has taken all steps to ensure the equitable treatment to all stakeholders. The Directors assure that the Company has taken necessary precautions to safeguard the interest of its stakeholders.

Annual Report

The Board of Directors approved the Company Financial Statements together with the reviews which form part of the Annual Report on May 31, 2022.

The appropriate number of copies will be submitted to the Colombo Stock Exchange, Central Bank of Sri Lanka, Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar of Companies within the time frame.

Annual General Meeting

Taking into consideration the current regulations/restrictions prevailing in the country due to the COVID-19 Pandemic the Board of Directors has decided to hold the Annual General Meeting as a virtual meeting on June 30, 2022 at 2.00 p.m. in line with the Guidelines issued by the Colombo Stock Exchange for hosting of virtual AGMs. The notice of Annual General Meeting is given on pages 156 and 165 of the Annual Report.

In addition, the Notice of Meeting, Request Form for an Annual Report Hard Copy, Guidelines and the Registration Process for the Virtual AGM, Registration Form for the Virtual AGM and Proxy Forms are available on the Company's website.

This report is signed for and on behalf of the Board of Directors by,

A. T. S. Sosa
Director

M. S. A. Wadood
Director

P W Corporate Secretarial (Pvt) Ltd
Company Secretaries

Colombo.
May 31, 2022

Report of the Audit Committee

Composition of the Committee

The Board Audit Committee (BAC) appointed by and responsible to the Board of Directors comprises of three Independent Non-Executive Directors and is in line with the Audit Committee composition requirements specified in the Finance Leasing (Corporate Governance) Direction issued by the Central Bank of Sri Lanka and the requirements in Section 7.10.6 of the listing rules issued by the Colombo Stock Exchange. All members of the Committee have a depth of financial expertise and business acumen and the Committee is conscious of the need to keep its knowledge up to date. More information on experience of and brief profiles of the committee members are given on page 035 in the Annual Report.

Name	Directorship Status	Status
Mr. A. T. S. Sosa	Independent/Non-Executive Director	Chairman
Mr. M. S. A. Wadood	Independent/Non-Executive Director	Member
Mr. L. Abeysinghe	Independent/Non-Executive Director	Member

The Charter

The audit committee charter defines the terms of reference of the Committee and has been periodically revised by the Board of Directors to ensure that developments to the Committee's functions and concerns are adequately addressed. The Committee is responsible to the Board of Directors and reports on its activities regularly to the Board.

The functions of the Committee are geared to assist the Board of Directors in carrying out its oversight functions in relation to the accuracy and integrity of the financial statements and compliance with legal and regulatory requirements with a view to safeguarding interests of shareholders and other stakeholders. The Committee also oversees the effectiveness of the system of internal controls and independence and performance of the internal and external auditors.

Meetings

The Committee met on eleven (11) occasions during the financial year ended December 31, 2021. Proceedings of these meetings with adequate details of matters discussed are regularly reported to the Board of Directors.

Name	Attended / Eligible to Attend
Mr. A.T.S. Sosa	11/11
Mr. M.S.A. Wadood	11/11
Mr. L. Abeysinghe	11/11

As per Section 7.10.6 (a) of the Listing Rules, the Chief Executive Officer and Finance Manager attended the Committee meetings by invitation. The Company's internal auditor, Messrs. Deloitte was invited to participate in meetings where internal audit reports were discussed. The members of the management team were invited to participate in meetings as and when required. The Company's external auditor Messrs. KPMG was invited to a meeting on November 03, 2021 to discuss the audit engagement.

Any individual member of the Committee had the opportunity to raise specific issues at the meetings. The undersigned was in regular contact with the Chief Executive Officer and the Finance Manager on matters coming under the purview of the Committee. P W Corporate Secretarial Ltd acted as Secretaries to the BAC.

Activities of the Committee

Financial Reporting – The Committee assisted the Board in its oversight on the preparation of financial statements to evidence a true and fair view on the financial position and performance of the Company. The BAC has reviewed and discussed with the management, the annual and interim financial statements prior to their release. The review included the extent of compliance with the Sri Lanka Accounting Standards, provisions of Companies Act and other legal and regulatory requirements applicable to the Company.

The Committee also reviews the effectiveness of the financial reporting systems in place to ensure reliability of the information provided in the financial statements and the accounting policies to determine the appropriateness of accounting policies and recommending changes to accounting policies where necessary. BAC also reviewed significant estimates and judgments made by the management in preparing financial statements.

Internal Controls – Finance Leasing (Corporate Governance) Direction requires the Committee to assess the Company's compliance with Directions issued by CBSL and the management's internal controls over financial reporting. Section 7.10.6 b (3) of Listing Rules require the Committee to oversee the processes to ensure that the Company's internal controls and risk management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards.

The Committee is assisted by the internal and external auditors to closely monitor the procedures designed to maintain an effective internal control mechanism to provide reasonable assurance that the above requirements are being complied with thereby ensuring that the financial reporting system can be relied upon in preparation and presentation of financial statements.

A report by the Board on the Company's internal control mechanism confirming that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements is given in page 079 The external auditor's certification on the effectiveness of the internal control mechanism was issued on May 31, 2022.

Internal Audit – On behalf of the Committee, the internal auditor Messrs. Deloitte performs a comprehensive exercise that entails reviewing all aspects of internal controls of the Company including controls over financial reporting, operations and regulatory risks. The Committee reviews the adequacy of the scope, annual internal audit plan, functions and resources of the internal auditors and satisfy itself that the internal auditors have the necessary authority to carry out their work. The Committee provides a forum to review internal audit reports, consider the findings and recommend corrective actions to be taken by the management with a follow up monitoring mechanism that manages significant business risk and controls.

External Audit – The BAC is primarily responsible for making recommendations to the Board on the appointment, reappointment or removal of the external auditor in-line with professional standards

and regulatory requirements. The Committee also evaluates and makes recommendations to Board regarding the external audit fee. On the recommendation of the Board, the shareholders have approved the re-appointment of Messrs. KPMG (Chartered Accountants) as the external auditor of the Company for the financial year 2021. Messrs. KPMG has been the external auditor of the Company since its inception in 1992. However, the engagement audit partner is rotated every five (5) years.

As far as the BAC is aware, the external auditors do not have any relationship (other than that of auditors and associated therewith) with the Company. The Committee has also received a declaration from Messrs. KPMG, Chartered Accountants as required by the Company's Act No.7 of 2007, confirming that they do not have any relationship with the Company, which may have a bearing on their independence within the meaning of the Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the listing rules issued by the Securities and Exchange Commission of Sri Lanka. The Committee reviewed the non- audit services provided by the auditors to ensure that the provisions of these services do not impair their independence to the best of knowledge and belief of the Committee.

The BAC met the external auditors in 2021 without the presence of CEO and the corporate management. This meeting provided an opportunity to the external auditor to discuss any issues, problems and reservations arose during the 2021 financial statement audit and also to ensure that there was no limitation of scope in relation to the audit and to allow disclosure of any incidents which could have had a negative impact on the effectiveness of the external audit. The BAC concluded that there was no cause for concern.

Oversight on Regulatory Compliance - The Committee closely scrutinizes the compliance with mandatory statutory requirements and the systems and procedures in place to ensure compliance with such requirements. The quarterly internal audit reports submitted by the internal auditor and the monthly reports submitted by the compliance officer were used by the Committee to monitor compliance with all such legal and statutory requirements.

Ethics and Good Governance - The Committee ensures highest standards of good governance and ensures full compliance with the applicable rules on corporate governance under the Listing Rules of the Colombo Stock Exchange. In addition, the Committee also ensures that the Company is substantially compliant with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the CBSL Directions on corporate governance.

Whistle Blowing – The Board has approved a whistle blower policy which intends to serve as an informal channel for the corporate risk management. An employee, who observes or notices any improper activity or unethical practices in the Company or receives credible information of the same, may forthwith report the same to the Committee in compliance with the procedures laid down in the HR Policy and Procedure Manual. The Committee shall take swift and objective steps to conduct independent investigations into all such incidents that are reported through whistleblowing mechanism. The Committee has authority to investigate into any matter, including call an employee to be questioned at a meeting of the Committee and authority to obtain external professional advice as deemed necessary by the Committee.

Conclusion

The Audit Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded and that the financial statements of the Company are reliable. In addition, the Committee is satisfied that the Company's compliance framework provides reasonable assurance that all relevant laws, rules, regulations, codes of ethics and standards of conducts have been followed and complied with by the Company.

A. T. S. Sosa
Chairman, Audit Committee
May 31, 2022

Report of the Remuneration Committee

Composition of the Committee

The Remuneration Committee appointed by the Board of Directors comprises of three Non-Executive Directors and meets composition requirements stated in Section 7.10.5 of the Listing Rules issued by the Colombo Stock Exchange. The following members served on the Committee during the year 2021. More information on experience of and brief profiles of the Committee members are given on page 035 in the Annual Report.

Name of the Board Sub Committee Member	Directorship Status	Membership status
Mr. H. H. A. Chandrasiri*	Independent/Non-Executive Director	Chairman
Mr. H. R. S. Wijeratne	Non-Executive Director	Member
MR. M. S. A. Wadood	Independent/Non-Executive Director	Member
Mr. A. T. S. Sosa **	Independent/Non-Executive Director	Former Member
Mr. T. M. Wijesinghe***	Independent/Non-Executive Director	Former Chairman

* Mr. H. H. A. Chandrasiri appointed as the Chairman of this committee on December 14, 2021

** Mr. A. T. S. Sosa ceased to be a member of this committee w.e.f December 14, 2021

*** Mr. T. M. Wijesinghe ceased to be the Chairman of this committee w.e.f December 14, 2021

Terms of Reference

The Committee operates within Board approved terms of reference and assists the Board of Directors in developing and administering fair and transparent HR procedures and policies and in implementing the overall human resources strategy of the Company.

The Committee evaluates, assesses and recommends the remuneration of Directors to the Board, interviews external applicants for DGM grade and above and determine remuneration packages for the senior corporate management personnel recruited by the Committee based on their qualifications, experience, competency and comparable market statistics. The Committee also interviews internal candidates recommend for promotions to Chief Manager grade and above positions to ensure a consistent leadership competency framework is applied to judge the suitability of the candidates. The Committee consults the Board as and when required in achieving the above objectives. The Committee is authorized to seek external professional advice on matters within its purview.

Meetings

The Committee meets when required to make recommendations to the Board on matters related to its functions. The Chairman of the Committee can convene a special meeting in the event a requirement arises. Though the Committee did not meet in 2021, the Chairman of the Committee continuously provided insights to the Board of Directors when HR related matters were discussed at Board meetings.

The Chief Executive Officer and the Head of HR Department may be invited to participate at the sittings of the Committee meetings as and when required by the Chairman, considering the topics for deliberation at such meeting. The proceedings of the Committee meetings are regularly reported to the Board of Directors. P W Corporate Secretarial Ltd acted as Secretaries to the Committee.

Activities of the Remuneration Committee

The activities of the Remuneration Committee during the year under review included the following.

- Making recommendations to the Board on the Company's organization structure and HR policies.
- Aligning human resources department with the corporate strategy function to facilitate a human resources transformation.
- Ensuring employees of the Company at all levels are adequately rewarded for their performance in line with the remuneration policy of the Company.
- Recommending bonuses to the Board for adoption.
- Deliberate on succession planning, human capital risks and plans to mitigate them.
- Determine a performance appraisal policy and a performance rating system for annual performance appraisal of employees.

Remuneration Policy

The remuneration policy of the Company aims to attract, motivate and retain high-caliber staff with the appropriate professional, managerial and operational expertise, necessary to achieve the strategies and objectives of the Company and reward their performance commensurate with each employee's qualifications, level of experience and contribution, bearing in mind the business performance and shareholder returns.

Directors' Remuneration

The Board decides the remuneration of the Non-Executive Directors based on the recommendation of the Committee. All Non-Executive Directors receive a fee for attending Board meetings and Committee meetings. No performance or incentive payments are made to the Non-Executive Directors and they are not entitled to retirement benefits. The Company does not have share option plans for Directors and no Director is entitled for Company loans. The total of Directors' remuneration paid during the year under review is set out in Note No.4.1.2 of the Financial Statements on page 143 of the Annual Report.

H. H. A. Chandrasiri
Chairman, Remuneration Committee
May 31 , 2022

Report of the Nomination Committee

Composition of the Committee

The Nomination Committee appointed by the Board of Directors comprises of two Non-Executive Directors and meets composition requirements stated in the Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The following members served on the Committee during the year 2021. More information on experience of and brief profiles of the Committee members are given on page 035 in the Annual Report.

Name of the Board sub-committee member	Directorship status	Membership status
Mr. T. M. Wijesinghe*	Independent/Non-Executive Director	Chairman
Mr. H. R. S. Wijeratne	Non-Executive Director	Member
Mr. H. H. A. Chandrasiri**	Independent/Non-Executive Director	Member
Mr. A. T. S. Sosa***	Independent/Non-Executive Director	Former Member

* Mr. T. M. Wijesinghe appointed as the Chairman of this committee on December 14, 2021

** Mr. H. H. A. Chandrasiri appointed as a member of this committee on December 14, 2021

*** Mr. A. T. S. Sosa ceased to be a member of this committee w.e.f December 14, 2021

Terms of Reference

The Nomination Committee makes recommendations to the Board on all new Board appointments. Terms of Reference of the Nomination Committees includes the following.

- Propose appointments to the Board of Directors and provide advice and recommendations to the Board and/ or the Chairman on any such appointment.
- Advise the Board on qualifications, competencies and independence of Directors and relationships which have potential to give rise to conflict vis-a-vis the business of the Company.
- Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking into consideration the number of listed company boards on which the Director is represented and other principal commitments.

The Committee is authorized by the Board to seek appropriate professional advice inside and outside the Company as and when it considers necessary.

Meetings

The Committee meets when required to make recommendations to the Board on matters related to its functions. The Chairman of the Committee can convene a special meeting in the event a requirement arises. Members of the Nomination Committee do not participate in decisions relating to their own appointment. During the year 2021, the Committee formally met once.

The Secretary of the Company, P W Corporate Secretarial Ltd acted as Secretaries to the Committee. The Minutes of the meetings of the Committee is circulated to all members of the Board.

Name	Attended / Eligible to Attend
Mr. T. M. Wijesinghe	-
Mr. H. H. A. Chandrasiri	-
Mr. H. R. S. Wijeratne	1/1
Mr. A. T. S. Sosa	1/1

Activities in 2021

During the year, the Committee recommended the appointment of one Independent Non-Executive Director to the Board. The Committee continued to work closely with the Board of Directors on matters assigned to the Committee and reported back to the Board of Directors with its recommendations.

T. M. Wijesinghe
Chairman, Nomination Committee
May 31, 2022

Report of the Related Party Transactions Review Committee

Composition of the Committee

The Related Party Transactions Review Committee appointed by the Board of Directors comprises of three Non-Executive Directors and meets composition requirements stated in Section 9 of the Listing Rules issued by the Securities and Exchange Commission of Sri Lanka. The following members served on the Committee during the year 2021. More information on experience and brief profiles of the Committee members are given on page 035 in the Annual Report.

Name	Directorship Status	Status
Mr. L. Abeysinghe*	Independent/Non-Executive Director	Chairman
Mr. M. S. A. Wadood	Independent/Non-Executive Director	Member
Mr. A. T. S. Sosa	Independent/Non-Executive Director	Member
Mr. T. M. Wijesinghe**	Independent/Non-Executive Director	Former Member

* Mr. L. Abeysinghe appointed as the Chairman of this committee on December 14, 2021

** Mr. T. M. Wijesinghe ceased to be a member of this committee w.e.f December 14, 2021

Terms of Reference

The purpose of the Committee is to provide independent review, approval and oversight of Related Party Transactions of the Company. Terms of Reference of the Related Party Transactions Committee includes the following,

- Advising the Board in making immediate market disclosures on applicable RPT as required by Section 9 of the Continuing Listing Requirements of the Colombo Stock Exchange.
- Advising the Board in making appropriate disclosures on RPT in the Annual Report as required by Section 9 of the Continuing Listing Requirements of the Colombo Stock Exchange.

The Committee is authorized by the Board to seek appropriate professional advice inside and outside the Company as and when it considers necessary.

Meetings

The Committee meets regularly and minutes of all meetings are properly documented and communicated to the Board of Directors. The Chairman of the Committee can convene a special meeting in the event a requirement arises. During the year 2021, the Committee met four (4) times.

The proceedings of the Committee meetings were regularly reported to the Board of Directors. The Committee is assisted by the Chief Executive Officer and Finance Manager who attended the meetings of the Committee on a regular basis. The Secretary of the Company, P W Corporate Secretarial Ltd acted as Secretaries to the Committee.

Name	Attended / Eligible to Attend
Mr. L. Abeysinghe	-
Mr. M. S. A. Wadood	4/4
Mr. A. T. S. Sosa	4/4
Mr. T. M. Wijesinghe	4/4

Activities in 2021

During 2021, the Committee periodically reviewed all potential related party transactions in accordance with the rules pertaining to RPTs under the Listing Rules of Colombo Stock Exchange.

In the opinion of the Committee there were no transactions with Related Parties that were more favourable or preferential during the period under review and there were no non- recurrent or recurrent related party transactions that exceeded the respective thresholds as stipulated by Listing Rules of the Colombo Stock Exchange.

Details of other Related Party Transactions are given in Note 41 to the Financial Statements on pages from 142 to 143 of the Annual Report.

Declaration

The declaration by the Board of Directors in the annual report that no related party transactions other than the recurrent transactions disclosed under "Note 41 – Related Party Disclosures" of the Financial Statements is contained in the Annual Report of the Board of Directors on the Affairs of the Company is given on pages from 069 to 072.

L. Abeysinghe
Chairman, RPT Committee
May 31, 2022

Report of the Integrated Risk Management Committee

The Integrated Risk Management Committee (IRMC) was established to assist the Board in performing its oversight function in relation to different types of risk faced by the Company in its business operations and to ensure the adequacy and effectiveness of the risk management framework of the Company. The Committee meets the composition requirements stated in the Finance Leasing (Corporate Governance) Direction No.4 of 2009 issued by the Central Bank of Sri Lanka. The committee comprises the following members.

Mr. H. H. A. Chandrasiri*	INED & Chairman
Mr. M. S. A. Wadood**	INED & Member
Mr. A. T. S. Sosa	INED & Member
Mr. T. M. Wijesinghe	INED & Member
Chief Executive Officer	Member
Head of Credit	Member
Head of Sales	Member
Senior Manager – Legal	Member
Senior Manager – Recovery	Member
Senior Manager – HR	Member
Manager - Compliance	Member
Manager - Finance	Member
Manager - IT	Member
Manager - Admin	Member

INED – Independent Non-Executive Director

** Mr. H. H. A Chandrasiri is appointed as the Chairman to the Integrated Risk Management Committee with effect from December 14, 2021.*

*** Mr. M. S. A. Wadood who was the Chairman of the Integrated Risk Management Committee is now appointed as a member of with effect from December 14, 2021.*

Terms of Reference

The Committee adopted the provisions of Section 8 (3) of the Finance Leasing (Corporate Governance) Direction No. 4 of 2009 issued by the Central Bank of Sri Lanka as its terms of reference. A detailed approach of the Company's risk management process is given on pages from 027 to 028 of the Annual Report.

Meetings

The Committee held four (4) meetings for the year under review. The minutes of the IRMC were tabled at the Board meetings.

Activities of the Integrated Risk Management Committee

The Committee is responsible for:

- Identifying, assessing and managing broad risk categories, i.e., credit, market, liquidity, operational and strategic risks through risk indicators;
- Reviewing the adequacy and effectiveness of all management level committees such as the credit committee and the asset liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits;
- Taking prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Company's policies;
- Taking appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions; and
- Establishing a compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations.

During the year, the Committee has reviewed the process for identification, evaluation and management of all significant risks throughout the Company and provided the necessary guidance in line with the risk appetite of the Company. The Committee submitted risk assessment reports to the Board, subsequent to each meeting within a week of each meeting, stating the risk mitigation actions pursued and seeking the Board's views. In addition, proceedings of meetings are also tabled at a subsequent meeting of the Board.

The IRMC is satisfied that the risk exposure of the Company is being appropriately managed.

M. S. A. Wadood
Member
May 31, 2022

Directors' Responsibility Statement on Internal Control Over Financial Reporting

Responsibility

In line with the Section 10 2(b) of the Finance Leasing (Corporate Governance) Direction No. 4 of 2009 as amended by Finance Leasing (Corporate Governance – Amendment) Direction No. 1 of 2013, the Board of Directors presents this report on internal controls over financial reporting.

The Board of Directors has overall responsibility over SMB Leasing PLC's internal controls over financial reporting and reviewing its adequacy and effectiveness.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls over financial reporting as and when there are changes to business environment or regulatory guidelines. This process is regularly reviewed by the Board.

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

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

Internal controls over financial reporting are checked by the internal auditors of the Company for suitability of design and effectiveness on an ongoing basis. The scope, quality and reports of internal audits are reviewed by the Board Audit Committee at its meetings and improvements are recommended wherever necessary.

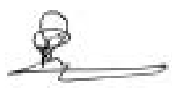
Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Review of the Statement by External Auditors

The External Auditors have submitted a certification on the process adopted by the Directors on the system of internal controls over financial reporting on May 31, 2022.

By order of the Board,



A. T. S. Sosa
Independent Non-Executive Director

M. S. A. Wadood
Independent Non-Executive Director

Colombo
May 31, 2022

Chief Executive Officer's and Finance Manager's Responsibility Statement

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards (SLFRS and LKAS) issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange.

We accept responsibility for the integrity and accuracy of these financial statements. Significant accounting policies have been applied consistently. Application of significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and the external auditors. Estimates and judgements relating to the financial statements were made on a prudent and reasonable basis, in order to ensure that the financial statements are true and fair. To ensure this, our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

We confirm that to the best of our knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial position, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report.

We are responsible for establishing and maintaining internal controls and procedures. We have designed such controls and procedures or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the company is made known to us and for safeguarding the company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this annual report. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involves management or other employees.

The financial statements were audited by Messrs. KPMG, Chartered Accountants, the Independent Auditors. The Audit Committee of the Company meets periodically with the internal auditors and the external auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the external auditors and the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

It is also declared and confirmed that the Company ensured compliance with the guidelines for the audit of Listed Companies where required. It is further confirmed that all statutory payments have been appropriately settled or where relevant provided for by the Company.

Thanuja Wimalasiri
Finance Manager

Supul Wijesinghe
Chief Executive Officer

Colombo
May 31, 2022

Directors' Responsibility to Financial Reporting

The Directors of the Company state below their responsibilities in relation to the Financial Statements of the Company. These differ from the Auditors' responsibilities, which are set out in their report given on pages from 084 to 086.

The Companies Act No. 7 of 2007 requires the Directors to prepare Financial Statements giving a true and fair view of the income of the financial year and the state of affairs of the Company as at the end of the financial year.

In preparing these Financial Statements, the Directors are required to select appropriate Accounting Policies and apply them consistently, subject to any material departures being disclosed and explained and to make judgments and best estimates and to ensure Sri Lanka Accounting Standards (SLFRS /LKAS) have been followed.

The Directors are required to prepare these Financial Statements on going concern basis, unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the Financial Statements continue to be prepared on the said basis.

The Directors consider that in preparing the Financial Statements on pages from 087 to 153, the Company has used appropriate accounting policies, consistently applied, unless otherwise disclosed in Notes to the Financial Statements and supported by reasonable judgements and best estimates and that all accounting standards which are applicable have been followed.

The Directors also have the responsibility for ensuring that the Company keeps accounting records, which disclose with reasonable accuracy, the financial position of the Company and enable them to ensure that the Financial Statements complies with the Sri Lanka Accounting Standards (SLFRS/LKAS) and the requirements of the Companies Act No. 7 of 2007.

The Directors have further responsibility that all financial and non-financial requirements stipulated under the Companies Act No. 7 of 2007 pertaining to Directors' duties and responsibilities have been complied with.

The Directors have a general responsibility for taking such steps that are reasonably open to them, to safeguard the assets of the Company and to establish appropriate internal controls to prevent and detect fraud and other irregularities.

The Directors also confirm to the best of their knowledge, that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the Company as at the reporting date have been paid or where relevant provided for.

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

On behalf of the Board.

A. T. S. Sosa
Independent Non-Executive Director

Colombo
May 31, 2022

FINANCIAL REPORTS

Financial Calendar

Interim Financial Statements Publication to Colombo Stock Exchange (CSE)

2021	2021	2021	2022
Q1 ended March 31,(unaudited)	Q2 ended June 30,(unaudited)	Q3 ended September 30,(unaudited)	Q4 ended December 31,(unaudited)
MAY 11	AUGUST 13	NOVEMBER 15	FEBRUARY 28

2020	2020	2020	2021
Q1 ended March 31,(unaudited)	Q2 ended June 30,(unaudited)	Q3 ended September 30,(unaudited)	Q4 ended December 31,(unaudited)
JULY 29	AUGUST 14	NOVEMBER 13	FEBRUARY 25

Annual Report Publication

2021	2020
May 31 2022	MAY 31 2021

Annual General Meeting (AGM)

2021	2020
JUNE 30 2022	JUNE 30 2021

KPMG
(Chartered Accountants)
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To the Shareholders of SMB Leasing PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SMB Leasing PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. set out on pages 087 to 153.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the company financial statements and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

01.Allowance for Impairment Losses of loans and receivables to customers

Refer to the accounting policies in the Financial Statements: Impairment of Loans and Receivables to Customers, "Note 5.3.3 and 19" to the Financial Statements: Significant Accounting Judgments and Estimates, "Note 3.2.2" to the Financial Statements.

