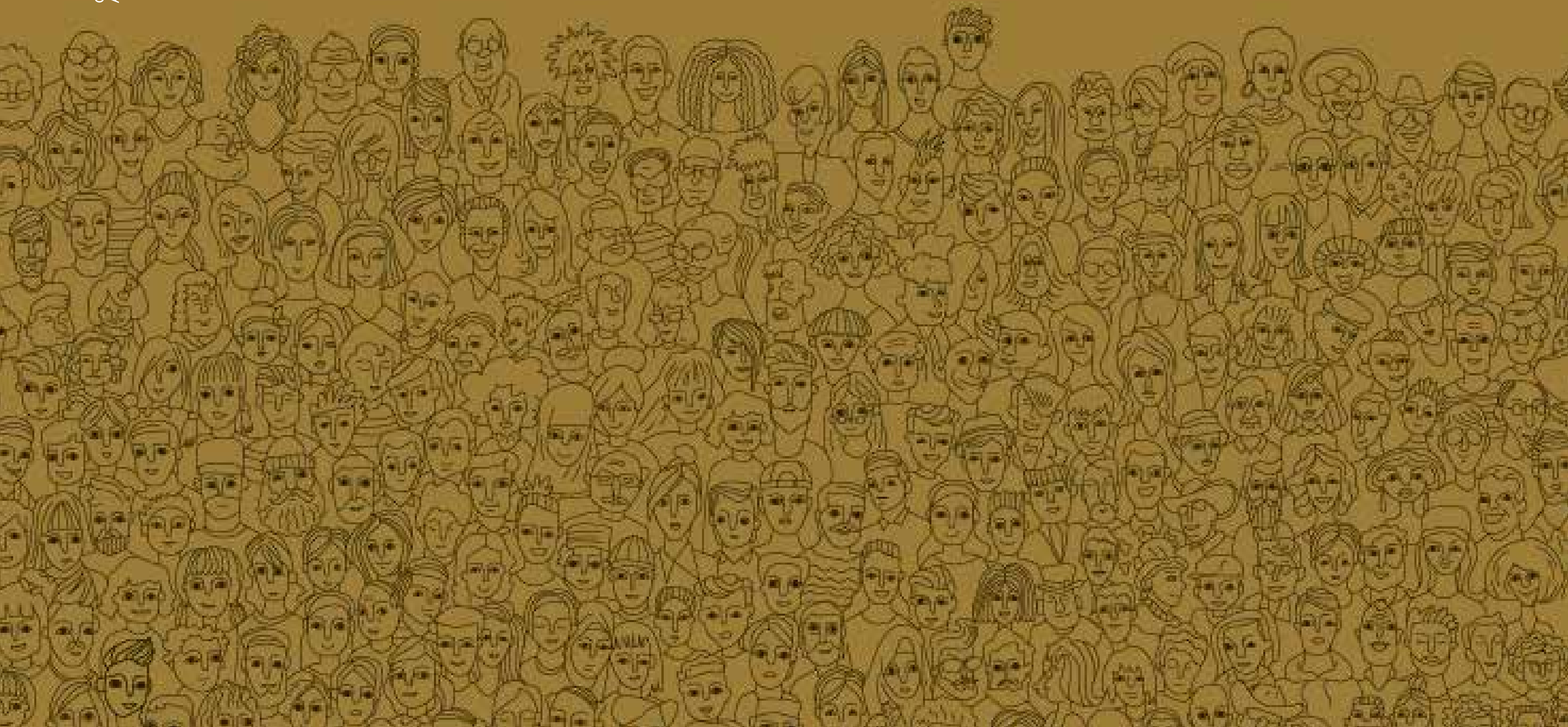
GENERATION

CDB
Your Friend

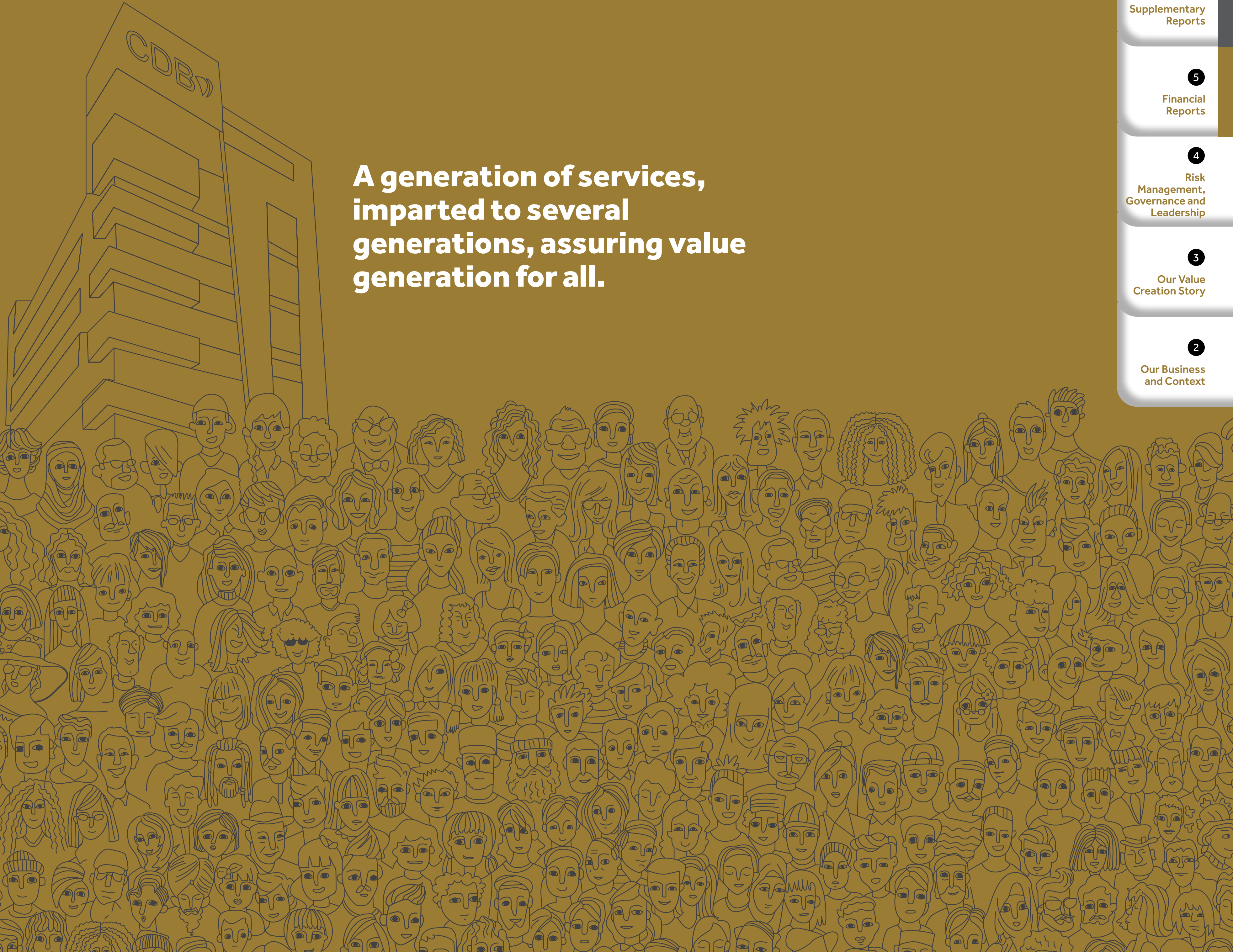
Citizens Development Business Finance PLC
Annual Report 2020/21

CDB
Your Friend

Citizens Development Business Finance PLC
Annual Report 2020/21



A generation of services, imparted to several generations, assuring value generation for all.



CONTENTS

This integrated report is our primary report to shareholders and other stakeholders. This presents a multi-dimensional view of our performance over the financial year 2020/21. We have exercised reasonable care in the preparation and presentation of this Integrated Report while preserving its integrity.

1. OVERVIEW

2. OUR BUSINESS AND CONTEXT

3. OUR VALUE CREATION STORY

4. LEADERSHIP, GOVERNANCE, AND RISK MANAGEMENT

5. FINANCIAL REPORTS

6. SUPPLEMENTARY REPORTS

END-TO-END INTERACTIVE ONLINE HTML

ENCLOSED

END-TO-END INTERACTIVE ONLINE HTML

To cater to the communications needs of our diverse stakeholder groups, this Report is available as an end-to-end interactive online HTML version which includes additional reference material, features for ease of finding, extracting and sharing information.

https://www.cdb.lk/ar2020-21/

1.1 CITIZENS DEVELOPMENT BUSINESS FINANCE PLC ANNUAL REPORT OF THE BOARD OF DIRECTORS 2020/21

GRI 102-46, 102-47, 102-48, 102-49

The Board of Directors is pleased to present to the shareholders the eighth integrated Annual Report of the Company.

The Report has been structured to present a balanced and comprehensive assessment of our financial, social, and environmental impacts, resulting from our value creating activities and includes the Audited Financial Statements of the Company for the year ended 31 March 2021, and the Independent Auditors' Report on the Financial Statements conforming to all applicable statutory requirements. The Financial Statements of the Company which is duly certified by the Chief Financial Officer and approved by the Board Audit Committee and the Board of Directors and signed by the Chairman and the Managing Director as per the requirements of the Companies Act No. 07 of 2007 appear on pages 129 to 248.

The Directors are responsible for the preparation of the Financial Statements of the Company and for ensuring that the Financial Statements have been presented in accordance with the Sri Lanka Accounting Standards and to provide the information required by the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011. The Directors are of the view that the Financial Statements appearing on pages 129 to 248 have been prepared in conformity with the requirements of Sri Lanka Accounting Standards (LKASs and SLFRSs) issued under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011 and amendments thereto and the Listing Rules of the Colombo Stock Exchange (CSE) including the Rules pertaining to Related Party Transactions as required by Section 9.3.2 (c) and (d) thereof and the recommended best practice. The Statement of Directors' Responsibility for Financial Reporting appearing on page 124 forms an integral part of this Report.

Names of the persons holding office as Directors of the Company at the reporting date and the names of persons who ceased to hold office as Directors of the Company during the year, as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007 are given on page 95 of this Annual Report. As required under Section 223 (1) of the Companies Act, the Company maintains a Register of Directors and Secretaries which contains information of each Director and the Secretary.

The Report, where applicable, has been prepared in accordance with the Guiding Principles and the Content Elements as stipulated by the International <IR> Framework issued by the International Integrated Reporting Council (IIRC). We report on financial and non-financial performance for the year in review, including our risk management, corporate governance practices and provide forward-looking information in terms of our short-, medium- and long-term strategic outlook, highlighting the material relationships between stakeholders and strategy that form the basis of our value-creation process. In determining the report content, due consideration has been given to sustainability reporting principles including Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness.

Having reviewed the Company's business plans, the Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. The Report explains how we have created value during the year under review, and provides a well-rounded appreciation of the state of operations, instilling confidence of the stakeholders in the Company's prospects for future growth and sustainability.

Reporting period and boundary

GRI 102-50, 102-51, 102-52, 102-1, 102-45

The Report covers the operations of Citizens Development Business Finance PLC (CDB) identified as the "Company".

The Report covers the period from 1 April 2020 to 31 March 2021, which is consistent with our usual annual reporting cycle. The key financial and non-financial aspects are discussed in the context of the Company unless stated otherwise. Our most recent report for the year ended 31 March 2020 is available on our website: http://www.cdb.lk.

Key frameworks and compliance

GRI 102-45, 102-54

The Company's social and environmental impacts are presented in accordance with the GRI Standards: Core option. The following laws, regulatory frameworks, standards, guidelines and protocols have been followed in the preparation of this Report.

- The IIRC Framework (www.theiirc.org)
- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- "A Preparer's Guide to Integrated Corporate Reporting" and "Guidelines for Presentation of Annual Reports 2021", published by The Institute of Chartered Accountants of Sri Lanka
- Sustainable Development Goals (SDGs) – The UN initiative with 17 aspirational "Global Goals"
- Smart Media Methodology™ for Integrated Reporting

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments to the Government, other regulatory institutions, and to employees have been made in time. The Board of Directors reviewed the business plans of the Company and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the going concern assumption.

The Board has carefully considered matters material to the Company and its stakeholders in preparing this Report and acknowledges that reasonable care has been exercised in the preparation and presentation of this Integrated Annual Report while preserving its integrity. The extent of compliance with the requirements of Section 168 of the Companies Act No. 7 of 2007 and amendments thereto and other relevant statutes is disclosed in detail on pages 4 to 5. The Board wishes to confirm that the Company has prepared the Annual Report in time as required by the Sections 166 (1) and 167 (1) of the Companies Act. The Financial Statements of the Company for the year ended 31 March 2021, including comparatives for 2020, were approved and authorised for issue by the Board of Directors in accordance with the Resolution of the Directors on 10 June 2021. The appropriate number of copies of the Annual Report will be submitted to the CSE within the statutory deadlines and soft copies of same will be hosted on the website of the Company, www.cdb.lk.

Precautionary principle

GRI 102-11

The precautionary principle has been applied in relation to the Company's social and environmental sustainability. As a responsible corporate citizen, necessary measures have been taken by us to mitigate the risks caused to society and environment through our actions.

Improvements in reporting

This Report has been structured to effectively communicate our efforts to create value to all our stakeholders across the short, medium and long term through our business model on page 38. Accordingly, we have identified the emerging developments and trends that are likely to impact our business model and value creation process. These trends were then categorised into risks and opportunities based on their importance to the Company and the stakeholders, together with the stakeholders that are likely to be affected most. The Value Creation Story (pages 36 to 84) contained in this Report provides a detailed account of the strategic imperatives and strategies to mitigate risks and capitalise on opportunities. The underlying governance structure and the risk management framework are detailed on pages 85 to 105.

External Auditors and assurance

GRI 102-56

The Financial Statements and sustainability indicators included in this report have been audited by Messrs. KPMG, who have expressed an opinion on the true and fair view of the annual financial statements as shown on pages 135 to 138 and assurance on sustainability indicators as shown on pages 254 to 256 of this Annual Report. As far as the Directors are aware, the Auditors do not have any other relationship with the Company. The External Auditors do not have any interest in contracts with the Company.

Disclosure on the affairs of the Company's related party transactions

There are no related party transactions which exceed 10% of the equity or 5% of the total assets, which ever is lower, and the Company has complied with the requirements of the Listing Rules of the CSE on Related Party Transactions. However, the Directors have disclosed the transactions that could be classified as related party transactions which are adopted in the presentation of the Financial Statements and accordingly given in Note 45 on pages 212 to 215 of this Annual Report and a summary of the said transactions carried out during the FY was presented to the Board on 18 May 2021.

Queries

GRI 102-3, 102-53

We welcome your comments and suggestions on our Report. Please direct your feedback to:

Ms Ovini Dias
Assistant Manager – Sustainability
Citizens Development Business Finance PLC,
No. 123, Orabipasha Mawatha,
Colombo 10.
ovini.dias@cdbnet.lk

The Board of Directors does hereby acknowledge the contents of this Annual Report as per the requirement of Section 168 (1) (k) of the Companies Act No. 07 of 2007.

Signed in accordance with the resolution adopted by the Directors.

Alastair Corera
Chairman/Non-Executive Independent Director

Mahesh Nanayakkara
Managing Director/Chief Executive Officer/Executive Director

Senior Prof Sampath Amaratunge
Non-Executive Independent Director

Damith Tennakoon
Deputy CEO/Chief Financial Officer/Executive Director

Roshan Abeygoonewardena
Executive Director

Sasindra Munasinghe
Executive Director

Dave De Silva
Executive Director

Karthik Elangovan
Executive Director

Prof Prasadini Gamage
Non-Executive Independent Director

Jagath Abhayaratne
Non-Executive Director

Ms Rajitha Perera
Non-Executive Independent Director

Sujeewa Kumarapperuma
Non-Executive Director

Samitha Hemachandra
Non-Executive Director

10 June 2021

1.2
WHO WE ARE

GRI 102-16

Ranked among the top five Non-Bank Financial Institutions (NBFIs), we are one of the largest and most successful financial institutions in Sri Lanka. With an asset base nearing Rs. 100 Bn. and a staff strength of over 1,700 we empower the aspirations of all Sri Lankans.

Recognised as one of the most innovative NBFIs with a strong commitment to sustainability, we have revolutionised and disrupted the financial services industry with technological innovations.

Our disciplined culture and foresight have enabled us to record a strong financial performance as reflected in the growth of our size and profitability over the past decade.

OUR VISION

To be the financial powerhouse that will foster entrepreneurial innovation and workmanship towards building our Nation's economy to make sustained gains in living standards of Sri Lankans.

OUR PURPOSE

Empowering aspirations

Goals, hopes, dreams, ambitions; whatever you aspire to achieve, we exist to elevate your life.

OUR VALUES

Perseverance

The passion and perseverance of our team has brought CDB to the forefront of the industry and continues to be our driving force.

Empathy

We care for the well-being of our stakeholders while empowering their aspirations, with an aim of creating a more equitable society. We have never lost sight of our humble beginnings and continue to act with humility in everything we do.

Reliable

While being a respected, responsible, socially and environmentally conscious, public deposit-taking Corporate Citizen working in an open and transparent manner in all our dealings, we strive to be the most reliable partner for our stakeholders.

Innovation

We are constantly innovating to stay relevant and valuable to our customers. We highly value and encourage thinking beyond traditional boundaries, embracing change, and exploring creative ways of empowering the aspirations of all our stakeholders.

EMPOWERING GENERATIONS FOR 25 YEARS...

CDB has become an integral aspect of the financial services and social fabric of Sri Lanka. From humble beginnings in 1995, we have grown in strength and stature to become a formidable financial institution, deeply rooted in sustainability, innovation and business ethics.

For 25 years we have served our Nation and stakeholders with empathy, trust and reliability, empowering their diverse aspirations.

1995
Incorporation

2001
Strategic refocus with a new management team

2004
Achieved a turnaround in the bottom line with a profit after tax of Rs. 10 Mn.

2007
Initiated two flagship community projects:
- CDB Sisu Diri Scholarship scheme for school children
- CDB Pariganaka Piyasa by setting up a fully-fledged IT lab in a deserving school

2009/10
Became a public deposit-taking institution

Board approval for strategic plan for 2010-2020 targeting a balance sheet size of Rs. 100 Bn.

2010/11
Listed on the Colombo Stock Exchange

Company profit reached Rs. 0.5 Bn., and total asset base reached Rs. 10 Bn.

2012/13
CDB was the first Non-Bank Financial Institution (NBFI) to initiate a core banking platform

The first NBFI to sign up for the Sri Lanka Interbank Payment System (SLIPS)

Launched CDB Visa debit card which was the first Visa debit card issued by a NBFI

CDB Savings product was launched

Installed the first ATM at the Head Office

First international recognition for the Annual Report by League of American Communication Professionals (LACP), USA

2013/14
CDB secured its first foreign line of credit, worth USD 6 Mn. from the Multilateral Agency of Belgian Investment Company for Developing Countries (BIO)

Loan book surpassed Rs. 25 Bn.

Launched CDB Hybrid lease

Operational footprint surpassed 50 outlets

2015/16
Company profit after tax reached Rs. 1 Bn. total asset base reached Rs. 50 Bn. and total equity amounted to Rs. 5 Bn.

Became the first ISO 14064-1 Carbon verified financial institution in South Asia by Sri Lanka Carbon Fund (Pvt) Limited

Garnered the Best Corporate Citizen Sustainability Award (turnover less than Rs. 15 Bn. category) and ranked among the Top 10 Best Corporate Citizens by the Ceylon Chamber of Commerce

CDB Annual Report 2014/15: The Name of the Game" was recognised as the best Non-Traditional Annual Report globally and the Best in Sri Lanka at the ARC Awards 2015

2020/21

Ranked among the top 25 in the Business Today Top 30 Businesses in Sri Lanka

Among Top 10 Best Corporate Citizens for the 3rd consecutive year by Ceylon Chamber of Commerce at the Best Corporate Citizen Sustainability Awards 2020

Winner of Excellence in Automation at UiPath Automation Excellence Awards 2020

Company profit after tax surpassed Rs. 2.5 Bn.

Total asset base reached Rs. 94 Bn.