Risk Description	Our responses
As disclosed in note 19 to these financial statements, the Company has recorded financial assets at amortized cost against loans and receivables to customers amounting to Rs. 1,581,138,512/- as at 31 December 2021. The Company uses the Expected Credit Loss (ECL) model to calculate the loss allowance in accordance with SLFRS 9 – Financial Instruments (SLFRS 9). High degree of complexity and judgment are involved in estimating ECL of Rs.465,620,233/- against loans and receivables to customers as at the reporting date. There are also a number of key assumptions made by the Company in applying the requirements of SLFRS 9 to the models including the identification of loss stage, forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required. The prevailing uncertain and volatile macro-economic environment and implications of COVID-19 pandemic meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company in calculating the ECL, and the associated audit risk. We have identified the allowance for expected credit losses is key audit matter due to the significance of the loans and receivables to these financial statements and the inherent complexity of the Company's ECL models used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR).	Our audit procedures included: ■ Assessing the methodology inherent within the impairment models against the requirements of SLFRS 9, specially taking into consideration the prevailing uncertain volatile macro-economic environment; ■ Challenging the key assumptions in the ECL models, including staging PD and LGD and evaluating the reasonableness of Management's key judgments and estimates; ■ Testing the accuracy and completeness of the data inputs to the systems and ECL models and challenging the economic information used within, and weightings applied to, forward looking scenarios; ■ Recalculating the ECL on sample basis, by using the key assumptions used in the models, such as PD and LGD; ■ Assessing the reasonableness of Company's considerations of the prevailing volatile macro-economic environment and implication of COVID-19 pandemic. ■ Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan and lease portfolios against the Company's assessment; ■ Working with our internal risk consulting specialists, we assessed the reasonability of the adjustments made by the Company to the forward looking macro-economic factors and assumptions used in the ECL model. ■ Assessing the adequacy of disclosures made in the financial statements in compliance with relevant accounting standards requirements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report if we conclude that there is a material misstatement there in, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditors' report is 2599.

KPMG

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
May 31, 2022

Statement of Profit or Loss and Other Comprehensive Income

Rs.		Company		Group	
For the year ended December 31,	**Note**	**2021**	**2020 Restated**	**2021**	**2020 Restated**
Interest income	7	170,423,635	154,249,577	170,423,635	154,249,577
Interest expenses	8	(51,818,785)	(59,754,875)	(52,068,675)	(60,369,933)
Net interest income		**118,604,850**	**94,494,702**	**118,354,960**	**93,879,644**
Fee and commission income	9	3,625,443	4,239,037	3,625,443	4,239,037
Net interest, fee and commission income		**122,230,293**	**98,733,739**	**121,980,403**	**98,118,681**
Other operating income (Net)	10	81,336,021	21,673,434	134,116,264	108,816,349
Changes in fair value of investment property	23	46,553,000	-	44,812,600	5,675,000
Total operating income		**250,119,314**	**120,407,173**	**300,909,267**	**212,610,030**
Allowance for expected credit loss - Charge	11	(63,611,117)	(78,717,142)	(63,611,117)	(78,717,142)
Net operating income		**186,508,197**	**41,690,031**	**237,298,150**	**133,892,888**
Personnel expenses	12	(55,959,275)	(53,730,539)	(108,749,937)	(106,525,732)
Other expenses	13	(64,158,838)	(57,621,525)	(78,482,986)	(84,545,586)
Operating profit / (loss) before taxes on financial services		**66,390,084**	**(69,662,033)**	**50,065,227**	**(57,178,430)**
Taxes on financial services	14	(10,753,675)	(3,099,324)	(10,753,675)	(3,099,324)
Profit / (Loss) after taxes on financial services		**55,636,409**	**(72,761,357)**	**39,311,552**	**(60,277,754)**
Share of profit of associate company	21.3	151,844	2,306,632	151,844	2,306,632
Profit / (Loss) before income tax		**55,788,253**	**(70,454,725)**	**39,463,396**	**(57,971,122)**
Income tax expense	15	(2,357,092)	-	(1,520,296)	(3,361,864)
Profit / (Loss) for the year		**53,431,161**	**(70,454,725)**	**37,943,100**	**(61,332,986)**
Profit / (Loss) attributable to :					
Owners of the Company		53,431,161	(70,454,725)	45,532,250	(65,802,637)
Non - controlling interest	37	-	-	(7,589,150)	4,469,651
Profit / (Loss) for the year		**53,431,161**	**(70,454,725)**	**37,943,100**	**(61,332,986)**
Basic earnings / (loss) per share	16	0.01	(0.04)	0.01	(0.04)
Diluted earnings / (loss) per share	16.1	-	-	-	-

The notes to the financial statements from pages 093 to 153 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Profit or Loss and Other Comprehensive Income (Contd.)

Rs.	Company		Group	
For the year ended December 31,	2021	2020 Restated	2021	2020 Restated
Profit / (Loss) for the year	**53,431,161**	**(70,454,725)**	**37,943,100**	**(61,332,986)**
Other Comprehensive Income				
Items that will not be reclassified to profit or loss				
Actuarial gain / (loss) on defined benefit plans	1,404,303	35,788	8,924,911	(4,424,450)
Equity investments at FVOCI – Net change in fair value	21,341,656	(11,669,318)	21,341,656	(11,669,318)
Net tax on other comprehensive income	-	-	(1,804,946)	1,248,867
Other comprehensive income / (expense) for the year (Net of taxes)	**22,745,959**	**(11,633,530)**	**28,461,621**	**(14,844,901)**
Total comprehensive income / (expense) for the year	**76,177,120**	**(82,088,255)**	**66,404,721**	**(76,177,887)**
Total comprehensive income / (expense) attributable to:				
Owners of the Company	76,177,120	(82,088,255)	71,193,196	(79,290,784)
Non - controlling interest	-	-	(4,788,475)	3,112,897
Total comprehensive income / (expense) for the year	**76,177,120**	**(82,088,255)**	**66,404,721**	**(76,177,887)**

The notes to the financial statements from pages 093 to 153 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Financial Position

Rs.		Company			Group		
As at December 31,	**Note**	**2021**	**2020 Restated**	**2019 Restated**	**2021**	**2020 Restated**	**2019 Restated**
Assets							
Cash and cash equivalents	17	103,558,886	232,215,897	25,125,100	105,179,888	236,021,038	31,350,414
Placements with banks	18	2,405,234,348	206,255,404	146,884,671	2,422,337,023	232,442,469	161,910,188
Financial assets at amortised cost - Loans and receivables to customers	19	1,115,518,279	1,070,958,108	1,204,255,134	1,115,518,279	1,070,057,887	1,203,114,972
Financial investments	20	82,076,924	60,657,441	72,248,930	99,752,274	78,743,661	86,154,359
Investments in associate	21	41,833,376	41,681,532	39,374,899	41,833,376	41,681,532	39,374,899
Investments in subsidiary	22	12,750,000	12,750,000	12,750,000	-	-	-
Investment properties	23	142,778,000	96,225,000	96,225,000	157,678,000	112,656,900	106,981,900
Property, plant & equipment	24	7,305,871	12,179,924	12,838,275	11,910,542	18,029,799	20,308,585
Right-of-use assets	25	23,266,033	35,904,257	30,037,250	24,195,608	38,427,392	31,031,728
Intangible assets	26	5,614,625	5,928,125	5,041,627	5,614,625	6,491,948	6,175,003
Deferred tax assets	27	-	-	-	2,538,161	3,506,311	2,598,364
Other assets	28	50,001,990	48,687,850	52,937,389	62,979,670	60,840,221	68,639,937
Total assets		**3,989,938,332**	**1,823,443,538**	**1,697,718,275**	**4,049,537,446**	**1,898,899,158**	**1,757,640,349**
Liabilities							
Due to financial institutions	29	526,274,284	599,522,855	415,217,136	526,274,284	599,522,855	415,217,136
Due to other customers	30	122,275,914	117,783,516	113,561,379	122,275,914	117,783,516	113,561,379
Retirement benefit obligations	31	7,544,568	7,889,759	7,581,973	25,887,414	30,365,734	22,110,387
Lease liabilities	25	15,649,074	21,107,534	21,402,119	16,705,769	23,787,464	22,452,776
Other liabilities	32	66,378,191	39,871,340	20,598,880	69,335,232	43,156,126	23,837,320
Total liabilities		**738,122,031**	**786,175,004**	**578,361,487**	**760,478,613**	**814,615,695**	**597,178,998**
Equity							
Stated capital	33	3,062,681,524	919,064,114	919,064,114	3,062,681,524	919,064,114	919,064,114
Statutory reserves	34	37,753,217	35,081,659	35,081,659	37,753,217	35,081,659	35,081,659
Fair value reserve	35	29,592,284	8,250,628	19,919,946	29,592,284	8,250,628	19,919,946
Retained earnings	36	121,789,276	74,872,133	145,291,069	134,404,142	92,470,922	160,092,388
Total equity attributable to equity holders of the Company		**3,251,816,301**	**1,037,268,534**	**1,119,356,788**	**3,264,431,167**	**1,054,867,323**	**1,134,158,107**
Non - controlling interests	37	-	-	-	24,627,666	29,416,141	26,303,244
Total equity		**3,251,816,301**	**1,037,268,534**	**1,119,356,788**	**3,289,058,833**	**1,084,283,463**	**1,160,461,351**
Total equity and liabilities		**3,989,938,332**	**1,823,443,538**	**1,697,718,275**	**4,049,537,446**	**1,898,899,158**	**1,757,640,349**
Commitments and contingencies	39	425,322,570	-	-	425,322,570	-	-

The notes to the financial statements from pages 093 to 153 form an integral part of these financial statements.
Figures in brackets indicate deductions.
It is certified that the financial statements have been prepared and presented in compliance with the requirements of the Companies Act No. 7 of 2007.

Thanuja Wimalasiri
Finance Manager

Supul Wijesinghe
Chief Executive Officer

The Board of Directors are responsible for the preparation and presentation of these financial statements.
Approved and signed on behalf of the Board by,

Shardha Sosa
Director

Saadi Wadood
Director

Colombo
May 31, 2022

Statement of Changes in Equity - Company

Rs.	Stated Capital		Statutory Reserve Fund	Fair Value Reserve	Retained Earnings	Total Equity
	Ordinary Voting Shares	Ordinary Non-Voting Shares				
Balance as at December 31, 2019 as previously stated	708,445,963	210,618,151	35,081,659	19,919,946	82,376,069	1,056,441,788
Change in accounting policy - investment property (Note - 23.3)	-	-	-	-	62,915,000	62,915,000
Restated balance as at December 31, 2019	**708,445,963**	**210,618,151**	**35,081,659**	**19,919,946**	**145,291,069**	**1,119,356,788**
Restated balance as at January 1, 2020	**708,445,963**	**210,618,151**	**35,081,659**	**19,919,946**	**145,291,069**	**1,119,356,788**
Loss for the year	-	-	-	-	(70,454,725)	(70,454,725)
Other comprehensive (expense) / income (Net of tax)	-	-	-	(11,669,318)	35,788	(11,633,530)
Total comprehensive (expense) / income for the year	**-**	**-**	**-**	**(11,669,318)**	**(70,418,937)**	**(82,088,255)**
Restated balance as at December 31, 2020	**708,445,963**	**210,618,151**	**35,081,659**	**8,250,628**	**74,872,132**	**1,037,268,533**
Balance as at January 1, 2021	**708,445,963**	**210,618,151**	**35,081,659**	**8,250,628**	**74,872,132**	**1,037,268,533**
Profit for the year	-	-	-	-	53,431,161	53,431,161
Other comprehensive income (Net of tax)	-	-	-	21,341,656	1,404,303	22,745,959
Total comprehensive income for the year	**-**	**-**	**-**	**21,341,656**	**54,835,464**	**76,177,120**
Rights issue during the year (Note 33.1)	1,847,512,897	296,104,513	-	-	-	2,143,617,410
Rights issue expenses (Note 33.1)	-	-	-	-	(5,246,762)	(5,246,762)
Transfers to statutory reserve	-	-	2,671,558	-	(2,671,558)	-
Total transactions with equity holders	**1,847,512,897**	**296,104,513**	**2,671,558**	**-**	**(7,918,320)**	**2,138,370,648**
Balance as at December 31, 2021	**2,555,958,860**	**506,722,664**	**37,753,217**	**29,592,284**	**121,789,276**	**3,251,816,301**

The notes to the financial statements from pages 093 to 153 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity - Group

Rs.	Attributable to the Equity holders of the parent						Non Controlling Interest	Total Equity
	Stated Capital		Statutory Reserve Fund	Fair Value Reserve	Retained Earnings	Total		
	Ordinary Voting Shares	Ordinary Non-Voting Shares						
Balance as at December 31, 2019 as previously stated	**708,445,963**	**210,618,151**	**35,081,659**	**19,919,946**	**97,177,388**	**1,071,243,107**	**26,303,244**	**1,097,546,351**
Change in accounting policy - investment property (Note - 23.3)	-	-	-	-	62,915,000	62,915,000	-	62,915,000
Restated balance as at December 31, 2019	**708,445,963**	**210,618,151**	**35,081,659**	**19,919,946**	**160,092,388**	**1,134,158,107**	**26,303,244**	**1,160,461,351**
Restated balance as at January 1, 2020	**708,445,963**	**210,618,151**	**35,081,659**	**19,919,946**	**160,092,388**	**1,134,158,107**	**26,303,244**	**1,160,461,351**
(Loss) / Profit for the year	-	-	-	-	(65,802,637)	(65,802,637)	4,469,651	(61,332,986)
Other comprehensive expense	-	-	-	(11,669,318)	(1,818,829)	(13,488,147)	(1,356,754)	(14,844,901)
Total comprehensive (expense) / income for the year	**-**	**-**	**-**	**(11,669,318)**	**(67,621,466)**	**(79,290,784)**	**3,112,897**	**(76,177,887)**
Restated Balance as at December 31, 2020	**708,445,963**	**210,618,151**	**35,081,659**	**8,250,628**	**92,470,922**	**1,054,867,323**	**29,416,141**	**1,084,283,463**
Restated Balance as at January 1, 2021	**708,445,963**	**210,618,151**	**35,081,659**	**8,250,628**	**92,470,922**	**1,054,867,323**	**29,416,141**	**1,084,283,463**
Profit / (Loss) for the year	-	-	-	-	45,532,250	45,532,250	(7,589,150)	37,943,100
Other comprehensive income (Net of tax)	-	-	-	21,341,656	4,319,290	25,660,946	2,800,675	28,461,621
Total comprehensive income / (expense) for the year	**-**	**-**	**-**	**21,341,656**	**49,851,540**	**71,193,196**	**(4,788,475)**	**66,404,721**
Rights issue during the year (Note 33.1)	1,847,512,897	296,104,513	-	-	-	2,143,617,410	-	2,143,617,410
Rights issue expenses (Note 33.1)	-	-	-	-	(5,246,762)	(5,246,762)	-	(5,246,762)
Transfers to statutory reserve	-	-	2,671,558	-	(2,671,558)	-	-	-
Total transactions with equity holders	**1,847,512,897**	**296,104,513**	**2,671,558**	**-**	**(7,918,320)**	**2,138,370,648**	**-**	**2,138,370,648**
Balance as at December 31, 2021	**2,555,958,860**	**506,722,664**	**37,753,217**	**29,592,284**	**134,404,142**	**3,264,431,167**	**24,627,666**	**3,289,058,833**

The notes to the financial statements from pages 093 to 153 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Cash Flows

Rs.		Company		Group	
For the year ended December 31,	**Note**	**2021**	**2020 Restated**	**2021**	**2020 Restated**
Cash flow from operating activities					
Interest receipts		160,860,686	169,677,356	160,860,686	169,677,356
Interest payments		(47,616,457)	(51,171,619)	(47,649,082)	(51,605,628)
Fees and commission receipts		78,914,213	19,677,672	127,516,523	106,073,672
Cash payments to employees and suppliers		(95,251,404)	(99,499,781)	(153,693,399)	(171,429,363)
Profit before changes in operating assets		**96,907,038**	**38,683,629**	**87,243,228**	**52,716,037**
Loans and receivables		(104,614,858)	46,565,344	(105,515,079)	46,382,013
Other assets		(3,671,233)	4,249,538	(4,496,541)	7,799,715
Cash (used in) / generated from financing activities		**(11,379,053)**	**89,498,511**	**(22,768,392)**	**106,897,765**
Tax paid		(9,753,675)	(2,206,347)	(10,040,225)	(6,119,943)
Gratuity paid		(1,010,500)	(1,429,750)	(1,610,500)	(1,429,750)
Net cash (used in) / generated from operating activities		**(22,143,228)**	**85,862,414**	**(34,419,117)**	**99,348,072**
Cash flow from investing activities					
Increase in financial investments		(2,165,000,000)	(55,460,000)	(2,170,300,500)	(50,434,483)
Net of acquisition and disposal of shares		-	-	3,915,148	(2,876,874)
Purchase of property, plant & equipment & intangible assets	24, 26	(1,930,120)	(7,000,369)	(2,862,094)	(7,454,271)
Dividend received	10	690,000	720,000	880,256	820,250
Proceeds from disposal of property, plant & equipment		-	-	-	185,000
Net cash used in investing activities		**(2,166,240,120)**	**(61,740,369)**	**(2,168,367,190)**	**(59,760,378)**
Cash flow from financing activities					
Increase in borrowings from financial institutions		27,644,299	129,801,271	27,644,299	129,801,271
Decrease in public borrowings		(14,000)	(159,500)	(14,000)	(159,500)
Lease liability payment		(8,212,000)	(9,317,031)	(10,052,500)	(11,055,923)
Rights issue during the period		2,143,617,410	-	2,143,617,410	-
Rights issue expenses		(5,246,762)	-	(5,246,762)	-
Increase in other liabilities		22,465,650	14,956,994	22,137,905	14,997,129
Net cash generated from / (decrease) financing activities		**2,180,254,597**	**135,281,735**	**2,178,086,352**	**133,582,977**
Net increase in cash and cash equivalents		**(8,128,751)**	**159,403,779**	**(24,699,955)**	**173,170,671**
Cash and cash equivalents at the beginning of the year		140,352,637	(19,051,142)	160,344,843	(12,825,828)
Cash and cash equivalents at the end of the year		**132,223,886**	**140,352,637**	**135,644,888**	**160,344,843**
Reconciliation of cash and cash equivalents					
Cash and cash equivalents	17	103,558,886	232,215,897	105,179,888	236,021,038
Repo investment with banks	17	28,665,000	5,972,000	30,465,000	22,159,065
		132,223,886	238,187,897	135,644,888	258,180,103
Bank overdraft	29	-	(97,835,260)	-	(97,835,260)
Cash and cash equivalents at the end of the year		**132,223,886**	**140,352,637**	**135,644,888**	**160,344,843**

The notes to the financial statements from pages 093 to 153 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1. Corporate Information

1.1. Reporting Entity

SMB Leasing PLC (the 'Company'), is a Public Limited Liability Company incorporated on September 3, 1992 and domiciled in Sri Lanka. It is a specialised leasing company under the Finance Leasing Act No 56 of 2000. The Company has a primary listing on the Colombo Stock Exchange since 1993. The Company was re-registered under the Companies Act No. 07 of 2007.

The registered office and the principal place of business of the Company is located at No 282/1, CBS Building, Galle Road, Colombo 03, Sri Lanka.

1.2. Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended December 31, 2021 comprise of SMB Leasing PLC (Parent Company), its subsidiary (together referred to as the 'Group') and the Group's interest in its associate company.

1.3. Number of Employees

The staff strength of the Company as at December 31, 2021 is 39 (2020 – 38).

1.4. Principal Activities and Nature of Operations

Company – SMB Leasing PLC

The principal business activity is providing finance leases, loans and pawning.

Subsidiary – SMB Money Brokers (Pvt) Ltd

The principal business activity is money brokering activities.

Associate – Kenanga Investment Corporation Ltd

The principal business activity is investment banking and providing advisory services.

The percentage of ownership is as follows;

Shareholdings in Subsidiary and Associate	Holding Percentage
SMB Money Brokers (Pvt)Ltd	50.99%
Kenanga Investment Corporation Ltd	48.99%

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

2. Basis of Accounting

2.1. Statement of Compliance

The consolidated financial statements of the Group and the separate financial statements of the Company as at December 31, 2021 and for the year ended, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No 7 of 2007, the Finance Leasing Act No 56 of 2000 and amendments thereto and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting. These SLFRSs and LKASs are available at www.casrilanka.com

The Company did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the financial statements. Details of the Company's significant accounting policies followed during the year are given in Notes 4 to 5 on pages from 097 to 113.

2.2. Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements of the Group and the Company as per the provisions of the Companies Act No. 7 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for financial statements as set out in the Annual Report of the Board of Directors, Statement of Directors' Responsibility and the certification on the Statement of Financial Position on pages from 081 and 089 respectively.

These financial statements include the following components:

A. A Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review. (Refer pages 087 to 088))

B. A Statement of Financial Position (SOFP) providing the information on the financial position of the Group and the Company as at the year end. (Refer page 089)

C. A Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company. (Refer pages 090 to 091)

D. A Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and utilisation of those cash flows. (Refer page 092)

E. Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information. (Refer pages from 093 to 153)

2.3. Approval of Financial Statements by the Board of Directors

The financial statements of the Group and the Company for the year ended December 31, 2021 (including comparatives for

Notes to the Financial Statements (Contd.)

2020), were approved and authorised for issue in accordance with the resolution of the Board of Directors on May 31, 2022.

2.4. Basis of Measurement

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

Item	Basis of Measurement	Note No	Page No
Financial assets measured at fair value through profit or loss (FVTPL)	Fair value	20.1	123
Quoted equity investments measured at fair value through profit or loss (FVTPL)	Fair value	20.1	123
Unquoted equity investments measured at fair value through other comprehensive income (FVTOCI)	Fair value	20.2	124
Investment property	Fair value	23	126-129
Defined benefit obligation	Liability is recognised at the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.	31	134

2.5. Going Concern Basis of Accounting

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements of the Company and the Group continue to be prepared on the going concern basis.

2.6. Functional and Presentation Currency

The consolidated financial statements are presented in Sri Lankan Rupees (Rs.), which is the Group's and Company's functional and presentation currency. There was no change in the Group's presentation and functional currency during the year under review.

2.7. Presentation of Financial Statements

The assets and liabilities of the Company and the Group presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis on recovery or settlement within 12 months after the reporting date (Current) and after more than 12 months from the Reporting date (Non-current) is presented in Note 46 on pages 152 (Current/Non-current Analysis). No adjustments have been made for inflationary factors affecting the financial statements.

2.8. Rounding

The amounts in the financial statements are presented in absolute values for the financial statements to be more understandable. However, in certain notes to the financial statements, figures have been rounded-off to the nearest Rupees thousands for better presentation as permitted by the Sri Lanka Accounting Standard LKAS 01 - Presentation of Financial Statements.

2.9. Offsetting

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

2.10. Materiality and Aggregation

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

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

2.11. Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter period comparability.

Notes to the Financial Statements (Contd.)

3. Use of Significant Accounting Judgements, Assumptions and Estimates

In preparing the financial statements of the Company and the Group in conformity with SLFRSs and LKASs, the management has made judgements, estimates and assumptions which affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Accounting judgements, estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised prospectively. Significant areas of critical accounting judgements, assumptions and estimation uncertainty, in applying accounting policies that have most significant effects on the amounts recognised in the financial statements of the Company and the Group are as follows.

3.1. Significant Accounting Judgements

Information about accounting judgements made in applying accounting policies that have the most significant effects on the amounts recognised in these financial statements are included in Notes 3.1.1 to 3.1.2 below.

3.1.1. Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 5.1.3.2 and 5.1.3.4 on page from 102 to 103 indicates that the Company controls the investees.

3.1.2. Classification of financial assets and liabilities

As per SLFRS 9, the Significant Accounting Policies of the Company provides scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the criteria given in Note 5.3.3 on pages 107 to 109.

3.2. Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are included in Notes 3.2.1 to 3.2.7 below.

3.2.1. Fair Value of financial instruments

The fair values of financial assets and financial liabilities recognised 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 inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The Group measures fair value using the fair value hierarchy that reflects the significance of inputs used in making measurements. Methodologies used for valuation of financial instruments and fair value hierarchy are stated in Note 38.5 and 38.6 on page 140 respectively.

3.2.2. Impairment losses on financial assets

The measurement of impairment losses both under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the statement of profit or loss.

In particular, the Management's judgement 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 hence actual results may differ, resulting in future changes to the impairment allowance made. The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable.

A collective impairment provision is established for:

- Groups of homogeneous loans and leases that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Company's Expected Credit Loss (ECL) calculations are outputs of a complex model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so allowances for financial assets measured on a Life time expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of a ECL model, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs and the effect on Probability of Default (PDs), Exposure At Default (EAD) and Loss Given Default (LGD).

3.2.3. Impairment of non- financial assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each Reporting date to determine whether there is an indication that an asset may be impaired. If any

Notes to the Financial Statements (Contd.)

indication exists, the Group estimates the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. An asset's recoverable amount is the higher of an asset's or cash- generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash -generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/ amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

3.2.4. Useful lifetime 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. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Refer Note 5.3.8 on page 110.

3.2.5. Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available and can be utilised against such tax losses.Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Refer Note 27 on page133.

3.2.6. Defined benefit obligation

The cost of the defined benefit obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. This includes making assumptions about discount rates, future salary increments, retirement age. Due to the long- term nature of such obligation, these estimates are subjected to significant uncertainty. All assumptions are reviewed at each reporting date. Refer Note 31 on pages from 134 to 135.

3.2.7. Provisions for liabilities, commitments and contingencies

The Group receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due processes in respective legal jurisdictions.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies other than those stated above that have significant effects on the amounts recognised in the consolidated financial statements are described in Notes 5.1.3 from pages 102 to 103.

Notes to the Financial Statements (Contd.)

4. Changes in Significant Accounting Policies

The Group has consistently applied the accounting policies as set out in Notes 5 on pages from 098 to 113 all periods presented in these financial statements.