Initiation of CDB Advance Sustainable Financing Vertical

Surpassed a customer base over 290,000

2019/20

Recognised among Top 10 Best Corporate Citizens in Sri Lanka at the Best Corporate Citizens Sustainability Award 2019, by Ceylon Chamber of Commerce

Recognised as one of Sri Lanka's best-performing companies, ranked among the "Business Today Top 30" corporates in Sri Lanka

NBFI sector Gold Award winner for the 4th consecutive year, at the National Business Excellence Awards 2019 by the National Chamber of Commerce Sri Lanka

2018/19

Raised USD 60 Mn. in foreign funding for SMEs

Profit before tax surpassed Rs. 2 Bn.

Online fixed deposit placement through CDB iDeposit

First in Sri Lanka to launch credit card Self Care App (CDB iControl App)

First in Sri Lanka to enable fund transfers through social media channels (CDB iTransfer)

2017/18

IT lab donation community project was re launched as the CDB Smart class room project

Gold Award for People Development at the SLITAD People Development Awards 2017

Winner of the Best Corporate Citizen Sustainability Award 2017 for the "Green Ninja Quiz Master 2017" programme

Assets reached Rs. 75 Bn. and profit after tax Rs. 1.4 Bn.

2016/17

Initiated "Act early for Autism" CDB flagship project partnering with the Sri Lanka Association for Child Development (SLACD) and mooted the Autism Trust Fund

Winner of the Best Corporate Citizen Sustainability Award 2016 for best project on "GHG Emission Analysis"

First Runner-up in the Best Corporate Citizen Sustainability Award 2016 (turnover less than Rs. 15 Bn. Category)

RECOGNITION ALONG OUR JOURNEY

Scan to view more details on Awards & Accolades

OUR STRATEGY FOR 2021–2030

In the last decade, we grew by nearly 10 times, from Rs. 10 Bn. in size nearing an asset base of Rs. 100 Bn. at present. In the current decade, we have set our sight on an aspiration to become a quarter trillion asset base (Q-TAB) company. As we journey on this path, we firmly believe the key enabling pillars are embracing our sustainability agenda and the tech disruption.

Our sustainability agenda encompasses both social and environmental dimensions. As we journey on the path of a Rs. 100 Bn. asset base company to a company with a quarter of a trillion asset base, we are committed to leave behind the least carbon footprint and continue our carbon neutral status. We will contribute towards a greener economy, while being a highly socially impactful organisation ensuring financial inclusion, as we reach out to the most disadvantaged, rural, vulnerable and base of the pyramid market segments. The key verticals under the CDB sustainability agenda include renewable energy based mobility and household solutions, enabling a shared economy, contribution to biodiversity and conservation, financial inclusion, community impacting initiatives and engaged mindful team members.

In tandem, our tech disruption strategy complements the CDB sustainability agenda, encompassing both social and environmental dimensions. This enables us to be a more resource-efficient organisation by being less dependent on brick and mortar distribution and integrating digital channels, while being a conduit in ensuring financial inclusion to the most disadvantaged segments of the country. We have embraced tech disruption as the enabler to compete with incumbents, positioning CDB as a disruptor, stimulating a David vs Goliath mindset.

This overall strategy and framework positions CDB as a responsible corporate citizen, 'empowering aspirations' across social and geographic boundaries, while being true to our purpose and shared values.

2011-2020

TOTAL ASSETS: RS. 10 BN. TO NEARING RS. 100 BN.

Emulating Banks
(Post war economic boom
in Sri Lanka)

2021

FINANCIAL SERVICES

SUSTAINABILITY AGENDA

CARBON NEUTRAL

Become a resource efficient organisation and contribute towards decarbonisation focusing on a Greener economy.

- **Accelerate sustainable mobility solutions**
- **Accelerate household renewable energy solutions**
- **Enabling shared economy**
- **Conservation and Biodiversity**

SOCIALLY CONSCIOUS

- **Financial inclusion**
  Reach out to most vulnerable, remote and base of the pyramid market segments.
- **Community Impact**
  - Child Health and Well-Being
  - Child Education and Literacy
  - Volunteerism
  - Empower entrepreneurs, youth and women

- **Engage mindful team members**
  - Extraordinary results through ordinary people
  - Empower them to be Green ambassadors
- **Responsible and sustainable brand**

2025
FINANCIAL SERVICES + TECHNOLOGY

2030
TECH MINDSET WITH FINANCIAL SERVICES LICENSE

QUARTER TRILLION
ASSET BASE

TECH DISRUPTION

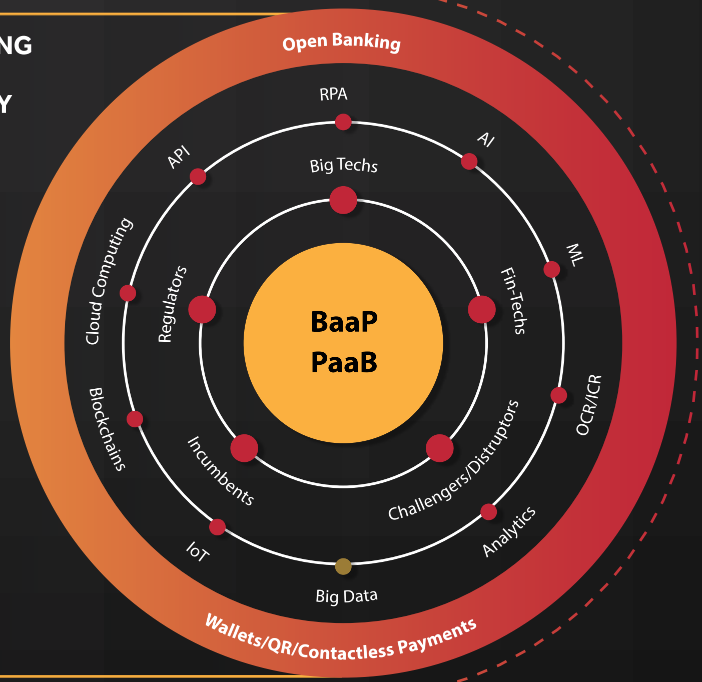
Being a conduit to reach remote and base of the pyramid market segments

Being less dependent on brick & mortar distribution and driving through digital channels, contributing towards a more resource efficient organisation

BUSINESS STRATEGY

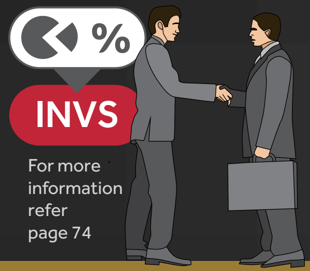
- Enabler to compete with incumbents as a disruptor
- David vs Goliath Mindset enabler

EMBRACING DIGITAL ECONOMY



1.3 PERFORMANCE SNAPSHOT 2020/21

In a challenging year across the globe, we achieved commendable results, meeting the **aspirations of our stakeholders.** PAT increased by **39%** YoY to Rs. 2,557 Mn., ROA swelled to **2.73%** and ROE to **19.97%.** Cost to income ratio decreased to 41% and the deposit base grew by **13% to Rs. 49 Bn.** Our liquidity levels were higher than the ALCO-specified internal target and the Total Capital Ratio stood at **15.34%.**



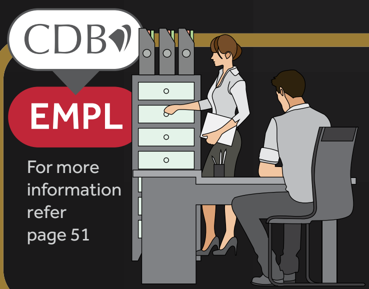
For more information refer page 74

We created **investor value** delivering sustainable growth and returns. Market capitalisation increased by **53%** to **Rs. 7,283 Mn.**, EPS increased by 39% and DPS was Rs. 7.50.

Customers were offered an insight-driven value proposition supported by our digital capabilities. Our customer base increased by **9% to 293,600**, and **53%** of customers were from **outside the Western province.** During the 1st outbreak of the pandemic **80%** of our customers were granted relief. Our credit card base reached **10,000** and savings portfolio reached **Rs. 2.9 Bn**.

Client creation through BOTs increased to **86%**. The number of **CDB iDeposits** placed increased by 4.5 times.

For more information refer page 41



For more information refer page 51

Our **winning team of 1,758 employees** worked with dedication and empathy. We have an agile and a young team with an average age of **28 years. Rs. 1,402 Mn.** was invested on team member benefits. **An average of 20.6 hours of training per employee was provided.** Most of the training was conducted **virtually**. As an **equal opportunity** employer, women represent **27%** of our workforce. Of the **355 promotions** granted during the year, **30%** were women.

COMU

For more information refer page 64

We contributed to **social value** to the **communities** in which we operate. Our efforts placed us among the **Top 10 Best corporate citizens of Sri Lanka** for the third consecutive year. We invested **Rs. 20 Mn.** to create a positive social impact, donated **Rs. 15 Mn.** to build a Quarantine Centre. **25** social sustainability employee volunteering projects were conducted across the island through CDB Hithawathkam by investing **Rs. 3.7 Mn.** Our net lending to the rural economy amounted to **Rs. 21,167 Mn. 52%** of new hires were from outside the Western Province and **33%** of our lending was to women.

We adopt a **people-based environmental approach**. All our team members are **CDB Green Ninjas**, working as green ambassadors and are committed to the **single use plastic free pledge**. The **Green Ninja – CDB Quiz Master** programme creates employee awareness in biodiversity and ecosystems.

The **CDB Advance Sustainable Financing Vertical** was initiated to advance the Green Economy by 2030. **CDB Advance roof solar product** was launched for customers and CDB team members as a pilot project under green financing. By promoting green living through digital transition, **3,545** customers downloaded the CDB iNet app. Adoption of **RPA** increased the efficient use of resources.

We continued to be a **Carbon Verified** entity for the 6th consecutive year and are certified as a **Carbon Neutral business entity**. We invested in **United Nations Certified Emission Reductions** (CERs). Our total **carbon emission** reduced by **13.62%**, and total **energy consumption** by **5.7%** YoY. **1,528 kg** of landfill was avoided through **recycling**.

ENV

For more information refer page 56

BUZ.P

For more information refer page 70

REGU

For more information refer page 67

We maintained mutually beneficial relationships with our **business partners** including **389** new vehicle dealers during the year. EUR 5 Mn. foreign funding was also raised during the year.

We were fully compliant with relevant laws and **regulations**. The globally recognised **ISO/IEC 27001:2013** information security standard was recertified for the third consecutive year.

1.4 CHAIRMAN'S LETTER

GRI 102-14

> The results reflect the careful and strategic decisions made over the years, the strengths we have built through strong customer relationships, investments in technology and our exceptional team.

It is my pleasure, on behalf of the Board of Directors, to present to you the Annual Report of CDB for the financial year ended 31 March 2021.

A resilient organisation

The COVID-19 pandemic has left us facing economic and social upheaval on a scale unseen in the history of our existence. It has altered the landscape for all of us, severely impacting our customers, our team, our shareholders and the communities we serve. Even as I write this, the pandemic is still shaping the environment and our behaviour, although to some extent we have begun to better understand its contours today. On behalf of CDB, I wish to extend our deep gratitude to the selfless commitment to duty by our frontliners - healthcare service personnel, members of the triforces and the Sri Lanka Police as they work tirelessly to bring the pandemic under control in our Nation.

The pandemic is not the first dislocation we have faced in our 25 years of operations. Characteristically, our Company and our people responded once again with resolve, confidence and skill. Although the pandemic has had a profound impact on the workplace and the way we interact with customers, it has not changed our commitment to our customers, nor the standards they hold us to. Our prudent approach to sustainability and growth through proactive responses to the crisis ensured our resilience on all fronts; our business, our culture and our morale.

I am extremely proud of our management team and staff for their professionalism, dedication and the exceptional way they responded to challenging circumstances. They went over and above to support our customers, communities, and one another, while working to deliver for our shareholders. The Board of Directors was engaged, working closely with management throughout the year. The results reflect the careful and strategic decisions made over the years, the strengths we have built through strong customer relationships, investments in technology and our exceptional team.

Ready for the future

Leveraging our pre-crisis strength and momentum, and our investments in pursuit of a digitally enabled organisation, we continued to propel our business forward. Our investments in technology that encompasses many functions, is driving efficiency, supporting innovative ways of working and delivering the convenience and simplicity that customers tend to value most today. In response to the pandemic, our team members transitioned almost overnight to working from home, again backed by resilience and adaptability of our digital infrastructure. Having embarked on the path of automation and digitalisation ahead of the curve enabled us to reap the benefits, especially as pandemic related restrictions accelerated migration to digital processes and services by both consumers and businesses. Our Robotic Process Automation (RPA), which was recognised with an Award for Excellence in Automation 2020 at the UiPath Automation Excellence Awards for the Indian and South Asian regions is transforming how we work and prepared us to operate in a crisis situation. We will continue with our aim to disrupt traditional norms in the financial services industry, innovate pioneering solutions that push towards a cashless society, improve financial inclusion and support a digitalised and sustainable Sri Lanka.

Challenging operating context

In tandem with the pandemic induced global economic downturn, the Sri Lankan economy contracted in 2020, recording the deepest recession since independence. Real economic activity was hampered across all sectors on account of mobility restrictions and other containment measures imposed locally and internationally, to curtail the spread of COVID-19.

Amidst challenging domestic and global market conditions, the stability of Sri Lanka's financial system was preserved. The CBSL demonstrated a steady hand, taking several regulatory actions such as relaxing regulatory requirement for liquid assets from 10% to 6% which helped to maintain the stability of the sector when the general levels of anxiety were high.

Delivering for our stakeholders

Long before COVID-19 was declared a pandemic by the World Health Organisation (WHO), we were quick to respond to mitigate any potential impact. Our agility and proactive decision making helped to keep our team, their families, and customers healthy and safe, honour our commitments to stakeholders and ensure continuity of our business operations.

We supported our customers to navigate the economic headwinds and stay in control of their finances. We actively participated in CBSL's debt moratorium programs and such moratoriums on loans were extended to over 90,000 customers. As elaborated in the CFO's Analysis however, our efforts went beyond compliance with CBSL programs by working closely with our clients on a case by case basis, assisting them to tide over and regain their business. We also catered to the unprecedented demand for digital financial solutions by extending uninterrupted access to our mobile and digital platforms, enabling customers to gain functionality, user experience and utility.

We have made a mark of raising the bar for Sri Lanka's corporate sector, having interwoven sustainability into our corporate strategy. Ranked among the Top 10 Best Corporate Citizens for three consecutive years, awarded by the Ceylon Chamber of Commerce, is a strong testament to the

39%

increase in profit after tax to Rs. 2,557 Mn. for the year under review

We will enhance our digital capabilities to improve customer experience, strengthen our internal processes, enable businesses to succeed and support Sri Lanka's economic recovery.

6 Supplementary Reports
5 Financial Reports
4 Risk Management, Governance and Leadership
3 Our Value Creation Story
2 Our Business and Context
1 Overview
1.1 Citizens Development Business Finance PLC Annual Report of the Board of Directors 2020/21
1.2 Who we are
1.3 Performance Snapshot 2020/21
1.4 Chairman's Letter
1.5 Managing Director/ Chief Executive Officer's Review
1.6 Chief Financial Officer's Analysis

We have made a mark of raising the bar for Sri Lanka's corporate sector, having interwoven sustainability into our corporate strategy.

successful efforts of our Company to synchronise economic, social and environmental sustainability. As a net lender to the rural economy, we enrich rural entrepreneurship and uplift rural financial strength, addressing inequalities, social exclusion and marginalisation of various population groups. This includes, in particular, our commitment to supporting the SME sector and the empowerment of women entrepreneurs. We were also ranked among top 25 businesses in the Business Today Top 30 Businesses in Sri Lanka and we won Bronze at the Best Service Brand of the year awards of SLIM Brands Excellence Awards 2020; the only Banking and Finance Sector institution to achieve this during the year. Our contribution to economic growth in the form of taxes and levies to the Government Treasury during the year under review amounted to Rs. 1,922 Mn. We also continued to support our people's safety, health and wellbeing, and professional development, ensure their job security and actively reward and celebrate their achievements.

The year 2020 was a milestone year for CDB. Your company celebrated its 25th year and has every reason to be proud of what it has achieved. I would like to direct you to the CEO's review for a first hand recount of this remarkable and inspiring journey. Today, CDB is the fifth largest NBFI and has seen its assets grow close to 10 fold and its net profits grow over 10 fold in the last decade. Importantly, it's the same management team who strategized, planned and executed remarkably well to build this business from scratch that is still at the helm. They have a deep and intimate knowledge of the business. This gives me confidence that CDB is well equipped to execute on the ambitious plans set out for ourselves.

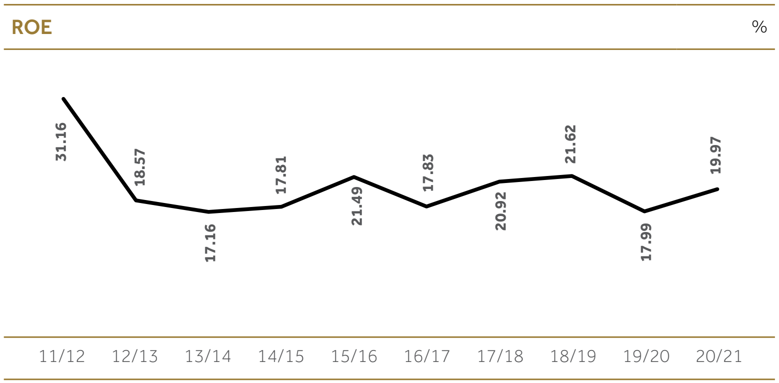
Over the years, your Company has maintained an attractive and consistent record of dividend payments, keeping with its growth in profitability. I am pleased to announce that the Board has recommended a dividend of Rs. 7.50 per share for the year under review.

The Board of Directors approved an Employee Share Option Plan (ESOP) for which the market announcement was made in April. We await the approval of shareholders for this by way of a special resolution at the Annual General Meeting. This is the first time an ESOP has been proposed by the Company since its listing on the Colombo Stock Exchange in 2010.

A commendable performance

Your Company reported a commendable performance for financial year 2020/2021 demonstrating the resilience of our business model and the robustness of our governance and risk management frameworks. The profit after tax increased by 39% to Rs. 2,557 Mn. for the year under review, while Earnings Per Share increased to Rs. 36.64 from Rs. 26.32 a year ago. Again, I would direct you to the CEO's review for a more detailed commentary on CDB's performance.

The consistent improvement in our capital adequacy ratios over the past several years enabled us to be in a comfortable position in meeting even higher capital adequacy requirements stipulated under guidelines on the Sector Consolidation and the Prompt Corrective Action of the Central Bank of Sri Lanka. In the year under review, our Return on Average Equity was 19.97% which is commendable. Our Core Capital Ratio and Total Capital Ratio stood at 12.10% and 15.34% respectively as at 31 March 2021.



"Our investments in technology that encompasses many functions, is driving efficiency, supporting innovative ways of working and delivering the convenience and simplicity that customers tend to value most today."

19.97%
Return on Average Equity

15.34%
Total Capital Ratio

Strong governance

The Board remained committed towards pursuing excellence in corporate governance and risk management oversight. We have a strong governance structure with a healthy mix of executive and non-executive directors on the Board. We continued to strengthen risk management, particularly in the area of cyber security with a focus on our internal controls, policies and procedures. The Board is strongly committed to safeguarding the trust placed in CDB as a leading financial institution in Sri Lanka. We continue to be fully compliant with all regulations, especially pertaining to operations during the pandemic.

The year ahead

We will enhance our digital capabilities to improve customer experience, strengthen our internal processes, enable businesses to succeed and support Sri Lanka's economic recovery. CDB has set itself an ambitious plan to become a quarter trillion (Q-TAB) company by expanding our balance sheet to Rs. 250 billion by 2030. Our immediate focus and tireless effort will be aimed at the intermediate milestones on our path to the Q-TAB goal. To achieve this, we will focus on onboarding customers, transaction volumes and fulfilling the aspirations of all customers through a wider product suite including conventional and check-in products.

Difficult times bring out the best in people and we have seen that to be true, time and again. Over the past year, we have faced a profound crisis with courage, conviction, and resilience and I remain optimistic about what lies ahead for your Company. It is our fundamental resilience, reinforced by our team members and their steadfast support for our customers, that gives me great confidence in the future.