The Group has adopted following amendments for the first time for their reporting period commencing January 1, 2021. The Group has not early adopted any other standards, interpretation or amendment that has been issued but not effective.

4.1 COVID-19 related Rent Concessions – Amendments to SLFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. According to the amendment to SLFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

This amendment is effective for the annual periods beginning on or after June 1, 2020.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

4.2 Change in Accounting Policy of Investment Property

With effect from January 1, 2021, the Group changed its accounting policy under LKAS 40 investment property from cost model to fair value model on the basis it presents more reliable and relevant information to the users of the financial statements.

In accordance with requirements of accounting standards, the change of accounting policy with respect of investment property does result in restatement of comparatives while applying the change retrospectively to the financial statements. Refer Note 23 on page from 126 to 128.

Notes to the Financial Statements (Contd.)

5. Significant Accounting Policies

The Significant Accounting Policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company and Group except as specified in Note 4 on page 097. These Accounting Policies have been applied consistently by the Company and the Group.

Summary of Significant Accounting Policies	Policy Note No	Page	FS Note No	Page
Significant Accounting Policies – General				
Financial assets and liabilities	5.1.1	099	38	138
Fair value measurement	5.1.2	101	38.5	140
Consolidated financial statements	5.1.3	102	-	-
Significant Accounting Policies – Recognition of Income and Expense				
Revenue	5.2.1	103	7,9,10	116, 117
Net interest income	5.2.2	103	8	116
Fee and commission income	5.2.3	104	9	116
Other operating income	5.2.4	104	10	117
Changes in fair value of investment property	5.2.5	104	23	126
Expected credit losses on financial assets	5.2.6	104	11	117
Personnel expenses	5.2.7	106	12	117
Other expenses	5.2.8	106	13	117
Value added tax (VAT) on financial services	5.2.9	106	14	118
Income tax	5.2.10	106	15	118
Earnings per share	5.2.11	107	16	119
Significant Accounting Policies – Recognition of Assets and Liabilities				
Cash and cash equivalents	5.3.1	107	17	119
Placements with banks	5.3.2	107	18	119
Loans and receivables	5.3.3	107	19	120
Financial investments	5.3.4	109	20	122
Investment in associate	5.3.5	109	21	125
Investment in subsidiary	5.3.6	109	22	126
Investment property	5.3.7	109	23	126
Property, plant and equipment	5.3.8	110	24	129
Right of use assets and lease liabilities	5.3.9	110	25	131
Intangible assets	5.3.10	111	26	132
Other assets	5.3.11	112	28	134
Due to financial institutions	5.3.12	112	29	134
Due to other customers	5.3.13	112	30	134
Retirement benefit obligations	5.3.14	112	31	134
Other liabilities	5.3.15	112	32	135
Statutory reserve	5.3.16	112	34	137
Fair value reserve	5.3.17	112	35	137
Significant Accounting Policies – Statement of Cash Flows				
Statement of cash flows	5.4.1	112	-	-
Significant Accounting Policies – Other				
Commitments and contingencies	5.5.2/5.5.3	113	39	141
Events that occurred after the reporting date	5.5.1	113	40	142
Segmental analysis	5.5.4	113	47	153
Maturity analysis	5.5.5	113	43.3.3	144

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5.1. Significant Accounting Policies – General

5.1.1. Financial Assets and Liabilities

5.1.1.1. Recognition and initial measurement

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

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

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 valuation technique whose variables include only data from observable markets the Group recognises the difference between transaction price and fair value in interest income and respective expenses. In case where fair value is determined using data which is not observable, the difference between the transaction price and model value is recognised in the Statement of Profit or Loss when the input becomes observable or when the instrument is derecognised.

The Day 1 loss arising in the case of loans granted to employees at concessionary rates under uniform applicable schemes is deferred and amortised using effective interest rates over the remaining service period of the employees or tenure of the loan whichever is shorter. The subsequent measurement of financial assets depends on their classification.

5.1.1.2. Classification

A. Financial Assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting;
- Contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified and measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group 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 realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and 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 Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment 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 (e.g. liquidity risk and administrative costs), as well as profit margin.

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In assessing whether the contractual cash flows are solely payments of principal and interest, the Group 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. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

B. Financial liabilities

The Group classifies its financial liabilities other than loan commitments, as measured at amortised cost or FVTPL.

5.1.1.3. Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

5.1.1.4. Derecognition

A. Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and- repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are recognised as investment securities and carried at FVOCI. Gains or losses on securitisation are recorded in other revenue.

B. Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

5.1.1.5. Modifications of financial assets and financial liabilities

A. Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group 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

Notes to the Financial Statements (Contd.)

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.

B. Financial liabilities

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

5.1.1.6. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them 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 SLFRS standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

5.1.2. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received.

If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Valuation Models

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using:

- quoted market prices in active markets for similar instruments;
- quoted prices for identical or similar instruments in markets that are considered less than active; or
- other valuation techniques in which all significant inputs are directly or indirectly observable from market data

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions

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are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premier used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and simple financial instruments. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective, and it yields ranges of possible inputs and estimates of fair value and management uses judgement to select the most appropriate point in the range.

The Group's methodology for valuing these asset-backed securities uses a discounted cash flow technique that takes into account the probability of default and loss severity by considering the original underwriting criteria, vintage borrower attributes, LTV ratios, expected house price movements and expected prepayment rates. These features are used to estimate expected cash flows, which are then allocated using the "waterfall" applicable to the security and discounted at a risk-adjusted rate. The discounted cash flow technique is often used by market participants to price asset-backed securities. However, this technique-is subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

5.1.3. Consolidated Financial Statements

5.1.3.1. Basis of consolidation The

Group's financial statements comprise of, consolidated financial Statements of the Company and its subsidiary in terms of the Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated Financial Statements" (SLFRS 10) and the proportionate share of the profit or loss and net assets of its associate in terms of the Sri Lanka Accounting Standard – LKAS 28 on "Investments in Associates and Joint Ventures" (LKAS 28). The financial statements of the Company's subsidiary and associate are prepared for a common financial year which ends on December 31 using consistent accounting policies.

5.1.3.2. Subsidiary

Subsidiary is an entity that is controlled by the Group. Subsidiary is fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investment details of the subsidiary within the Group are provided in Note 22 on page 126 to the financial statements.

When the Company loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity related to the subsidiary. Any resulting gain or loss arising on the loss of control is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently, it is accounted for as an associate or as a financial investment depending on the level of influence retained.

There are no significant restrictions on the ability of the subsidiary to transfer funds to the parent (the Company) in the form of cash dividend or repayment of loans and advances. The subsidiary of the Company has been incorporated in Sri Lanka.

5.1.3.3. Non-controlling interests

Non-controlling interests (NCI) represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company. NCI are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position but separate from parent shareholders' equity.

Any losses applicable to the non-controlling interests are allocated against the interests of the NCI even if this results in a deficit balance. Acquisitions of non- controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

5.1.3.4. Associate

Associate is an entity in which the Company has significant influence, but not control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of the other entity unless it can be clearly demonstrated that despite having more than 20% hold in an entity, the Company has no significant influence over the entity evidenced by any one or more of the following.

- No representation on the Board of the entity

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- No participation in policy making process or dividend distribution process of the entity
- No participation in budget preparation or other key operational aspects of the entity
- No transactions with the entity in the financial year
- No interchange management personnel
- Management accounts of the entity is not shared with the Company

Investment in associate is accounted for using the equity method and is recognised initially at cost, in terms of Sri Lanka Accounting Standards – LKAS 28 on "Investments in Associates and Joint Ventures". Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised but is subjected to impairment test. The Company's investments include goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the income and expenses and equity movements of the associate after adjustments to align the accounting policies with those of the group from the date that significant influence effectively commences until the date that significant influence ceases.

Accordingly, under the equity method, investments in associate is carried at cost plus post-acquisition changes in the Company's share of net assets of the associate and is reported as a separate line item in the statement of financial position. The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of the associate is presented as part of the group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes, when applicable, in equity through OCI. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in associate.

When the Company's share of losses exceeds its interest in the associate, the carrying amount of that interest, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equal the share of losses not recognised previously.

The Company discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments". Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the loss as "Share of profit of Associate" in the statement of profit or loss.

Investment details of the Associate within the Group are provided in Note 21 on pages from125 to 126 in the financial statements.

5.1.3.5. Transactions eliminated on consolidation

All intra-group balances, transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

5.1.4. Material Gains or Losses, Provisional Values or Error Corrections

There were no material gains or losses, provisional values or error corrections recognised during the year in respect of business combinations that took place in previous periods.

5.2. Significant Accounting Policies – Recognition of Income and Expense

5.2.1. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the Group and the revenue can be reliably measured. Income from early settlement and overdue rentals have been accounted for on a cash basis.

5.2.2. Net Interest Income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the Effective Interest Rate (EIR). 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 Group 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

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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.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of ensuring the impairment loss.

5.2.3. Fee and Commission Income

Fees and commission that are integral to the effective interest rate on financial asset or liability are included in the effective interest rate of respective asset or liability. Fees and commission income, including commission, service fees are recognised as the related services are performed.

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories;

- Fee income earned from services that are provided over a certain period of time
- Fees earned for the provision of services over a period of time are accrued over that period

5.2.3.1. Fee income from providing transaction services

Fees 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.

5.2.4. Other Operating Income

5.2.4.1. Gain or losses on disposal of property, plant and equipment

Gains/losses from sale of property, plant and equipment is recognised in the period in which the sale occurs and is classified as other income/expense.

5.2.4.2. Dividend income

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend income from equity investments at FVTPL is recognised in the Statement of Profit or Loss on an accrual basis when the Group's right to receive the dividend is established.

5.2.4.3. Income from government securities and securities purchased under resale agreements

Discounts/ premium on treasury bonds are amortised over the period to reflect a constant periodic rate of return. The coupon interest on treasury bonds is recognised on an accrual basis. The interest income on securities purchased under resale agreements is recognised in the income statemen statement of profit or loss on an accrual basis over the period of the agreement.

5.2.4.4. Recovery of bad and doubtful debts written off

Recovery of amounts written off as bad and doubtful debts is recognised on cash basis.

5.2.5. Changes in fair value of investment property

This represents the net change in fair value of investment property.

5.2.6. Expected Credit Losses on Financial Assets

The Group recognises loss allowance using Expected Credit Losses (ECL) on loans and receivables to customers and other financial assets measured at amortised cost model using dual measurement approach which the loss allowance is measured as either 12-month expected credit losses or life time expected credit losses.

The Group recognises loss allowances for ECL on loans and receivables other financial assets measured at amortised cost. Accordingly, this note covers expected loss allowances for;

- Loans and receivables from customers
- Placements with banks

5.2.6.1. Loans and receivables from customers

For loans and advances above a predefined threshold, the Group individually assesses for significant increase in credit risk. If a particular loan is credit impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If the Group determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairments along with the remaining portfolio.

Segmentation of the portfolio is done based on homogeneous characteristics. However, segmentation needs to be done to the extent for which representative sample data is available to estimate PD using transition matrix. (Need to combine where sample size is not adequate)

Segmentation

Lease – Machinery
Lease – Other
Loan – Other
Loan – QC Pawning
Other Investments

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

- PD – The probability of default represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit impaired" on Significant Accounting Policy Balance Sheet Note 20 below) either over the next 12 months

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(12mPD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due is the primary input into the determination of the term structure of PD for exposures. Days past due are determined by counting the number of days since the due date. The Group employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties. They are calculated on a discounted cash flow basis using EIR as the discounting factor. LGD is usually expressed as a percentage of the EAD.
- EAD – The exposure at default represents the expected exposure in the event of a default. The Group estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities. To calculate EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months. For all other loans EAD is considered for default events over the lifetime of the financial instrument.

The Group measures loss allowances using both lifetime ECL and 12-month ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is equal more than 90 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is equal or more than 180 days past due.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk

Measurement of ECL

ECL are 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 Group expects to receive).

ECL are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised are credit impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group 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.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset

Write-off

The gross 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 Group 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

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write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Other financial assets measured at amortised cost

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade". This policy is applicable to deposits with licensed commercial banks measured at amortised cost.

5.2.6.2. Placements with banks

Deposits with licensed commercial banks comprises the fixed deposits with licensed commercial banks which are measured initially at fair value plus transaction costs and subsequently measured at amortised cost using EIR. The Group recognises loss allowances for ECL on assets subsequently measured at amortised cost. The Group measures loss allowance at an amount equal to lifetime ECL, except financial investments that are determined to have low credit risk at the reporting date.

5.2.7. Personnel expenses

Personnel expenses include salaries and bonus, terminal benefit charges and other employee related expenses. The provision for bonus is recognised when 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 on the amount of the obligation.

5.2.8. Other expenses

All the 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 under other expenses.

5.2.9. Value Added Tax (VAT) on financial services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation is the accounting profit before VAT and income tax adjusted for economic depreciation and benefits paid to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits. VAT on financial services rate applied during the financial year ended December 31, 2021 was 15%.

5.2.10. Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

Current Tax

Current tax is the expected tax payable on the taxable income for the year. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date and any adjustment to tax payable in respect of previous years. 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 below. Income tax on profit from operations for the year ended December 31, 2021 is calculated at the rate of 24% (2020 – 28%).

Deferred Tax

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits 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 credits and unused tax losses can be utilised except:

- Where the deferred 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; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred

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tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

5.2.11. Earnings Per Share (EPS)

The Group computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period as per the requirements of the Sri Lanka Accounting Standard LKAS 33 – "Earnings per Share".

Diluted EPS is computed by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.2.12. Dividend Per Share

Provision for final dividend is recognised at the time the dividend is recommended and declared by the Board of Directors and approved by the shareholders. However interim cash dividend is recognised when the Board approves such dividend in accordance with Companies Act No. 07 of 2007.

5.3. Significant Accounting Policies – Recognition of Assets and Liabilities

5.3.1. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and balances with banks which are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position. Bank overdraft that are repayable on demand and form an integral part of the Company's cash resources and it is only included as a component of cash equivalents for the purpose of the Cash Flow Statements

5.3.2. Placements with Banks

Deposits with licensed commercial banks comprise of fixed deposits with licensed commercial banks and securities purchased under agreements to re-sell.

Fixed deposits with licensed commercial banks are measured initially at fair value plus transaction costs and subsequently measured at amortised cost using EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and other fees and cost that are an integral part of EIR. The Group recognises loss allowances for ECL on assets subsequently measured at amortised cost. Company measures loss allowance at an amount equal to lifetime ECL, except financial investments that are determined to have low credit risk at the reporting date.

Securities purchased under agreements to re-sell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position reflecting the transaction's economic substance as a loan by the Company. The difference between the purchase and resale prices is accrued over the life of the agreement using the EIR and recorded in other operating income.

5.3.3. Loans and Receivables

"Loans and advances to customers" are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

The Group initially recognises loans and advances to customers on the date on which they are originated. The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. The Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at fair value through profit or loss (FVTPL). Accordingly, loans and receivables from customers are measured at FVTPL. Financial assets designated at fair value through profit or loss are recorded in the statement of financial position at fair value.

There were no significant changes in the gross carrying amount of the financial assets at amortised cost – loans and receivables to other customers which contributed to significant changes in the loss allowance during the year under review.

During the year under review, the Company granted debt moratorium to its lease and loan customers in compliance with the circulars issued by the Central Bank of Sri Lanka to provide relief measures to COVID - 19 affected businesses and individuals.

When providing debt moratoriums for lease facilities, the Company recognised the moratorium interest in financial statements as a charge and recorded in financial statements accordingly to SLFRS 16 – "Leases".

Through the debt moratoriums granted for loan facilities were updated in the loan system as a charge, the Company

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recorded the interest impact of the debt moratorium in the 2021 financial statements and provided for allowance for expected credit losses in 2021 in compliance with SLFRS 9 – "Financial Instruments".

The Group records an allowance for expected credit losses for loans and other credit facilities to customers measured at amortised cost. SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

- Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).
- Stage 2: If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Group records an allowance for LTECL. Refer Note 20 for a description on how the Group determines when a significant increase in credit risk has occurred.
- Stage 3: If a financial asset is credit impaired, it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%.

The key assumptions, judgements and estimates adopted by the Group in addressing the requirements of SLFRS 9 is given below.

Significant increase in credit risk

The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements used in expected credit loss model prescribed in SLFRS 9 – "Financial Instruments". When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and expert credit assessment and including forward looking information. The criteria for determining whether credit risk has increased significantly vary by portfolio and include qualitative factors, including a backstop based on delinquency.

The Group considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 90 days past due rebutting the presumption in the SLFRS 9 permitted in accordance with the provisions of SLFRS 9. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

Definition of Default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due equal more than 180 days on any material credit obligation to the Group.

In determination of default the Group largely aligns with the regulatory definition of default which is 180 days and above. In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative – e.g., breaches of covenant;
- quantitative – e.g., overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

In assessing whether a borrower is in default, the Group reviews its individually significant loans and advances above a predefined threshold at each reporting date. The Group considers non performing credit facilities/customers with one or more of the following indicators and assessed accordingly in ECL computations.

- When reasonable and supportable forecasts of future economic conditions directly affect the performance of the customer.
- When there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of the customer.
- When the value of collateral is significantly reduced and/or realisability of collateral is doubtful.
- When a customer is subject to litigation, that significantly affects the performance of the credit facility.
- Frequent changes in the senior management of an institutional customer.
- When the customer is deceased/ insolvent.
- When the Group is unable to contact or find the customer.
- A fall of 50% or more in the turnover and/or profit before tax of the customer when compared to the previous year.

Expected Credit Loss (ECL)

The Group calculates ECL either on a collective or an individual basis. Those financial assets for which, the Group determines that no provision is required under individual impairment are then collectively assessed for ECL.

For the purpose of ECL calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to other customers are grouped into homogeneous portfolios, based on a

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combination of product characteristics.

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

- PD – The probability of default represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12mPD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due is the primary input into the determination of the term structure of PD for exposures. Days past due are determined by counting the number of days since the due date. The Group employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counter parties. They are calculated on a discounted cash flow basis using EIR as the discounting factor. LGD is usually expressed as a percentage of the EAD.
- EAD – The exposure at default represents the expected exposure in the event of a default. The Group estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities. To calculate EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months. For all other loans EAD is considered for default events over the lifetime of the financial instrument.

The Group measures loss allowances using both lifetime ECL and 12-month ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as real estate, gold, repossessed vehicles and repossessed machinery. When computing the ECL for individually significant loans, the discounted value of respective collateral is taken into consideration. The Group's policy is to carry collaterals repossessed at fair value at the repossession date and such assets will be disposed at the earliest possible opportunity.

5.3.4. Financial Investments

Financial investments consist of investments in quoted and non-quoted shares. Quoted equity securities classified under available-for-Sale investments as per LKAS - 39 "Financial Instruments". Recognition and Measurement has been reclassified to financial assets measured at FVTPL. For unquoted equity investments Group has irrevocably elect to present subsequent changes in FVOCI.

Unquoted Equity Investments at FVOCI

Upon initial recognition, the Group elected to classify irrevocably some all unquoted equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment and comprise quoted and unquoted shares that had been previously classified as available for sale under LKAS 39.

5.3.5. Investment in Associate

Investment in associate is accounted for at cost in the Group's financial statements and under the equity method in the consolidated financial statements. Under the equity method, the investment in associate is initially accounted at cost and the carrying amount is adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any impairment in the Group's net investment in associate. Refer Note 21 on Page 125.

5.3.6. Investment in Subsidiary

Investments in subsidiary is stated at cost, net of any impairment losses which are charged to the statement of profit or loss in the Group's financial statements. Refer Note 22 on Page126.

5.3.7. Investment Property

Investment property is a 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.

Investment Properties of the Group are measured at cost at the time of acquisition and subsequently at fair value.

Fair valuation of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties at similar locations and categories. They have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location.

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The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

5.3.8. Property, Plant and Equipment

Basis of 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 and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

Basis of Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. 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 at the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment. When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (Major components) of property, plant and equipment. The Company & Group apply the cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day to day servicing of property, plant and equipment are charged to the profit or loss as incurred.

Repairs & Maintenance

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company & Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Derecognition

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (Calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the statement of profit or loss in the year the asset is derecognised.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows;

Class of Asset	% Per Annum	Period
Motor vehicles	20%	5 Years
Computer hardware	20%	5 Years
Office equipment	20%	5 Years
Furniture and fittings	20%	5 Years

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

5.3.9 Right - of - use Assets and Lease Liabilities

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

This policy is applied to contracts entered into, on or after January 1, 2019.

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As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the

Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- 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 under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Presentation

As per SLFRS 16 Right-of-use assets are either presented separately from other assets on the balance sheet or disclosed separately in the notes. Similarly, lease liabilities are either presented separately from other liabilities on the balance sheet or disclosed separately in the notes.

The Company has elected to present Right-of-use assets seperately from other assets on the statement of financial position. Similarly,lease liabilities are presented seperately from other liabilities on the statement of financial position. Depreciation expense and interest expense cannot be combined in the statement of profit or loss. In the cash flow statement, principal payments on the lease liability are presented within financing activities; interest payments are presented based on an accounting policy election in accordance with LKAS 7 "Statement of Cash Flows".

5.3.10. Intangible Assets

The intangible assets include the value of computer software developed inhouse in partnership with a vendor.

Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably, in accordance with Sri Lanka Accounting Standard 38 – "Intangible Assets". Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software

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and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent Expenditure
Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful economic lives, amortisation and impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight- line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below;

Class of Asset	% Per Annum	Period
Computer software	20%	5 years

The unamortised balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised in profit or loss to the extent that they are no longer probable of being recovered from the expected future benefits.

Derecognition
Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (Calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss in the year the asset is derecognised.

5.3.11. Other Assets
Other assets mainly comprise of refundable deposits, prepayments, performance bank guarantee, receivable from escrow agreement and other advances carried at historical cost.

5.3.12. Due to Financial Institutions
This represents loans and overdraft facilities from licensed commercial banks. These facilities are initially recognised at fair value net of transaction cost. Subsequent to initial recognition, borrowings are measured at their amortised cost using the effective interest method. Amortised cost is computed by taking into account any discount or premium identified at initial recognition which are an integral part of EIR. Interest paid/payable on these borrowings are recognised in Profit or Loss.

5.3.13. Due to Other Customers
These represents the funds borrowed in the form of debentures and promissory notes. Interest expense is recognised in the statement of profit or loss based on the effective interest rate method.

5.3.14. Retirement Benefit Obligations
The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard LKAS 19 – "Employee Benefits". The Group continues to use an internally developed method to measure retirement benefit liability. This is stated under other liabilities in the statement of financial position.

The Group recognises the total actuarial gains and losses that arise in calculating the Group's obligation in respect of the plan in other comprehensive income during the period in which it occurs. The gratuity liability is not externally funded.

5.3.15. Other Liabilities
A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Other liabilities mainly comprise accrued expenses, supplier payables, insurance payable, consent motion advance, EPF/ETF/PAYE payables, etc.

5.3.16. Statutory Reserve
Statutory Reserve Fund has been created during the year 2006 in accordance with the Finance Leasing (Amendment) Act No 24 of 2005. Accordingly, 5% of the net profit for the period is transferred to the statutory reserve fund.

5.3.17 Fair Value Reserve
"Fair value reserve" comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income. Refer Note 35 on page 137.

5.4. Significant Accounting Policies – Statement of Cash Flows

5.4.1. Statement of Cash Flows
The Statement of Cash Flow has been prepared by using the 'Direct Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 – "Statement of Cash Flows", whereby operating activities, investing activities and financing activities are separately recognised.
Cash and cash equivalents comprise of cash in hand and cash at bank. Cash and cash equivalents as referred to in the statement of cash flow are comprised of those items as explained in the Note given in the statement of cash flow on page 092.

Notes to the Financial Statements (Contd.)

5.5. Significant Accounting Policies – Other

5.5.1. Events after the reporting period

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. 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 on page 142, where necessary.

5.5.2. Capital Commitments

Capital Commitments as at December 31, 2021, are shown in Note 39.1, on page 141.

5.5.3. Contingent liabilities

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

Summary cases against the Group have been disclosed in the Note 42 on Page 143 to the financial statements. However, based on the available information and the available legal advice, the Group do not expect the outcome of any action to have any material effect on the financial position of the Group.

5.5.4. Operating segments

The Group's segmental reporting is based on operating segments.

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the financial statements of the group. Inter- segment transfers are accounted for at competitive fair market prices charged to intercompany counterparts for similar services. Such services are eliminated on consolidation.

All operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions regarding resources to be allocated to the segments and to assess its performance, and for which discrete finance information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on reasonable basis.

For management purposes, the Company is organised into business units based on their products and services.

No operating segments have been aggregated to form the reportable operating segments.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from statement of profit or loss in the financial statements.

The Group's stated capital and retained earnings are managed on a company basis and are not allocated to individual operating segments.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill. The activities of the Group are located mainly in Sri Lanka. Consequently, the economic environment in which the Group operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

Operating Segment	Category of Information	Details
Leasing	Nature of product	Leasing facilities to acquire movable properties
	Classification of products	Motor cars, buses, trucks, machinery
	Revenue derived from	• Interest income • Service fee income & commission income
Loans	Nature of product	Loan facilities to acquire movable and immovable properties and personal loans
	Classification of products	Land, motor cars, personal loans
	Revenue derived from	• Interest income • Service fee income
Treasury	Nature of product	Investing activities
	Classification of products	Placement with banks, REPOS, treasury bonds
	Revenue derived from	• Investment income and fair value gains and losses on investments
Money Brokering	Nature of product	Money brokering activities
	Classification of products	Call money, FOREX, treasury bills, treasury bonds
	Revenue derived from	• Commission income • Investment income and fair value gains losses on investments

Details of the 5.5.4. Operating Segments are given in Note 47 on page 153.

5.5.5. Maturity Analysis

The Company has disclosed an analysis of assets and liabilities into relevant maturity baskets based on the remaining period as at the reporting date to the contractual maturity date.