Grateful appreciation

As I assume my position as Chairman of CDB, I wish to extend my sincere gratitude to Mr Ranga Abeynayake, the former Chairman who stepped down upon completing nine years on the Board, and under whose visionary leadership your Company navigated unprecedented times. I warmly welcome our newest Directors who joined the Board during the year under review: Mr Elangovan Karthik, Mrs Rajitha Perera, Mr Sujeewa Kumarapperuma, Mr Samitha Hemachandra and Prof Prasadini Gamage who add tremendous depth, diverse expertise and experience to our Board. My sincere thanks is extended to our outgoing Directors who also stepped down upon reaching the age of 70 or completing their nine year term as per Corporate Governance; Mr Razik Mohamed, Mr P A J Jayawardena and Prof Ajantha Dharnasiri respectively for their many contributions to our Organisation during their time on our Board and I'm sure you will join us in wishing all of them the very best in their future endeavours. I wish to convey my deep appreciation to my colleagues on the Board for the strong and consistent support, insightful guidance and the spirit of unanimity shown. I wish to commend Mr Mahesh Nananyakkara, our Managing Director and CEO for his inspired leadership, the management team and all staff members for their tremendous dedication and tireless efforts. I also extend my thanks to the senior officials of the Central Bank of Sri Lanka for their valuable counsel, guidance and support, and my appreciation to our Auditors, KPMG for their valuable advice and timely completion of the audit. My sincere appreciation is extended to our customers for their valued patronage and loyalty and our shareholders for their confidence and steadfast support extended to us at all times.

Alastair Corera
Chairman

10 June 2021

1.5 MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

We have continued to reinvent ourselves to add value through generations of services, products and stakeholders.

Flash back 1995 – Play 2021 – Fast Forward 2030!

It's been 25 years and what a journey it's been. In fact, celebrating this milestone during the FY 2020/21 is truly a reason for us to celebrate because it showcases the true persona of CDB. As you read my message, you will truly understand the mettle, hunger, drive and passion that embraces CDB and how these cascade to everyone in our orbit, where we have continued to reinvent ourselves to add value through generations of services, products and stakeholders.

Our incorporation was on the 7 September 1995 but it was not an auspicious beginning as five years down the road in 2001/02, CDB was in dire straits, showing financial results that were saddled with losses and a negative net assets position. It was then that CDB launched into leasing, hoping to turn our fortunes around. By 2004, a three year strategic plan was in place and the bottom line began showing promise. For the first time we posted a profit of Rs. 10 Mn. in 2004, albeit small but these were positive signs. In 2005, net assets crossed the line into positivity too, showcased with just Rs. 175,000 but nevertheless an indication that the path we were traversing upon, was the right one. That strategic plan had the drive and vision of a young team, dedicated passionate individuals who rallied around a common purpose with an enormous hunger to do better. It was this unwavering belief in themselves that became the core to CDB producing extraordinary results through ordinary people. CDB was now being built brick by brick. However, the good times were not to be a smooth ride. The Ceylinco financial debacle in 2008/09 was a blow to our growing balance sheet which at the time was Rs. 6.8 Bn. generating annual profits of Rs. 65 Mn. But our team must never be underestimated. They rallied and came together, re-strategized and worked on a plan to weather the storm. And thus, we came back even stronger.

The country was also in a metamorphosis. Sri Lanka was ending a nearly three decade war and ushering an era of peace. The economy was gaining a renaissance, industry was looking buoyant and fast tracked development was aggressively planned. Observing the enormous opportunity, CDB aligned itself with the growing momentum and inked itself a growth of close to ten times in size and over ten times in profits in the decade 2011-2020, with the overarching promise that the sincerity of our action will have a positive impact on people and businesses across social and geographic boundaries.

This is our story in a capsule in the last 25 years.

Now, we focus on our current year and our envisioned future. Our theme of transcending generations in everything we do is fitting, as

> CDB showcased inherent strengths and fortitude in an entire year battling the pandemic.

we transition from this 25 year journey into the future, amid a rapidly changing disruptive era of innovation to a future which is totally digitally driven. As we enter the new decade of 2021-2030 embracing tech disruption on the one hand and a sustainability agenda on the other, we see a more enlightened world emerging. Global warming and climate change has gained more emphasis with the pandemic pushing the need for healthier living into the fore. The fact that Sri Lanka is among the ten worst affected countries due to climate change is very much in focus in our sustainability agenda, while adding inclusive economic development and financial inclusion of the most vulnerable communities within the social structure adding depth and breadth to that consciousness agenda.

And into this equation comes our team – that winning team we have nurtured over 25 years, encompassing a generation of experience with a generation of new blood, prompting enlightened thinking and visionary agendas with a common need to empower aspirations. And we will soon arrive at a point for the baton to be passed from our first generation leaders to the multi-skilled forward thinking second generation leaders. This transition will begin in this decade and I am very encouraged with the bench of promising candidates that we have.

Year under review

It has truly been a period of challenge these last two years specifically but also one of response post the Easter Sunday attacks and then the pandemic. However, since the beginning of the year under review, the entire world has been on a roller-coaster. From March 2020, the world began going into lockdown and Sri Lanka did too, moving into unchartered waters with the future looking very uncertain. However, with normalcy returning and gradual return to daily life, business began gaining momentum from June 2020. Again, the upward curve was not to last. The second wave of the pandemic erupted in October but subsided sufficiently to see a recovery in the last quarter. By the time of writing this report in June 2021, the pandemic had hit in its third wave with daily infections and fatalities reported being higher. However, we have hope that the rapid vaccination programme rolled out by the government and health authorities coupled with a pragmatic safety plan will reduce the impact in the second quarter of 2021/22.

Navigating through the pandemic

Our voyage through the pandemic has seen us navigating a rollercoaster right from the beginning of this financial year, to date. In March 2020, we were steering through heavy storms with the horizon being almost invisible. CDB decided to revert to our Business Continuity Plan. However, the magnitude of the consequences the pandemic would bring was not captured in this BCP. With the end goal of continuing our operations with minimum disruption to our customers being the focus, our IT teams worked around the clock, implementing remote work capabilities for our team. With this, we fast tracked the procurement of additional resources and almost overnight, had a Work From Home (WFH) plan in place for our team members to engage our customers without any disruption. Our call center continued its operations 24x7 providing access and information to our clients, while our technology platform which CDB had been augmenting constantly to push boundaries, ensured that customers had access amid lockdowns and curfew. The CDB VISA debit card enabled our clients to access their accounts through the island wide ATM network, a collaboration we inked some years ago and for online transactions. CDB's digital financial platform, CDB iNet was promoted as a platform to perform transactions on an anywhere anytime and we continually engaged with our stakeholders via social media and text messaging with continuous updates.

We granted maximum relief to impacted businesses and customers, extending about 90,000 moratoriums within baskets of two, three and six months in compliance with regulatory circulars, during the first wave of the pandemic. The moratorium announced during the second wave attracted less interest, although we did grant about 10,000 moratoriums. However, we did not confine ourselves to regulatory directives but instead went beyond compliance by working closely with our customers to restructure and regain their business on a case by case basis, reflecting our levels of service excellence and brand promise.

The health and safety of our team remained paramount during this time. Our team was provided with Personal Protective Equipment (PPEs) added to with related health and safety precautions, which not only assured their personal safety but also of their families.

Financial performance

Our financial performance has been consistent but, this is nothing new with CDB. Challenges have always been opportunities for us and setbacks considered formulas for success. The period under review therefore, despite being fraught with challenges, is a good example of that continuance of our financial performance.

CDB showcased inherent strengths and fortitude in an entire year battling the pandemic, reporting a Profit Before Taxes of Rs. 4.1 Bn. to reflect a growth of 50% and Profit After Tax of Rs. 2.56 Bn. indicating a growth of 39%. Revenue fell by 4% amidst historically low interest rates. However, net interest income grew by 14% recording a figure of Rs. 7.6 Bn. Bottom-line growth was driven primarily by some key factors. Managing overheads in the backdrop of the pandemic, growth in net interest income as a result of interest expenses declining at a faster pace than the decline in interest income which stemmed from assets and liability maturity profile, managing asset quality which was helped by CDB's quality credit underwriting culture and a solid foundation and strong strategy to manage challenges embedded in a strong risk management culture were some of these dynamics.

CDB's balance sheet recorded marginal growth of 1% standing at Rs. 94.33 Bn., while the loan book recorded a growth of 4% reaching Rs. 75.06 Bn. Growth in the loan portfolio was mainly driven by the gold loan book, which made up 9% of loan book. CDB prudently managed the gross non-performing loan ratio at 7% and 2.21% on net basis. Cost to income ratio further improved to 41% from 48.79% one year ago. Return on Equity (ROE) recorded 19.97%, Return on Assets (ROA) 2.73%, Earnings Per Share (EPS) was Rs. 36.64 and Net Asset Value Per Share stood at Rs. 201.34, 90% of CDB's balance sheet assets, representing regular income and cash flow generating assets including a strong asset backed loan book. Core capital and total capital ratios recorded 12.10% and 15.34% respectively, while the liquidity ratio was recorded at 14.19%. All ratios are well above the applicable regulatory thresholds. Strengthening capital ratios further, CDB raised EUR 5 Mn. in subordinate debt (approximately Rs. 1.17 Bn.) Tier II qualifying capital from Triodos IM of the Netherlands during the financial year.

Our commendable financial results have been in the context of the macro economic outlook, extraordinary fiscal and monetary measures, and customer behavioral changes specifically in the backdrop of the pandemic and our own balance sheet profile and composition coupled with organization specific measures. Due to the rapid decline in interest rates to historically low levels, repricing of our liabilities took place at a faster pace than assets, due to the maturity profile of our balance sheet assets and liabilities. The restriction of non-essential imports resulted in curbing of vehicle imports, which impacted CDB from different dimensions, as over 80% of our loan book at present is backed by vehicles. Obviously, this impacted new business volumes negatively with reconditioned and brand new vehicle stocks being sold out. This also resulted in used vehicles changing hands at substantially higher prices, posing an advantage on collections, as vehicle owners preferred to retain vehicles in hand in the absence of opportunities to purchase new vehicles or pay higher prices. If repayment challenges arose, vehicle owners opted to dispose the vehicle at a reasonable price and settle the liability. While the increase in vehicle prices positively impacted the existing collection portfolios, it also created a higher risks for new facilities being underwritten, and these risks have been factored in to credit evaluation framework. Historically, low interest rates had positive impact on profitability. At the same time, the credit being underwritten is at lower rates and predominantly on fixed rate contracts. If interest rates are on an upward cycle, the impact will be reversed. This risk factor therefore is factored into pricing and margins of the new credit we underwrite. Another unexpected trend observed was the substantial uptick, an almost doubling of pre-closure facilities. There are several reasons for these early settlements. Taking advantage of re-pricing assets which were relatively at higher rates compared to current rates, cashing in by disposing vehicles or repayment difficulties prompting the exiting of liabilities, considered a more prudent option induced by higher vehicle prices would have contributed for this increase. These trends correlate in the current context but may reverse if any changes are prompted.

The pandemic had a high negative impact on some dominant traditional business lines. CDB began aggressively pursuing alternative business opportunities. We have observed renewed potential and seen these new opportunities emerge, all of which were added into our portfolio and accelerated into implementation. We reactivated the CDB cash lease product which was a sale and lease back facility, a quick way to raise funds to start a new business or expand an existing one. This facility could also be used to invest in any productive asset or for any urgent cash requirement, while continuing to have the vehicle in hand. CDB also added a top up cash lease as a product extension targeting mature existing facilities. CDB Aspire Lease was reactivated to promote upgrading of an existing vehicle, enabling affordable cash

14%

growth in net interest income to Rs. 7.6 Bn.

50%

increase in Profit Before Taxes to Rs.4.1 Bn.

I can't help but feel proud that, despite battling numerous storms, we grew close to 10 times in size and over ten times in profits over the past decade.

flow with financial engineering using specific cash flow structured leases. Aligned with our green conscious agenda, green financing is being aggressively promoted with a rooftop solar package and an expansion of our hybrid portfolio, which represents 25% of our current vehicle lending portfolio. We are committed in our mission of expanding our green agenda contributing towards a greener economy, having identified multiple potential areas post-COVID. Currently, there are some business verticals that have gained our renewed focus including agriculture, women entrepreneurs (at present women borrowers represent 33% of the loan book portfolio), pensioners, new business areas and start-ups. Client onboarding via our tech based virtual operation capabilities and client onboarding focused products which include savings accounts and credit cards have led to enhancing our team's competencies dramatically, leading us to continue re-skilling their market approach to take advantage of arising opportunities and meet market demands with minimum mobility and physical interaction. One key initiative which we didn't have ready to our time bound delivery target was our eWallet project. This is now being worked on with some readiness changes and a new date plan.

We also reactivated two construction projects that were scheduled for launch prior to the pandemic. The ceremony to lay the foundation stone for the proposed Kurunegala branch building located in the heart of the city which would facilitate operations of the regional branches was held, while, we are in the process of obtaining the final approval for the proposed building at Green Path.

The pandemic proved that the aggressive tech-driven approach we had emphasized repeatedly was the strong foundation that helped us navigate the pandemic induced challenges. Further, the regulatory framework and other enabling factors also fast-tracked support for our tech-driven solutions. A combination of digital KYC, online NIC verifications, connectivity via APIs like CRIB access coupled with other tech capabilities of BOTS, AI and machine learning based solutions and OCR/ICR technology could trigger immense convenience, speed and connectivity real time, anywhere. This is the digital eco-system we are building to continue our growth trajectory.

The regulatory framework is continuing to strengthen the Non-Bank Financial Institution (NBFI) sector. The Consolidation Master Plan for the NBFI Sector aims at reducing the number of NBFIs to 25 by mid-2026. CDB already has successfully acquired and completed the amalgamation of a company we acquired in 2014 under the financial sector consolidation programme of the Central Bank. The Central Bank also introduced a 1% capital conservation buffer in addition to the applicable minimum capital adequacy threshold, as one of the expected outcomes of the proposed medium term consolidation plan. Under the Prompt Corrective Action (PCA) framework expected to come into effect in July 2022, NBFIs will be classified under five categories. With our strong tenet on responsible governance and going beyond compliance, we remain committed to the CBSL objective of strengthening the NBFI sector.

Having perused the above, I'm sure you realize that the year has not been short of challenges but CDB's inherent optimistic persona carried us through to notch benchmarks and post yet another successful year.

This would not have been possible without the vision engineered by the Chairman and Board of Directors whose confidence in our team, enabled us to navigate impossibly stormy waters. My deepest appreciation to each of you, especially to outgoing Chairman and Non-Executive Director Mr Ranga Abeynayake, whose tenure of nine years on the Board gave me the support to move ahead with confidence. Non-Executive Director Mr Joe Jayawardena and Non-Executive Independent Directors Mr Razik Mohamed and Professor Ajantha Dharmasiri, we thank you for adding the support we needed during your nine year tenure, to steer this company towards unwavering success. Our team, who have shown repeatedly that for you, challenges are an opportunity, thank you for not seeing the clouds over the horizon but instead seeing a sunrise every day to make us feel optimistic about the future. The amazing tenacity of our customers has shown us that everything we do, every single day is truly worth it. Thank you for the support, loyalty and most of all the friendship. We have built a rock solid foundation that will always be there for you to stand strong upon. Our valued business partners and stakeholders – you've been the trusses we have built our business upon. Thank you for making us who we are.

As I look back on a year that has been very different to anything we have experienced in our lifetime, I can't help but feel proud that, despite battling numerous storms, we grew close to 10 times in size and over ten times in profits over the past decade. But the decade ahead will be one that will rapidly change history and thus our journey too. While we have set specific aspirations in the current decade, we also know that our focused key pillars will be the formula for our success. We will strongly embrace both our tech disruption and sustainability agendas encompassing both social and environmental dimensions. Dependence on brick and mortar will be reduced and a more resource efficient organization will emerge to prompt a more carbon conscious entity. Similarly, our tech capabilities will be the conduit to absolute financial inclusion, reaching out to markets across social and geographic boundaries. Embracing a tech disruptive agenda with a David vs. Goliath mindset will be the enabler in competing with incumbents positioning ourselves as a disruptor. Empowering aspirations is our purpose and we intend journeying through the next decade with an unwavering focus on being an entity that makes a difference to the entirety of the citizens of this country.

Mahesh Nanayakkara
Managing Director/CEO
10 June 2021

1.6 CHIEF FINANCIAL OFFICER'S ANALYSIS

GRI 102-7

> CDB reported a consistent performance for the year under review, which is a manifestation of the resilience of our business model, the soundness of our strategy and the robustness of our risk management framework.

An overview

Overall, the performance of the Non-Bank Financial Institutions (NBFIs) sector is projected to have suffered a setback during the financial year 2020/21 in terms of business volumes. Loans & advances, deposits and total assets of the sector are expected to have come down while asset quality too deteriorated. However, based on the interim financials available so far, almost all the large NBFIs in our peer group appear to have weathered the storms well and managed to report growth or maintain their asset bases, a demonstration of the strength of their franchises. Profitability in terms of both ROA and ROE appear to have improved as a result of the increase in profit after tax and the slow growth in assets and equity. Improvement in cost to income ratio mainly as a result of operational efficiencies arising from changes to the business model such as work from home arrangements and increased patronage of digital channels by stakeholders, customers in particular and containment of discretionary expenses coupled with the drop in income tax rate from 28% to 24%, are expected to have had a positive impact on profit after taxation. Liquidity and capital too appear to have been maintained at fairly comfortable levels partly due to the lower demand for credit during the year and also due to a conscious decision of some of the players to maintain excess liquidity given its paramount importance in the event of any contingency situation.

Performance of the sector as well as our performance should be reviewed in the context of the volatile, uncertain, complex and ambiguous operating environment that prevailed as elaborated on page 30 of this Annual Report. CDB was no exception. However, CDB reported a consistent performance for the year under review, which is a manifestation of the resilience of our business model, the soundness of our strategy and the robustness of our risk management framework. It is also a demonstration of how truly we lived by and meant our purpose of empowering aspirations of our stakeholders

Let me explain.

Business volumes

Loans and receivables

With the initial lockdown, the Company experienced a drastic drop in new lending business in the first quarter of the year. However, it gradually recovered in the subsequent quarters and by the fourth quarter, the Company reached about 95% of the pre-COVID new business volumes. With the major portion of the revenue being generated from motor vehicle leases in our business model, import restrictions undoubtedly had a significant adverse impact on business volumes. As a result, we experienced a clear shift from leases for brand new vehicles to leases for registered vehicles. Another challenge we faced was the unusually high early settlements of leases which more than doubled our historical experience due to the stress situation in arrears positions as well as higher vehicle prices. The first lockdown severely impacted our monthly collections too, but I am happy to note that by the end of the second quarter, we managed to reach our pre-COVID collection levels. Yet again, the second outbreak somewhat impacted our collections, but by March 2021 we were back at pre-COVID levels.

With the unusually higher vehicle prices in the market, we faced a challenging situation with regard to new leases. Higher prices exposed the Company to higher Loan To Value (LTV) ratios which may potentially cause additional risk in the event the vehicle prices come down during the tenure of such lease agreements. The underlying risk was compounded when we had to underwrite new business at substantially lower interest rates. We took adequate precautions to maintain our exposures at acceptable levels by maintaining the LTV at lower levels by discounting the value of the vehicles to some extent taking the pre-COVID market prices into account.

Accordingly, we managed to do sufficient new lending business to maintain our lending portfolio by replenishing the monthly capital repayments, early settlements and maturities of the existing portfolio. The growth in the lending portfolio in fact came from gold related loans, which experienced a growth of Rs. 2,206 Mn. or 47%, helping us to further diversify the loan portfolio and to improve the short-term assets in the maturity profile. Consequently, our gross lending portfolio grew by 5% to Rs. 78,799 Mn. compared to the 4% contraction experienced by the NBFI sector. Managing to maintain the total assets at the pre-COVID level, leaving alone a growth, itself is a significant achievement, something the vast majority of the players failed to achieve as evident by the decrease in total assets of the industry by 3% as at 31 March 2021. The below analysis demonstrates the behaviour of the lending portfolio by each quarter of the financial year reflecting how business volumes and recoveries progressed.

Analysis of new lending business volumes and settlements

	Q1 (Rs. Mn.)	Q2 (Rs. Mn.)	Q3 (Rs. Mn.)	Q4 (Rs. Mn.)	Year (Rs. Mn.)
Lending Portfolio (Net of Provisions) B/F	72,423	73,695	74,778	75,085	72,423
New Credit underwrite	2,100	8,750	7,521	9,819	28,190
Repayment of loans/ leases	(639)	(7,282)	(6,779)	(9,734)	(24,434)
Impairment Provision for the period	(189)	(385)	(435)	(112)	(1,121)
Lending Portfolio (Net of Provisions) C/F	73,695	74,778	75,085	75,058	75,058

Deposits from customers

Contrary to the initial expectations of a flight of deposits from the NBFI sector to the Banking sector and a projected drop in deposits of a majority of the sector players leading to a drop in total deposits of the sector, CDB managed to grow its deposit base by 13% from Rs. 43,306 Mn. as at 31 March 2020 to Rs. 48,999 Mn. as at 31 March 2021. Both time deposits and savings deposits recorded growth during the year. Consequently, deposits to debt composition increased to 64% from 56% a year ago.