Remaining contractual period to maturity as at the date of statement of financial position of the assets, liabilities and share holders' funds are given in Note 43.3.3 of pages from144 to 145.

6. New Accounting Standards Issued but not yet Effective

Group has not applied the following new standards or amendments in preparing these consolidated financial statements. The new standards and amendments listed below are those that could potentially have an impact on the Group's performance, financial position or disclosures;

6.1 Classification of Liabilities as Current or Non - current – Amendments to LKAS 1

The narrow-scope amendments to LKAS 1 – "Presentation of Financial Statements" clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (Eg. the receipt of a waver or a breach of covenant). The amendments also clarify what LKAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in LKAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors".

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to January 1, 2023.

6.2 Property, Plant and Equipment: Proceeds before intended use – Amendments to LKAS 16

The amendment to LKAS 16 – "Property, Plant and Equipment" (PPE) prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

This amendment is effective for the annual periods beginning on or after January 1, 2022.

6.3 Annual Improvements to SLFRS Standards 2018–2020

The following improvements were finalised in May 2020

- SLFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- SLFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- SLFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same SLFRS 1 exemption.

This amendment is effective for the annual periods beginning on or after January 1, 2022.

6.4 Reference to the Conceptual Framework – Amendments to IFRS 3

Minor amendments were made to IFRS 3 – "Business Combinations" to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 –"Provisions, Contingent Liabilities and Contingent Assets" and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

This amendment is effective for the annual periods beginning on or after January 1, 2022.

6.5 Onerous Contracts – Cost of Fulfilling a Contract Amendments to LKAS 37

The amendment to LKAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

This amendment is effective for the annual periods beginning on or after January 1, 2022.

6.6 Disclosure Initiative: Accounting Policies - Amendments to LKAS 1 and SLFRS Practice Statement 2

The amendments to LKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to SLFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to LKAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

Notes to the Financial Statements (Contd.)

6.7 Amendment to LKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

LKAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

6.8 Definition of Accounting Estimates – Amendments to LKAS 8

The amendments introduced the definition of accounting estimates and included other amendments to LKAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

The amendments are effective for annual periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

Notes to the Financial Statements (Contd.)

Income

Rs.	Company		Group	
For the year ended December 31,	**2021**	**2020**	**2021**	**2020**
Interest income [Note 7]	170,423,635	154,249,577	170,423,635	154,249,577
Fee and commission income [Note 9]	3,625,443	4,239,037	3,625,443	4,239,037
Other operating income [Note 10]	81,336,021	21,673,434	134,116,264	108,816,349
	255,385,099	**180,162,048**	**308,165,342**	**267,304,963**

Note 7 Interest Income

Rs.	Company		Group	
For the year ended December 31,	**2021**	**2020**	**2021**	**2020**
Lease rental receivable	75,410,163	68,967,060	75,410,163	68,967,060
Loans and advances	72,191,054	65,785,443	72,191,054	65,785,443
Pawning advances	22,822,418	19,497,074	22,822,418	19,497,074
Total interest income	**170,423,635**	**154,249,577**	**170,423,635**	**154,249,577**

Note 8 Interest Expenses

Rs.	Company		Group	
For the year ended December 31,	**2021**	**2020**	**2021**	**2020**
Due to banks	44,504,635	51,368,502	44,537,260	51,802,512
Due to other customers	4,560,610	5,115,183	4,560,610	5,115,183
SLFRS 16 – Incremental borrowing cost	2,753,540	3,271,190	2,970,805	3,452,238
Total interest expenses	**51,818,785**	**59,754,875**	**52,068,675**	**60,369,933**
Net interest income	**118,604,850**	**94,494,702**	**118,354,960**	**93,879,644**

Note 9 Net Fee and Commission Income

Rs.	Company		Group	
For the year ended December 31,	**2021**	**2020**	**2021**	**2020**
Fee and commission income	3,625,443	4,239,037	3,625,443	4,239,037
Net fee and commission income	**3,625,443**	**4,239,037**	**3,625,443**	**4,239,037**

Notes to the Financial Statements (Contd.)

Note 10 Other Operating Income

Rs.	Company		Group	
For the year ended December 31,	2021	2020 Restated	2021	2020 Restated
Profit on sale of property, plant and equipment	-	-	-	185,000
Investment with government securities	774,498	89,197	774,498	89,197
Service charges	542,324	438,069	542,324	438,069
Recovery of loans and lease written off in prior years	858,219	759,306	858,219	759,306
Dividend income	690,000	720,000	880,256	820,250
Interest income on placements with banks	64,799,968	11,174,213	64,799,968	11,174,213
Money brokering income	-	-	48,787,468	85,553,747
Profit on pawning auction	332,307	138,193	332,307	138,193
Profit on sale of shares	-	-	3,802,519	816,737
Provision reversals for value of financial investment	77,828	77,829	77,828	565,010
Sundry income	9,132,477	8,276,627	9,132,477	8,276,627
Profit on Concent Motion loan settlement	4,128,400	-	4,128,400	-
	81,336,021	**21,673,434**	**134,116,264**	**108,816,349**

Note 11 Allowance for Expected Credit Loss - (Charge)/ Reversal

Rs.	Company		Group	
For the year ended December 31,	2021	2020	2021	2020
Allowance for expected credit loss for loans and advances (Note 19.5)	(60,958,213)	(44,175,299)	(60,958,213)	(44,175,299)
Allowance for expected credit loss for placement with banks	(205,192)	411,116	(205,192)	411,116
Write-offs and disposal losses	(2,447,712)	(34,952,959)	(2,447,712)	(34,952,959)
	(63,611,117)	**(78,717,142)**	**(63,611,117)**	**(78,717,142)**

Note 12 Personnel Expenses

Rs.	Company		Group	
For the year ended December 31,	2021	2020	2021	2020
Salaries and bonus	36,928,198	37,527,587	71,236,198	72,905,887
Defined contribution plan costs - EPF	4,365,894	4,423,330	9,163,974	9,222,230
Defined contribution plan costs - ETF	1,091,473	1,105,833	2,290,993	2,305,558
Defined benefit plan cost	2,069,611	1,773,325	6,057,091	5,260,647
Others	11,504,099	8,900,464	20,001,681	16,831,410
	55,959,275	**53,730,539**	**108,749,937**	**106,525,732**

Note 13 Other Expenses

Rs.	Company		Group	
For the year ended December 31,	2021	2020	2021	2020
Auditors' remuneration - Audit related services	1,020,000	850,000	1,307,000	1,159,673
- Non audit services	724,000	820,000	724,000	950,900
Depreciation and amortisation	19,200,132	18,536,471	23,534,692	22,838,822
Legal expenses	5,973,946	3,799,586	5,973,946	3,799,586
Directors' emoluments	4,995,000	4,185,000	6,710,000	5,545,000
Premises and equipment cost	18,787,185	19,803,589	21,666,154	22,905,420
Others	13,458,575	9,626,879	18,567,194	27,346,185
	64,158,838	**57,621,525**	**78,482,986**	**84,545,586**

Notes to the Financial Statements (Contd.)

Note 14 Taxes on Financial Services

Rs.	Company		Group	
For the year ended December 31,	2021	2020 Restated	2021	2020 Restated
Value added tax on financial services	10,753,675	3,099,324	10,753,675	3,099,324
	10,753,675	**3,099,324**	**10,753,675**	**3,099,324**

Note 15 Taxation

Rs.	Company		Group	
For the year ended December 31,	2021	2020 Restated	2021	2020 Restated
Income tax on profits (Note 15.1)	-	-	-	3,243,466
ESC written off during the year	2,357,092	-	2,357,092	-
Provision / (Reversals) for the year	-	-	-	-
Provision / (Reversals) for deferred tax (Note 27.1)	-	-	(836,796)	(1,248,080)
Tax on dividend at 14%	-	-	-	6,165
Impact from restatement (Note 23.3)	-	-	-	1,360,313
	2,357,092	**-**	**1,520,296**	**3,361,864**

15.1 Reconciliation of Accounting (Loss) / Profit and the Income Tax Expense

Rs.	Company		Group	
For the year ended December 31,	2021	2020 Restated	2021	2020 Restated
(Loss) / Profit before income tax	55,788,253	(70,012,237)	39,463,396	(63,203,635)
Share of profit of associate company	(151,844)	(2,306,632)	(151,844)	(2,306,632)
Aggregate disallowed expenses	(23,642,169)	106,246,190	(15,102,865)	114,401,910
Aggregate allowable expenses	(77,784,428)	(79,409,457)	(80,696,992)	(82,017,544)
Capital portion of lease receivable	21,223,394	54,441,943	21,223,394	54,441,943
Aggregate exempt / allowable income	(48,027,202)	5,254,979	(46,184,801)	1,927,663
(Loss) / Profit from the business	**(72,593,996)**	**14,214,786**	**(81,449,712)**	**23,243,705**
Profit from other source of income	-	-	(3,657,628)	2,554,886
Tax loss incurred / (claimed) during the year (Note 15.3)	72,593,996	(14,214,786)	85,107,341	(14,214,786)
Taxable profit	**-**	**-**	**-**	**11,583,805**
Income tax expense	**-**	**-**	**-**	**3,243,466**

15.2 Reconciliation of Effective Tax Rate

A reconciliation between the tax expense and the product of accounting (loss) / profit multiplied by the applicable tax rate for the year ended December 31, 2021 is given below;

Rs.	Company		Group	
For the year ended December 31,	2021	2020 Restated	2021	2020 Restated
Accounting (loss) / profit before income tax	55,788,253	(70,012,237)	39,463,396	(63,203,635)
Income tax expense at the average statutory income tax rate @ 24%	13,389,181	(19,603,426)	9,471,215	(17,697,018)
Tax effect of disallowable expenses	(5,674,121)	29,748,933	(3,624,688)	32,032,535
Tax effect of allowable expenses	(18,668,263)	(22,234,648)	(19,367,278)	(22,964,912)
Capital portion of lease receivable	5,093,615	15,243,744	5,093,615	15,243,744
Tax effect of aggregate exempt/allowable income	(11,562,971)	825,537	(11,120,795)	(106,111)
Tax effect of profit from other source of income	-	-	(877,831)	715,368
Tax effect of tax profit / (losses) claimed during the year	17,422,559	(3,980,140)	20,425,762	(3,980,140)
Income tax expense for the year	-	-	-	3,243,466
Effective tax rate	**0.00%**	**0.00%**	**0.00%**	**-5.13%**

Since the proposed amendment has not been substantively enacted at the end of the reporting period, the income tax provision of the Group for 2020 is calculated based on the tax rates specified in the Inland Revenue Act No. 24 of 2017.

Notes to the Financial Statements (Contd.)

Income tax provision for the year ended December 31, 2021 of SMB Leasing PLC has been calculated at 24% (2020-28%) on its taxable profit in terms of Inland Revenue Act No. 24 of 2017, and amendments thereto. Profits of SMB Money Brokers (Private) Limited, subsidiary of the group is liable to income tax at 24% (2020-28%).

15.3 Accumulated Tax Losses

Rs.	Company		Group	
	2021	2020 Restated	2021	2020 Restated
Balance as at January 1,	70,568,649	85,503,435	70,568,649	85,503,435
Tax loss claimed against investment income	(690,000)	(720,000)	(690,000)	(720,000)
Tax loss incurred / (claimed) during the year	72,593,996	(14,214,786)	85,107,341	(14,214,786)
Balance as at December 31,	**142,472,645**	**70,568,649**	**154,985,990**	**70,568,649**

Note 16 Earnings Per Share

Basic Earnings / (Loss) Per Share

Basic earnings / (loss) per share has been calculated by dividing the (loss) / profit for the year attributable to equity holders of the Company by the number of ordinary shares, as per the requirements of the Sri Lanka Accounting Standard LKAS 33 - "Earnings per Share".

	Company		Group	
For the year ended December 31,	2021	2020 Restated	2021	2020 Restated
Profit / (Loss) attributable to equity holders of the Company (Rs.)	53,431,161	(70,012,237)	45,532,250	(65,802,637)
No. of ordinary shares outstanding during the year	9,551,978,760	1,805,832,873	9,551,978,760	1,805,832,873
Basic earnings / (loss) per share (Rs.)	**0.01**	**(0.04)**	**0.01**	**(0.04)**

16.1 Diluted Earnings Per Share

There were no potentially dilutive ordinary shares as at December 31, 2021 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of EPS.

Note 17 Cash and Cash Equivalents

Rs.	Company		Group	
As at December 31,	2021	2020	2021	2020
Cash in hand	15,354,115	19,390,265	15,369,115	19,405,265
Balances with banks	88,204,771	212,825,632	89,810,773	216,615,773
Cash and cash equivalents in the statement of financial position	**103,558,886**	**232,215,897**	**105,179,888**	**236,021,038**
Repo investment with banks (Note 18)	28,665,000	5,972,000	30,465,000	22,159,065
Bank overdrafts repayable on demand and used for cash management purpose (Note 29)	-	(97,835,260)	-	(97,835,260)
Cash and cash equivalents in the statement of cash flow	**132,223,886**	**140,352,637**	**135,644,888**	**160,344,843**

Note 18 Placements with Banks

Rs.	Company		Group	
As at December 31,	2021	2020	2021	2020
Fixed deposits with banks	2,376,787,839	200,296,703	2,392,090,514	210,296,703
REPO investment with banks - Overnight	28,665,000	5,972,000	30,465,000	22,159,065
Gross placements with banks	**2,405,452,839**	**206,268,703**	**2,422,555,514**	**232,455,768**
Allowance for expected credit loss - (Charge) /Reversal	(218,491)	(13,299)	(218,491)	(13,299)
Net placements with banks	**2,405,234,348**	**206,255,404**	**2,422,337,023**	**232,442,469**

Note 19 Financial assets at amortised cost - Loans and receivables to customers

19.1 Stage-wise Analysis of Loans and Receivables

Rs.	Company		Group	
As at December 31,	2021	2020	2021	2020
Gross loans and receivables				
Stage 1	831,519,330	663,507,895	831,519,330	662,607,674
Stage 2	144,783,745	307,095,596	144,783,745	307,095,596
Stage 3	604,835,437	505,016,635	604,835,437	505,016,635
	1,581,138,512	**1,475,620,126**	**1,581,138,512**	**1,474,719,905**
Provision for impairment				
Stage 1	(58,717,513)	(25,941,331)	(58,717,513)	(25,941,331)
Stage 2	(58,608,709)	(35,277,675)	(58,608,709)	(35,277,675)
Stage 3	(348,294,011)	(343,443,012)	(348,294,011)	(343,443,012)
	(465,620,233)	**(404,662,018)**	**(465,620,233)**	**(404,662,018)**
Net loans and advances	**1,115,518,279**	**1,070,958,108**	**1,115,518,279**	**1,070,057,887**

19.1.1 Loans

Rs.	Company		Group	
As at December 31,	2021	2020	2021	2020
Gross loans receivables				
Stage 1	390,941,773	329,739,984	390,941,773	328,839,763
Stage 2	67,948,694	92,139,993	67,948,694	92,139,993
Stage 3	271,311,242	201,508,332	271,311,242	201,508,332
	730,201,709	**623,388,309**	**730,201,709**	**622,488,088**
Provision for impairment				
Stage 1	(28,660,912)	(15,989,421)	(28,660,912)	(15,989,421)
Stage 2	(19,667,273)	(10,840,139)	(19,667,273)	(10,840,139)
Stage 3	(164,012,252)	(129,039,508)	(164,012,252)	(129,039,508)
	(212,340,437)	**(155,869,068)**	**(212,340,437)**	**(155,869,068)**
Net loans receivable	**517,861,272**	**467,519,241**	**517,861,272**	**466,619,020**

19.1.2 Leases

Rs.	Company		Group	
As at December 31,	2021	2020	2021	2020
Gross lease receivables				
Stage 1	286,922,642	224,812,947	286,922,642	224,812,947
Stage 2	72,007,687	210,368,313	72,007,687	210,368,313
Stage 3	327,471,645	299,916,652	327,471,645	299,916,652
	686,401,974	**735,097,912**	**686,401,974**	**735,097,912**
Provision for impairment				
Stage 1	(30,056,601)	(9,951,910)	(30,056,601)	(9,951,910)
Stage 2	(38,941,436)	(24,437,536)	(38,941,436)	(24,437,536)
Stage 3	(183,093,592)	(213,215,337)	(183,093,592)	(213,215,337)
	(252,091,629)	**(247,604,783)**	**(252,091,629)**	**(247,604,783)**
Net lease receivable	**434,310,345**	**487,493,129**	**434,310,345**	**487,493,129**

Notes to the Financial Statements (Contd.)

19.1.3 Pawning Advances Receivable

Rs.	Company		Group	
As at December 31,	**2021**	**2020**	**2021**	**2020**
Pawning advances receivables				
Stage 1	153,654,916	108,954,964	153,654,916	108,954,964
Stage 2	4,827,363	4,587,290	4,827,363	4,587,290
Stage 3	6,052,550	3,591,651	6,052,550	3,591,651
	164,534,829	**117,133,905**	**164,534,829**	**117,133,905**
Provision for impairment				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	(1,188,167)	(1,188,167)	(1,188,167)	(1,188,167)
	(1,188,167)	**(1,188,167)**	**(1,188,167)**	**(1,188,167)**
Net pawning receivables	**163,346,662**	**115,945,738**	**163,346,662**	**115,945,738**

19.2 Product-wise Analysis of Loans and Receivables

Rs.	Company		Group	
As at December 31,	**2021**	**2020**	**2021**	**2020**
Lease rental receivables	686,401,974	735,097,912	686,401,974	735,097,912
Personal loans	142,051,020	159,876,238	142,051,020	159,876,238
Staff loans	-	-	-	-
Term loans	412,213,708	343,111,825	412,213,708	343,111,825
Easy payment loans	11,592,556	15,860,613	11,592,556	14,960,392
Other loans	164,344,425	104,539,633	164,344,425	104,539,633
Pawning advances	164,534,829	117,133,905	164,534,829	117,133,905
	1,581,138,512	**1,475,620,126**	**1,581,138,512**	**1,474,719,905**

19.3 Sector-wise Analysis of Loans and Receivables

Rs.	Company		Group	
As at December 31,	**2021**	**2020**	**2021**	**2020**
Industry	126,714,755	109,927,714	126,714,755	109,927,714
Agriculture	214,390,056	114,581,166	214,390,056	114,581,166
Trade	97,735,121	117,460,157	97,735,121	117,460,157
Transport	262,168,905	461,995,917	262,168,905	461,995,917
Construction	119,888,552	30,471,221	119,888,552	30,471,221
Services	171,417,570	124,857,959	171,417,570	123,957,738
Personal	478,255,142	363,594,212	478,255,142	363,594,212
Others	110,568,411	152,731,780	110,568,411	152,731,780
	1,581,138,512	**1,475,620,126**	**1,581,138,512**	**1,474,719,905**

19.4 Gross Lease Rental Receivable

19.4.1 Gross Lease Rental Receivable within One Year

Rs.	Company		Group	
As at December 31,	**2021**	**2020**	**2021**	**2020**
Total lease rentals within one year from reporting date	339,021,829	356,644,627	339,021,829	356,644,627
Unearned lease Income	(77,142,796)	(83,276,790)	(77,142,796)	(83,276,790)
Balance as at December 31,	**261,879,033**	**273,367,837**	**261,879,033**	**273,367,837**

Notes to the Financial Statements (Contd.)

19.4.2 Gross Lease Rental Receivable after One Year and Five Years

Rs.	Company		Group	
As at December 31,	**2021**	**2020**	**2021**	**2020**
Total lease rentals receivable after one year from reporting date	522,610,809	523,743,463	522,610,809	523,743,463
Unearned lease Income	(109,430,913)	(117,001,823)	(109,430,913)	(117,001,823)
Balance as at December 31,	**413,179,896**	**406,741,640**	**413,179,896**	**406,741,640**

19.4.3 Gross Lease Rental Receivable after Five Years

Rs.	Company		Group	
As at December 31,	**2021**	**2020**	**2021**	**2020**
Total lease rentals receivable after five years from reporting date	11,418,788	55,220,604	11,418,788	55,220,604
Unearned lease income	(75,743)	(232,169)	(75,743)	(232,169)
Balance as at December 31,	**11,343,045**	**54,988,435**	**11,343,045**	**54,988,435**
Total lease rentals receivables	**686,401,974**	**735,097,912**	**686,401,974**	**735,097,912**

19.5 Movement in Individual and Collective Impairment During the Year - Company / Group

Rs.	2021	2020
Stage 1		
Balance as at January 1,	25,941,331	49,593,008
Charge / (Reversal) to the income statement	32,776,182	(23,651,677)
Balance as at December 31,	**58,717,513**	**25,941,331**
Stage 2		
Balance as at January 1,	35,277,675	39,215,229
Charge / (Reversal) to the income statement	23,331,034	(3,937,554)
Balance as at December 31,	**58,608,709**	**35,277,675**
Stage 3		
Balance as at January 1,	343,443,012	271,678,482
Charge to the income statement	4,850,999	71,764,530
Balance as at December 31,	**348,294,011**	**343,443,012**
Total net impairment charge for the year	**60,958,213**	**44,175,299**

Note 20 | Financial Investments

The Company's financial investments are summarised by category as follows:

Rs.	Company		Group	
As at December 31,	**2021**	**2020**	**2021**	**2020**
Fair value through profit or loss (FVTPL) (Note 20.1)	700,452	622,624	7,835,802	8,168,844
Fair value through other comprehensive income (FVTOCI) (Note 20.4)	81,376,472	60,034,817	81,376,472	60,034,817
Other financial assets (Note 20.3)	-	-	10,540,000	10,540,000
Total Financial Investments	**82,076,924**	**60,657,441**	**99,752,274**	**78,743,661**

The following table compares the fair values of the financial investments to their carrying values:

Rs.	Company				Group			
As at December 31,	**2021**		**2020**		**2021**		**2020**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Fair value through profit or loss (FVTPL) (Note 20.1)	700,452	700,452	622,624	622,624	7,835,802	7,835,802	8,168,844	8,168,844
Fair value through other comprehensive income (FVTOCI) (Note 20.4)	81,376,472	81,376,472	60,034,817	60,034,817	81,376,472	81,376,472	60,034,817	60,034,817
Other financial assets (Note 20.3)	-	-	-	-	10,540,000	10,540,000	10,540,000	10,540,000
Total financial investments	**82,076,924**	**82,076,924**	**60,657,441**	**60,657,441**	**99,752,274**	**99,752,274**	**78,743,661**	**78,743,661**

Notes to the Financial Statements (Contd.)

20.1 Fair Value Through Profit or Loss (FVTPL)

20.1.1 Quoted Shares held by SMB Leasing PLC

As at December 31,	2021			2020		
Rs.	No of shares	Carrying Value	Fair Value	No of shares	Carrying Value	Fair Value
Banking, Finance & Insurance						
The Finance Co. PLC	97	-	-	97	-	-
		-	-		-	-
Manufacturing						
Blue Diamond Jewelry Worldwide PLC	778,280	700,452	700,452	778,280	622,624	622,624
Metal Recyclers Colombo PLC	69	-	-	69	-	-
		700,452	700,452		622,624	622,624
Land & Property						
Seylan Developments PLC	43	-	-	43	-	-
Total carrying amount		**700,452**	**700,452**		**622,624**	**622,624**

20.1.2 Quoted Shares held by SMB Money Brokers (Pvt) Ltd.

As at December 31,	2021			2020		
Rs.	No of shares	Carrying Value	Fair Value	No of shares	Carrying Value	Fair Value
Banking, Finance & Insurance						
Arpico Insurance PLC	-	-	-	4,000	95,600	95,600
HNB Finance PLC	30,000	312,000	312,000	30,000	300,000	300,000
Lanka Orix Finance PLC	12,000	240,000	240,000	10,000	36,000	36,000
People's Leasing & Finance PLC	30,000	321,000	321,000	35,000	434,000	434,000
Commercial Leasing & Finance PLC	10,000	299,000	299,000	-	-	-
LOLC Development Finance Co.PLC	1,700	552,925	552,925	-	-	-
LB Finance PLC	6,000	408,000	408,000	-	-	-
Associated Motor Finance Co. PLC	55,000	748,000	748,000	-	-	-
Lanka Credit & Business Finance Ltd.	35,000	136,500	136,500	-	-	-
		3,017,425	3,017,425		865,600	865,600
Land & Property						
Colombo Land & Development Company PLC	-	-	-	12,000	291,600	291,600
RIL Property PLC	-	-	-	10,000	86,000	86,000
Overseas Reality (Ceylon) PLC	-	-	-	20,000	288,000	288,000
Colombo Fort Land & Building PLC	-		-	30,000	580,500	580,500
		-	-		1,246,100	1,246,100
Other						
HVA Foods PLC	-	-	-	20,000	122,000	122,000
Brown Investments PLC	20,000	326,000	326,000	200,000	860,000	860,000
Tess Agro PLC	-	-	-	200,000	120,000	120,000
Renuka Agri Foods PLC	65,000	357,500	357,500	50,000	235,000	235,000
Softlogic Capital PLC	10,000	88,000	88,000	50,000	195,000	195,000
Aitken Spence & Co. PLC	-	-	-	5,000	289,000	289,000
Eastern Merchants PLC	-	-	-	60,000	444,000	444,000
Lankem Development PLC	-	-	-	20,000	94,000	94,000
Industrial Asphalts (CEYLON) PLC	500,000	350,000	350,000	1,500,000	450,000	450,000
E-Channelling PLC	-	-	-	15,000	106,500	106,500
Kelani Tyres PLC	-	-	-	5,000	432,500	432,500
Piramal Glass Ceylon PLC	-	-	-	2,000	18,800	18,800
Maskeliya Plantations PLC	28,000	442,400	442,400	10,000	150,000	150,000
Vallibel Power Erathna PLC	-	-	-	15,000	118,500	118,500
Dipped Products PLC	6,000	304,200	304,200	1,400	486,220	486,220
Expo Lanka Holdings PLC	100	37,525	37,525	10,000	290,000	290,000
Renuka Capital PLC	-	-	-	10,000	70,000	70,000
Dankotuwa Porcelain PLC	5,000	73,000	73,000	15,000	156,000	156,000
Watawala Plantation PLC	-	-	-	5,000	283,000	283,000
John Keells PLC	-	-	-	5,000	307,500	307,500
Ceylon Investment PLC	10,000	536,000	536,000	-	-	-
Pelawatta Sugar Industries PLC	3,000	-	-	3,000	-	-
Sunshine Holdings PLC	-	-	-	2,500	206,500	206,500
Ceylon Tea Brokers PLC	5,000	21,000	21,000	-	-	-
E B Creasy & Company PLC	15,000	397,500	397,500	-	-	-
Ex-Pack Corrugated Cartons Ltd.	15,000	325,500	325,500	-	-	-
Shaw Wallace Investments PLC	10,000	129,000	129,000	-	-	-
Laugh Gas PLC	10,000	242,000	242,000	-	-	-
Renuka Holdings PLC	5,000	97,000	97,000	-	-	-
WindForce PLC	21,500	391,300	391,300	-	-	-
		4,117,925	4,117,925		5,434,520	5,434,520
Total quoted shares		7,135,350	7,135,350		7,546,220	7,546,220
Carrying amount		**7,835,802**	**7,835,802**		**8,168,844**	**8,168,844**

Notes to the Financial Statements (Contd.)

20.1.3 Determination of Fair Value - Company / Group

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market prices.

20.2 Fair Value Through Other Comprehensive Income (FVTOCI)

20.2.1 Unquoted Shares held by SMB Leasing PLC

As at December 31,	2021			2020		
Rs.	No of shares	Carrying Value	Fair Value	No of shares	Carrying Value	Fair Value
Ceylinco Sports Complex Ltd.	300,000	3,000,000	3,000,000	300,000	3,000,000	3,000,000
Ceylinco Investment & Realty	100,000	1,000,000	1,000,000	100,000	1,000,000	1,000,000
Seraka Investment Ltd. *	5,655,900	48,645,300	48,645,300	5,655,900	48,645,300	48,645,300
South Asian Travels	30,000	300,000	300,000	30,000	300,000	300,000
Ceylinco Savings Bank Ltd.	1,189,600	11,896,000	11,896,000	1,189,600	11,896,000	11,896,000
Ceylinco Coloured Stone (Pvt) Ltd.	500,000	5,000,000	5,000,000	500,000	5,000,000	5,000,000
Openarc Global Solutions (Pvt) Ltd.	45,000	450,000	450,000	45,000	450,000	450,000
Magpek Exports Ltd.	125,000	5,000,000	5,000,000	125,000	5,000,000	5,000,000
Pugoda Textiles Mills Ltd.	7,500	252,525	252,525	7,500	252,525	252,525
Nestor Properties Ltd. (Formerly known as SMB Real Estate Ltd.)	61,739	30,282,196	30,282,196	61,739	30,282,196	30,282,196
Nestor Stock Brokers (Private) Ltd. (Formerly known as SMB Securities (Pvt) Limited)	5,000,000	50,000,000	50,000,000	5,000,000	50,000,000	50,000,000
		155,826,021	155,826,021		155,826,021	155,826,021
Provision for impairment		**(74,449,549)**			**(95,791,204)**	
Carrying amount		**81,376,472**			**60,034,817**	

* The investment in Seraka Investment Limited is 10% non - cumulative non - redeemable preference shares.

20.2.2 Unquoted Debentures held by SMB Leasing PLC

As at December 31,	2021	2020
Rs.	Cost	Cost
Ceylinco Automobiles Ltd.	17,600,000	17,600,000
Provision for impairment	(17,600,000)	(17,600,000)
Carrying amount	-	-
Total carrying amount	**81,376,472**	**60,034,817**

20.3 Other Financial Assets

Rs.	Group	
As at December 31,	2021	2020
Corporate Finance & Capital Market Limited (6% Non redeemable, Non participative preference shares)	10,540,000	10,540,000
Provision for impairment	-	-
Total carrying amount	**10,540,000**	**10,540,000**

Notes to the Financial Statements (Contd.)

20.4 Movement of Financial Investment

Rs.	Company			Group		
	Fair Value Through Profit or Loss (FVTPL)	Fair Value Through Other Comprehensive Income (FVTOCI)	Financial Instruments at Amortised Cost (AC)	Fair Value Through Profit or Loss (FVTPL)	Fair Value Through Other Comprehensive Income (FVTOCI)	Financial Instruments at Amortised Cost (AC)
As at January 1, 2020	544,796	71,704,135	-	3,910,225	71,704,135	10,540,000
Purchases	-	-	-	3,693,609	-	-
Maturities	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Fair value gain recorded in the statement of profit or loss	77,828	-	-	565,010	-	-
Fair value gain recorded in the other comprehensive income	-	(11,669,318)	-	-	(11,669,318)	-
Interest Income	-	-	-	-	-	-
As at December 31, 2020	**622,624**	**60,034,817**	**-**	**8,168,844**	**60,034,817**	**10,540,000**
As at January 1, 2021	622,624	60,034,817	-	8,168,844	60,034,817	10,540,000
Purchases	-	-	-	-	-	-
Maturities	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Fair value gain recorded in the statement of profit or loss	77,828	-	-	(333,042)	-	-
Fair value (loss) / gain recorded in the other comprehensive income	-	21,341,656	-	-	21,341,656	-
Interest Income	-	-	-	-	-	-
As at December 31, 2021	**700,452**	**81,376,472**	**-**	**7,835,802**	**81,376,472**	**10,540,000**

20.5 Disclosure of Financial Risk

The Company's exposure to credit, currency and interest rate risks related to investments are disclosed in Note 43 on pages from 143 to 150 the financial statements.

20.6 Financial Investments Pledged as Security

Financial investments are not pledged as a security as at the reporting date.

Note 21 Investment in Associate

21.1 Associate Company

		2021			2020		
	Principal Activity	Holding	No of Shares	Initial Cost Rs.	Holding	No of Shares	Initial Cost Rs.
Kenanga Investment Corporation Ltd	Investment Banking	48.99%	4,900,000	49,000,000	48.99%	4,900,000	49,000,000

21.2 Movement in Investment in Associate Company

Rs.	Company		Group	
	2021	2020	2021	2020
Balance as at January 1,	41,681,532	39,374,899	41,681,532	39,374,899
Share of profit after tax (Note 21.3)	151,844	2,306,632	151,844	2,306,632
Balance as at December 31,	**41,833,376**	**41,681,532**	**41,833,376**	**41,681,532**

Notes to the Financial Statements (Contd.)

21.3 Share of Profit of Associate Company

Rs.	Company		Group	
For the year ended December 31,	**2021**	**2020**	**2021**	**2020**
Kenanga Investment Corporation Ltd.	151,844	2,306,632	151,844	2,306,632
	151,844	**2,306,632**	**151,844**	**2,306,632**

21.4 Summarised Financial Information of Associate

Rs.	Kenanga Investment Corporation Ltd.	
For the year ended / As at December 31,	**2021 (Audited)**	**2020 (Audited)**
Revenue	8,371,785	10,572,572
Total comprehensive income for the year	1,720,228	4,707,414
Total assets	89,785,018	89,405,526
Total equity	85,391,663	85,064,350
Total liabilities	4,393,355	4,341,177

Note 22 Investment in Subsidiary

		2021			2020		
Rs.	**Principal Activity**	**Holding**	**No.of Shares**	**Carrying Value**	**Holding**	**No.of Shares**	**Carrying value**
SMB Money Brokers (Pvt) Ltd.	Money Market Activities	50.99%	1,275,000	12,750,000	50.99%	1,275,000	12,750,000
Provision for impairment				-			-
Balance as at December 31,				**12,750,000**			**12,750,000**

22.1 Summarised Financial Information of Subsidiary

Rs.	SMB Money Brokers (Pvt) Ltd .	
For the year ended / As at December 31,	**2021 (Audited)**	**2020 (Audited)**
Revenue	47,083,975	82,998,859
Total comprehensive (Expenses) / income for the year	(9,772,398)	5,910,366
Total asset	72,349,114	89,105,841
Total equity	52,413,299	62,185,698
Total liabilities	19,935,815	26,920,143

Note 23 Investment Properties

Rs.	Company			Group		
	2021	**2020** Restated	**2019** Restated	**2021**	**2020** Restated	**2019** Restated
Balance as at January 1,	96,225,000	96,225,000	33,310,000	112,656,900	106,981,900	44,066,900
Addition during the year	-	-	-	-	-	-
Capitalised during the year	-	-	-	208,500	-	-
Sale of investment property	-	-	-	-	-	-
Fair value gain	46,553,000	-	62,915,000	45,021,100	5,675,000	62,915,000
Balance as at December 31,	**142,778,000**	**96,225,000**	**96,225,000**	**157,678,000**	**112,656,900**	**106,981,900**

It was voluntarily decided to change the accounting policy for recongnising investement properties of the group from cost model to fair value model from 2021 financial year onwards, as this change results in the financial statements providing more reliable and more relevant information about the effects of transactions, other events or conditions on the group's financial position, financial performance or cashflows.

Accordingly, with the decision taken to change the accounting policy for recognising investment properties to fair value model, the group applied the change restrospectively to its financial statements.

Notes to the Financial Statements (Contd.)

There are no building in the below lands. There is no rental income or expenses from the above investment property.

23.1 Property Location

Rs.'000 As at December 31,		Company						Group					
		2021		2020		2019		2021		2020		2019	
	Extent (Perches)	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value
Kaduwela, Malabe	118.97	32,700	141,078	32,700	94,750	32,700	94,750	32,700	141,078	32,700	94,750	32,700	94,750
Ahangama,Dikkumbura	21.00	1,204	1,700	1,204	1,475	1,204	1,475	1,204	1,700	1,204	1,475	1,204	1,475
Malabe	8.38	-	-	-	-	-	-	3,352	7,100	3,352	5,866	3,352	3,352
Ahangama	111.20	-	-	-	-	-	-	7,405	7,800	7,405	10,566	7,405	7,405
		33,904	**142,778**	**33,904**	**96,225**	**33,904**	**96,225**	**44,661**	**157,678**	**44,661**	**112,657**	**44,661**	**106,982**

23.2 Valuation of Investment Properties

The Company carries investment properties at fairvalue. Market valuations of the above investment properties were carried out as at November 22, 2021 and December 21, 2021 respectively, by Messrs.P.B Fonseka, D.Jayawardana who are independent qualified valuers not connected with the Company.

23.3 Restatement

It was voluntarily decided to change the accounting policy for recongnising investement properties of the group from cost model to fair value model from 2021 financial year onwards, as this change results in the financial statements providing more reliable and more relevant information about the effects of transactions, other events or conditions on the group's financial position, financial performance or cashflows.

Accordingly, with the decision taken to change the accounting policy for recognising investment properties to fair value model, the group applied the change restrospectively to its financial statements.

Impact to the amounts reported in the statement of profit or loss and other comprehensive income for the year ended December 31, 2020.

Company

No impact to the amounts reported in the Company's statement of profit or loss and other comprehensive income for the year ended December 31, 2020.

Group

For the year ended December 31, 2020	As reported (Audited)	Impact from restatement	Impact from classification change	As restated
Total operating income	206,935,030	5,675,000	-	212,610,030
Net operating income	128,217,888	5,675,000	-	133,892,888
Operating (loss) / profit before taxes on financial services	(62,410,943)	5,675,000	(442,487)	(57,178,430)
(Loss) / Profit after taxes on financial services	(65,510,267)	5,675,000	(442,487)	(60,277,754)
(Loss) / Profit before income tax	(63,203,635)	5,675,000	(442,487)	(57,971,122)
Income tax expense	(2,001,551)	(1,360,313)	-	(3,361,864)
(Loss) / Profit for the year	**(65,205,186)**	**4,314,687**	**(442,487)**	**(60,890,499)**
(Loss) / Profit attributable to :				
Owners of the Company	(67,560,641)	2,200,491	(442,487)	(65,802,637)
Non - controlling interest	2,355,455	2,114,196	-	4,469,651
(Loss) / Profit for the year	**(65,205,186)**	**4,314,687**	**(442,487)**	**(61,332,986)**
Total comprehensive (expense) / income for the year	(80,492,574)	4,314,687	-	(76,177,887)
Total comprehensive (expense) / income attributable to:				
Owners of the Company	(81,274,456)	2,200,491	(216,818)	(79,290,783)
Non - controlling interest	781,882	2,114,196	216,818	3,112,896
Total comprehensive (expense) / income for the year	**(80,492,574)**	**4,314,687**	**-**	**(76,177,887)**

Notes to the Financial Statements (Contd.)

23.4 Impact to the balances reported in the statement of financial position as at December 31, 2020

As at December 31, 2020	As reported (Audited)	Impact from restatement	Impact from classification change	As restated
Company				
Investment properties	33,310,000	62,915,000	-	96,225,000
Other assets	1,727,218,538	-	-	1,727,218,538
Total assets	**1,760,528,538**	**62,915,000**	**-**	**1,823,443,538**
Total liabilities	**786,175,004**	**-**	**-**	**786,175,004**
Retained earnings	11,957,133	62,915,000	-	74,872,133
Other equity	962,396,401	-	-	962,396,401
Total equity attributable to equity holders of the Company	**974,353,534**	**62,915,000**	**-**	**1,037,268,534**
Group				
Investment properties	44,066,900	68,590,000	-	112,656,900
Deferred tax assets	5,095,311	(1,589,000)	-	3,506,311
Other assets	1,782,735,947	-	-	1,782,735,947
Total assets	**1,831,898,158**	**67,001,000**	**-**	**1,898,899,158**
Total liabilities	814,844,381	(228,686.00)	-	814,615,695
Retained earnings	27,572,250	65,115,490	(216,818)	92,470,922
Other equity	962,396,401	-	-	962,396,401
Total equity attributable to equity holders of the Company	989,968,651	65,115,490	(216,818)	1,054,867,323
Non - controlling interests	27,085,126	2,114,196	216,818	29,416,140
Total equity	**1,017,053,777**	**67,229,686**	**-**	**1,084,283,463**

23.5 Impact to the balances reported in the statement of financial position as at December 31, 2019

As at December 31, 2019	As at reported (Audited)	Impact from restatement	As restated
Company			
Investment properties	33,310,000	62,915,000	96,225,000
Retained earnings	82,376,069	62,915,000	145,291,069
Group			
Investment properties	44,066,900	62,915,000	106,981,900
Deferred tax assets	2,598,364	-	2,598,364
Retained earnings	97,177,388	62,915,000	160,092,388
Non - controlling interests	26,303,244	-	26,303,244

23.6 Impact to the statement of cash flows for the years ended December 31, 2020 and 2019

Company/Group

From this restatement, there were no impact to the cash flows for the years ended December 31, 2020 and 2019.

Notes to the Financial Statements (Contd.)

Note 24 Property, Plant and Equipment

Company

Rs.	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2021 Total
Cost					
As at January 1,	28,480,149	12,050,314	20,604,542	986,892	62,121,897
Additions for the year	215,150	956,069	203,135	-	1,374,354
Disposals	-	-	-	-	-
Write off	-	-	-	-	-
As at December 31,	**28,695,299**	**13,006,383**	**20,807,677**	**986,892**	**63,496,251**
Accumulated Depreciation					
As at January 1,	25,836,737	8,544,605	14,583,737	976,893	49,941,972
Charge for the year	934,522	2,112,694	3,191,193	9,999	6,248,408
Disposals	-	-	-	-	-
Write off	-	-	-	-	-
As at December 31,	**26,771,259**	**10,657,299**	**17,774,930**	**986,892**	**56,190,380**
Net book value as at December 31, 2021	**1,924,040**	**2,349,084**	**3,032,747**	**-**	**7,305,871**

Reconciliation of the carrying amount of property, plant and equipment as at December 31, 2020.

Company

Rs.	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2020 Total
Cost					
As at January 1,	28,135,299	10,698,578	16,500,757	986,892	56,321,526
Additions for the year	344,850	1,351,736	4,103,785	-	5,800,371
Disposals	-	-	-	-	-
Write off	-	-	-	-	-
As at December 31,	**28,480,149**	**12,050,314**	**20,604,542**	**986,892**	**62,121,897**
Accumulated Depreciation					
As at January 1,	24,879,964	6,341,539	11,308,856	952,893	43,483,252
Charge for the year	956,773	2,203,067	3,274,882	24,000	6,458,722
Disposals	-	-	-	-	-
Write off	-	-	-	-	-
As at December 31,	**25,836,737**	**8,544,605**	**14,583,738**	**976,893**	**49,941,974**
Net book value as at December 31, 2020	**2,643,412**	**3,505,709**	**6,020,804**	**9,999**	**12,179,924**

Notes to the Financial Statements (Contd.)

Group

Rs.	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2021 Total
Cost					
As at January 1,	29,685,970	15,859,297	22,539,146	10,246,793	78,331,206
Additions for the year	1,147,120	956,069	203,135	-	2,306,324
Disposals	-	-	-	-	-
Write off	-	-	-	-	-
As at December 31,	**30,833,090**	**16,815,366**	**22,742,281**	**10,246,793**	**80,637,530**
Accumulated Depreciation					
As at January 1,	26,807,988	12,012,132	16,481,402	4,999,885	60,301,407
Charge for the year	1,108,982	2,231,026	3,223,593	1,861,980	8,425,581
Disposals	-	-	-	-	-
Write off	-	-	-	-	-
As at December 31,	**27,916,970**	**14,243,158**	**19,704,995**	**6,861,865**	**68,726,988**
Net book value as at December 31, 2021	**2,916,120**	**2,572,208**	**3,037,286**	**3,384,928**	**11,910,542**

Reconciliation of the carrying amount of property, plant and equipment as at December 31, 2020.

Group

Rs.	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2020 Total
Cost					
As at January 1,	29,341,120	14,413,561	18,435,361	10,106,982	72,297,024
Additions for the year	344,850	1,445,736	4,103,785	359,900	6,254,271
Disposals	-	-	-	(220,089)	(220,089)
Write off	-	-	-		-
As at December 31,	**29,685,970**	**15,859,297**	**22,539,146**	**10,246,793**	**78,331,206**
Accumulated Depreciation					
As at January 1,	25,736,895	9,686,945	13,166,620	3,397,979	51,988,439
Charge for the year	1,071,093	2,325,187	3,314,782	1,821,995	8,533,057
Disposals	-	-	-	(220,089)	(220,089)
write off	-	-	-	-	-
As at December 31,	**26,807,988**	**12,012,132**	**16,481,402**	**4,999,885**	**60,301,407**
Net book value as at December 31, 2019	**2,877,982**	**3,847,165**	**6,057,744**	**5,246,908**	**18,029,799**

24.1 Acquisition of Property, Plant and Equipment During the Year

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 1,374,354 (2020 - Rs. 5,800,371) and the Group acquired property, plant and equipment to the aggregate value of Rs.2,306,324 (2020 - Rs. 6,254,271).

24.2 Capitalisation of Borrowing Cost

There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year. (2020 - Nil)

24.3 Fully Depreciated Property, Plant and Equipment in Use

The initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows:

Rs. As at December 31,	2021	2020
Computer equipment	24,868,593	24,523,853
Office equipment	7,318,661	792,719
Furniture & fittings	13,166,863	3,130,118
Motor vehicles	986,892	866,892
	46,341,009	**29,313,582**

Notes to the Financial Statements (Contd.)

24.4 Property, Plant and Equipment Pledged as a Security

None of the property, plant and equipment have been pledged as securities as at the reporting date.

24.5 Permanent Fall in Value of Property, Plant and Equipment

There has been no permanent fall in the value of property, plant and equipment which requires an impairment provision in the financial statements.

24.6 The Restriction of Property, Plant and Equipment

There are no restrictions that existed on the title of the property, plant and equipment of the group as at the reporting date.

24.7 Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensation received during the year from third parties for items of property, plant and pquipment that were impaired, lost or given up (2020 - Nil).

24.8 Temporarily Idle Property, Plant and Equipment

There were no property, plant and equipment of the Company idle as at December 31, 2021 and December 31, 2020.

Note 25 Right-of-use assets and Lease Liabilities

25.1 Right-of-use Assets Movement During the Year

Rs.	Company		Group	
	2021	2020	2021	2020
Right-of-use asset				
Balance as at January 1,	55,430,096	37,798,840	61,316,511	40,498,137
Additions and improvements during the year	-	17,631,256	-	20,818,374
Disposals during the year	-	-	-	-
Balance as at December 31,	**55,430,096**	**55,430,096**	**61,316,511**	**61,316,511**
Accumulated depreciation				
Balance as at January 1,	19,525,839	7,761,590	22,889,119	9,466,409
Charge during the year	12,638,224	11,764,249	14,231,784	13,422,710
Balance as at December 31,	**32,164,063**	**19,525,839**	**37,120,903**	**22,889,119**
Carrying value				
Balance as at December 31,	**23,266,033**	**35,904,257**	**24,195,608**	**38,427,392**

25.2 Lease Liabilities Movement During the Year

Rs.	Company		Group	
	2021	2020	2021	2020
Lease liabilities				
Balance as at January 1,	21,107,534	21,402,119	23,787,464	22,452,776
Additions and improvements during the year	-	5,751,256	-	8,938,374
Disposals during the year	-	-	-	-
Accretion of interest during the year	2,753,540	3,271,190	2,970,805	3,452,237
Payments during the year	(8,212,000)	(9,317,031)	(10,052,500)	(11,055,923)
Balance as at December 31,	**15,649,074**	**21,107,534**	**16,705,769**	**23,787,464**

Notes to the Financial Statements (Contd.)

25.3 Amounts Recognised in Profit or Loss

25.3.1 Leases under SLFRS 16

Rs.	Company		Group	
For the year ended December 31,	**2021**	**2020**	**2021**	**2020**
Depreciation of right-of-use assets	12,638,224	11,764,249	14,231,784	13,422,710
Interest on lease liabilities	2,753,540	3,271,190	2,970,805	3,452,237
	15,391,764	**15,035,439**	**17,202,589**	**16,874,947**

25.4 Leases under LKAS 17

Rs.	Company		Group	
For the year ended December 31,	**2021**	**2020**	**2021**	**2020**
Cash outflow for leases	(8,212,000)	(9,317,031)	(10,052,500)	(11,055,923)
Total cash outflow for leases	**(8,212,000)**	**(9,317,031)**	**(10,052,500)**	**(11,055,923)**

25.5 Maturity analysis – Contractual Undiscounted Cash Flows

Rs.	Company		Group	
For the year ended December 31,	**2021**	**2020**	**2021**	**2020**
Less than one year	8,601,200	8,212,000	9,689,700	12,478,000
Between one and five years	10,221,700	18,822,900	10,221,700	21,311,400
More than five years	-	-	-	-
Total undiscounted cash flows	**18,822,900**	**27,034,900**	**19,911,400**	**33,789,400**

Note 26 Intangible Assets

Rs.	Company		Group	
	2021	**2020**	**2021**	**2020**
Cost				
As at January 1,	2,304,888	2,304,888	4,662,054	4,662,054
Additions for the year	-	-	-	-
As at December 31,	**2,304,888**	**2,304,888**	**4,662,054**	**4,662,054**
Accumulated Amortisation				
As at January 1,	1,860,763	1,547,261	3,654,106	2,771,050
Charge for the year	313,500	313,502	877,323	883,056
Disposals	-	-	-	-
As at December 31,	**2,174,263**	**1,860,763**	**4,531,429**	**3,654,106**
Carrying value as at December 31,	**130,625**	**444,125**	**130,625**	**1,007,948**
Capital Work in Progress				
As at January 1,	5,484,000	4,284,000	5,484,000	4,284,000
Incurred during the year	-	1,200,000	-	1,200,000
Capitalised during the year	-	-	-	-
As at December 31,	**5,484,000**	**5,484,000**	**5,484,000**	**5,484,000**
Carrying value as at December 31,	**5,614,625**	**5,928,125**	**5,614,625**	**6,491,948**

Notes to the Financial Statements (Contd.)

Note 27 Deferred Tax Assets

Company

Deferred tax assets have not been recognized in respect of lease assets because it is uncertain that future taxable profits will be available against which the company can utilize the benefits. Therefore, the deferred tax assets arising from the tax losses carried forward was recognized only to the extent of deferred tax liability.

Rs. Unrecognised Deferred Tax Asset	2021	2020 Restated
Balance as at January 1,	7,817,978	4,952,250
Reversal / (Charge) for the year	15,672,032	2,865,728
Balance as at December 31,	**23,490,010**	**7,817,978**

The above unrecognized deferred tax liability is attributable to the following;

Rs.	Temporary difference December 31, 2021	Tax effect December 31, 2021	Temporary difference December 31, 2020	Tax effect December 31, 2020
On property, plant & equipment	(12,920,495)	(3,100,919)	(10,206,722)	(2,857,882)
On lease assets	14,948,284	3,587,588	(25,533,614)	(7,149,412)
On retirement benefit obligation	7,544,568	1,810,696	7,889,759	2,209,133
Fair value gain on investment property	(46,553,000)	(11,172,720)		
On accumulated tax losses	142,472,645	34,193,435	70,568,649	19,759,222
On right-of-use assets	(23,266,033)	(5,583,848)	(35,904,257)	(10,053,192)
On lease liabilities	15,649,075	3,755,778	21,107,534	5,910,109
	97,875,044	**23,490,010**	**27,921,349**	**7,817,978**

The deferred tax has been calculated at the rate of 24% (2020 - 28%).

Group

In respect of the sole subsidiary, SMB Money Brokers (Pvt) Limited, a deferred tax asset has been recognized, since the Management expects adequate taxable profit in the foreseeable future. Therefore, the Group deferred tax asset includes the deferred tax asset relevant to SMB Money Brokers (Pvt) Limited.