Growth in deposit base in the last five years

	2020/21 (Rs. Mn.)	2019/20 (Rs. Mn.)	2018/19 (Rs. Mn.)	2017/18 (Rs. Mn.)	2016/17 (Rs. Mn.)
Time deposits	45,648	40,783	44,945	42,331	30,889
Savings deposits	2,915	2,267	2,014	1,991	1,568
Mudharabah	436	256	264	388	145
Total deposits	48,999	43,305	47,223	44,710	32,602

Growth in the deposit base by Rs. 5,694 Mn. and the shareholders' equity by Rs. 2,496 Mn. during the year compared to the nominal growth in total assets enabled us to reduce our reliance on term borrowings, although it had an adverse impact on the maturity profile when viewed on the basis of contractual maturities.

Income

Fund-based income

Demonstrating the strength of our solid franchise, net interest income for the period increased by 14% to Rs. 7,595 Mn. from Rs. 6,639 Mn. in the previous year. This was consequent to the drop in interest income by 5% being more than offset by a drop in interest expense by 19%. Consequently, NIM improved to 8.10% for the year from 7.17% a year ago.

Interest earning assets as a percentage of total assets continued to maintain around 88%, while Interest bearing liabilities as a percentage of total liabilities stood at 95% as at 31 March 2021 compared to 94% as at 31 March 2020. Interest earning assets to interest bearing liabilities continued to be maintained at around 110%.

Besides the downward trend experienced in interest rates, excess liquidity invested in low-yielding assets which generated a negative return too had an adverse impact on the average rate on interest earning assets during the year.

Fee-based income

Fee-based income from fees and commissions and other operating income recorded a marginal increase of Rs. 19.40 Mn. for the year. Other operating income recorded a growth of 9% or Rs. 113 Mn. mainly due to the increase in early settlement income which more than offset the decrease in fees and commission income of 19% or Rs. 94 Mn.

Growth in net interest income coupled with the increase in fee and commission income contributed to the growth in total operating income by 12% to Rs. 9,340 Mn. for the year from Rs. 8,365 Mn. in 2019/20.

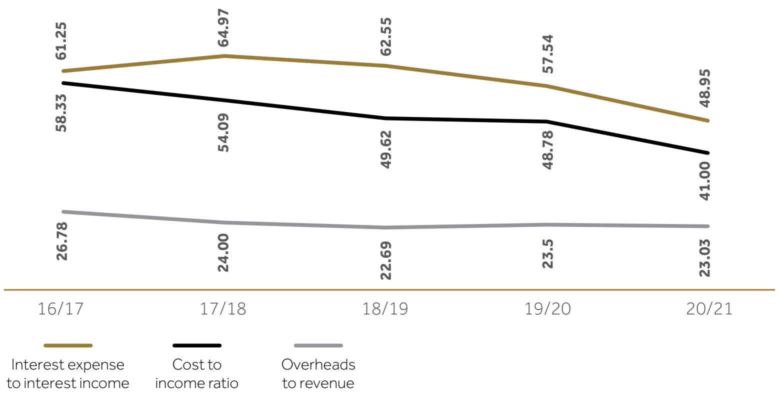
Operating expenses

We managed to improve on our plans at the outset of the year of containing operating expenses in the year under review at the levels of the previous year. As a result, total operating expenses for the year decreased by 6% from Rs. 4,081 Mn. in 2019/20 to Rs. 3,830 Mn. in 2020/21.

While decreases were seen across all major categories of operating expenses, the most significant saving of 15% came from personnel expenses which decreased from Rs. 1,651 Mn. to Rs. 1,402 Mn. The main contributory factors for the savings from personnel expenses were working from home arrangements due to COVID-19 pandemic related lockdowns and curtailment of discretionary expenses. With due regard to the volatile and uncertain times ahead, certain decisions were also taken with regard to the employee benefits and emoluments. It is noteworthy to mention here that, with our employee-focused HR strategy, we did not retrench a single staff member or resort to pay cuts. The marketing budget was slashed during the year while increasingly resorting to marketing and communications on the website and digital media.

Growth in operating income and the containment of costs saw the cost to income ratio (excluding taxes on financial services) for the year under review decrease to 41% from 49 % in 2019/20, signifying operational efficiencies.

OPERATIONAL EFFICIENCY RATIOS %



Asset quality and impairment provisioning

On average, our lending portfolio accounts for 80% of our total assets and hence, it is needless to say that the quality of our assets portfolio depends heavily on the quality of the lending portfolio. I am happy to report that the economic slowdown did not lead to an increase in defaults. It is noteworthy that 69% of our lending portfolio comprises leasing while gold loans accounts for 9%. As a result of the abnormally higher vehicle prices, lessees undergoing stress conditions with regard to their repayments either by themselves or based on our advice at times, opted to dispose their vehicles and settle the lease contracts.

Historically, we have been maintaining our LTV ratio lower than the industry average and it is yet another reason for our lower NPA ratio.

At a time when the industry was experiencing a significant deterioration in asset quality, CDB managed to maintain its asset quality at a level substantially lower than the industry average as evident from the NPA ratio (gross) of 7.00% (7.54% in in 2019/20) compared to the industry average of 11%. Improvement in asset quality led the impairment provision for the year to decrease to Rs. 1,422 Mn. compared to Rs. 1,553 Mn. last year. Provision cover too improved accordingly from 49.34% in 2019/20 to 69.12% in the current year. Open credit exposure ratio came down to 39.22% as at 31 March 2021 from 47.55% a year ago.

Asset quality and impairment provision of the last 5 years

	2020/21	2019/20	2018/19	2017/18	2016/17
NPA ratio (Gross) (%)	7.00	7.54	6.68	3.07	3.08
NPA ratio (Net) (%)	2.21	4.24	3.84	0.89	1.05
Impairment provision (Rs. Mn.)	3,741	2,667	2,064	1,336	895
Provision cover (%)	69.12	49.34	44.12	71.60	66.44
Open credit exposure ratio (%)	39.22	47.55	51.54	21.22	20.63

Except for the 2.00% personal loans portfolio, the rest of the lending portfolio is asset backed with a lower LTV ratio and as a result, our LGD is relatively lower. Historically our loss rates have been significantly lower compared to the industry. Our NIM which was 8.10% in 2020/21 too makes a statement about the risk profile of the customers that we cater to.

All these factors combined contributed to the decrease in the impairment provision for the year compared to the previous year.

Stage-wise break down of the lending portfolio and the impairment provision is given below.

Product	Stage 1 (Rs. Mn.)	Stage 2 (Rs. Mn.)	Stage 3 (Rs. Mn.)	Total (Rs. Mn.)
Lending portfolio	63,779	8,105	6,915	78,799
Impairment provision	394	561	2,786	3,741

Performance of loans under moratoria

Guided by our purpose, CDB extended 2 months deferment of installments for over 90% of the lending portfolio even without a request from the borrowers, during the first round of the moratorium announced by the Central Bank of Sri Lanka in March 2020. At the end of the two months, we extended the moratorium for a further period of three to six months for over 52% of the lending portfolio at the request of the borrowers. We are delighted to report that over 94% of the lending portfolio that were given moratorium are being satisfactorily repaid as at the financial year end.

A detailed analysis of the loan portfolio that went under moratorium is given below.

Extent of the lending portfolio that went under moratoria

	No. of Moratoriums	% of Moratoriums	Exposure Rs. Mn.	% of Moratorium exposure
First moratorium				
For 2 months	33,366	36	24,762	42
For 3 months	43,272	46	25,188	43
For 4- 6 months	5,970	6	7,430	13
Second moratorium				
For 6 months	10,991	12	1,724	3
Total moratorium	93,599	100	59,104	100

Status of the lending portfolio that was granted moratorium, as at 31 March 2021

	No of Accounts			
	No. of Moratoriums	% of Moratoriums	Exposure Rs. Mn.	% of Moratorium exposure
Satisfactory repayments	63,965	68	38,978	66
Rescheduled/Restructured	1,654	2	2,737	5
Irregular repayments	6,438	7	5,212	8
Fully settled and exit	21,542	23	12,176	21
Total	93,599	100	59,104	100

5%

growth in the gross lending portfolio to Rs. 78,799 Mn. compared to the 4% contraction experienced by the NBFI sector.

13%

growth in the CDB deposit base to Rs. 48,999 Mn.

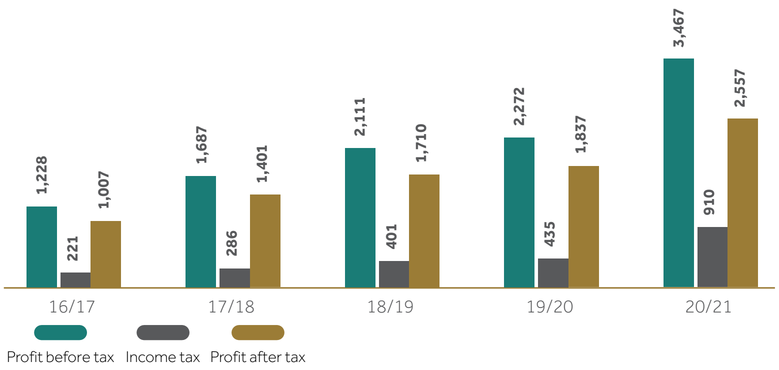
We are delighted to report that over 94% of the lending portfolio that were given moratorium are being satisfactorily repaid as at the financial year end.

Profitability

Increase in the net operating income by 16% and the decrease in the total operating expenses by 6% increased the operating profit before taxes on financial services for the year by 50% to Rs. 4,089 Mn. from Rs. 2.731 Mn. in 2019/20. Value added tax on financial services saw an increase proportionate to the increase in pre-VAT profit. Profit before tax increased by 53% for the year to Rs. 3,467 Mn. against Rs. 2,272 Mn. in 2019/20. Despite the salutary impact on the tax provision from the decrease in income tax rate from 28% to 24% effective from 1 January 2020, provision for income tax increased by 109% to Rs. 910 Mn. compared to Rs. 435 Mn. in 2019/20, thereby limiting the increase in the profit after tax to 39%. Accordingly, the Company recorded a profit after tax of Rs. 2,557 Mn. for the year under review as against Rs. 1,837 Mn. in 2019/20. Earnings per share increased to Rs. 36.64 from Rs. 26.32 a year ago.

Increase in profit after taxation coupled with relatively lower growth seen in total assets and shareholder equity during the year led to significant improvements in profitability. Accordingly, both Return on Average Assets (after tax) and Return on Average Equity increased to 2.73% and 19.97% for the year compared to 1.98% and 17.99% reported in 2019/20.

PROFIT BEFORE TAX AND PROFIT AFTER TAX Rs. Mn.



Liquidity

Given the well-structured nature of our balance sheet, asset liability maturity mismatches are low, generally within the ALCO approved limits, particularly when we take into account the behavioural patterns going beyond the contractual maturities, both in relation to early settlements on the asset side and hardcore deposits based on the consistent deposit renewal ratio. With the uncertainties surrounding the operating environment, we increased the frequency of conducting stress testing on liquidity. Accordingly, we were confident of managing our cash flows even under stressed conditions. Although the industry envisaged concerns with regard to liquidity at the initial stages of locked down and experienced a shift of some deposits from the NBFIs to the Banking sector, we were very comfortable in our liquidity throughout the year. In fact, there was excess liquidity towards the latter part of the year which had to be invested in low yielding assets due to lacklustre credit demand, with adverse impact on our NIM. However, presence of a substantial gold loan portfolio with short term maturities (80% due to mature within two months at any given point in time) as well as a sizable percentage of early settlements and the resulting re-pricing possibility helped us to manage the interest rate risk relating to the assets and liabilities. In other words, the structure of our assets and liabilities is such that in both an upward interest rate as well as a downward interest rate scenario, we have leeway to manage the interest rate risk.

The fact that ours is a very liquid asset portfolio with over 90% of the lending portfolio being contracts with monthly instalment repayments too contributed to maintaining liquidity at comfortable levels.

Asset liability mismatch based on contractual maturities versus behavioural maturity patterns

	Upto 1 year (Rs. Mn.)	1 – 3 years (Rs. Mn.)	3 – 5 years (Rs. Mn.)	Over 5 years (Rs. Mn.)	Unclassified (Rs. Mn.)
Based on contractual maturities (Assets – Liabilities)	(3,053)	5,113	2,990	3,901	(8,951)
Based on behavioural maturities (Assets – Liabilities)	18,380	2,041	(2,682)	(1,558)	(16,181)

Capital

As evident from the table below, the Company has been improving its capital adequacy ratios over the past several years and is in a comfortable position today in meeting even higher capital adequacy requirements stipulated under guidelines on the Sector Consolidation and the Prompt Corrective Action of the Central Bank of Sri Lanka. Growth in the gold loans portfolio as well as growth in overall risk-weighted assets being limited to 3% during 2020/21 had positive impacts on capital adequacy.

Capital adequacy ratios

	2020/21	2019/20	2018/19	2017/18	2016/17
Core Capital Ratio (%)	12.10	10.25	8.09	10.64	12.32
Total Capital Ratio (%)	15.34	13.29	11.07	13.93	14.12

The Company also has a capital augmentation plan in place in order to ensure availability of capital commensurate with the plans for expansion of business in the years to come and the risk profile of the business.

Shareholder returns

Taking improved profitability for the year, the concerns on the uncertain and volatile operating environment ahead of us, and our growth plans in the upcoming years into account, the Directors decided to recommend a first and final dividend for 2020/21 of Rs. 7.50 per share for approval by the shareholders at the forthcoming annual general meeting to be held on 30 July 2021.

Market prices of both voting and non-voting shares witnessed substantial increases during the year, thereby increasing the Company's market capitalisation to Rs. 7,283 Mn. from Rs. 4,750 Mn. a year ago. Accordingly, closing market prices of voting and non-voting shares were Rs. 110.00 and Rs. 71.90 as at 31 March 2021 compared to Rs. 72.10 and Rs. 44.80 as at 31 March 2020. Appreciation of the prices by 53% and 60% respectively for voting and non-voting shares compares well against the increase in the ASPI index during the year of 56%.

Outlook for 2021 and beyond

Despite the earlier expectation of a faster emergence of the new normal, the pandemic is still ranging in many nations including our neighboring country, India as I write this review. Even as the pandemic continues to change lives drastically, we expect the world to undergo significant changes making the new normal very different to our earlier expectation.

However, we have gone through many a shock during the first generation and had the resilience to come out of them. We are confident that our purpose coupled with exemplary governance and meticulous execution of strategic plans enables us to build an organisation that is highly resilient to the volatile and uncertain times expected to impact the next generation.

Despite the challenges posed by the uncertain macro-economic context and encouraged by our satisfactory performance in 2020/21 under unprecedented circumstances, we will strongly commit ourselves to the three strategic priorities of Tech-Fin Transformation, One Million Customer Base and A Quarter Trillion Asset Base (Q-TAB) by 2030 in the immediate future. We have already introduced revolutionary changes to the traditional financial services through innovation and technology. We will continue to adapt and realign our strategies to suit the dynamics of the emerging new normal and chart a course of sustainable success.

We believe the use of technology, resulting operational efficiencies and enhanced customer experience will drive profitability, and as a result, the financial services industry will gradually regain its attractiveness to the investors. We expect to be at the forefront of this transformation.

Damith Tennakoon
Executive Director/
Deputy Chief Executive Officer/
Chief Financial Officer

10 June 2021

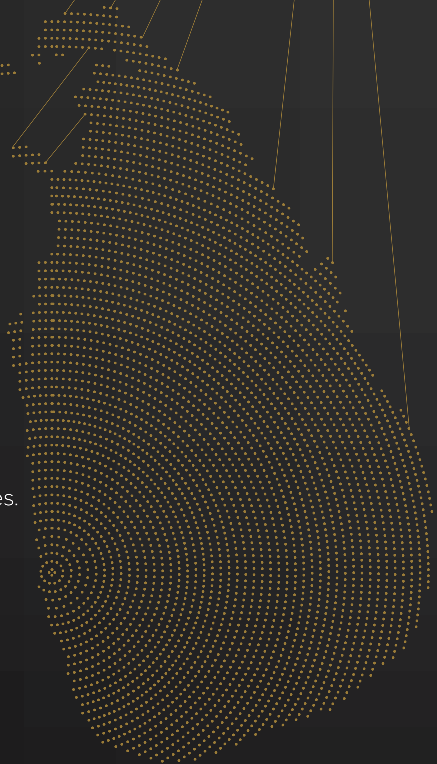
2.1 OPERATING ENVIRONMENT AND OUR RESPONSE

The market drivers

The COVID-19 pandemic has reshaped the world and the business environment with tumultuous economic and financial effects.

As a result, organisations have been compelled to transform to be sustainable and relevant. This requires smooth adaptation and agility of business models, confronting challenges creatively and capitalising on new opportunities.

Several key factors are shaping the operating context both locally and globally. Linked to these market drivers are challenges and opportunities that are general to the external environment and some that are specific to CDB. We have stated appropriate responses, after careful assessment of the impact of these drivers on our Company.



TECHNOLOGICAL CHANGE

Increasing adoption of technologies such as internet of things, blockchain, robotics, artificial intelligence (AI) and data analytics, and the pace of change, affect our ability to remain relevant to our customers as well as our competitiveness and the associated operational risk.

CHALLENGES

1 Rapid innovations from fintechs and telcos with the challenge to integrate and up-scale digital innovations

2 Complexity of managing technology, information and cyber risks

3 Increased competition for specialised skills, such as information technology, data analytics and risk management

4 Customer behaviour influenced by disruptions through fintechs and telcos

OPPORTUNITIES

5 Opportunities for process automation and adoption of AI to decrease cost-to-serve and enhance customer service

6 Customers increasingly adopting digital products

IMPACT ON CDB

- Upgrade legacy systems and implement agile ways of working across all business functions.
- Continuous improvement of monitoring and prevention to protect customers and the Company from the increasing sophistication of cybercrime, fraud risk and financial crime.
- Achieve cost-efficiencies through digitalisation.

OUR RESPONSE

- Delivering scalable, digital solutions that focus on customer needs and drive customer experience.
- Proactively adopt and embrace new technological knowhow and embed AI based solutions to strengthen our decision making and processes.
- The core banking solution has created a differentiation in terms of products on offer and service quality.
- Continuous investment in technology platforms, processes and controls including monitoring, enhancements and prioritisation of key issues.

MACRO-ECONOMIC ASPECTS

There are several aspects that impact the macro economy. The pandemic created severe pressure on the macro economy and customers across various segments in 2020. This impacts our ability to sustain business and achieve our business commitments.

CHALLENGES

7 Slowdown in the economy

8 Currency depreciation against the US Dollar

9 Import restrictions

10 Declining worker remittances

11 Declining global competitiveness of Sri Lanka

12 Increased credit risk defaults and lower recoveries

13 Reduced cash inflows from loan repayments

14 Reduced profit levels and capital depletion

15 Higher provisioning requirements

OPPORTUNITIES

16 Relief measures introduced by the CBSL and injection of liquidity to the system

IMPACT ON CDB

- Impact on Company's profits due to higher loan provisioning requirements.
- Impact on Company's credit rating.
- Extending the debt moratorium to affected customers as per the CBSL directions.

OUR RESPONSE

- NPLs were closely monitored at different levels based on the days past due (DPD). NPL was maintained at 7% as at 31 March 2021.
- Moratoriums were extended to 93,599 customers relating to Rs. 59 Bn. worth credit facilities as per the CBSL directions.
- Proactive management of credit portfolio risks.
- Diversification to other loan products such as credit cards, gold loans and rooftop solar etc.

MARKET DRIVEN FACTORS

The market interest rates remained low in 2020. The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were both reduced five times during the year to 4.5% and 5.5%, respectively, at year's end and the Statutory Reserve Ratio (SRR) was reduced twice to 2% at year's end. This affects our net interest margin and profitability.

CHALLENGES

17 Compressing of the net interest margin

18 Impact on profitability

OPPORTUNITIES

19 Opportunities to grow the lending portfolio

20 Opportunities to expand fee and commission income

IMPACT ON CDB

- Low interest rate regime resulted in increased early settlements
- Increased competition among banks and NBFIs due to decreasing gaps in fixed deposit rates given to customers

OUR RESPONSE

- Maintained the margins at required levels with optimal composition of assets and liabilities.
- Offering bundle of products through enhanced customer services.

GOVERNANCE, SOCIAL AND ENVIRONMENTAL MATTERS

Social and climate change risk impacts on our Company, our customers and the operating environment.

CHALLENGES

21 The increasing pace and evolving complexity of regulatory and statutory requirements across the financial services industry

22 Increasing requirement for solutions that aid the transition to a low-carbon regime

23 Increasing severity of penalties and regulatory sanctions for non-compliance

24 A need for improved governance and transparency in business conduct

25 Health and safety

OPPORTUNITIES

26 Opportunities to create sustainable financial solutions

27 Opportunities to create social entrepreneurship to solve societal challenges

28 A strong and stable financial services sector

29 Opportunities to support small and medium businesses who are the backbone of the Sri Lankan economy

30 Commitment to sustainable development goals

IMPACT ON CDB

- Need to embed climate change considerations into business strategies to mitigate risks.
- Proactively seek opportunities to support a transition to a low carbon economy.
- Need to create new channels and customised products intended to uplift society.
- Need for a coordinated, comprehensive and forward-looking approach to evaluate, respond to, and monitor regulatory change.
- Need to incur increased costs to implement and manage regulatory changes and impacts on financial measures.

OUR RESPONSE

- Ongoing investment in people, processes and systems across the Company.
- Participating in regulatory and statutory advocacy groups across the industry.
- Engaging with communities and supporting initiatives as part of the Company's commitment to uplift the society.
- Driving sustainability agenda aligned with corporate strategies.

Materiality

GRI 103-1, 103-2, 103-3, 203-1, 203-2, 203-3

The above market drivers create trends that present risks, opportunities or both. They have an impact on our stakeholders and our Company on varying degrees. The matrices that follow illustrate the topics that are material to our Company according to their impact on stakeholders and our Organisation. We define material matters as those that significantly affect our ability to create value over the short, medium, and long term. We have determined the materiality of each matter by its relevance, the magnitude of its impact, and the probability of occurrence.

In this section, we look at topics that have the most impact on our value creation process. We view value creation in terms of the needs and priorities of our stakeholders and the context of the constantly changing environment within which we operate.

OPPORTUNITIES TO BE CAPITALISED

Importance to stakeholders	Low	Moderate	High
High			5, 6, 16, 26, 27, 30
Moderate			19, 20, 28, 29
Low			
Importance to CDB	Low	Moderate	High

RISKS TO BE MITIGATED

Importance to stakeholders	Low	Moderate	High
High	22		7, 11, 12, 25
Moderate	8, 21, 23, 24	10	1, 2, 3, 4, 9
Low		17, 18	13, 14, 15
Importance to CDB	Low	Moderate	High

Our management approach

GRI 102-47

The material topics are managed through our strategic planning process. Each material topic is linked to achieving one or several strategic imperatives as indicated in the table below. This is done by assigning responsibility to the heads of the relevant divisions of our Organisation, allocating necessary resources based on the significance of each material topic towards achieving the relevant strategic imperatives. To ensure these material topics are achieved, we have embedded goals and targets where relevant into the KPIs. These are reviewed at regular intervals.

In managing these material topics, we have formulated policies to guide our people to conduct activities in a responsible, ethical, and transparent manner. These policies, which are duly adopted by the Board of Directors, are reviewed at predetermined intervals to stay current with the changing environment.

Formal grievance mechanisms are in place to address and resolve grievances. Lending to our customers and dealings with our business partners are screened for social and environmental aspects. All internal controls, policies, and procedures laid down to achieve the objectives of material topics are subject to internal and external auditing and verification to ensure adherence. We report the findings to the BOD and/or Management Committees on a periodic basis for information and corrective action where necessary. The numerous awards and accolades received by our Company demonstrate the effectiveness of the management approach we have adopted.

Material aspects

GRI 102-47

	MATERIAL TOPIC	GRI DISCLOSURE
1	Process automation and adoption of AI	
2	Customers increasingly adopting digital products	
3	Slowdown in the economy	GRI 201: **Economic performance**
4	Import restrictions	GRI 201: **Economic performance**
5	Declining worker remittances	GRI 201: **Economic performance**
6	Declining global competitiveness of Sri Lanka	GRI 201: **Economic performance**
7	Increased credit risk defaults and lower recoveries	
8	Relief measures introduced by the CBSL and injection of liquidity to the system	
9	Rapid innovations from fintechs	
10	Complexity of managing technology, information and cyber risks	GRI 418: **Customer privacy**
11	Increased competition for specialised skills	GRI 404: **Training and education**
12	Customer behaviour influenced by disruption through fintechs	
13	Grow the lending portfolio	GRI 201: **Economic performance**
14	Expand fee and commission income	GRI 201: **Economic performance**
15	Health and safety	GRI 403: **Occupational health and safety** GRI 416: **Customer health and safety**
16	Create sustainable financial solutions	GRI 307: **Environmental compliance** GRI 308: **Supplier environmental assessment** GRI 419: **Socio-economic compliance**
17	Create social entrepreneurship to solve societal challenges	GRI 413: **Local communities**
18	A strong and stable financial services sector	
19	Commitment to sustainable development goals	GRI 307: **Environmental compliance** GRI 419: **Socio-economic compliance**
20	Support small and medium businesses that are the backbone of the Sri Lankan economy	GRI 413: **Local communities**

2.1
Operating environment and our response

2.2
Our approach to sustainable value creation

STAKEHOLDER	STRATEGIC IMPERATIVE
CUST	ECA, EII
CUST	ECA, EII
INVS	EOG
CUST, INVS	ECA, EOG
CUST	ECA, EOG
INVS	EOG
CUST, INVS	ECA, EOG
CUST, INVS	EOG, ECA
CUST	EII, ECA
REGU, CUST	ECA, EOG
EMPL	ED
CUST	ECA
CUST, INVS	EOG, ECA
CUST, INVS	EOG, ECA
COMU, EMPL, CUST	ESD, ED, ECA
CUST, ENV, COMU, BUS.P	ECA, ESD
COMU, CUST	ECA, ESD
REGU	EOG
COMU, ENV, CUST, EMPL	ESD, ECA, ED
COMU, CUST	ESD

- CUST Customers
- INVS Investors
- EMPL Employees
- BUS.P Business partners
- REGU Regulator
- ENV Environment
- COMU Communities
- ECA Elevate customer aspirations
- EII Expand inspired innovations
- ED Employee development
- EOG Emphasise organic growth
- ESD Endorse sustainable development

Our Stakeholders

Our principal stakeholders are investors, customers, business partners, regulators, employees, the community and the environment. We balance the needs of stakeholders over the short and long term to deliver sustainable performance.

Our engagement and relationship with stakeholders enable us to create value for our Company and our stakeholders. The changes brought about by the pandemic impacted the manner, the level, and the frequency of engagement with our stakeholders. Based on the feedback received from our stakeholders, we continue to work on improving our business model and strategic planning processes.

Read more on stakeholder mapping

Engaging with our stakeholders

GRI 102-40, 102-42, 102-43, 102-44

CUST

THEIR CONCERNS

- Customer experience
- Convenience and speed of service
- Accessibility
- Reliability
- Real time information
- Assurance of privacy
- Product innovation
- Technology driven financial solutions
- Ethical lending practices
- Speedy complaint resolution

HOW WE ENGAGE

- CDBiNet app – Ongoing
- Customer relationship unit – Ongoing
- Dealer network – Ongoing
- Media advertisements and website – Ongoing
- Product launches – As and when needed
- Social media – Ongoing
- Call centre – 24x7

OUR RESPONSE AND RESPONSIBILITIES

- Technology driven financial solutions
- Ensure high customer confidentiality
- Avert unsolicited communication and intrusive surveillance
- Ensure company brand values and code of conduct
- Provide positive customer experiences

METHOD OF ENGAGEMENT

- Customer service and support point of contact
- Annual customer surveys
- Island-wide customer touchpoints
- Face-to-face interactions at CDB branches
- Regular correspondence with account and facility holders
- Access to ATMs

INVS

THEIR CONCERNS

- Return on Investment
- Financial strength and resilience
- Risk management
- Sustainability management performance
- Sustainable profitability
- Increased share value
- Integrity of Board and management
- Goodwill of the Company
- Safeguard asset quality
- Reinvest earnings

HOW WE ENGAGE

- Annual Reports and forums – Annually
- Annual General Meeting – Annually
- Interim financial statements – Quarterly
- Corporate website – Ongoing
- Announcements to the CSE – As and when needed
- Media releases - As and when needed

OUR RESPONSE AND RESPONSIBILITIES

- Ensure optimal returns on investment
- Strengthen risk assessment and mitigation and adhere to the Company's Code of Conduct
- Public affairs management and prompt response
- Reinvest earnings to support future growth potential
- Public affairs management
- Balance profitability in the short-term and sustainable profitable growth in the long-term

METHOD OF ENGAGEMENT

- Open dialogue channels to clarify and get updated information
- Discussions and reviews on business performance, targets, forecasts and industry benchmarks
- Identify performance drivers, industry trends, opportunities and realign with business plans
- Provide assurance on all regulatory and statutory compliance requirements

EMPL

THEIR CONCERNS

- Occupational health and safety
- Career progression
- Remuneration and benefits
- Skills development
- Work-life balance
- Human Rights at the workplace

HOW WE ENGAGE

- Managers' meeting/Branch meetings – Weekly
- Regional review meeting – Monthly
- Employee engagement – Weekly
- HR space integrated system – Annually
- Performance evaluation and reward mechanism – Bi-annually and annually
- Virtual staff meetings – As and when needed
- More than 75 virtual training programs
- WhatsApp/Viber groups – Frequently

OUR RESPONSE AND RESPONSIBILITIES

- Provide a safe and inspiring working environment
- Support personal and professional growth
- Provide fair remuneration and talent development
- Groom future leaders
- Promote and maintain harmonious relationships
- Recognise exceptional performers

METHOD OF ENGAGEMENT

- Regular updates on company performance
- Encourage career development via lifelong learning programmes and internal/external training
- Comprehensive Integrated HR system
- Annual social events
- Open door policy and a safe work environment
- Performance reviews
- Grievance handling procedures

BUS.P

THEIR CONCERNS	HOW WE ENGAGE	OUR RESPONSE AND RESPONSIBILITIES	METHOD OF ENGAGEMENT
• Ethical conduct • Profitability • Professionalism and on-time service • Competitive advantage • Accountability • Sustainability and functionality of the supply chain • Partner wealth maximisation	• Supplier screening – As and when needed • Individual meetings – As and when needed • Joint promotional campaigns – As and when needed • Business partner gatherings – Annually	• Address issues related to supplier chain • Ensure healthy partnerships • Encourage sustainable sourcing	• Joint promotional campaigns • Sustainable sourcing • Extended dealer network and marketing channels • Promote sustainable consumption & production

REGU

THEIR CONCERNS	HOW WE ENGAGE	OUR RESPONSE AND RESPONSIBILITIES	METHOD OF ENGAGEMENT
• Good governance practices • Ethically driven business model • Fair and transparent framework and work practices • Legal compliance • Promote voluntary compliance codes	• Regular directives and circulars – Ongoing • Compliance forums, and discussions – Quarterly • Inspection of new rules and regulations – Daily • Press releases – Ongoing • Regular audits	• Develop, communicate, and promote good governance and ethical behaviour at all levels • Provide timely and accurate information • Immediate response to queries made by the authorities • Ensure full compliance • Comply with rules and regulations	• Compliance meetings • Regular discussions on regulatory matters • Adhere to all mandatory regulatory requirements • Comply with all reporting standards and disclosures

ENV

THEIR CONCERNS	HOW WE ENGAGE	OUR RESPONSE AND RESPONSIBILITIES	METHOD OF ENGAGEMENT
• Conservation practices • Environmental protection • Resource efficiency • Energy conservation • Reducing carbon footprint • Contribution to SDGs	• Greenhouse gas emission analysis – Annually • Emission reduction – Ongoing • Paper recycling – Ongoing • E-waste recycling – Ongoing • Engagement activities – Ongoing • Renewable energy – Ongoing • Green Ninja Ambassadors – Ongoing • Conservation projects – Ongoing	• Monitoring and analysis of greenhouse gasses • Stakeholder awareness on best practices • Adopt environmentally friendly green initiatives – waste management, energy consumption management, and emission reduction • Adopt green policies, practices, and approaches	• Conform with applicable environmental laws and regulations • Undertake and publicise relevant CSR projects • ESMS platform • Engagement activities

COMU

THEIR CONCERNS	HOW WE ENGAGE	OUR RESPONSE AND RESPONSIBILITIES	METHOD OF ENGAGEMENT
• Safety, health, and welfare • Education and literacy • Societal health and well-being • Living standard • Social investment • Community development • Education and literacy • Ethical sourcing • Employment generation	• Employee volunteering activities – Annually • Smart classroom donation and Sisudiri scholarship programme – Annually • Outreach programme for autism awareness – Quarterly • Press releases – Ongoing • Investment on community and conservation – Ongoing • Lending for rural economic development – Ongoing • Social media – Ongoing • SMB Friday to promote entrepreneurs – Ongoing	• Uplift the quality of life of communities, support community health and well-being, and uplift education • Provide solutions for rural youth empowerment • Support entrepreneurs • Support female economic empowerment	• Child health and well-being programmes • Child education and literacy programme • Employee volunteering activities • Supporting entrepreneurs through "SMB Friday" • Community development through investments • Adopt and publicise the green policies and practices followed by CDB

2.2 OUR APPROACH TO SUSTAINABLE VALUE CREATION

Our **strategy**

As a financial services provider, our purpose is to empower aspirations of our stakeholders by making luxury affordable and bringing prestige and recognition. Tech disruption and sustainability agenda are the key pillars that will enable us to achieve our purpose.

Our purpose is based on **three strategic priorities...**

Transforming into a **techfin** company

To drive a digital economy by converting our conventional business into transactional business and by building a digital platform to grow our loan book and increase our customer base

Growing our customer base to **one million**

By onboarding all customers and empowering their aspirations through financial intermediary services through a digital platform

Q-TAB: Expanding our balance sheet to **Rs. 250 Bn. by 2030**

By expanding our loan book, driving transaction volumes, fulfilling the financial aspirations of all customers and offering both conventional and check-in products

...and our journey is closely aligned with green recovery, which includes our social sustainability and environmental stewardship.

The strategic priorities are achieved through five strategic imperatives driven by key material focus areas…

ECA

Elevate customer aspirations

Customer emotions and convenience

EII

Expand inspired innovations

Through sustained innovations and disruptive innovations

ED

Employee development

Through an inspiring culture and elevating employee aspirations

EOG

Emphasise organic growth

Through balance sheet growth, strong governance and compliance, expanding customer touchpoints, optimising asset mix, and product development

ESD

Endorse sustainable development

Through community-led sustainability and environment led sustainability

The strategies to achieve the material focus areas are given below.

ECA

Emotions
Premium service
Customer segmentation

Convenience
Digital and physical touchpoints
Customer care
Customised solutions

Assurance
Privacy and data protection

EII

Sustained Innovations
Digital platforms
Customer convenience
Employee productivity

Disruptive innovation
Onboard customers
Digital products and services

ED

Culture
Elevate employee emotions, passions and spirit
Diversity and equality
Recruitment and integration

Elevate aspirations
Family bond
Performance management
Training and development
Rewards and recognitions

EOG

Balance sheet growth
Strong and stable financial position

Governance and compliance
Strong and stable organisation

Growth in customer touchpoints
Physical touchpoints
Virtual touchpoints

Asset mix
Optimal asset mix

Product development
Tailor-made solutions

ESD

Community and sustainability
Accelerating sustainable mobility solutions
Financial inclusion
Community impact

Environment and sustainability
Conservation and biodiversity
Extraordinary results through ordinary people
Responsible and sustainable brand

Business Model

EMPOWERING ASPIRATIONS

STRATEGIC PRIORITIES *(Refer page 36)*:

Tech-fin Transformation, Q-TAB, One Million Customer Base

VALUES

SUSTAINABILITY AGENDA

MARKET DRIVERS

Refer pages 30 to 31

TECH DISRUPTION

RESOURCES

INVS
Investor capital
- Equity capital
- Dividend Policy
- Shareholder engagement

REGU
Regulator capital
- Good governance framework
- Effective internal control system
- Strong risk management framework
- Sound policies and procedures
- Ethics and compliance

CUST
Customer capital
- Diverse customer base
- Strong customer relationships
- Customer-centric culture
- Multi-channel customer touchpoints
- Conventional and check-in solutions
- Customer grievance handling mechanism
- Strong brand image and value

EMPL
Employee capital
- Diversified workforce
- Skills and competencies
- Performance-driven culture
- Ethical behaviour
- Loyalty and commitment
- Training and development
- Recruitment and career progression policy
- Employee grievance policy
- Value-based culture

ENV
Environmental capital
- Green Ninja Ambassadors
- Impact investment partnerships
- Energy, waste and water management initiatives

COMU
Community capital
- Commitment to financial inclusivity
- Socially responsible lending
- Motivating the team to serve the communities
- Investments to create positive impact

BUS.P
Business partner capital
- Long-standing business partner relationships
- Transparent procurement policy
- Strategic partnerships

STRATEGIC IMPERATIVES

Refer pages 41 to 84

- **Elevate customer aspirations**
- **Employee development**
- **Expand inspired innovation**
- **Emphasise organic growth**
- **Endorse sustainable development**

EMBEDDING THE UN SDGS
Refer pages 39 to 40

ACTIVITIES

MONITORED BY GOVERNANCE FRAMEWORKS AND RISK MANAGEMENT
Refer pages 85 to 128

- **Payment Services**
- **Deposits**
- **Lending**

OUTPUTS AND OUTCOMES

INVS
Investors
- Prudent growth
- Sustainable returns
- Market capitalisation
- Growth in business volumes and incomes
- Strengthened the capital base and liquidity position

REGU
Regulator
- Strengthened our risk and governance aspects
- Promoted a culture of transparency, integrity, and accountability

CUST
Customers
- Increase in customer base
- Customer satisfaction
- Enhanced customer convenience
- Elevated customer experience

EMPL
CDB team
- A resilient, engaged, and inclusive workforce
- 36,169 hours of training
- Enhancement of skills and capabilities
- Healthy work-life balance
- Improved employee productivity

ENV
Environment
- Increased use of renewable energy in our buildings
- Incorporating environmental considerations into our lending and investment decisions
- Efficient management of our energy and water consumption
- Carbon neutral entity

COMU
Community
- Improved quality of life of communities
- Uplifting education
- Promoted financial inclusion
- Net lending outside the Western province
- Promoted women entrepreneurship

BUS.P
Business partners
- Quality products and services
- Increased efficiency and speed of service
- Sustainable supply chain

Commitment to SDGs at CDB

The long-term success of our Company is closely intertwined with the futures of stakeholders – a future where our customers and team members have opportunities to realise their aspirations, communities to thrive, and the environment to be conserved. Our sustainable value creation model remains at the core of our growth strategy. Sustainability principles are entrenched into all aspects of our business.

Based on our business model and the stakeholders who are most relevant to us, we prioritised seven SDGs that are key to making a material impact.

SDG 3: Good health and well-being

SDG 4: Quality education

SDG 6: Clean water and sanitation

SDG 7: Affordable and clean energy

SDG 12: Responsible Consumption and Production

SDG 15: Life on land

SDG 17: Partnership for the goals

Provide health-care options, encourage healthy lifestyles and provide decent working conditions.

Health-care options

- Investment of Rs. 17.5 Mn. for 198 team members on health care facilities through "CDB *Suwa Sampatha*".
- Maintaining a zero occupational disease rate, zero work-related fatalities and promoting safe and healthy surroundings.
- Introduced paternity leave.
- Extending leave in the event of an illness or complication or risk of complications, providing facilities and flexible working hours and developing appropriate family-friendly facilities for team members, which extend beyond compliance.

Decent working conditions

- A comprehensive range of health and safety protocols were implemented within all CDB premises investing Rs. 15 Mn. to ensure safety and decent working conditions.

Healthy lifestyles

- "Active Ninja" – In collaboration with the Health and Wellness Unit of the University of Colombo, the employee health and well-being educational programme was launched to provide free medical services, resources and information to raise awareness about health issues and available services.
- Child health and well-being "Act early for Autism" programme.