Rs.	2021	2020 Restated	2019 Restated
Balance as at January 1,	3,506,311	2,598,364	2,258,717
Reversals for the year (Note 27.1)	(968,150)	2,496,947	339,647
Impact from restatement	-	(1,589,000)	-
Balance as at December 31,	**2,538,161**	**3,506,311**	**2,598,364**

27.1 (Charge) / Reversals for the Year Recognised in

Rs. For the year ended December 31,	2021	2020 Restated
Statement of profit or loss	836,796	1,248,080
Other comprehensive income	(1,804,946)	1,248,867
Balance as at December 31,	**(968,150)**	**2,496,947**

The above recognised deferred tax asset is attributable to the following;

Rs.	Temporary difference December 31, 2021	Tax effect December 31, 2021	Temporary difference December 31, 2020 Restated	Tax effect December 31, 2020 Restated	Temporary difference December 31, 2019 Restated	Tax effect December 31, 2019 Restated
On property, plant & equipment	(255,675)	(61,362)	(731,207)	(204,738)	(752,700)	(210,756)
On retirement benefit obligation	18,342,850	4,402,284	22,475,975	6,293,273	14,528,418	4,067,957
Revaluation gain on investment property	(7,638,625)	(1,833,270)	(3,704,025)	(1,037,127)	(4,552,025)	(1,274,567)
On right-of-use assets	(929,575)	(223,098)	(2,523,136)	(706,478)	(994,479)	(278,454)
On lease liabilities	1,056,696	253,607	2,679,932	750,381	1,050,657	294,184
Impact from restatement	-	-	(5,675,000)	(1,589,000)	-	-
	10,575,671	**2,538,161**	**12,522,539**	**3,506,311**	**9,279,871**	**2,598,364**

The deferred tax has been calculated at the rate of 24% (2020 - 28%).

Notes to the Financial Statements (Contd.)

Note 28 Other Assets

Rs.	Company		Group	
As at December 31,	**2021**	**2020**	**2021**	**2020**
Deposits & prepayments	11,493,042	7,353,962	14,192,791	7,424,850
Receivable from Golden key hospitals Limited	36,841,467	36,841,467	36,841,467	36,841,467
Other assets	1,667,482	4,492,421	11,945,411	16,573,904
	50,001,991	**48,687,850**	**62,979,669**	**60,840,221**

Note 29 Due Financial Institutions

Rs.	Company		Group	
As at December 31,	**2021**	**2020**	**2021**	**2020**
Bank borrowings	526,274,284	501,687,595	526,274,284	501,687,595
Bank overdraft	-	97,835,260	-	97,835,260
Securitisation loans	-	-	-	-
	526,274,284	**599,522,855**	**526,274,284**	**599,522,855**

29.1 Details of Funding Facilities - Bank Loans Details

The below table provides details of the bank loans of the Company.

		2021		2020	
Name of the bank	**Granted Date**	**Amount Granted (Rs.)**	**Outstanding Amount (Rs.)**	**Amount Granted (Rs.)**	**Outstanding Amount (Rs.)**
Sampath Bank - Loan 01	January 26, 2016	-	-	90,000,000	16,491,500
Sampath Bank - Loan 02	January 26, 2019	-	-	55,000,000	44,916,300
Sampath Bank - Loan 03	December 24, 2020	200,000,000	159,992,000	200,000,000	200,000,000
Sampath Bank - Loan 04	November 1, 2021	140,000,000	135,330,000	-	-
Seylan Bank - Loan 01	November 22, 2021	200,000,000	197,619,000	-	-
DFCC Bank	May 28, 2019	-	-	30,000,000	30,295,342
National Development Bank	November 08, 2019	-	-	25,000,000	25,438,986
Indian Bank - Loan 01	February 27, 2018	-	-	100,000,000	14,186,455
Indian Bank - Loan 02	August 28, 2018	-	-	200,000,000	56,267,874
Indian Bank - Loan 03	October 30, 2018	-	-	85,000,000	30,935,585
Indian Bank - Loan 04	April 03, 2019	40,000,000	2,222,222	40,000,000	20,236,240
Indian Bank - Loan 05	February 19, 2020	80,000,000	31,111,062	80,000,000	62,919,313
		660,000,000	**526,274,284**	**905,000,000**	**501,687,595**

Note 30 Due to Other Customers

Rs.	Company			Group
As at December 31,	**2021**	**2020**	**2021**	**2020**
Promissory notes	113,113,186	108,620,788	113,113,186	108,620,788
Debentures	9,162,728	9,162,728	9,162,728	9,162,728
Balance as at December 31,	**122,275,914**	**117,783,516**	**122,275,914**	**117,783,516**

Note 31 Retirement Benefit Obligations

Rs.	Company		Group	
As at December 31,	**2021**	**2020**	**2021**	**2020**
Provision for retirement benefit obligations (Note 31.1)	7,544,568	7,889,759	25,887,414	30,365,734
Balance as at December 31,	**7,544,568**	**7,889,759**	**25,887,414**	**30,365,734**

Notes to the Financial Statements (Contd.)

31.1 Provision for Retirement Benefit Obligation

Rs.	Company		Group	
As at December 31,	**2021**	**2020**	**2021**	**2020**
Balance as at January 1,	7,889,759	7,581,972	30,365,734	22,110,387
Provision / (Reversals) for the year	2,069,612	1,773,325	6,057,091	5,260,647
Actuarial loss / (gain) during the year	(1,404,303)	(35,788)	(8,924,911)	4,424,450
Payments during the year	(1,010,500)	(1,429,750)	(1,610,500)	(1,429,750)
Balance as at December 31,	**7,544,568**	**7,889,759**	**25,887,414**	**30,365,734**

The following assumptions were used in valuing the retirement benefits obligation using internally developed method as required by Sri Lanka Accounting Standard LKAS 19 - "Employee Benefits".

	2021	2020
Salary increment rate	10.00%	6.00%
Discount rate	11.75%, 10%	7.00%
Retirement age	60/59 Years	55 Years
Staff turnover factor	35.00%	44.00%

31.2 Sensitivity of Assumptions Used

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the total comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on total comprehensive income and employment benefit obligation for the year.

Company	Sensitivity Effect on	
Rs.	**Total Comprehensive Income Increase / (Reduction)**	**Employment Benefit Obligation Increase / (Reduction) in the Liability**
Increase in discount rate (1%)	(214,302)	(187,848)
Decrease in discount rate (1%)	219,659	194,402
Increase in salary increment rate (1%)	159,815	195,450
Decrease in salary increment rate (1%)	(157,187)	(192,230)

Group	Sensitivity Effect on	
Rs.	**Total Comprehensive Income Increase / (Reduction)**	**Employment Benefit Obligation Increase / (Reduction) in the Liability**
Increase in discount rate (1%)	(1,834,882)	(1,735,167)
Decrease in discount rate (1%)	2,008,919	1,352,917
Increase in salary increment rate (1%)	1,695,667	1,892,116
Decrease in salary increment rate (1%)	(1,554,002)	(1,734,187)

Note 32 Other Liabilities

Rs.	Company		Group	
As at December 31,	**2021**	**2020**	**2021**	**2020**
Accrued expenses	13,751,692	10,154,726	13,751,692	10,154,726
Unearn income on legal settlement	43,555,762	18,278,900	43,555,762	18,278,900
Other liabilities	9,070,737	11,437,714	12,027,778	14,722,500
Balance as at December 31,	**66,378,191**	**39,871,340**	**69,335,232**	**43,156,126**

Notes to the Financial Statements (Contd.)

Note 33 Stated Capital

Rs.	Company		Group	
As at December 31,	**2021**	**2020**	**2021**	**2020**
Ordinary voting shares	1,136,230,554	1,136,230,554	1,136,230,554	1,136,230,554
Ordinary non voting shares	419,252,881	419,252,881	419,252,881	419,252,881
Rights issue during the year	2,143,617,410	-	2,143,617,410	-
Capital reduction	(636,419,321)	(636,419,321)	(636,419,321)	(636,419,321)
Balance as at December 31,	**3,062,681,524**	**919,064,114**	**3,062,681,524**	**919,064,114**

The company has raised Rs.2,143,617,410 by issuing 5,278,608,276 number of voting shares at Rs.0.35 and 2,467,537,611 number of non voting shares at Rs.0.12 through the rights issue during the year.

The purpose of this rights issue is to strengthen the core capital base of the Company in keeping with the Company's expansion plan and surpassing the new capital adequacy requirements as stipulated by the Central Bank of Sri Lanka for licensed finance companies. The proceeds of the issue will be utilised for the lending business of the Company.

33.1 Reconciliation of Number of Shares - Company

	2021	2020
	No.of shares	**No.of shares**
Ordinary Voting Shares		
As at January 1,	1,191,766,772	1,191,766,772
Issue of shares	5,278,608,276	-
As at December 31,	**6,470,375,048**	**1,191,766,772**
Ordinary Non Voting Shares		
As at January 1,	614,066,101	614,066,101
Issue of shares	2,467,537,611	-
As at December 31,	**3,081,603,712**	**614,066,101**
Total	**9,551,978,760**	**1,805,832,873**

33.2 Rights, Preferences and Restrictions of Classes of Capital

The ordinary shares of the Company are quoted in the Colombo Stock Exchange. The holders of ordinary shares have the right to receive dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

33.3 Rights issue funds utilisation as at December 31, 2021

Objective number	Objective as per circular	Amount allocated as per circular Rs .	Proposed date of utilisation as per circular	Amount allocated from proceeds Rs.	% of total proceeds	Amounts utilised Rs.	% of utilisation against allocation	Clarification if not fully utilised including where the funds are invested
01	To utilise for lending purpose	2,454,031,512	January 2022	2,143,617,410	87.35%	142,236,750	6.64%	"Remaining funds are invested in bank fixed deposits."

33.4 Regulatory capital - Company

	2021		2020	
	Actual	**Required**	**Actual**	**Required**
Tier 1 capital ratio (%)	121.67	7.00	50.87	6.50
Total capital ratio (%)	119.59	10.50	48.15	10.50

Tier 1 capital ratio and total capital ratio of the Company computed as per the Finance Leasing Act Direction No.03 of 2018 capital adequacy requirements issued by the Central Bank of Sri Lanka with effect from July 1, 2018.

Note 34 Statutory Reserves Fund

Rs.	Company		Group	
Balance as at December 31,	2021	2020	2021	2020
Balance as at January 1,	35,081,659	35,081,659	35,081,659	35,081,659
Transfer made during the year	2,671,558	-	2,671,558	-
	37,753,217	**35,081,659**	**37,753,217**	**35,081,659**

The statutory reserve has been created during the year 2006 in accordance with the Finance Leasing (Amendment) Act No. 24 of 2005 and 5% of the net profit for the period has transferred to Statutory Reserve Fund since for the year ended December 31, 2020, the Company made a loss, no any transfer made to statutory reserve.

Note 35 Fair Value Reserve

Rs.	Company		Group	
Balance as at December 31,	2021	2020	2021	2020
Balance as at January 1,	8,250,628	19,919,946	8,250,628	19,919,946
Net fair value gains /(losses) on remeasuring financial investments	21,341,656	(11,669,318)	21,341,656	(11,669,318)
	29,592,284	**8,250,628**	**29,592,284**	**8,250,628**

This reserve includes accumulated net fair value gains / (losses) recognised on financial investments at fair value.

Note 36 Retained Earnings

Rs.	Company			Group		
	2021	2020 Restated	2019 Restated	2021	2020 Restated	2019 Restated
Balance as at January 1,	74,872,133	145,291,069	73,613,811	92,470,922	160,092,388	85,951,103
Change in fair value of investment property	-	-	62,915,000	-	-	62,915,000
Profit for the year	53,431,161	(70,454,724)	8,665,069	45,532,250	(65,802,637)	10,709,581
Other comprehensive income	1,404,303	35,788	530,442	4,319,290	(1,818,829)	949,957
Rights issue expenses	(5,246,762)	-	-	(5,246,762)	-	-
Transfers to statutory reserve	(2,671,558)	-	(433,253)	(2,671,558)	-	(433,253)
Balance as at December 31,	**121,789,277**	**74,872,133**	**145,291,069**	**134,404,142**	**92,470,922**	**160,092,388**

Retained earnings represent the reserve available for distribution.

Note 37 Non- Controlling Interests

Rs.	2021	2020 Restated	2019 Restated
Restated Balance as at the beginning of the year	29,416,141	26,303,244	23,935,870
Profit for the year	(7,589,150)	4,469,651	1,964,312
Other comprehensive income for the year	2,800,675	(1,356,754)	403,062
Balance as at December 31,	**24,627,666**	**29,416,141**	**26,303,244**

37.1 Reconciliation of Non Controlling Interest (NCI) in Subsidiary

As at December 31, / For the year ended December 31,	2021	2020 Restated
	Rs.	Rs.
NCI percentage (%)	49.01%	49.01%
Total assets	72,349,114	89,105,841
Total liabilities	19,935,815	26,920,143
Net assets	49,992,529	59,764,928
Carrying amount of NCI	24,410,847	29,199,322
Revenue	47,083,975	82,998,859
Profit after tax	(15,488,060)	9,121,738
Other comprehensive (expense) / income	5,715,662	(3,211,371)
Total comprehensive income allocated to NCI	(4,788,475)	3,112,897

Notes to the Financial Statements (Contd.)

Note 38 Classification of Financial Instruments

38.1 Assets - Company

As at December 31,	2021					2020 Restated
Rs.'000	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Others	Total	Total
Financial Assets						
Cash and cash equivalents	-	103,559	-	-	103,559	232,216
Placements with banks	-	2,405,234	-	-	2,405,234	206,255
Financial assets at amortised cost-Loans and receivables to other customers	-	1,115,518	-	-	1,115,518	1,070,958
Fair value through profit or loss (FVTPL)	700	-		-	700	622
Fair value through other comprehensive income (FVTOCI)	-	-	81,377	-	81,377	60,035
Total financial assets	**700**	**3,624,311**	**81,377**	**-**	**3,706,388**	**1,570,086**
Non Financial Assets						
Investment in associate	-	-	-	41,833	41,833	41,682
Investment in subsidiary	-	-	-	12,750	12,750	12,750
Investment properties	142,778	-	-	-	142,778	96,226
Property, plant & equipment	-	-	-	7,306	7,306	12,180
Right-of-use assets	-	-	-	23,266	23,266	35,904
Intangible assets	-	-	-	5,615	5,615	5,928
Other assets	-	-	-	50,002	50,002	48,687
Total non financial assets	**-**	**-**	**-**	**283,550**	**283,550**	**253,357**
Total assets	**143,478**	**3,624,311**	**81,377**	**140,772**	**3,989,938**	**1,823,443**

38.2 Liabilities - Company

As at December 31,	2021				2020 Restated
Rs.'000	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Total	Total
Financial Liabilities					
Due to financial institutions	-	526,274	-	526,274	599,523
Due to other customers	-	122,276	-	122,276	117,784
Lease liabilities		15,649		15,649	21,108
	-	**664,199**	**-**	**664,199**	**738,415**
Non Financial Liabilities					
Other liabilities		73,923		73,923	47,760
	-	**73,923**	**-**	**73,923**	**47,760**
Total liabilities	**-**	**738,122**	**-**	**738,122**	**786,175**

Notes to the Financial Statements (Contd.)

38.3 Assets - Group

As at December 31,	2021					2020 Restated
Rs.'000	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Others	Total	Total
Financial Assets						
Cash and cash equivalents	-	105,180	-	-	105,180	236,021
Placements with banks	-	2,422,337	-	-	2,422,337	232,442
Financial assets at amortised cost-loans and receivables to other customers	-	1,115,518	-	-	1,115,518	1,070,058
Fair value through profit or loss (FVTPL)	7,836	-	-	-	7,836	8,169
Fair value through other comprehensive income (FVTOCI)		-	81,377	-	81,377	60,035
Other financial assets	-	10,540	-	-	10,540	10,540
Total financial assets	**7,836**	**3,653,575**	**81,377**	**-**	**3,742,788**	**1,617,265**
Non Financial Assets						
Investment in associate	-	-	-	41,833	41,833	41,682
Investment properties	157,678	-	-	-	157,678	112,657
Property plant & equipment	-	-	-	11,911	11,911	18,030
Right-of-use assets	-	-	-	24,196	24,196	38,427
Intangible assets	-	-	-	5,615	5,615	6,492
Deferred tax assets	-	-	-	2,538	2,538	3,506
Other assets	-	-	-	62,980	62,980	60,840
Total non financial assets	**157,678**	**-**	**-**	**149,072**	**306,750**	**281,634**
Total assets	**165,514**	**3,653,575**	**81,377**	**149,072**	**4,049,538**	**1,898,899**

38.4 Liabilities - Group

As at December 31,	2021				2020 Restated
Rs.'000	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Total	Total
Financial Liabilities					
Due to financial institutions	-	526,274	-	526,274	599,523
Due to other customers	-	122,276	-	122,276	117,784
Lease liabilities		16,706	-	16,706	23,786
	-	**665,256**		**665,256**	**741,093**
Non Financial Liabilities					
Other liabilities	-	95,223	-	95,223	73,522
	-	**95,223**	**-**	**95,223**	**73,522**
Total liabilities	**-**	**760,479**	**-**	**760,479**	**814,615**

Notes to the Financial Statements (Contd.)

38.5 Determination of Fair Value

a) Methodologies and Assumptions Used to Determine Fair Value

The methodology for fair value of the financial assets and liabilities and the analysis according to fair value hierarchy is provided in this note. The basis on which fair values have been arrived for various financial assets and liabilities are explained below.

b) Assets for which Fair Value approximates Carrying Value

For financial assets and financial liabilities that have a short-term maturity the carrying amounts approximate to their fair value.

c) Fixed rate Financial Investments - Government Securities

The fair value of fixed rate government securities financial assets carried at amortised cost are estimated by using weekly market rate published by the Central Bank of Sri Lanka and other fixed rate investments were measured using comparing market interest rates when they were initially recognised with current market rates for similar financial instruments.

d) Fixed rate Financial Investments - Bank Deposits

The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

e) Fixed rate Financial Investments - Unquoted and Quoted Debt Securities

For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

f) Cash and Bank Balances

The carrying amount approximate to fair value due to the relatively short term maturity.

g) Other Receivable and Financial Liabilities

The carrying value has been considered as the fair value due to uncertainty of the timing cash flows.

38.6 Determination of Fair Value and Fair Values Hierarchy of Financial Investments

Please refer accounting policy Note 5.1.2 on pages from 101 to 102 for more information regarding determination of fair value.

As at December 31,	2021				2020
Rs.'000	Level 1	Level 2	Level 3	Total	Total
Company					
Fair value through profit or loss (FVTPL)	700	-	142,778	143,478	96,847
Fair value through other comprehensive income (FVTOCI)	-	-	81,376	81,376	60,035
Total financial investment	**700**	**-**	**224,154**	**224,854**	**156,882**
Group					
Fair value through profit or loss (FVTPL)	7,836	-	157,678	165,514	120,825
Fair value through other comprehensive income (FVTOCI)	-	-	81,376	81,376	60,035
Other financial assets	-	-	10,540	10,540	10,540
Total financial investment	**7,836**	**-**	**249,594**	**257,430**	**191,400**

Notes to the Financial Statements (Contd.)

38.7 Financial Instruments not Measured at Fair Value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

Assets - Company

As at December 31,	2021				2020
Rs.'000	Level 1	Level 2	Level 3	Total	Total
Cash and cash equivalents	-	-	-	103,559	232,216
Placements with banks	-	-	-	2,405,234	206,255
Financial assets at amortised cost - Loans and receivables to customers	-	-	-	1,115,518	1,070,958
Total asset	**-**	**-**	**-**	**3,624,311**	**1,509,429**

The Company has not disclosed the fair values for financial instruments such as cash and cash equivalents, placement with banks and loans and receivables to other customers, because their carrying amounts are a reasonable approximation of fair value.

Assets - Group

As at December 31,	2021				2020
Rs.'000	Level 1	Level 2	Level 3	Total	Total
Cash and cash equivalents	-	-	-	105,180	236,021
Placements with banks	-	-	-	2,422,337	232,442
Financial assets at amortised cost - Loans and receivables to customers	-	-	-	1,115,518	1,070,058
Other financial assets	-	-	-	10,540	10,540
Total asset	**-**	**-**	**-**	**3,653,575**	**1,549,061**

The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, placement with banks and loans and receivables to other customers, because their carrying amounts are a reasonable approximation of fair value.

38.8 Financial Liabilities

As at December 31,	2021		2020	
Rs.'000	Carrying Value	Fair Value	Carrying Value	Fair Value
Company				
Due to financial institutions	526,274	526,274	599,523	599,523
Due to other customers	122,276	122,276	117,784	117,784
Lease liabilities	15,649	15,649	21,108	21,108
Total financial liabilities	**664,199**	**664,199**	**738,415**	**738,415**
Group				
Due to financial institutions	526,274	526,274	599,523	599,523
Due to other customers	122,276	122,276	117,784	117,784
Lease liabilities	16,706	16,706	23,787	23,787
Total financial liabilities	**665,256**	**665,256**	**741,094**	**741,094**

The fair values of financial liabilities similar to carrying amounts since those amounts are reasonable approximation of fair values. Thus, the fair-value hierarchy disclosure is not applicable.

Note 39 Commitments and Contingencies

39.1 Capital Commitment

Rs.	Company		Group	
As at December 31,	2021	2020	2021	2020
Capital Commitment	425,322,570	-	425,322,570	-
	425,322,570	**-**	**425,322,570**	**-**

Notes to the Financial Statements (Contd.)

39.2 Contingencies

In the normal course of business ,the Company makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

Except for above there are no material commitments and contingencies as at the reporting date.

Note 40 Events After the Reporting Date

There have been no events subsequent to the reporting date which require adjustment or disclosure to the financial statement, other than those disclosed below.

40.1 Acquisition of Investment Property

The Monetary Board of the Central Bank of Sri Lanka has granted in principle approval to issue a finance business license to SMB Leasing PLC, upon paying off of public deposits and purchase of certain assets of Swarnamahal Financial Services PLC at a value of Rs. 425,322,569.49 under the Masterplan for Consolidation of Non-Bank Financial Institutions of Central Bank of Sri Lanka. Accordingly, SMB Leasing PLC made the said payment of Rs.425,322,569.49 to Swarnamahal Financial Services PLC to purchase below investment properties on February 25, 2022.

Nature of the Property	Property	Extent
Bare Land	Gangatennwatta, Angunawala, Kandy	195.85 Perches
Land & Building	No. 10, De Alwis Avenue, Mt. Lavinia	46.02 Perches
Condominium Property	Three shops in Ja-Ela Realty Plaza	-

40.2 Operating Context and Outlook

The global economy is forecast to grow in 2021 and 2022. However, it became a weaker position than previously expected. continue to evolve and countries are imposing restrictions. The COVID-19 pandemic has changed people’s lives and disrupted supply.

In 2021, with accretion in inflationary difficulties, the Sri Lankan government has officially declared that the country is going to face the worst economic crisis, as well as a financial disaster. In line with these reasons, the government authorities have devalued the Sri Lankan rupee, a gradual rise in interest rates, and imposed restrictions on non-essential imports due to the country's severe foreign currency deficit and trade deficit. The foreign currency deficiency created pressure on the exchange rate to depreciate and a shortage in certain goods.

These issues restrain both the supply side and demand side of the country and this is expected to continue in the period ahead. The Russian attack on Ukraine was adversely affected due to the economic agreements imposed against Russia by the US. This has severely affected Sri Lanka

With the pressure of the COVID-19 crisis and the inflationary pressure in 2021, the financial industry plays a major role in shaping the recovery and helping customers rebuild their financial requirements and protection and business wellbeing. This requires financial institutions to relocate based on their understanding of customer needs, challenges and strategies, and creativity to embrace the new opportunities presented by the changing environment.

Note 41 Related Party Disclosures

41.1 Transactions with Related Parties

Company Rs.'000	Name of Director	Details of Financial Dealing	2021 Received/ Receivable (Payable/ Paid)	2021 Capital Outstanding as at December 31, 2021	2020 Received/ Receivable (Payable/ Paid)	2020 Capital Outstanding as at December 31, 2020	As a percentage of capital funds as at December 31, 2021
Transactions with Associate							
Kenanga Investment Corporation Ltd.		-	-	-	-	-	-
Transactions with Subsidiary							
SMB Money Brokers (Pvt) Ltd.	Mr. T.M. Wijesinghe	Easy Payment Loan	(900)	-	(240)	900	0.00%
	Mr. H.R.S.Wijeratne	-	-	-	-	-	0.00%
Transactions with Other Related Companies							
Grayline Cargo Terminals (Pvt) Ltd.	Mr. H.R.S. Wijeratne	Finance Lease	(2,076)	4,722	(814)	6,797	0.00%
		Term Loan	(3,928)	4,127	(1,781)	8,055	0.00%
Grayline Container Terminals (Pvt) Ltd.	Mr. H.R.S. Wijeratne	Finance Lease	(1,496)	3,217	(679)	4,713	0.00%
		Term Loan	(137)	296	(160)	433	0.00%

Notes to the Financial Statements (Contd.)

41.2 Transaction with Key Management Personnel

As per the Sri Lanka Accounting Standard – (LKAS 24) – "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, and members of the Corporate Management of the Company have been classified as KMPs of the Company.