To promote early detection and timely intervention, the Autism Awareness project was launched in collaboration with Sri Lanka Association for Child Development (SLACD) in 2016. We have continued to make a positive impact through many initiatives under this project since its inception.

- Contributed towards the construction of a quarantine centre at the Maduru-oya Army Training centre supporting the national effort to combat COVID-19.

Providing all our team members learning opportunities to enhance their knowledge and skills needed for sustainable development and pursue sustainable lifestyles. This process is encouraged from the beginning of their journey at CDB and this is further supported by providing an e-learning platform and library facilities.

Reimbursing the examination and course fees to encourage team members to obtain extra qualifications or continue their education. Investment during the year was Rs. 2.4 Mn.

Average hours of training per employee for FY 2020/21 was 20.6 hours.

We provide employment opportunities to youth in rural areas, support their education and provide training opportunities to increase their employability. During the year, 193 youth were recruited from outside the Western Province.

Scholarships were provided for high achievers of Grade Five Scholarship Examination and the GCE Ordinary Level Examinations, through the "*Sisu Diri*" scholarship Programme. 609 scholarships have been offered since the inception of this programme.

Under the "CDB Smart Classroom" programme, CDB presented 12 state-of-the-art smart classrooms to disadvantaged schools in rural areas, providing access to digital education.

Respecting the right to safe drinking water and sanitation through availability, accessibility, acceptability, and quality of water.

Improving water performance and promoting reuse of fresh water through rainwater harvesting system.

Sharing smart solutions with peers and promoting awareness in conserving water among team members.

As at 31 March 2021, our energy efficient vehicle-lending portfolio stood at 25%. During the year a project was initiated to convert our branch network to Green branches and renewable energy backed locations.

Partnered with roof solar energy suppliers to encourage customers to change to solar electricity, introducing a payment plan under green financing. This was initiated as a pilot project during the year and owing to its success we will further expand the initiative in the ensuing year.

Mid-term plan to engage responsibly with the public sector to support the development of well-designed, stable policy frameworks and financing mechanisms to tackle market barriers including providing finance assistance to generate affordable, energy-efficient vehicle technologies to Sri Lanka.

Monitoring and reporting the amount of energy produced, purchased and consumed, according to source as per the annual carbon footprint analysis of our Company. Our energy consumption was at 2.2 Mn. KWh in FY 2020/21.

Ongoing efforts to reduce energy consumption in our own operations, collaborating with suppliers to reduce energy consumption, setting efficiency standards and conducting regular energy audits. CDB e-newsletter is circulated monthly creating awareness among our team members on using renewable energy in their households and switching to clean mobility solutions.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Incorporating sustainable development into our corporate vision, policies and strategies and developing sustainability targets and indicators across our operations:

- Voluntary adoption of UN SDGs across the Company.
- Business model, which combines urban funding and rural lending, with sustainable practices.
- Use of tech disruption to find sustainable solutions for maximum resource efficiency and low carbon growth.
- Embedding a sustainability agenda to the core business strategy and the company business model.

Implementing our mid-term goal of setting up the Citizens Sustainable Financing Unit to process sustainable financing requirements of our customers:

- Using renewable materials and energy-efficient technologies to reduce the negative environmental impact.
- Investing in improving environmental performance.
- Raising consumer awareness and promoting consumer education to improve their willingness to engage in sustainable consumption.

Understanding sustainable management in all operations through Environmental and Social Management policy and system (ESMS).

Tracking and reporting waste generated and disposed, energy and water consumption GHG, through the annual Carbon Footprint analysis. Maintaining the carbon neutral status of the company by investing in UN Clean energy projects for the sixth consecutive year.

15 LIFE ON LAND

Conducting numerous environmentally sustainable activities across our outlets and communities by the CDB Green Ninja Ambassadors of "CDB Advance Green Ninja Club" with the aim of connecting people to nature.

ISO 14064-1:2018 Carbon verification and a certified carbon neutral business entity.

Understanding the social and economic value of ecosystems, the value of recreation and functions in supporting ecosystem processes, we collaborated with private sector institutions, Biodiversity Sri Lanka (BSL), International Union for Conservation of Nature (IUCN) and the Sri Lanka Forest Department to restore and manage the degraded land adjacent to Kanneliya Forest Reserve, under the "Life project".

"Green Ninja – CDB Quiz Master" programme to create awareness in biodiversity and ecosystems amongst our team members.

CDB annual "e-waste" and "Paper waste" recycling programmes to recycle waste generated and harmful chemicals used in our operations responsibly, and assess and prevent the actual or potential negative impact on soil, wildlife and ecosystems.

Creating awareness on bio diversity, climate emergency and other sustainability issues to build a grassroot level movement to achieve SDGs by sharing e-flyers, videos among all staff members.

17 PARTNERSHIPS FOR THE GOALS

Please refer page 71 for the sustainability business partners of CDB.

We believe in, strengthening our partnerships to contribute towards achieving focused sustainability development goals. Furthermore, we believe SDGs can only be met if we support and collaborate with others who have the same vision to achieve these SDGs.

Read about the Sustainability Steering Committee Responsibilities

2.1
Operating environment and our response

2.2
Our approach to sustainable value creation

3.1 CUSTOMERS

GRI 103-1, 103-2, 103-3

CUST

We create customer value by providing financial solutions to elevate lifestyles and thereby "Empower Aspirations". This helps us to build long-lasting relationships rooted in trust, empathy and ethics. We maintain trust by striving to protect our customers' data and information and delivering fair outcomes for them. Our transition into a TechFin organisation with a financial services mindset in this decade, driven by sustainability and tech disruption, will further enhance our value proposition to customers as we deliver a generation of services assuring value generation for all.

Related strategic imperatives and material focus areas

ECA – Elevate customer aspirations
- Emotions
- Convenience
- Assurance

EII – Expand inspired innovations
- Disruptive and sustained innovation

EOG – Emphasise organic growth
- Product development

ESD – Endorse sustainable development
- Environment and sustainability

Contribution to UN Sustainable Development Goals

12

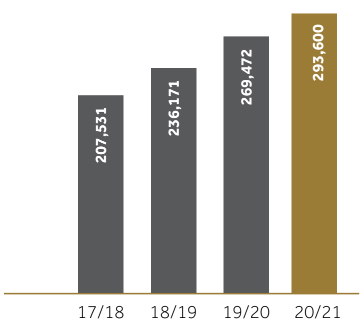
Delivering a premium service

We give high priority to customers' emotional connection with our brand. This is essential to spur customer activity, elevate our brand and strengthen customer loyalty. We interact with customers focused on simplicity, transparency, clarity and empathy, fulfilling their diverse aspirations.

Growth in our customer base

The effectiveness of this strategy is evident by the steady growth in our customer base over the years.

TOTAL CUSTOMERS Nos.



We develop insight-driven customer value propositions with a focus on customer lifecycle management. This enables us to forge deep relationships through a life-stage/ecosystem approach. We constantly improve access to financial services through our extensive and accessible network comprising physical outlets, call centre, digital platforms and access through strategic partners. Increasingly, we focus on the development of new technology-based solutions that elevate customer convenience. We also focus on strengthening customer security and privacy through state-of-the-art technology and data management.

Despite the challenges of operating during the COVID-19 pandemic, technology enhancements and investments introduced over the years increased our interactions with our customers. We were able to provide solutions to their financial requirements effectively and seamlessly. During the year, we effected several improvements to enhance our service delivery to customers.

- The application journey was digitised where possible in order to provide quicker handling time on end-to-end application processing. All forms were digitalised with the use of optical character recognition (OCR) technology to automate data extraction while data entry functions were performed by BOTs to ensure speedy service. This has resulted in a reduced turnaround time.
- The CDB Flexi Capture App, is one of the most revolutionary apps in the industry, which is used to upload all loan applications and customer onboarding documents by our sales team from any place and at any time using a smart phone while assuring data security.
- Head of Branch was granted delegated authority limits to approve loans at any time of the day without visiting the branch. 90% of our loans can be

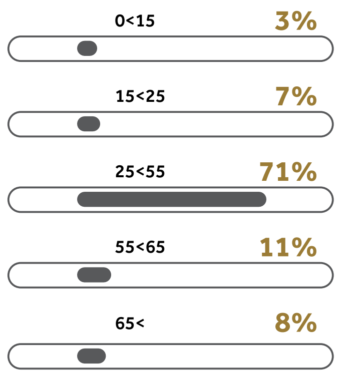
An analysis of our customer base for 2020/21

CUSTOMER PROFILE BY GENDER

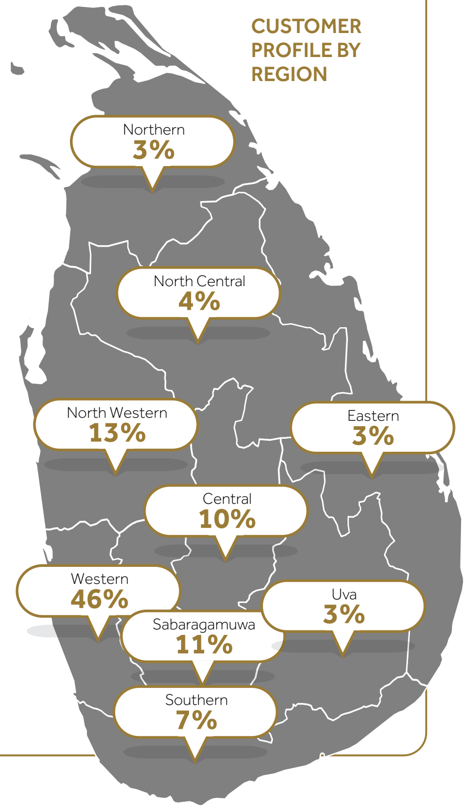
Female
33%

Male
67%

CUSTOMER PROFILE BY AGE



CUSTOMER PROFILE BY REGION



approved through this process to deliver a speedy and a hassle-free service to our customers.

- Centralised CRIB checking process enables our marketing staff to make speedy decisions on loan/lease facilities by requesting and receiving CRIB reports while on the move from anywhere, anytime.
- Robotic process automation (RPA) based entry process for loan account creation, credit card entries, customer onbording and savings account creation were channelled through BOTs in December 2020. This facilitated the smooth functioning of our processes even through the pandemic-related lockdowns. Since December 2020, all credit files, and credit card applications were submitted through this RPA process.

Especially following the COVID-19 movement restrictions, we worked hard to ensure our customers could continue to conduct their financial transactions and remain in charge of their finances. Whilst providing the full range of daily financial support, we extended extra help to our customers in these challenging times. Staying close to our clients and listening to their needs enable us to look for tailor-made solutions.

The detailed analysis of the customers who obtained moratoriums are given in the CFO's Analysis page 27.

Customer onboarding

GRI 102-6

Customer onboarding processes have been made simplified and efficient by adopting technology. Flexi Capture App, is a mobile phone enabled document submission app, given to our field-based marketing staff in order to submit application forms from customer's location and at the time convenient to the customer. Know your customer (KYC) was conducted at the customer's doorstep through a screening app, assuring privacy of data and adhering to all required regulations. As a result customer account opening takes place from anywhere, anytime. Especially following the COVID-19 pandemic, digital onboarding of customers facilitated our clientele to access their financial facilities and conduct transactions seamlessly. During the year under review, our customer base increased by 9%, largely supported by our digital channels.

During the year ended 31 March 2021, 43% of the client creations and 41% of the savings account openings were done through BOTs.

Customer segmentation

Once a customer is onboarded, we segment our customers to extend an unparalleled experience. We do this by understanding their needs, preferences and concerns and responding with our products and services to meet and exceed the diverse customer expectations. We use business intelligence to do a comprehensive analysis of customers. Our target is to sell at least two product categories to 50% of our customers by 2022. A tele sales unit was established in 2020 to coordinate with potential customers, to covert the lead into a sales and Affinity App is used to manage the customer life cycle and customer account management process.

Customer segmentation

Premiere elite	Premiere	Platinum	Gold	Silver
0.42%	3.14%	7.98%	13.75%	74.71%

Tailor-made solutions catering to life cycle of customers

We constantly innovate and develop our range of financial products and services to enhance customer satisfaction and experience. We have replaced legacy digital channels, with next-generation platforms to reduce inefficiencies in resource utilisation and extend an exemplary customer service that leads to increased customer satisfaction and loyalty. Interactions with our customers, through point-of-sale devices, ATMs, internet banking or call centre and in branches, are opportunities to understand them better. This information enables us to tailor customer solutions, to meet their specific requirements. Our products cater to every life stage of our customers. With technological disruption and smart financial engineering, we use our digital capabilities to create focused customer value propositions, enabling customers to evaluate real-life options and make lifestyle decisions through the customer ecosystem. We offer both conventional and check-in products. We have reached a credit card base of 10,000 and built a savings portfolio of Rs. 2.9 Bn.
In view of having an idea of the value of each customer to CDB, the Customer Life Time Value Model has been brought into the customer strategy and each customer has been rated based on the products, product values and the relationship with CDB. This model shall be used in the future as a supportive tool for evaluating and decision making on customer loyalty and retention.


OUR PRODUCT PORTFOLIO
GRI 102-2
Given below are our conventional and check-in products.
CHECK-IN PRODUCTS
SAVINGS
CDB Savings
CDB Salary Plus
CDB Rankati
CDB Platinum Saver
CDB Deegayu
CDB CREDIT CARDS
CDB DEBIT CARD
CORE PRODUCTS
FIXED DEPOSITS
CDB Dhana Surekum
CDB Deegayu
LEASING AND LOANS
CDB Leasing
CDB Personal Loans
CDB Home Loans
CDB Ran Nidahasa
CDB Business Loans
CDB Aspire Lease
CDB Cash Lease
Tractor Lease
OMNI CHANNELS
CDB iNet
CDB Deposit
CDB ITransfer
OTHER SERVICES
CDB Trade Margin
CDB Money Exchange
CDB Meezan
CDB MONEY REMITTANCE
Moneygram
Western Union

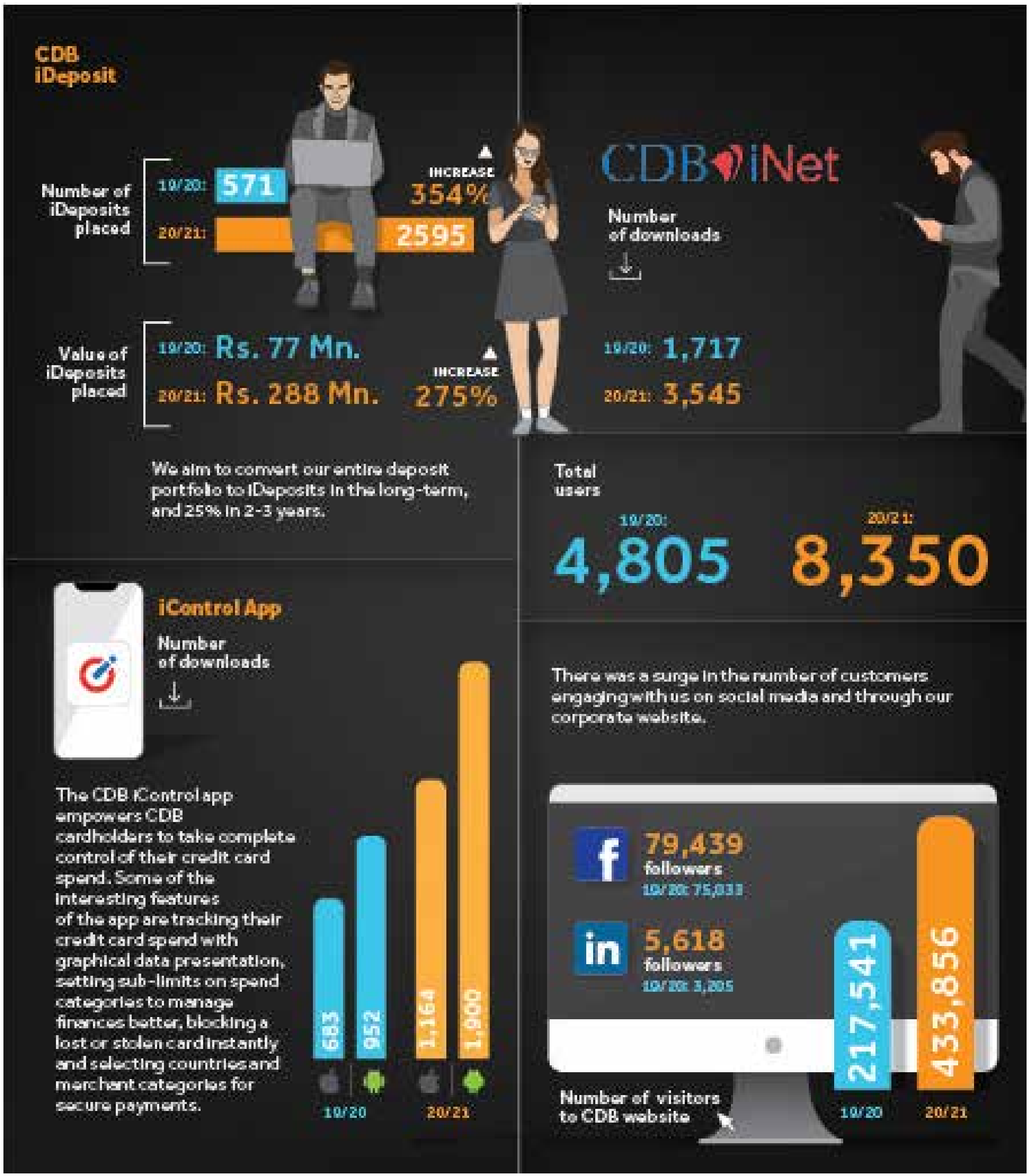
Service based on future potential of customers

We aim to meet the aspirations of lower and middle-income segments and thereby elevate their living standards, giving them a feeling of prestige and recognition by empowering their aspirations. By adopting an "Account Manager" concept, we create lasting relationships with our customers offering a personalised service, meticulously attending to their financial needs and providing the best financial solutions to cater to their requirements. In order to progress a systematic implementation in the account manager concept, the existing sales force App Affinity has been deployed. Thereby the relevant account managers may track the required interactions with their customers.

Expanding customer touchpoints

We provide financial services to our customers and clients through a multi-channel approach. Our customers are provided with a choice of engagement platforms from various digital solutions to call centre to face-to-face engagements in branches and relationship managers. During 2020, COVID-19 was a powerful catalyst that accelerated the migration to digital processes and services, by both consumers and businesses. This was due to social distancing that created a surge in demand for online commerce, contactless payments and digital cash transfers. Our value proposition is "Tech with a touch" which encompasses people-enabled technology.

The following statistics indicate the adoption of our digital products by customers.



Our customer touchpoint map

GRI 102-4, 102-6

View our physical customer touchpoint reach

Efficient customer care

GRI 418-1

Our focal point of contact for customers to make inquiries, requests, complaints, and provide feedback is our dedicated 24/7 customer contact centre which provides trilingual service. This omni channel contact centre has an efficient queuing mechanism with call history on agent interface, predictive dialling facility, call barging/call whispering and real-time monitoring facilities. The call back service ensures a call back within an hour of any abandoned call. During the year under review a total of 207,021 calls were received by the call centre of which 192,160 calls were answered and 13,995 calls were abandoned. A total of 169,435 calls were answered within the threshold. A toll free "Missed Call Service" was implemented enabling customers to contact the CDB contact centre, where an agent would contact the client back directly for a missed call given.

The statistics of our call centre for 2020/21 are as follows:

Average waiting time in queue	0:00:16
Average handling time	0:03:17
% of calls abandoned (KPI 5%)	7%
% of calls answered	93%

Especially following the pandemic, the call centre staff adhered to the work from home arrangement, providing an uninterrupted service to the customers. The required resources were provided, whilst assuring the safety of the staff. A total of 102 complaints were received by the call centre during the FY 2020/21. These complaints were segregated based on reason, addressed and resolved effectively.

During the year, a customer information retrieve solution was implemented, enabling contact centre agents to view the summary of customer portfolio in one interface. This enabled to provide a more efficient and speedy response to customer inquiries. Several activities were organised to improve customer service standards at contact centre in commemoration of the customer service week.

THE PERFORMANCE OF OUR CALL CENTRE IN 2020/21

KPI	Achievement	Action
Service level of over 85%	82%	Identifying peak times and staffing according to the requirement Monitor and track agents' performance
Abandon level to be less than 5%	7%	Reduce average call time Use wallboards and team broadcast Schedule according to call volume
Maintain zero customer complaints on call centre operations	100%	Respond/direct and provide feedback within 24 hours Deliver on promised standards Improve internal communications

Marketing campaigns, promotions, and marketing communications

GRI 206-1

By implementing a clear marketing and branding strategy, we support our customers to make informed decisions. All our communications are conducted in a transparent manner maintaining ethical marketing practices. All relevant information in terms of product and services are disclosed in three languages (English, Sinhala and Tamil).

43%

of the client creation were done through BOTs

33%

of our customer base are female

- **25th Anniversary celebrations:**

In commemoration of our 25th anniversary celebrations, we initiated a 360 degree communication campaign under the theme of "Empowering a Smart & Sustainable Sri Lanka," which is our theme for the next decade. This campaign was extended to both above the line (ATL) and below the line (BTL) platforms while ensuring presence in the digital space.

- **CDB iNet campaign:**

The importance of digital platforms were felt by Sri Lankans following the pandemic. In this context, we revived the CDB iNet app under the "Be Smart & Stay Safe" campaign, encouraging Sri Lankans to stay indoors and conduct their financial transactions the smarter way using the app. The campaign highlighted the key features of the app, such as CDB iTransfer (money transfer via social media platforms), placing digital fixed deposits with CDB iDeposits and ease of paying insurance, credit cards, utility bills and lease rentals from the comfort and safety of the home.

- ## CDB cards all year round campaign:

CDB introduced a year round campaign for the first time in Sri Lanka with the objective of onboarding new customers to CDB with a key focus on the debit card. This initiative also complemented an operational innovation which facilitated speedy customer account opening. This allowed us to open customer accounts and issue debit cards on the spot at the supermarkets itself, and bring in an exciting flair to the campaign with offers from all the leading supermarkets. The offer was also extended for eye wear and foot wear as well. This campaign was advertised on the television and print media while ensuring strong presence on digital media. The campaign was driven at ground level with supermarket activations via the branch network.

- ## CDB iDepost campaign:

As an extension to the “Be Smart & Stay Safe” campaign, we highlighted the digital fixed deposit feature of CDB iNet. This campaign was launched to improve awareness of CDB iDeposit and encourage people to place digital fixed deposits from anytime anywhere with a minimum deposit of Rs. 5,000. CDB iDeposit campaign was targeted at youth, encouraging them to save for the future while making it affordable and feasible to place fixed deposits from anywhere, anytime using their mobile phone or any other smart device. This campaign was driven on digital media while ensuring a wider reach through television and print media.

- ## CDB Leasing with Cash Lease & Aspired Lease campaign:

In tandem with the National focus of spurring local businesses, encouraging entrepreneurship, and allowing especially youth to actively contribute to national GDP, CDB Leasing communications were given an innovative twist to support these national interests.

Through CDB Cash Lease campaign we encouraged people to use their vehicle as an asset to finance their business and education requirements without selling their vehicle.

- Aspired Lease campaign provided an elevation to the lifestyle, by highlighting that a person can upgrade to their aspired vehicle through our facilities.

Mystery customer survey

Mystery customer market research technique is implemented to evaluate the level of customer service, quality, and consistency extended by the front office staff of our branch network. This qualitative research is undertaken through an observation tracker for each branch. Individual performance is assessed based on customer care, selling skills, knowledge, and interpersonal skills while Company performance is assessed based on facilities, documentation, branch ambience, and overall aspect of CDB. The survey is conducted for all branches and patpat.lk inquiries and the call centre. The results of the survey are updated to an online dashboard within 24 hours for speedy decision making.

Customer privacy

GRI 418-1

Our investments in latest technology helps us to combat cybercrime. Our staff are trained on protecting customer information under the CBSL guidelines on customer protection. Stringent information security features are in place at CDB including limited access, passwords, segregation of duties, data backup systems, signing of non-disclosure agreements, limited out bound mail access, and fire walls. Customer privacy has been further strengthened by stringent purview of our Risk Management Committee, Compliance Department, and Internal Auditors. No complaints were reported with regard to breach of customer privacy or misuse of customer information during the year under review.

Compliance

GRI 206-1 , 416-2, 417-2, 417-3

The rights of our customers are protected by the CDB customer charter. During the period under review, there were no instances of non-compliance related to product and service labelling or marketing communication guidelines. Neither were any incidents of non-compliance pertaining to anti-competitive behaviour, anti-trust, and monopoly practices as well. Further, there were no substantiated complaints pertaining to breaches of customer privacy and losses of customer data.

No incidents of non-compliance concerning the health and safety impacts of products and services were recorded.

Future priorities

Going forward we will implement Net Promoter Score, launch the Account Manager concept across all our branches and facilitate onboarding of customers through video calls. Furthermore, we will introduce a Customer Life Cycle Value rating system. More focus will be given to automating data entry process , ruled based sanctioning process along with the payment process to reduce process time and effectively allocate resources and optimise usage.

3.2 CDB TEAM

GRI 102-8, 102-40, 102-42, 102-43, 102-44

CDB EMPL

Based on the unwavering belief "strategy bets on people to succeed," our team has generated extraordinary value to our Company, ensuring long-term sustainability. In our transformation to a TechFin Organsation providing financial services by 2030, our team members will be ambassadors playing a vital role in driving the CDB sustainability agenda and tech disruption.

Even as a 1,000 mile journey starts with a single step, our strategy will be achieved by creating a conducive work environment where our team is engaged and connected with the CDB purpose and values. Endorsing employee development, we empower our team to embrace every opportunity and new ways of working, as they learn new skills to remain relevant and realise their full potential. We also encourage our team to voice their opinion whenever required.

Our talent acquisition policy is based on recruiting youth from humble backgrounds at the grassroots level and grooming them to climb up the career ladder. Our winning employee proposition is based on CDB – EPS (emotions, passion, spirit), as they continue to deliver a generation of services, assuring value generation for all.

Related strategic imperatives and material focus areas

ECA – Elevate customer aspirations
- Emotions

EII – Expand inspired innovations
- Sustained innovations
- Disruptive innovation

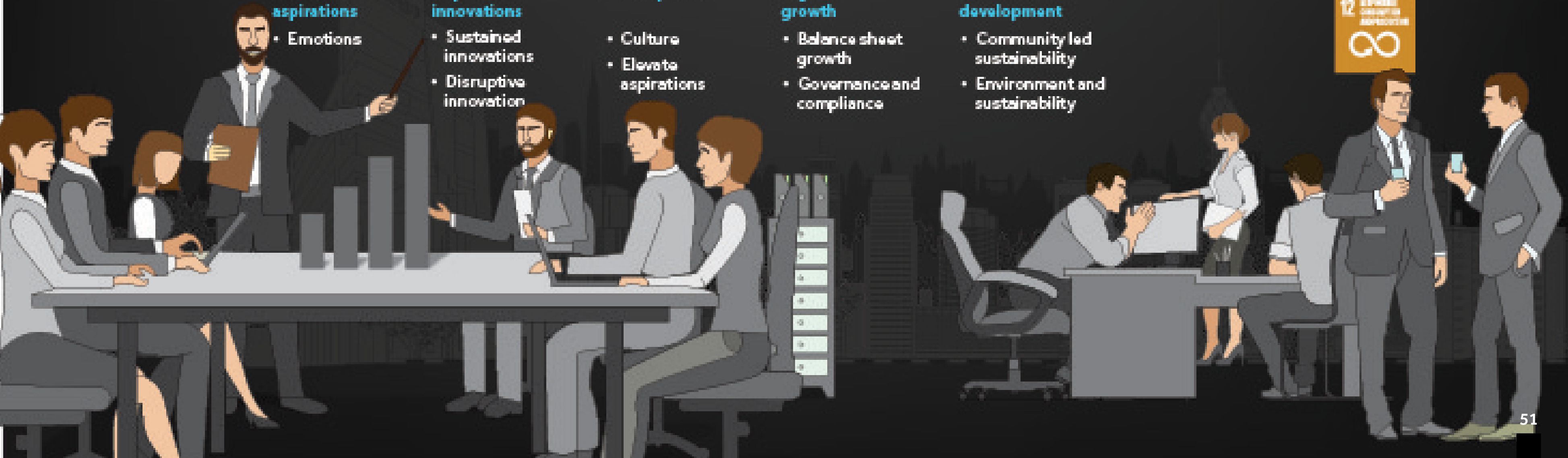
ED – Employee development
- Culture
- Elevate aspirations

EOG – Emphasise organic growth
- Balance sheet growth
- Governance and compliance

ESD – Endorse sustainable development
- Community led sustainability
- Environment and sustainability

Contribution to UN Sustainable Development Goals

3, 4, 7, 12



CDB team

GRI 102-8, 103-1, 103-2, 103-3

CDB's diverse workforce comprised 1,758 team members as at 31 March 2021, of which 803 are permanent and 955 are contractual. In terms of gender, 27% represented female team members. A total of 368 new team members were recruited into the CDB family during the period under review. Furthermore, 12% of our team members have been with CDB for over 10 years, a testament to the trust and loyalty of our team members.

View service analysis of our team members

Diversity and inclusivity

GRI 401-3, 405-1, 406-1

CDB believes that a diverse workforce broadens perspectives and enhances resilience and performance. An anti-discrimination policy is in place to ensure that all team members are treated fairly without any bias towards race, religion, gender, age, and disability, amongst others.

All team members received regular performance and career development reviews during the reporting period. To ensure non-discrimination in employment, CDB has implemented gender-sensitive recruitment policies, including recruiting women, promoting women to managerial and executive positions, and welcoming women to the corporate Board of Directors.

474 team members were entitled to maternity leave and 20 team members availed of this facility during the year, while 90% of them have returned to work whilst the balance are still on leave. We also introduced a three day Paternity Leave process which was welcomed by all. CDB extends leave in the event of an illness or risk of complications and provides facilities and flexible working hours for its team members to take care of their children, and develops family-friendly facilities that go beyond compliance.

No incidents of discrimination were reported during the period under review.

View our employee profile

GRI 405-2

Talent acquisition

GRI 202-2, 401-1

We provide our new recruits with comprehensive learning and development opportunities throughout their career at CDB. All recruitments to CDB are based on merit through fair and transparent competition without favouritism or discrimination. By taking raw talent at grassroot level we groom them, making them employable. During the period under review, 368 new recruits joined the CDB team, and 26% were women. Out of the 30 management trainees recruited during the year, 15 were from outside the Western province.

View our talent acquisition strategy, process and statistics

Employee engagement

GRI 402-1

During the reporting period, CDB implemented a robust set of systems and processes to foster an environment which champions diversity and inclusion and creates a productive atmosphere through new technologies, workspace management, and systems. One of the key activities that CDB undertakes is the annual strategic plan unveiling ceremony, which engages every team member by linking them to the overall objectives of the organisation, irrespective of their designation or area of work. Every team member is given a personalised letter at the beginning of the financial year.

Employee engagement is a strategic priority for CDB, which stems from the belief that a great customer experience is driven by a great employee experience. We strive to create an open, stress-free environment with an enhanced perception of employee wellness and satisfaction which leads to our team giving their best and being motivated to achieve organisational goals. An efficient communication process facilitates the smooth exchange of information between the Company and its team members. We maintain many channels of communication with our team members, including our intranet, emails, meetings, announcements, events, SMS, WhatsApp groups, and Microsoft Teams. With the ongoing pandemic, we increasingly relied on digital engagement platforms. We conduct a variety of team member engagement activities, which have been carried out throughout the years such as the sports day, Vesak day celebrations, Christmas carols, green club activities, and welfare club events etc.

Learning and development

GRI 404-1, 404-2

CDB continually invests in the professional and personal development and career progression of our team members, to make people employable and generate extraordinary results through ordinary people. We provide them with the learning opportunities to enhance their knowledge and skills necessary to sustain their performance.

We engage with educational institutions to develop and support programmes for employee training, employment skills and educational development, and enhancing training skills. We support team member education by providing an e-learning platform and library facilities and reimbursing their professional examination fees to encourage them to obtain extra qualifications or continue their education. All training is conducted through the CDB Academy.

Following the pandemic related lockdowns, we immediately converted most of our training programmes onto virtual mode, delivering 65% of training mainly through our Learning Management System. Through activity-based learning and discussions, we provided more engagement throughout the programmes. In particularly, our staff members were made aware of health precautions through the learning platform. Our aim is to convert more in-house physical learning onto online and digital modes, maintaining a physical to online ratio of 80:20. We have already converted most of the product related training to video-based learning modules and all evaluations to online. Our target is to convert over 80% of induction and sales orientation sessions onto online and make learning more engaging and attractive.

The following were the key focus areas of training during the year:

- Branch heads development programme - was developed to groom future leaders to managerial positions. The programme includes leadership development and channel development learning.
- Digital strategy workshops - Aligning with the next decade corporate strategy of driving towards a digital economy, we provide training to branch and zonal heads to align them with the corporate strategy and equip them with the needed knowledge.
- Robotic process automation practical workshops – To familiarise our staff with the new automated processes, particularly in driving credit card and lending business which would be converted to FlexiCap mobile App. Over 280 staff members were trained through this workshop during the financial year.
- Game changer programme – To groom high performing junior operational officers to move up to the next level in the

6 Supplementary Reports
5 Financial Reports
4 Risk Management, Governance and Leadership
3 Our Value Creation Story
3.1 Customers
3.2 CDB team
3.3 Environment
3.4 Society
3.5 Regulators
3.6 Business partners
3.7 Investors

corporate hierarchy. 84 % of the officers had successfully completed the training, and 45% of them are already assigned as second officers.

- Cross functional training – In line with our business continuity plan, operational and marketing officers were trained on branch operations to ensure uninterrupted services in the face of the pandemic.
- "Transformers" life skill development programme – To build value driven team members by providing the needed life skills to a target group.

During the period under review, CDB spent Rs. 2.4 Mn. on education reimbursements. Team members received an average of 20.6 hours of training with total investment in team member training and development reaching Rs. 6.29 Mn.

View our team member training related information for FY 2020/2021

View the CDB Academy

Performance management and succession planning

GRI 404-3

All CDB team members undergo regular appraisals as part of the Company's performance management system, a key component of team member engagement that helps to align our team and operations with our corporate strategy. Performance management is a self evaluation done by all team members by themselves sticking to Key Results Areas (KRAs), which are systematically monitored by their respective supervisors and followed by one-to-one feedback sessions.

CDB has established Talent Pools as part of a robust succession planning process, to ensure a bench of internal candidates to fill leadership positions. This includes a selection of potential successors who are earmarked for key positions in the Organisation. There are two talent pools at CDB; managers and above and assistant managers and below. We groom them with the necessary skills and knowledge to take on higher levels of responsibility in the future.

During the year, a total of 355 team members were promoted to numerous positions. Of the total promotions, 30% were women.

Promotions granted

	2020/21		2019/20		2018/19	
Category)	Male	Female	Male	Female	Male	Female
Board of Directors	**1**	**0**	0	0	0	0
Senior management	**10**	**3**	6	0	9	2
Middle management	**63**	**18**	40	17	53	12
Junior Management	**60**	**41**	70	33	71	27
Front Line	**115**	**44**	170	75	58	54
Total	**249**	**106**	286	125	191	95
Percentage of total	**70**	**30**	70	30	67	33

Rewards and recognition

GRI 201-3, 401-2

CDB offers our team members fair, competitive, and attractive remuneration packages, as well as an extensive range of medical, financial, and educational benefits. We also offer performance-based rewards and other monetary and non-monetary benefits to incentivise our team members and will be introducing an instant recognition scheme in the future.

View the list of benefits given to our team members

Decent working environment

GRI 102-41, 403-2, 403-9, 403-10, 407-1, 408-1, 409-1

CDB recognises that it has a moral obligation to provide a safe working environment and ensures the health and safety of our team members. The Company has taken steps to implement appropriate measures to secure the health and wellbeing of our team members during the COVID-19 pandemic and ensure that they remain engaged wherever they may be working from. In addition, the head office and branch premises are equipped with fire protection safeguards and all team members undergo emergency preparedness training. No accidents were reported within our business premises during the reporting period.

CDB implemented a comprehensive range of health and safety protocols to ensure the safety of our team and customers at our premises. Measures included maintaining physical distancing, temperature checks, shoe disinfectant rubber mats at entrances, transparent counter separators for customer interactions, providing personal protective equipment (PPE) for Security Officers, wash basins for regular hand washing, disinfecting branch premises, and providing

3.1 Customers
3.2 CDB team
3.3 Environment
3.4 Society
3.5 Regulators
3.6 Business partners
3.7 Investors

private transportation facilities to team members. The Company made an investment of Rs. 15 Mn. to implement the necessary safety protocols, inclusive of customer counters.

The Company has a grievance handling policy in place to address grievances raised by team members. Our HR team is committed to solving any reported grievance as quickly as possible. We do not have collective bargaining agreements in the Company. As a responsible corporate citizen, CDB does not condone forced or child labour and does not engage with business partners who engage in such practices.

CDB provides healthcare options to its team, encourages healthy lifestyles, and provides decent working conditions. During the period under review, we further strengthened the safety of the staff by deploying first aid assistants for each floor of the head office and one assistant for each of our 70 outlets.

In collaboration with the Health and Wellness Unit of the University of Colombo, we launched the "Active Ninja" team member health and wellbeing educational programme to provide free medical services, resources, and information to raise awareness about health issues and available services. 108 team members received health screening during the reporting period.

Zero work-related fatalities

Rs. 15 Mn. invested in COVID-19 safety protocols

108 team members received health screening under Active Ninja

Supporting our team members through the pandemic

CDB maintained clear, consistent communication with all team members during the COVID-19 pandemic. We shifted all meetings to virtual teleconferencing and provided regular updates on management decisions and health guidelines and raised awareness through our internal communication methods and on WhatsApp. We attended to all staff queries 24 hours a day, seven days a week to ensure that our team members remained psychologically fit to face the strain of the lockdown. We also encouraged the wellbeing of our team members by promoting how to keep fit while at home and being active by doing activities such as home gardening. We introduced work from home and flexi-timing to facilitate our team members shifting to working in the new normal and organised activities and events virtually. This included a virtual Christmas Carols programme. Our staff volunteered to provide essential dry rations to people affected by the pandemic, and all branches participated in the "Bringing a smile to a child" programme during Christmas.

Future priorities

Our people are our core strength and we will continue to invest in them to fulfil our strategic objectives.

Our focus for the next decade will be to embrace the sustainability agenda coupled with the tech transformation. This will be centred on the entire workplace ecosystem, driven by the personal needs and aspirations of existing and prospective team members, technological advancements and broader societal and economic trends.

We expect our team members to lead their roles to ensure a compelling culture enabling them to shine. Experimenting with new ways of working and embracing continuous learning are a reality for all our people as they adapt to a constantly evolving and highly competitive world of work. A multi-generational workforce, coupled with shifting customer expectations, accelerating digital transformation, predictive analytics and the introduction of robotic process and automation are impacting the future volume, shape and capabilities of our workforce, prompting the reshaping of the team member experience in the Company in a deliberate way.

3.3
ENVIRONMENT

GRI 103-1, GRI 103-2, 103-3

ENV

Environmental sustainability is a way of life at CDB and is an area of utmost priority across every operation within our Organisation. Governed by the environmental and social management policy, we remain strongly committed towards transforming into a zero-carbon business model. To achieve this, we collaborate with our team members, customers, business partners and private/public institutions towards sustainable development and safeguarding the environment. Expanding inspired innovations, our digital expertise is combined with sustainable practices to promote and elevate our sustainability considerations.

We understand the importance of human engagement and involvement in environmental conservation. Therefore, we adopt a people based environmental approach in carbon management, biodiversity conservation and creating environmental awareness. Especially as we transition into a TechFin organisation with a financial services mindset in this decade, driven by sustainability and tech disruption, our position as a carbon neutral entity, assuring value generation for all will be further strengthened.