41.2.1 Remuneration to Key Management Personnel

(a) Remuneration to Board of Directors

Rs.	Company		Group	
For the year ended December 31,	**2021**	**2020**	**2021**	**2020**
Short-term employees benefits	4,995,000	4,185,000	6,710,000	5,545,000
Total	**4,995,000**	**4,185,000**	**6,710,000**	**5,545,000**

(b) Remuneration to Corporate Management

Rs.	Company		Group	
For the year ended December 31,	**2021**	**2020**	**2021**	**2020**
Short-term employees benefits	18,100,044	17,764,740	28,702,240	32,974,131
Post employment benefits	706,378	802,126	2,201,878	1,157,126
Total	**18,806,422**	**18,566,866**	**30,904,114**	**34,131,257**

Note 42 Litigation Against the Company

Litigation is a common occurrence in the financial services industry due to the nature of the business undertaken. Provision for legal matters typically requires a higher degree of judgment. When matters are at an early stage, accounting judgments can be difficult because of the high degree of uncertainty involved. Group has established a formal controls and policies for managing legal claims. Once the professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to the accounts for any adverse effect, if any, which the claim many have on the Group's financial position. As at the reporting date, group had several unresolved legal claims pending judgment. However, the legal advisor of the Company is of the view that these cases will be resolved in favour of the Group and the process will probably take over three years. Accordingly no provision has been made in these financial statement.

Note 43 Financial Risk Management

43.1 Introduction and Overview

The Group has exposure to the following risks from financial instruments:

i. Liquidity Risk

ii. Credit Risk

iii. Operational Risk

iv. Market Risk

43.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and overseeing of the Company's risk management framework. In discharging its governance responsibility, it operates through two key committees, the Risk Management Committee and the Audit Committee. The Risk Management Committee is in the process of setting a risk framework for the company with the assistance from a consulting firm.

The Audit Committee provides its assessment on the effectiveness of internal audit and external disclosure of accounting policies and financial reporting to the Board.

43.3 Liquidity Risk

Liquidity risk is the risk that arises when the Company encounters difficulty in meeting obligations associated with its financial liabilities that are to be settled by delivering cash or another financial asset.

43.3.1 Management of Liquidity Risk

The Group's approach to manage liquidity is to ensure that funds available are adequate to meet credit demands of its customers and to enable debt instruments to be repaid on demand or upon maturity as appropriate. The Finance Division is responsible for the management of liquidity risk and funding in accordance with the approved guidelines and risk limits. The treasury and liquidity policies and compliance thereunder are reviewed and approved by the ALCO.

Notes to the Financial Statements (Contd.)

43.3.2 Exposure to Liquidity Risk

The Company monitors the following liquidity ratios to assess funding requirements.

	December 31, 2021	December 31, 2020
Liquid Asset Ratio (LAR)		
As at December 31,	839.00%	96.41%
Average for the year	325.88%	92.93%
Maximum for the year	919.03%	110.09%
Minimum for the year	110.94%	80.71%

Liquid assets include cash and short term funds. The calculation is based on directions and guidelines issued by the Central Bank of Sri Lanka (CBSL).

Minimum liquidity requirement

As per the Direction 4 of 2012 of Central Bank of Sri Lanka, every specialized leasing company shall maintain minimum holding of liquid assets. The table below sets out the components of the Company's holding of liquid assets;

	December 31, 2021	December 31, 2020
Required minimum amount of liquid assets	30,721,997	30,525,020
Daily average liquid assets	2,578,954,572	294,304,838
Excess liquidity	2,548,232,575	263,779,818

43.3.3 Maturity Analysis

43.3.3.1 Maturity Analysis - Company

Rs.'000 As at December 31, 2021	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Interest Earning Assets						
Cash and cash equivalents	103,559	-	-	-	-	103,559
Placements with banks	28,665	2,376,569	-	-	-	2,405,234
Financial assets at amortised cost - Loans and receivables to customers	206,491	144,481	413,891	203,801	146,854	1,115,518
Financial investments	-	-	-	-	82,077	82,077
	338,715	**2,521,050**	**413,891**	**203,801**	**228,931**	**3,706,388**
Non Interest Earning Assets						
Investment in associate	-	-	-	-	41,833	41,833
Investment in subsidiary	-	-	-	-	12,750	12,750
Investment properties	-	-	-	-	142,778	142,778
Property, plant & equipment	159	192	198	6,757	-	7,306
Right-of-use assets	3,160	9,478	10,628	-	-	23,266
Intangible assets	-	131	5,484	-	-	5,615
Other assets	-	8,456	-		41,546	50,002
	3,319	**18,257**	**16,310**	**6,757**	**238,907**	**283,550**
Total assets	**342,034**	**2,539,307**	**430,203**	**210,558**	**467,838**	**3,989,938**
Interest Bearing Liabilities						
Due to financial institutions	33,039	92,450	197,644	148,382	54,759	526,274
Due to other customers	122,180	96	-	-	-	122,276
Lease liabilities	1,377	5,298	8,974	-	-	15,649
	156,596	**97,844**	**206,618**	**148,382**	**54,759**	**664,199**
Non Interest Bearing Liabilities						
Retirement benefit obligations	-	-	-	7,545	-	7,545
Other liabilities	23,127	-	-	-	43,251	66,378
	23,127	**-**	**-**	**7,545**	**43,251**	**73,923**
Equity						
Shareholders' funds	-	-	-	-	3,251,816	3,251,816
	-	**-**	**-**	**-**	**3,251,816**	**3,251,816**
Total liabilities & equity	**179,723**	**97,844**	**206,618**	**155,927**	**3,349,826**	**3,989,938**

Notes to the Financial Statements (Contd.)

43.3.3.2 Maturity Analysis - Group

Rs.'000 As at December 31, 2021	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Interest Earning Assets						
Cash and cash equivalents	105,180	-	-	-	-	105,180
Placements with banks	30,465	2,376,569	15,303	-	-	2,422,337
Financial assets at amortised cost - Loans and receivables to customers	206,491	144,481	413,891	203,801	146,854	1,115,518
Financial investments	-	7,836	-	-	91,916	99,752
	342,136	**2,528,886**	**429,194**	**203,801**	**238,770**	**3,742,787**
Non Interest Earning Assets						
Investment in associate	-	-	-	-	41,833	41,833
Investment properties	-	-	-	-	157,678	157,678
Property, plant & equipment	159	192	198	11,362	-	11,911
Right-of-use assets	3,160	9,478	11,558	-	-	24,196
Intangible asset	-	-	5,484	131	-	5,615
Deferred tax assets	-	-	-	-	2,538	2,538
Other assets	-	21,434	-	-	41,546	62,980
	3,319	**31,104**	**17,240**	**11,493**	**243,595**	**306,751**
Total assets	**345,455**	**2,559,990**	**446,434**	**215,294**	**482,365**	**4,049,538**
Interest Bearing Liabilities						
Due to financial institutions	33,039	92,450	197,644	148,382	54,759	526,274
Due to other customers	122,180	96	-	-	-	122,276
Lease liabilities	1,377	5,298	10,031	-	-	16,706
	156,596	**97,844**	**207,675**	**148,382**	**54,759**	**665,256**
Non Interest Bearing Liabilities						
Retirement benefit obligations	-	-	-	25,887	-	25,887
Other liabilities	23,665	-	-	-	45,670	69,335
	23,665	**-**	**-**	**25,887**	**45,670**	**95,222**
Equity						
Shareholders' funds	-	-	-	-	3,289,059	3,289,059
	-	**-**	**-**	**-**	**3,289,059**	**3,289,059**
Total liabilities & equity	**180,261**	**97,844**	**207,675**	**174,269**	**3,389,488**	**4,049,538**

43.4 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and other companies, and investment in debt / equity securities. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure.

43.4.1 Management of Credit Risk

Primarily the Credit Division manages the credit risk. There is a management credit Committee & a Board Credit Committee to review significant credit risks. The said committees are facilitated by regular audits undertaken by the internal auditors.

The Company manages credit by focusing on following stages.

a) Loan Origination

The loan origination process comprises initial screening and credit appraisal. The evaluation focuses on the borrower's ability to meet its obligations in a timely manner. Efforts are made to ensure consistent standards are maintained in credit approval. Collateral and guarantees form an important part of the credit risk mitigation process. A suitable internal risk rating model is in place & is an important part of the risk assessment of customers.

b) Loan Approval

The Company has established clear guidelines for loan approvals / renewals by adopting a committee based approval structure, where all approval signatories carry equal responsibility for credit risk. Individual credit facilities beyond a minimum threshold require Board Credit Committee approval.

c) Credit Administration and Disbursement

Credit Division ensures efficient and effective customer support including disbursement and settlements.

d) Recoveries

Overdue loans are managed by the Recoveries Division with the support of the Legal Division. This unit is responsible for all aspects of an overdue facility, restructuring of the credit, monitoring the value of the applicable collateral and liquidation, scrutiny of legal documents and liaising with the customer until all recovery matters are finalised.

Notes to the Financial Statements (Contd.)

e) Collateral

The Company carries sensitivity tests to measure the values of portfolios in the event of extreme market movements on hypothetical scenarios. Management reviews the consequences of the stress tests and determine appropriate mitigating actions such as reducing exposures, reviewing and changing risk limits in order to mitigate the risk induced by potential stress. the change in weighted average interest rate of the company will have the following effects

43.4.1.e Collateral wise analysis of individual significant impaired loan and leases

As at December 31,	2021	
Rs.	Security Value	Total Receivable
Secured by motor vehicles	3,333,000	6,964,848
Secured by movable & immovable assets	334,305,537	167,428,441
Other securities	28,408,452	37,384,563
Clean	-	-
	366,046,989	**211,777,852**

As at December 31,	2021
Rs.	Total Receivable
Individually significant unimpaired loans and leases	
Watch list	276,580,345
Others	677,741,147
	954,321,492
Collateral wise analysis of individual significant unimpaired loan and leases	
Secured by motor vehicles	424,324,665
Secured by movable & immovable assets	529,996,827
Clean	-
	954,321,492

43.4.2 Credit Quality Analysis

The tables below sets out information about the credit quality of financial assets held by Group net of allowance for expected credit losses against those assets.

Expected Credit Losses (ECL)

As per SLFRS 9 - "Financial Instruments" the Company manages credit quality using a three stage approach.

Stage One : 12 months expected credit losses (ECL)
Stage Two : Life time expected credit losses (ECL) – Not credit impaired
Stage Three : Lifetime expected credit losses (ECL) – Credit impaired

Explanation of the terms: 12 months ECL, lifetime ECL included in Note 5.

Notes to the Financial Statements (Contd.)

Table below shows the classification of assets and liabilities based on the above-mentioned three stage model:

Rs.	12 months ECL	Life Time ECL-Not credit impaired	Life time ECL-Credit impaired	Unclassified	Total
As at December 31, 2021					
Cash and cash equivalents	103,558,886	-	-	-	103,558,886
Placements with banks	2,405,234,348	-	-	-	2,405,234,348
Financial assets at amortised cost - Loans and receivables to customers	772,801,817	86,175,036	256,541,426	-	1,115,518,279
Financial investments	82,076,924	-	-	-	82,076,924
Investments in associate	-	-	-	41,833,376	41,833,376
Investments in subsidiary	-	-	-	12,750,000	12,750,000
Investment properties	-	-	-	142,778,000	142,778,000
Property, plant & equipment	-	-	-	7,305,871	7,305,871
Right-of-use assets	-	-	-	23,266,033	23,266,033
Intangible assets	-	-	-	5,614,625	5,614,625
Other assets	-	-	-	50,001,991	50,001,991
Total assets	**3,363,671,975**	**86,175,036**	**256,541,426**	**283,549,896**	**3,989,938,332**
As at December 31, 2020 (Restated)					
Cash and cash equivalents	232,215,897	-	-	-	232,215,897
Placements with banks	206,255,404	-	-	-	206,255,404
Financial assets at amortised cost - Loans and receivables to customers	637,566,564	271,817,921	161,573,623	-	1,070,958,108
Financial investments	60,657,441	-	-	-	60,657,441
Investments in associate	-	-	-	41,681,532	41,681,532
Investments in subsidiary	-	-	-	12,750,000	12,750,000
Investment properties	-	-	-	96,225,000	96,225,000
Property, plant & equipment	-	-	-	12,179,924	12,179,924
Right-of-use assets	-	-	-	35,904,257	35,904,257
Intangible assets	-	-	-	5,928,125	5,928,125
Other assets	-	-	-	48,687,850	48,687,850
Total assets	**1,136,695,306**	**271,817,921**	**161,573,623**	**253,356,687**	**1,823,443,537**

43.5 Operational Risks

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

The Company objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

Compliance with Company standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the management & reports to the Audit Committee and to the board.

43.6 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Notes to the Financial Statements (Contd.)

43.6.1 Exposure to Interest Rate Risk

The Group carries sensitivity tests to measure the value of its portfolios in the event of extreme market movements on hypothetical scenarios. Management reviews the consequences of the stress tests and determines appropriate mitigating actions such as reducing exposures, reviewing and changing risk limits in order to mitigate the risks induced by potential stress. The change in weighted average interest rate of the Company will have the following effects.

Loan Portfolio				
Interest rate shock	-2%	-1%	1%	2%
Interest income change	(12,637,727)	(6,318,863)	6,318,863	12,637,727
Effect on loan interest income	-13.30%	-6.65%	6.65%	13.30%

Lease Portfolio				
Interest rate shock	-2%	-1%	1%	2%
Interest income change	(9,218,035)	(4,609,017)	4,609,017	9,218,035
Effect on lease interest income	-12.22%	-6.11%	6.11%	12.22%

Total Portfolio				
Interest rate shock	-2%	-1%	1%	2%
Interest income change	(21,855,762)	(10,927,881)	10,927,881	21,855,762
Effect on interest income	-12.82%	-6.41%	6.41%	12.82%

Interest Expenses				
Interest rate shock	-2%	-1%	1%	2%
Interest expenses change	(13,658,566)	(6,829,283)	6,829,283	13,658,566
Effect on interest expenses	-26.23%	-13.12%	13.12%	26.23%

43.6.2 Exposure to Market Risk

43.6.2.1 The table below sets out the allocation of Company's assets and liabilities subject to market risk between trading and non-trading assets.

As at December 31, 2021	**Carrying amount**	**Market risk measure**	
Rs.		**Trading**	**Non-trading**
Assets Subject to Market Risk			
Cash and cash equivalents	103,558,886	-	103,558,886
Placements with banks	2,405,234,348	-	2,405,234,348
Financial assets at amortised cost - Loans and receivables to customers	1,115,518,279	-	1,115,518,279
Financial investments	82,076,924	82,076,924	-
Total assets subject to market risk	**3,706,388,437**	**82,076,924**	**3,624,311,513**
Liabilities Subject to Market Risk			
Due to financial institutions	526,274,284	-	526,274,284
Due to other customers	122,275,914	-	122,275,914
Total liabilities subject to market risk	**648,550,197**	**-**	**648,550,197**

Notes to the Financial Statements (Contd.)

As at December 31, 2020	Carrying amount	Market risk measure	
Rs.		Trading	Non-trading
Assets Subject to Market Risk			
Cash and cash equivalents	232,215,897	-	232,215,897
Placements with banks	206,255,404	-	206,255,404
Financial assets at amortised cost - Loans and receivables to customers	1,070,958,108	-	1,070,958,108
Financial investments	60,657,441	60,657,441	-
Total assets subject to market risk	**1,570,086,850**	**60,657,441**	**1,509,429,409**
Liabilities Subject to Market Risk			
Due to financial institutions	599,522,855	-	599,522,855
Due to other customers	117,783,516	-	117,783,516
Total liabilities subject to market risk	**717,306,370**	**-**	**717,306,370**

43.6.2.2 The table below sets out the allocation of Group's assets and liabilities subject to market risk between trading and non-trading assets.

As at December 31, 2021	Carrying amount	Market risk measure	
Rs.		Trading	Non-trading
Assets Subject to Market Risk			
Cash and cash equivalents	105,179,888	-	105,179,888
Placements with banks	2,422,337,023	-	2,422,337,023
Financial assets at amortised cost - Loans and receivables to customers	1,115,518,279	-	1,115,518,279
Financial investments	99,752,274	99,752,274	-
Total assets subject to market risk	**3,742,787,464**	**99,752,274**	**3,643,035,190**
Liabilities Subject to Market Risk			
Due to financial institutions	526,274,284	-	526,274,284
Due to other customers	122,275,914	-	122,275,914
Total liabilities subject to market risk	**648,550,198**	**-**	**648,550,198**

As at December 31, 2020	Carrying amount	Market risk measure	
Rs.		Trading	Non-trading
Assets Subject to Market Risk			
Cash and cash equivalents	236,021,038	-	236,021,038
Placements with banks	232,442,469	-	232,442,469
Financial assets at amortised cost - Loans and receivables to customers	1,070,057,887	-	1,070,057,887
Financial investments	78,743,661	78,743,661	-
Total assets subject to market risk	**1,617,265,055**	**78,743,661**	**1,538,521,394**
Liabilities Subject to Market Risk			
Due to financial institutions	599,522,855	-	599,522,855
Due to other customers	117,783,516	-	117,783,516
Total liabilities subject to market risk	**717,306,371**	**-**	**717,306,371**

Notes to the Financial Statements (Contd.)

43.6.3 Exposure to Equity Price Risk

Equity price risks arises as a result of fluctuations in market prices of individual equities and management conduct mark-to-market calculation on monthly basis and on a need basis to identify the impact.

The following table exhibits the impact on financial performance and net assets due to a shock of 10% on equity price.

As at December 31,	2021		2020	
Rs.	Financial assets measured at FVTPL	Total	Financial assets measured at FVTPL	Total
Market value of quoted equity instruments as at December 31,	73,869,232	73,869,232	54,591,697	54,591,697

Equity price sensitivity

The management of equity price risk is done by monitoring various standard and non-standard equity price scenarios and analysis is given below;

As at December 31,	2021			2020		
	Impact on profit	Impact on OCI	Impact on net assets	Impact on profit	Impact on OCI	Impact on net assets
Shock Levels	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
10% shock (Increase)	63,041	7,323,882	7,386,923	56,036	5,403,134	5,459,170
10% shock (Decrease)	(63,041)	(7,323,882)	(7,386,923)	(56,036)	(5,403,134)	(5,459,170)

43.6.4 Exposure to Gold Price Risk

Gold price risks arises as a result of fluctuations in market gold prices and Management conducts mark-to-market calculation on monthly basis and on a need basis to identify the impact.

As at December 31,	Total net weight of pawning articles	Market price per gram	Total market value	Gold loan receivable amount	Value excess
	(In grams)	Rs.	Rs.	Rs.	Rs.
2021	18358	12,672	232,623,739	164,534,829	68,088,910
2020	15300	10,870	166,305,244	117,133,905	49,171,339

Gold price sensitivity

The following table exhibits the impact on market value of the gold stock held due to a shock of 10% on gold price:

As at December 31,	2021		2020	
	Impact on market value	Impact on value excess	Impact on market value	Impact on value excess
Shock Levels	Rs.	Rs.	Rs.	Rs.
10% shock (Increase)	23,262,374	23,262,374	16,630,524	16,630,524
10% shock (Decrease)	(23,262,374)	(23,262,374)	(16,630,524)	(16,630,524)

Note 44 Impact of COVID -19

Outbreak of COVID-19 in early 2020 has brought disruptions to business and economic activities. The uncertainty that was created globally and locally resulted in additional uncertainties in the Group's operating environment. The third wave of COVID-19 has impacted the Group's operations subsequent to the financial year end. The subsequent adverse economic effects have caused financial stress among our individual and SME customers which may lead to elevated levels of credit risk in the short term. The Company has provided relief for the affected businesses and individuals in line with the circulars issued by the Central Bank of Sri Lanka. The relief measures included deferment of repayment terms of credit facilities.

During the outset of COVID-19 in Sri Lanka in March 2020, the management assessed the loan book of the Company to ascertain the possible affected industries and the management is comfortable with the wide range of industries covered by the Company which in turn would ensure the resilience of the Company in an economic shock of this nature. The impact of first and second wave of COVID-19 was limited to the impact of the debt moratoriums granted effects of which have been recognised in the 2020 audited financial statements in line with the applicable SLFRS.

While there is uncertainty over the extent of the impact and longevity of the third wave of Covid-19 , the Group has so far coped well with the challenges and is confident that through our operating model and financial strength we are well placed. The Company continue to take appropriate actions to mitigate any potential impact and will keep its contingency and risk management measures under review, as the situation evolves.

With the situation and the spread of the third wave of COVID-19 still evolving, the overall impact to our core markets and the Company's financial results beyond the balance sheet date cannot be reasonably estimated at the current stage. However, The Company has resorted to aggressive cost rescaling and rationalisation initiatives both in operating and capital expenditure to soften the impact on the business.

The Company's recovery efforts have been strengthened on the customers who were not affected by COVID-19 and not eligible for CBSL debt moratoriums. Post moratorium period, recovery efforts will be applicable to all default customers to ensure that the next financial year will not see any significant adverse impact due to COVID-19.

Note 45 Comparative Information

Comparative information is reclassified wherever necessary to conform with the current year's classification in order to provide better presentation.

Notes to the Financial Statements (Contd.)

Note 46 Current/ Non Current Analysis

As at December 31,	2021			2020 Restated		
Rs.'000	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Company						
Assets						
Cash and cash equivalents	103,559	-	103,559	232,216	-	232,216
Placements with banks	2,405,234	-	2,405,234	206,255	-	206,255
Financial assets at amortised cost - Loans and receivables to customers	350,973	764,547	1,115,518	373,570	697,389	1,070,959
Financial investments	-	82,077	82,077	-	60,657	60,657
Investments in associate	-	41,833	41,833	-	41,682	41,682
Investments in subsidiary	-	12,750	12,750	-	12,750	12,750
Investment properties	-	142,778	142,778	-	96,225	96,225
Property, plant & equipment	351	6,955	7,306	2,822	9,358	12,180
Right-of-use assets	12,639	10,627	23,266	12,637	23,267	35,904
Intangible assets	131	5,484	5,615	-	5,928	5,928
Other assets	8,456	41,546	50,002	8,402	40,287	48,689
Total assets	**2,881,343**	**1,108,597**	**3,989,938**	**835,902**	**987,543**	**1,823,445**
Liabilities						
Due to financial institutions	125,489	400,785	526,274	358,031	241,492	599,523
Due to other customers	122,276	-	122,276	117,784	-	117,784
Retirement benefit obligations	-	7,545	7,545	-	7,888	7,888
Lease liabilities	6,675	8,974	15,649	5,263	15,845	21,108
Other liabilities	23,127	43,251	66,379	19,145	20,727	39,872
Total liabilities	**277,567**	**460,556**	**738,123**	**500,223**	**285,952**	**786,175**
Group						
Assets						
Cash and cash equivalents	105,180	-	105,180	236,021	-	236,021
Placements with banks	2,407,035	15,303	2,422,338	222,443	10,000	232,443
Financial assets at amortised cost - Loans and receivables to customers	350,973	764,547	1,115,520	373,810	696,248	1,070,058
Financial investments	7,836	91,916	99,752	8,169	70,575	78,744
Investments in associate	-	41,833	41,833	-	41,682	41,682
Investment properties	-	157,678	157,678	-	112,657	112,657
Property, plant & equipment	351	11,560	11,911	2,822	15,208	18,030
Right-of-use assets	12,639	11,557	24,196	12,637	25,790	38,427
Intangible assets	-	5,615	5,615	-	6,492	6,492
Deferred tax assets	-	2,538	2,538	-	3,506	3,506
Other assets	21,434	41,546	62,980	20,553	40,287	60,840
Total assets	**2,905,447**	**1,144,092**	**4,049,539**	**876,455**	**1,022,445**	**1,898,900**
Liabilities						
Due to financial institutions	125,489	400,785	526,274	358,031	241,492	599,523
Due to other customers	122,276	-	122,276	117,784	-	117,784
Retirement benefit obligations	-	25,887	25,887	-	30,366	30,366
Lease liabilities	6,675	10,031	16,706	5,263	18,524	23,787
Other liabilities	23,665	45,670	69,334	19,494	23,662	43,157
Total liabilities	**278,104**	**482,374**	**760,478**	**500,572**	**314,044**	**814,617**

Note 47 Segment Reporting - Group

Rs.'000 Business segments - Group For the year ended December 31,	Loans		Leasing		Treasury		Money Brokering		Unallocated		Consolidated	
	2021	2020 Restated	2021	2020 Restated	2021	2020 Restated	2021	2020 Restated	2021	2020 Restated	2021	2020 Restated
Revenue from external customers;												
Interest	72,192	65,785	75,410	68,967	-	-	-	-	22,822	19,497	170,424	154,250
Fee & commission	1,312	1,882	2,313	2,358	-	-	-	-	-	-	3,625	4,239
Other operating income	-	0	858	1,156	66,455	11,686	48,787	85,554	18,016	10,420	134,117	108,816
Changes in fair value of Investment Property	-	-	-	-	-	-	-	-	44,813	5,675	44,813	5,675
Total revenue from external customers	**73,504**	**67,667**	**78,581**	**72,481**	**66,455**	**11,686**	**48,787**	**85,554**	**85,652**	**35,592**	**352,979**	**272,980**
Segment result	**23,023**	**1,643**	**24,613**	**1,760**	**20,815**	**284**	**15,281**	**2,078**	**26,828**	**6,402**	**110,561**	**12,168**
Depreciation charged for the year	(1,755)	(2,161)	(1,876)	(2,314)	(1,586)	(373)	(1,165)	(2,732)	(2,045)	(955)	(8,426)	(8,535)
Interest expense	(10,843)	(15,282)	(11,592)	(16,370)	(9,803)	(2,639)	(7,197)	(19,322)	(12,635)	(6,757)	(52,069)	(60,370)
Operating profit	**10,426**	**(15,800)**	**11,146**	**(16,924)**	**9,426**	**(2,728)**	**6,920**	**(19,976)**	**12,149**	**(1,750)**	**50,065**	**(57,178)**
Taxes on financial services	-	-	-	-	-	-	-	-	(10,754)	(3,099)	(10,754)	(3,099)
Share of profit of associate company	-	-	-	-	-	-	-	-	152	2,307	152	2,307
Income tax expense	(317)	(507)	(338)	(543)	(286)	(88)	(210)	(641)	(369)	(1,584)	(1,520)	(3,362)
Other comprehensive income / (expense)	5,926	(3,871)	6,336	(4,145)	5,358	(668)	3,934	(4,893)	6,906	(1,268)	28,462	(14,844)
Total comprehensive income / (expense) for the year	**16,036**	**(20,176)**	**17,143**	**(21,612)**	**14,498**	**(3,484)**	**10,644**	**(25,509)**	**8,084**	**(5,395)**	**66,405**	**(76,176)**
As at December 31,												
Segment assets	681,208	582,565	434,310	487,493	2,527,517	468,464	53,625	53,439	352,877	306,939	4,049,537	1,898,899
Segment liabilities	158,361	206,275	169,301	220,950	143,174	35,623	105,111	260,799	184,533	90,969	760,480	814,616
For the year ended December 31,												
Cash flow from operating activities	(7,167)	25,150	(7,663)	26,939	(6,480)	4,343	(4,757)	31,797	(8,352)	11,119	(34,419)	99,348
Cash flow from investing activities	(451,537)	(15,128)	(482,730)	(16,204)	(408,235)	(2,613)	(299,704)	(19,127)	(526,164)	(6,688)	(2,168,370)	(59,760)
Cash flow from financing activities	453,561	33,816	484,894	36,222	410,065	5,840	301,047	42,755	528,522	14,951	2,178,089	133,583

47.1 The Group's Segmental Reporting is Based on the Following Operating Segments.

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segment.)

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis

Management of the Group consider the operating results and condition of its business segments in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues described as follows:

Loans
This segment includes loan products offered to the customers.

Leasing

This segment includes leasing products offered to the customers

Treasury
This segment includes treasury and other investment activities.

Money Brokering
This segment includes Money Brokering activities

Unallocated
This segment includes all other business activities that Group engaged other than above segments.

Five Year Summary - Group

Rs.'000 For the year ended December 31,	2021	2020 Restated	2019	2018	2017
Operating Results					
Revenue	354,718	312,118	359,042	345,154	379,369
Interest income	170,424	154,250	263,851	245,975	254,751
Interest expenses	(52,069)	(60,370)	(77,416)	(63,377)	(69,224)
Operating expenses & provision	(187,233)	(191,071)	(188,903)	(184,867)	(187,366)
Operating profit / (loss) before taxes on financial services	50,065	(57,178)	21,916	114,967	73,548
Taxes	(12,274)	(6,461)	(11,321)	(21,507)	(26,388)
Profit / (Loss) for the year	37,943	(61,333)	12,674	93,480	42,774
Profit attributable to non - controlling interest	(7,589)	4,470	1,964	3,792	2,707
Profit / (Loss) attributable to owners of the Company	45,532	(65,803)	10,710	89,688	40,066
As at December 31,					
Assets					
Cash and cash equivalents	105,180	236,021	31,350	44,945	32,459
Investments	2,522,089	311,186	248,065	228,980	206,718
Financial assets at amortised cost - Loans and receivables to customers	1,115,517	1,070,057	1,203,114	1,331,391	1,266,837
Investments in associate	41,833	41,682	39,375	37,296	37,275
Investment properties	157,678	112,657	106,982	42,629	40,385
Property, plant and equipment	11,911	18,030	20,309	24,387	21,252
Right-of-use assets	24,196	38,427	31,032	-	-
Intangible assets	5,615	6,492	6,175	4,822	3,784
Other assets	65,518	64,347	71,238	66,686	72,122
Total assets	**4,049,537**	**1,898,899**	**1,757,640**	**1,781,135**	**1,680,832**
Equity & Liabilities					
Equity					
Stated capital	3,062,682	919,064	919,064	919,064	919,064
Statutory reserves	37,753	35,082	35,082	34,648	30,361
Available for sale reserve	-	-	-	-	233
Fair value reserve	29,592	8,251	19,920	9,625	-
Retained earnings	134,404	92,471	160,092	86,267	228,379
Liabilities					
Due to financial institutions	526,274	599,523	415,217	529,659	308,887
Due to other customers	122,276	117,784	113,561	109,011	104,932
Other borrowings	-	-	-	-	456
Lease liablities	16,706	23,787	22,453	-	-
Other liabilities	95,222	73,522	45,948	68,623	72,160
Non-controlling interest	24,628	29,416	26,303	24,239	16,359
Total equity & liabilities	**4,049,537**	**1,898,899**	**1,757,640**	**1,781,135**	**1,680,832**
For the year ended December 31,					
Cash Flow					
Cash flow from operating activities	(34,419)	99,348	139,574	(159,662)	85,468
Cash flow from investing activities	(2,168,367)	(59,760)	(17,783)	(8,096)	(24,046)
Cash flow from financing activities	2,178,086	133,583	(112,587)	109,991	(17,261)
Net increase/(decrease) in cash and cash equivalents	(24,700)	173,171	9,203	(57,767)	44,161
Ratios					
Basic earning / (loss) per share (Rs.)	0.01	(0.04)	0.01	0.05	0.02
Assets growth (%)	113	8	(1)	5.97	0
Net assets growth (%)	209	(7)	8	(11)	3
Net assets per share (Rs.)	0.34	0.58	0.63	0.58	0.65

Decade at a Glance - Company

Rs.'000 For the year ended December 31,	2021	2020 Restated	2019	2018	2017	2016	2015	2014	2013	2012
Operating Results										
Revenue	301,938	180,162	283,931	265,975	315,263	256,012	198,117	193,973	203,046	189,501
Interest income	170,424	154,250	263,851	245,975	254,751	206,319	177,771	172,443	182,024	143,988
Interest expenses	(51,819)	(59,755)	(77,119)	(63,339)	(69,181)	(40,311)	(28,525)	(31,647)	(44,868)	(35,600)
Operating expenses & provision	(183,729)	(190,069)	(190,787)	(97,132)	(185,165)	(118,584)	(96,021)	(68,634)	(66,565)	(61,567)
Operating profit / (loss) before taxes on financial services	66,390	(69,662)	16,025	105,504	60,917	97,116	73,571	93,668	91,613	92,334
Taxes	(13,111)	(3,099)	(9,439)	(19,762)	(23,668)	(20,420)	(15,363)	(14,663)	(13,861)	(14,863)
(Loss) / Profit for the year	53,431	(70,455)	8,665	85,742	37,249	76,696	58,209	79,004	77,752	77,471
Total comprehensive (expense) / income	76,177	(81,646)	19,491	95,746	37,196	77,952	56,815	77,549	76,767	75,621
As at December 31,										
Assets										
Cash and cash equivalents and placement with banks	2,508,793	438,471	172,010	177,985	162,378	146,551	183,526	145,052	116,934	119,394
Loans and receivables	1,115,518	1,070,958	1,204,255	1,332,771	1,268,457	1,319,828	1,053,788	923,890	932,413	913,235
Financial investments	82,077	60,657	72,249	61,798	52,719	7,578	7,291	7,712	8,991	3,193
Investments in associates	41,833	41,682	39,375	37,296	37,275	101,452	106,072	108,757	116,418	125,561
Investments in subsidiaries	12,750	12,750	12,750	12,750	12,750	12,750	12,750	11,791	9,268	7,854
Investment properties	142,778	96,225	33,310	33,310	33,310	33,310	33,730	33,730	33,730	34,324
Property plant & equipment	7,306	12,180	12,838	14,726	19,417	20,224	7,222	9,876	13,508	11,592
Right-of-use assets	23,266	35,904	30,037	-	-	-	-	-	-	-
Intangible assets	5,615	5,928	5,042	3,111	1,495	3,258	3,406	3,553	3,701	-
Other assets	50,002	48,688	52,937	54,262	59,040	6,015	6,009	18,156	14,451	21,574
	3,989,938	**1,823,443**	**1,634,803**	**1,728,009**	**1,646,842**	**1,650,965**	**1,413,793**	**1,262,517**	**1,249,414**	**1,236,727**
Liabilities & Shareholders' Fund										
Borrowings	648,550	717,306	528,779	638,669	413,820	453,434	281,983	198,285	262,229	308,788
Retirement benefit obligations	7,545	7,890	7,582	11,753	12,183	11,948	10,336	7,088	5,570	4,190
Lease liabilities	15,649	21,108	21,402							
Other liabilities	66,378	39,871	20,599	40,636	47,253	49,194	26,920	19,142	21,162	40,063
Shareholders' funds	3,251,816	1,037,268	1,056,441	1,036,951	1,173,586	1,136,390	1,094,554	1,038,002	960,453	883,686
	3,989,938	**1,823,443**	**1,634,803**	**1,728,009**	**1,646,842**	**1,650,965**	**1,413,793**	**1,262,517**	**1,249,414**	**1,236,727**
Ratios										
Income growth / (degrowth) (%)	68	(39)	7	(16)	23	29	2	(4)	7	68
Property, plant & equipment to shareholders' fund (Times)	0.22	1.17	1.22	1.42	1.65	1.78	0.66	0.95	1.41	1.31
Total asset to shareholders' fund (Times)	1.23	1.76	1.55	1.67	1.40	1.45	1.29	1.22	1.30	1.40
Net assets per share (Rs.)	0.34	0.57	0.59	0.57	0.65	0.63	0.61	0.57	0.53	0.49
Basic earnings / (loss) per share (Rs.)	0.01	-0.04	0.00	0.05	0.02	0.04	0.03	0.04	0.04	0.04

Notice of Meeting - Voting

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD BY WAY OF ELECTRONIC MEANS ON JUNE 30, 2022 AT 2.00 P.M. CENTERED AT THE BOARDROOM, OF SMB LEASING PLC AT NO. 282/1, CBS BUILDING, GALLE ROAD, COLOMBO 03.

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended December 31,2021 and the Report of the Auditors thereon.
2. To re-elect Mr. A. T. S. Sosa who retires by rotation in terms of Article 87 of the Articles of Association, as a Director of the Company;
3. To re-appoint Auditors M/s. KPMG, Chartered Accountants, and to authorise the Directors to determine their remuneration.
4. To authorise the Directors to determine and make donations for the year ending December 31, 2022 and up to the date of the next Annual General Meeting.

By Order of the Board

SMB LEASING PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries
Colombo
May 31, 2022

Notes:

1. A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.
2. A proxy need not be a shareholder of the Company.
3. Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.
4. For more information on how to participate by virtual means in the above virtual meeting, please refer Registration Process enclosed herewith.

Notice of Meeting - Non voting

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD BY WAY OF ELECTRONIC MEANS ON JUNE 30, 2022 AT 2.00 P.M. CENTERED AT THE BOARDROOM, OF SMB LEASING PLC AT NO. 282/1, CBS BUILDING, GALLE ROAD, COLOMBO 03.

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended December 31,2021 and the Report of the Auditors thereon.
2. To re-elect Mr. A. T. S. Sosa who retires by rotation in terms of Article 87 of the Articles of Association, as a Director of the Company;
3. To re-appoint Auditors M/s. KPMG, Chartered Accountants, and to authorise the Directors to determine their remuneration.
4. To authorise the Directors to determine and make donations for the year ending December 31, 2022 and up to the date of the next Annual General Meeting.

By Order of the Board

SMB LEASING PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries
Colombo
May 31, 2022

Notes:

1. A shareholder entitled to participate at the above virtual meeting is entitled to appoint a proxy to participate in his/her place by completing the Form of Proxy enclosed herewith.
2. A proxy need not be a shareholder of the Company.
3. Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate.
4. For more information on how to participate by virtual means in the above virtual meeting, please refer Registration Process enclosed herewith.

Form of Proxy - Voting

*I/We...holder of NIC No..of..being a *Shareholder /Shareholders of SMB Leasing PLC, do hereby appoint...holder of NIC No.. of ....or failing him

Mr. H.R.S. Wijeratne .... of Colombo or failing him

Mr. T.M. Wijesinghe .... of Colombo or failing him

Mr. A.T.S. Sosa...................................... of Colombo or failing him

Mr. M.S.A. Wadood .... of Colombo or failing him

Mr. L.Abeysinghe .... of Colombo or failing him

Mr. H H A Chandrasiri.......................... of Colombo

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on June 30, 2022 at 2.00 p.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended December 31,2021 and the Report of the Auditors thereon	◯	◯
2. To re-elect A. T. S. Sosa, who retires by rotation in terms of Article 87 of the Articles of Association, as a Director of the Company	◯	◯
3. To re-appoint Auditors M/s. KPMG, Chartered Accountants, and to authorise the Directors to determine their remuneration	◯	◯
4. To authorise the Directors to determine and make donations for the year ending December 31, 2022 and up to the date of the next Annual General Meeting	◯	◯

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

……………………

Signature

1) *Please delete the inappropriate words.
2) Instructions as to completion are noted on the reverse thereof.

INSTRUCTIONS AS TO COMPLETION

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

2. The Proxy shall –

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

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

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

4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to agm@smblk.com by 2.00 p.m on June 30, 2022.

Form of Proxy - Non voting

*I/We...holder of NIC No...of..being a *Shareholder /Shareholders of SMB Leasing PLC, do hereby appoint..holder of NIC No... of ....or failing him

Mr. H.R.S. Wijeratne .... of Colombo or failing him

Mr. T.M. Wijesinghe .... of Colombo or failing him

Mr. A.T.S. Sosa....................................... of Colombo or failing him

Mr. M.S.A. Wadood .... of Colombo or failing him

Mr. L. Abeysinghe .... of Colombo or failing him

Mr. H H A Chandrasiri.......................... of Colombo

as *my/our proxy to represent me/us to speak for me/us on my/our behalf at the Annual General Meeting of the Company to be held on June 30, 2022 at 2.00 p.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

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

……………………

Signature

1) *Please delete the inappropriate words.
2) Instructions as to completion are noted on the reverse thereof.

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The Proxy shall –
   (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
   (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).
3. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to agm@smblk.com by 2.00 p.m on June 30, 2022.

Circular to Shareholders

ANNUAL GENERAL MEETING OF THE COMPANY

Dear Shareholder/s,
Taking into consideration the current regulations/restrictions prevailing in the country due to the COVID-19 pandemic, the Board of Directors of SMB Leasing PLC has decided to hold the Annual General Meeting (AGM) as a Virtual Meeting on Wednsday June 30, 2022 at 2.00 p.m., in line with the guidelines issued by the Colombo Stock Exchange (CSE) for hosting of virtual AGMs and on the assumption that no curfew will be in force on that date and that there would be no restrictions imposed by the authorities on conduct of meetings.

METHOD OF HOLDING THE AGM

Only the key officials who are essential for the administration of the formalities of the meeting will be physically present in the Board Room. All others, including shareholders, will participate via an online meeting hosted on the ZOOM platform. These measures are being adopted to observe "social distancing" requirements to mitigate the dangers of spreading the virus.

REGISTRATION PROCEDURE

Those Shareholders and Proxy holders who wish to participate via audio visual conferencing technology means should notify the Company of such intention by completing the REGISTRATION FORM.

The duly completed REGISTRATION FORM should be deposited with the Secretaries at No. 3/17, Kynsey Road, Colombo 08 or forwarded by email to agm@smblk.com in order to enable the Company to receive the same by 2.00pm on June 28, 2022.

APPOINTMENT OF PROXY HOLDERS

Due to the COVID-19 pandemic and prevailing health and safety guidelines issued by the Government of Sri Lanka, the Shareholders are encouraged to vote by Proxy through appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the meeting in the Form of Proxy.

The Form of Proxy will also be made available on the corporate website of the Company and the website of the Colombo Stock Exchange and those Shareholders who wish to submit their Form of Proxy should duly complete the same as per the instructions given therein. The duly completed Form of Proxy should be deposited with the Secretaries at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or forwarded by email to agm@smblk.com in order to enable the Company to receive the same by 2.00 p m. on June 28, 2022.

PARTICIPATION VIA AN ONLINE MEETING PLATFORM

The login information will be authorised only for the use by individual Shareholders, Proxy holders and authorised representatives in case of Institutional Shareholders and the Company will not be responsible or liable for any misuse. Where the Proxy holders are concerned, please note that the login information will only be shared with those in whose favour a valid proxy has been submitted by the Shareholder.

Shareholders can send in their queries, if any, to agm@smblk.com forty eight hours (48) prior to the commencement of the meeting.

VOTING

Voting on the items on the Agenda will be registered by using an online e-ballot platform. All such procedures will be explained to the Shareholders prior to the commencement of the meeting.

COPIES OF THE ANNUAL REPORT 2021

The Annual Report and the Financial Statements of the Company are available on the following websites and the relevant links are given below enabling all the Shareholders to access such Annual Report and Financial Statements.

1. Corporate Website of SMB Leasing PLC – http://smblk.com/financial-informations.php
2. Colombo Stock Exchange – https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=SEMB.N0000

Should a Shareholder wish to obtain a printed copy of the Annual Report, they may send a written request to the Registered Office of the Company by filling the request form attached herein. A copy of the Annual Report will be forwarded by the Company within eight (8) market days from the date of receipt of the request.

For any queries please contact Head of Finance Analysis on telephone no 011-4222850/email menakas@smblk.com during office hours.

Below mentioned documents are attached herewith

1. Notice of Meeting
2. Form of Proxy
3. Guideline and Registration Process to join the AGM virtually
4. Registration Form for the AGM
5. Request Form for the printed copy of the Annual Report

By order of the Board
SMB Leasing PLC

P W CORPORATE SECRETARIAL (PVT) LTD
(sgd) Secretaries
Colombo
May 31, 2022

Guideline and Registration Process for the Annual General Meeting (AGM) via Online Meeting Platform

1. Shareholders are required to join the virtual AGM by clicking on the meeting link and user credentials sent by SMB Leasing PLC via email.
2. The request to register names for online participation via Online Meeting Platform should be delivered to the Secretaries P W Corporate Secretarial (Pvt) Ltd, No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or e-mailed to agm@smblk.com along with the required registration information as per the REGISTRATION FORM by 2.00 pm on June 28, 2022.
3. The information received from a Shareholder pertaining to his/her Proxy holder should tally with the information indicated in the duly completed Form of Proxy submitted by the Shareholder in order for the meeting link and user credentials to be shared by the Company with the Proxy holder.
4. SMB Leasing PLC will verify all the registration requests and identification details received with the Shareholders' register and accept the registrations for AGM if it is satisfied with the request and supporting documents. Once the registration is accepted, Shareholders will receive an email confirmation acknowledging the registration.
5. The Shareholders whose online participation request has been accepted will receive a separate email containing the meeting link and user credentials from SMB Leasing PLC, twenty four (24) hours prior to the commencement of the AGM.
6. If a Shareholder/Proxy holder intends to join the Virtual AGM via a smart phone, it is necessary for him/her to download the "Zoom Mobile App" onto his /her smart phone. Similarly if a shareholder/Proxy holder wishes to attend the Virtual AGM via a desktop computer, the link can be opened by downloading the "Zoom Desktop App" to the respective desktop computer (Compatible web browser: Google Chrome).
7. The Shareholders/Proxy holders are requested to use the web link which will be forwarded by the Company and click on "Virtual AGM Registration" in order to log in to the meeting.
8. Upon clicking on the link forwarded by the Company, Shareholders/Proxy holders will be redirected to an interface where they will be requested to enter their first name, last name, email address, re- enter email address and National Identity Card Number.(The participants are required to enter the correct details as mentioned in the registration form forwarded to us where any mismatch will be considered as an unsuccessful log in)
9. At this point, all participants are requested to click on "REGISTER" which will be prompted on their screens enabling them to receive the log in link.
10. Participants are required to click on "Join the Virtual AGM of SMB Leasing PLC".
11. It is recommended to join the meeting at least ten (10) minutes before the start of the AGM. The Online Meeting Platform will be active thirty (30) minutes before the start of the AGM.
12. Once the credentials are inserted, he/she will be directed to the Virtual AGM Zoom Platform.
13. Shareholders/Proxy holders may use the Q & A tab or the Hand Raise ( ) icon appearing on the screen respectively, to submit their questions or concerns in typed format or verbally. The system will allow a pop up message to unmute the microphones and to allow video options.
14. The Company will forward a separate email to the Shareholders and to proxy holders or representatives who are entitled to vote providing a separate link to vote on all resolutions included in the Notice of Meeting dated May 31, 2022.
15. We request such persons to please open the said link and be prepared to cast their vote when each resolution is taken up for voting by the Chairman. Participants are advised to "refresh" the voting page and cast the vote as per their discretion in the given space and click "SUBMIT" enabling the Company to receive the responses.
16. When declaring the position of a resolution, Chairman will take in to account the voting of the Shareholders/ Proxy holders participating virtually
17. 60 seconds will be allocated for Shareholders/ Proxy holders to cast their vote in respect of each resolution.
18. The results will be processed and announced by the Chairman 15 seconds after the end of the time slot allocated for voting.
19. In a situation where Shareholders' voting is required for a poll, the same mechanism will be applicable. This will be moderated by the Chairman of the meeting.
20. It is advised to check the online AGM access at least 3 hours prior and also ensure that your devices have an audible sound system so that you could be a part of the AGM comfortably.

REGISTRATION FORM

ANNUAL GENERAL MEETING (AGM) OF SMB LEASING TO BE HELD AS A VIRTUAL MEETING ON JUNE 30, 2022 AT 2.00 P.M.

Details of Shareholder

Full Name of the Principal Shareholder: ....

....

NIC No. / Passport No. /Company Registration No.: ....

CDS Account No.: ....

Residential Address: ....

....

Telephone No/s: ....

Email: ....

Full Name of 01st Joint Holder: ....

....

NIC No/ Passport No.: ....

Full Name of 02nd Joint holder: ....

....

NIC No/ Passport No.: ....

In the event Proxy holder is appointed by the Shareholder following details of his/her's will also be required.

Details of Proxy holder: (only if a proxy is appointed)
Full name of Proxy holder: ....

....

NIC No. / Passport No. of Proxy holder: ....

Telephone No/s.: ....

Email: ....

PARTICIPATION AT THE AGM - Please tick the cage below

	Online
I/My Proxy holder am/is willing to participate at the AGM	☐

Signature/s

....	....	....
Principal Shareholder	01st Joint holder	02nd Joint holder

Date: …………………..

Note: In the case of a Company/Corporation, the Shareholder Registration Form must be signed in the manner prescribed by its Articles of Association/Statute and in the case of the Registration Form is signed by an Attorney, the Power of Attorney, must be deposited at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or emailed to agm@smblk.com

FORM OF REQUEST

FOR A PRINTED COPY OF THE ANNUAL REPORT OF SMB LEASING PLC FOR THE PERIOD ENDED DECEMBER 31, 2021

TO : SMB Leasing PLC
No.282/1, CBS Building, Galle Road,
Colombo 03

I/We hereby request for a printed copy of the Annual Report of SMB Leasing PLC for the period ended December 31, 2021

DETAILS OF THE SHAREHOLDER(S)

Full name :	
National Identity Card / Passport / Company Registration No. :	
Contact Telephone Number :	
Address :	

....

Signature of Shareholder(s) Date

* Contact details of ………………………………………………………….

Telephone ………………………………………………………….

Facsimile ………………………………………………………….

Email ………………………………………………………….

Corporate Information

Name of Company
SMB Leasing PLC

Legal Form
Public Limited Liability Company (Incorporated and domiciled in Sri Lanka) under the Companies Act No. 17 of 1982 and subsequently re-registered under the Companies Act No. 07 of 2007 quoted in the Colombo Stock Exchange

Date of Incorporation
September 3, 1992

Company Registration Number
PQ 91

Stock Exchange Listing
The Ordinary shares of the Company were quoted on the Main Board of the Colombo Stock Exchange (CSE) on December 20, 1993

Central Bank Registration Number
040 (Under the Finance Leasing Act No. 56 of 2000)

Financial Year-end
December 31

Board of Directors
Mr. H. R. S. Wijeratne (Chairman)
Mr. T. M. Wijesinghe
Mr. A. T. S. Sosa
Mr. M. S. A. Wadood
Mr. L. Abeysinghe
Mr. H.H.A Chandrasiri
** Mr. H. H. A Chandrasiri is appointed to the board with effect from July 26, 2021.*

Secretaries
PW Corporate Secretarial (Pvt) Ltd.
No. 3/17, Kynsey Road,
Colombo 08.

External Auditors
M/S. KPMG
Chartered Accountants
No. 32A,
Sir Mohammed Macan Marker Mawatha,
Colombo 03.

Internal Auditors
M/S. Deloitte
Chartered Accountants
No. 11, Castle Lane,
Colombo 04.

Tax Consultants
Amarasekara & Co
Chartered Accountants
No 12, Rotunda Gardens
Colombo 03.

Lawyers
M/S. De Livera Associates
Attorneys-at-Law,
Solicitors & Notaries Public
No. 33 1/2, Shrubbery Gardens,
Colombo 04.

M/S. Shiranthi Gunawardena Associates
Attorneys-at-Law & Notaries Public,
No. 22/1, Elliot Place,
Colombo 08.

M/S. Paul Rathnayake Associates
No 59, Gregory's Road,
Colombo 07.

Bankers
Sampath Bank PLC
Commercial Bank of Ceylon PLC
Bank of Ceylon
DFCC Bank PLC
NDB Bank PLC
Indian Bank
Peoples Bank
Hatton National Bank PLC
Pan Asia Bank
Seylan Bank PLC

Corporate Memberships
Credit Information Bureau of Sri Lanka
Financial Ombudsman of Sri Lanka
Leasing Association of Sri Lanka

Tax Payer Identity Number (TIN)
134003669

Head Office
No. 282/1, CBS Building,
Galle Road,
Colombo 3.
Telephone : 094-114222888
Fax : 094-112574330
E-mail : smbhed@sltnet.lk
Web : www.smblk.com

Subsidiary Company
SMB Money Brokers (Pvt) Ltd.
8/A Sea View Avenue,
Colombo 3.

Associate Company
Kenanga Investment Corporation Ltd.
4th Floor, Landmark Building, No 385, Galle Road, Colombo 3.

Branches
Deniyaya Branch,
No. 11 A, Main Street,
Deniyaya.

Negombo Branch,
No. 15/15B, Station Road,
Negombo.

City Branch,
No 301/A, Galle Road,
Colombo 03.

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