Related strategic imperatives and material focus areas

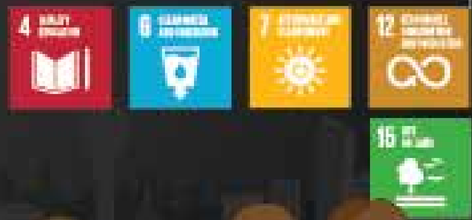
ECA – Elevate customer aspirations
- Convenience

EII – Expand inspired innovations
- Sustained innovations
- Disruptive innovation

EOG – Emphasise organic growth
- Growth in customer touchpoints
- Product development

ESD – Endorse sustainable development
- Community and sustainability
- Environment and sustainability

Contribution to UN Sustainable Development Goals



Responsible and sustainable financing

GRI 307-1

With the ambitious goal of becoming the leader in sustainable finance by advancing the Green Economy by 2030, the CDB Advance Sustainable Financing vertical was initiated in FY 2020/21. In order to support a green economy and lifestyle, CDB partnered with solar energy suppliers to encourage customers to switch to solar electricity while introducing a financial facility under green financing. This was initiated as a pilot project during the year under review, and owing to its success, we will expand it to the ensuing year.

In our commitment to advancing environmental and social progress, we always manage environmental and social risks when promoting new businesses. Environmental, social and governance (ESG) considerations have been embedded to our credit and risk assessment process for our lending activities by establishing an Environmental and Social Risk Management System (ESMS). Only two property-financing facilities were identified as moderate risk whilst the rest of the facilities were categorised as low risk in the year under review. Our Credit evaluation officers are well trained on the ESMS system and all credit files are checked for the compliance with the exclusion list and compliance with project categorisation and risk assessment. We offer responsible and inclusive financial services (loans, leases, etc.) to enable positive social and environmental development by promoting environmental protection, social justice, and economic prosperity. This also includes raising customer awareness and engaging with customers to minimise the negative environmental effects of their business operations.

Accelerating sustainable mobility solutions

We actively promote leasing of hybrid and electric vehicles, which emit low emissions and are high in fuel efficiency. Our aim is to increase our energy efficient vehicle portfolio to 50% of the total vehicle lending portfolio by 2025 from 25% as at 31 March 2021. We encourage our customers to be environmentally conscious by promoting environmentally friendly products and encouraging customers to reduce their own carbon footprint. We are working towards a climate conscious coalition with related stakeholders to formulate a proposal named "CDB Haritha" to promote electric vehicle and solar energy solutions for Sri Lankans. We will do this by tackling market barriers including providing sustainable finance assistance to generate affordable energy efficient vehicle technologies to Sri Lanka.

Digital transition to promote green living

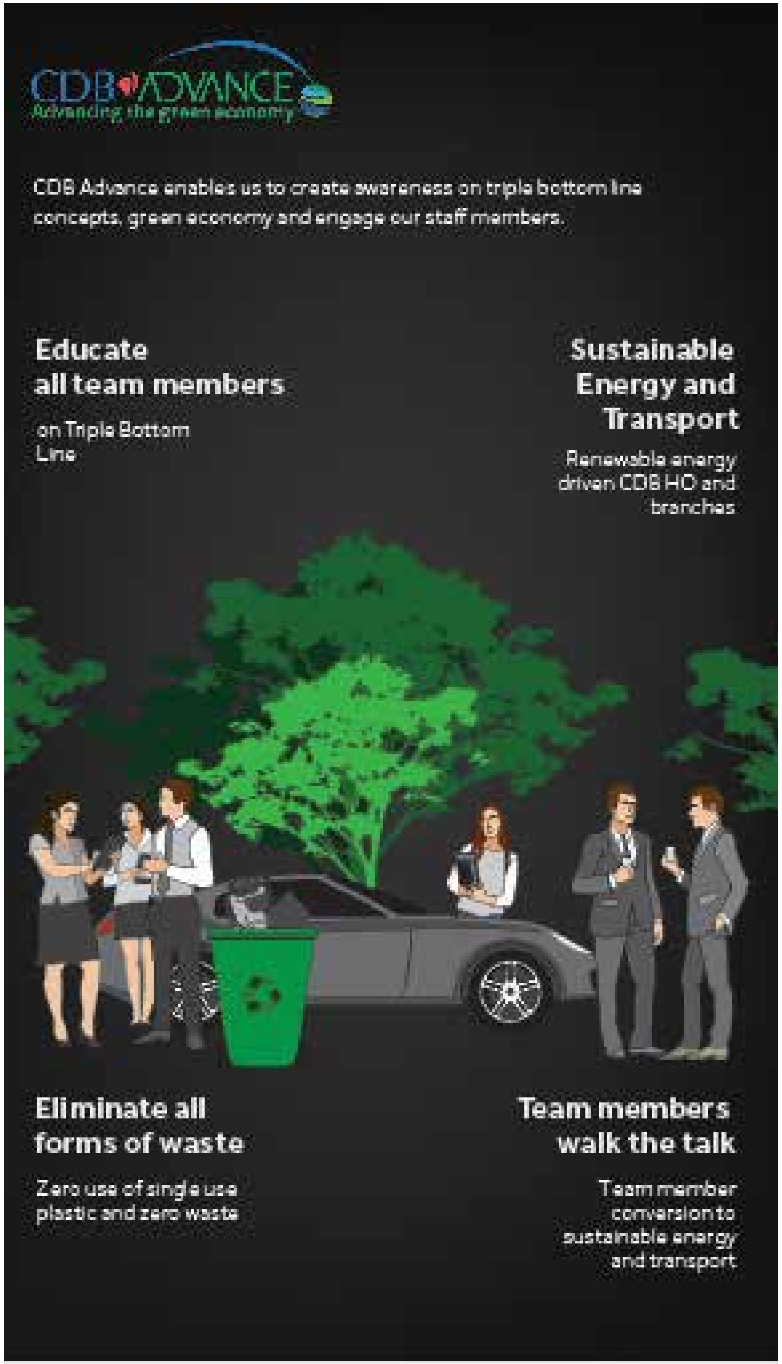
We intend to use our tech capabilities and strategy to contribute towards our sustainability agenda by reducing our dependence on brick and mortar distribution channels. Our aim is to be a more resource efficient and carbon conscious organisation with a carbon neutral status, leaving only a minimal carbon footprint as we pursue our aspired targets during this decade.

Our investments in automated technology and initiatives to migrate customers to digital platforms contribute towards less paper consumption and reduction of the carbon footprint. During the year, 3,545 customers converted to online transaction platforms by downloading the CDB iNet app. The increased use of our digital channels and products by customers have resulted in cost and time savings, and reduction in carbon emissions. Please refer customer section on page 45 to read about our digital products.

Operations of our Central Data Processing Unit (CDPU) have significantly reduced the movement of unnecessary physical documents and minimised the duplication of work through the RPA system and the in-house developed Enterprise Resource Planning (ERP) system. The adoption of Robotic Process Automation (RPA) has resulted in enhanced efficiency, reduced energy consumption, low waste generation, low emission levels and optimised resource utilisation within the Company. On account of these efficiencies, we were able to redeploy 20 staff members of the CDPU division to other divisions.

Our "Virtual University" CDB e-learning platform facilitates our team members to engage in virtual learning, resulting in cost and time saving and enhanced productivity. 65% of our training programs were conducted virtually during the year.

The increased number of our team members working remotely and engaging in virtual meetings and virtual training programmes have significantly reduced team members commuting and thereby contributed towards low carbon emissions.



Educating our team members

CDB Green Ninja ambassadors

Sustainability being a way of life at CDB, we have instilled in our team members a sense of responsibility and affinity towards the environment. Therefore, our team members act as green ambassadors, deeply committing to advancing sustainability in their families, workplace and the communities, by taking affirmative action to conserve our natural world for future generations.

Through the CDB Advance Green Ninja Club, we connect people to nature by promoting eco-friendly business practices, preserving fragile ecosystems and conserving energy. The Club comprises, 35 members from head office covering almost all the divisions and 70 Green Ninjas from each of our 70 outlets to coordinate the green Initiatives. These include coordinating CDB environmental awareness programmes and environmental conservation projects. We encourage our team members to spread the awareness among their families and neighborhoods and convert their families to Green Families who make green choices in their everyday life. The CDB Advance roof top solar loan facility was made available to our staff members to make their homes green.

One of our main objectives is to make our team members and their families aware about the sustainability issues we currently face and make them engaged in sustainability initiatives. We engage our team members and their families through numerous competitions throughout the year, such as the eco-friendly Vesak lantern competitions, Christmas decoration competitions, home gardening competitions, world water day competition and online quizzes.

Through the "Green Ninja – CDB Quiz Master" programme, we create awareness on biodiversity and ecosystems amongst our team members. This helps us to further connect our people with nature by infusing a green culture and spreading green awareness across the network. During the year under review, we could not conduct this due to the pandemic and in the ensuing year, we will conduct it virtually, through the CDB e-learning platform.

To promote sustainable consumption, we encouraged our team members to grow organic food and be engaged with the environment. This was done through the "My victory garden", a home gardening competition launched during the period of lockdown. On 1 January 2021, we launched our "Seed your future" project engaging our staff members and their families by distributing five types of vegetable seed pods in partnership with "Thuru". All our team members planted these seeds on the same day at the same time. This project not only engaged our team members and their families in sustainable home gardening, but provided the opportunity to learn about organic food consumption while protecting the environment. The objective of this project was to educate, inspire and engage our team members. By using seed pods made from 100% biodegradable recycled papers, we were able to distribute seeds to all our team members across the island, without using polythene.

Green communication and Green networking platforms

We understand the importance of creating awareness amongst our staff members about environmental challenges faced by the world. Therefore, we educate our staff members on issues of concern; promote action by creating awareness and encouraging them to be a part of the solution by understanding the problem. We believe environmental literacy is essential to tackle climate change, and build resilient communities.

In this context, we circulate the CDB Advance e-newsletter and e-flyers to all our staff members through internal announcements, Green Ninja FB group and WhatsApp group in an effort to raise awareness, encourage green communication, knowledge sharing and keep our staff updated on latest and important information on environmental issues and how they could become a solution to the issues. Moreover, international days are celebrated to create awareness and to take actions on the respective subject matter by sharing posts, quizzes, educational videos, documentaries, statistic and facts through our Green Ninja FB group.

Induction presentation on sustainability to ensure all our new team members are aligned with the Company's sustainability initiatives, and inculcate a sustainability led culture and mindset within them. Further, we are in the process of developing a sustainability module to educate and inspire all our team members.

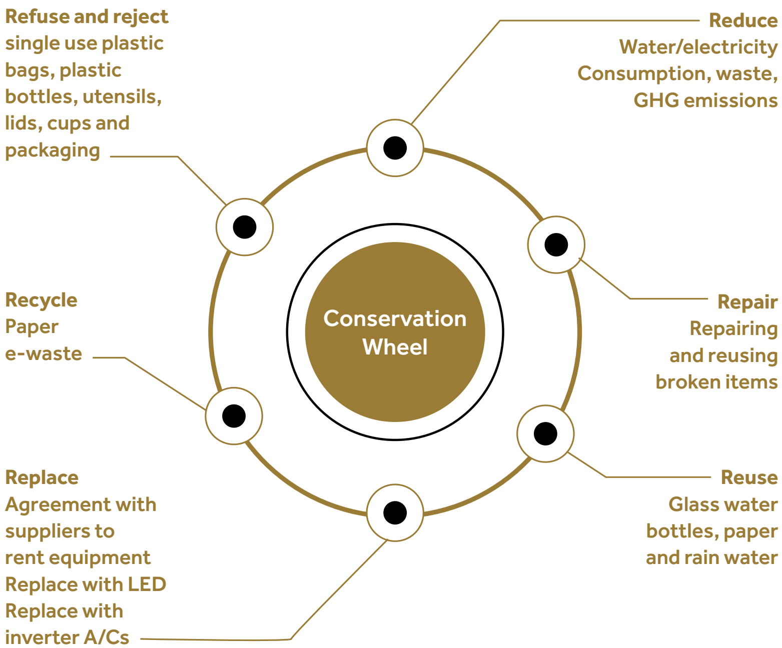
Eliminate all forms of waste

We maintain waste disposal records at the head office for better management and disposal of waste. We also educate our team to reduce waste in general, including food waste, paper waste to instill a mindset of responsible waste management, which is crucial in reducing our environment footprint. Further, our conservation wheel showcase the environmental friendly measures implemented across our Company to reduce waste

Conservation wheel

GRI 306-2

This showcases the environmental friendly measures implemented across our Company to reduce our carbon footprint, waste generation and water and energy consumption by applying the concepts – reduce, reuse, repair, replace, recycle and refuse and reject.



Carbon management at CDB

GRI 305-1, 305-4, 305-5

In our efforts to become a carbon neutral entity, we embarked on the carbon footprint calculation journey in the year 2015, enabling CDB to be recognised as the first ISO 14064-1 carbon verified financial institution in South Asia by Sri Lanka Carbon Fund in 2015/16. Our efforts continued and we are a Carbon verified company for the sixth consecutive year and certified as a Carbon Neutral business entity. We have invested in United Nations Certified Emission Reductions (CERs) in a Clean energy project of Installing wind power project in Rajasthan and Tamil Nadu by Wind Urja India Private Limited, registered under UN Clean Development Mechanism.

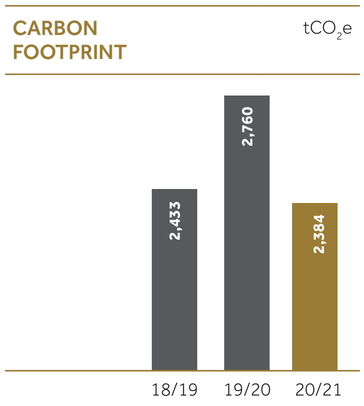
Carbon reporting enables us to analyse, assess and manage all resulting greenhouse gas (GHG) emissions as result of our business operations, track the progress of energy reduction schemes and optimise our energy consumption. Our total carbon emission for the FY 2020/21 was 2,384 tCO_2e, which was 13.62% less than the previous year's level of 2,760 tCO_2e.

Carbon footprint was calculated from January to December 2020

View our carbon emission calculation for 2019/20 and 2020/21

View our branch-wise GHG emissions – 2020/21

Our carbon footprint



Direct emissions

GRI 305-1

Direct emissions occur from sources that are controllable by our organisation. These include emissions by onsite diesel generators, refrigerant leakage, fire extinguishers, company owned vehicles fuel paid by the Company and employee transport paid by the Company. Direct emission makes the least contribution of 402.60 (tCO_2e) which amounts to 16.9% of the total.

Total distribution of carbon footprint by Direct sources (2020/21)

	GHG emissions tCO_2e	%
Onsite Diesel Generators	9.20	0.39
Refrigerant Leakage	51.69	2.17
Fire Extinguishers	-	0.00
Company Owned Vehicles	53.65	2.25
Employee Transport, Paid By The Company	288.06	12.09

Indirect emissions

GRI 305-2, 305-3

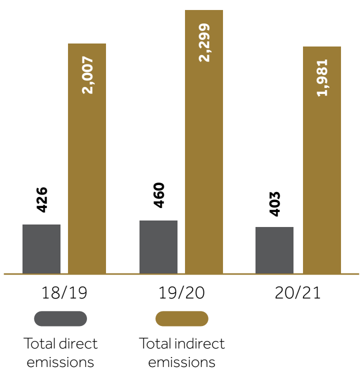
Indirect emissions are a result of the activities of our organisation, but occur at sources owned or controlled by another entity. Compared to direct emissions, indirect emissions makes a greater contribution to Company's total GHG emissions. The highest contributor is electricity generated from the grid. Measures have been implemented to save energy across the Company to reduce the GHG emissions.

Total distribution of carbon footprint by Indirect sources (2020/21)

	GHG emissions tCO_2e	%
Grid connected electricity	1,051.11	44.11
Business air travels	0.84	0.04
Employee commuting, not paid by the Company	830.15	34.83
Municipal water	3.84	0.16
Waste disposal	0.24	0.01
T & D loss	94.26	3.96
Waste transportation	0.04	0.00
Transport of locally purchased items	0.09	0.00

COMPARISON OF DIRECT AND INDIRECT EMISSIONS OVER THE YEARS

tCO_2e



Energy management

GRI 302-1, 302-4, 302-5

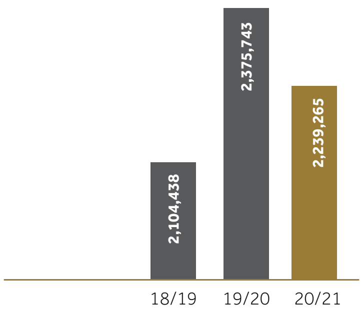
As per the annual carbon footprint analysis of CDB, we monitor and report the amount of energy produced, purchased and consumed, according to source. The energy consumption for FY 2020/21 was 2.24 Mn. kWh., which was 5.7% less than the previous year's energy consumption.

The following measures are adopted to reduce our energy consumption:

- Collaborating with suppliers and peers to reduce energy consumption, setting energy efficiency standards, adopting cost-effective standards of technologies and promoting energy efficiency through regular "Energy Audits".
- Tracking and reporting energy usage, reduction and intensity over time and continuously striving to reduce energy consumption in our own operations, including using efficient lighting and efficient electrical appliances as a compulsory requirement under annual CDB GHG emission analysis process.
- Creating awareness among our team members on energy reduction and improving energy efficiency in households through competitions.
- Embracing the green building concept that saves energy, water and natural resources and maintains the wellbeing and quality of life of people, we are in the process of converting the branches in Mawathagama, Mahiyanganaya and Moratuwa to green branches.
- Integrating into our medium-term business strategy to invest and promote household renewable energy and increase our renewable energy consumption.

ELECTRICITY CONSUMPTION

kWh



Waste management

GRI 306-1, 306-2, 306-5

We adopt the following measures to efficiently manage the waste generated in our Company.

- All CDB staff members are committed to the CDB single use plastic free pledge. Members of all divisions and branches of CDB have committed and signed the pledge on World Environment Day. As a result, we have eliminated the use of plastic water bottles and plastic food containers at all CDB events, and the use of plastics decorations across the network for any cultural or religious festival or any event.
- CDB "e-waste" and "paper waste" recycling programmes are in place to recycle waste generated in our operations responsibly and assess and prevent the actual or potential negative impact on soil, wildlife, ecosystems and the food chain.
- Providing information to team members to reduce food waste and contribute towards a sustainable environment.
- Improving environmental literacy to build a grassroots movement to achieve SDGs by sharing E-flyers and videos among all staff members.

Waste disposal during the year 2020/21

Type of waste item	Disposal frequency	Weight (Kg)	Disposal method
Waste paper	As and when required	878	Waste collected from the head office is stored in the basement and sent for recycling through Green Links (Pvt) Ltd.
E-waste	As and when required	524	Collected as and when required and disposed through Green Links (Pvt) Ltd.
Food waste	Once in two days	6,912	Collected by the owner of a farm.
Damaged office equipment	Upon request by respective division/branch	Not weighed	Collected at a single location in the head office and disposed through a registered supplier.
Polythene	Daily	Not weighed	Disposed through CMC garbage disposal method.

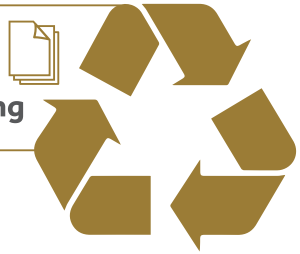
Impact through recycling e-waste

227 Saving of fully grown trees

3,819 litres of petrol

8,605 plastic bottles recycled

Paper waste recycling



43,302 litres of water conserved

2,494 kg of wood preserved

211 kg of GHGs reduced

4,249 KWh of energy saved

1,528 kg of landfill avoided

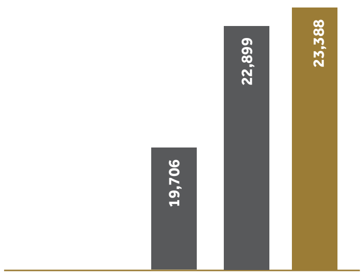
Water management

GRI 303-5, 306-5

We respect the right to safe drinking water and sanitation through availability, accessibility, acceptability and quality of water. Therefore, following measures are adopted to optimally manage our water consumption:

- Improving water performance and promoting reuse of fresh water through rainwater harvesting system for gardening purpose.
- Sharing smart solutions with peers and promoting awareness in conserving water among team members.
- World Water Day celebration and conducted competitions to create staff awareness.
- Providing safe and gender-separate toilets facilities to team members.
- Managing sanitary products, medical waste disposal and cleaning equipment storage, and providing sanitation and hygiene training to team members.

WATER CONSUMPTION Litres m^3



Sustainable Energy and Transport and our team members walk the talk

We have established a comprehensive set of criteria to convert our branches to green branches including increasing the level of awareness of branch team members, engagement, eliminate use of single use plastics and embracing the green building concepts that save energy, water and other resources. Currently this is conducted as a pilot project in three selected branches – Mawathagama, Mahiyanganaya and Moratuwa and the plan is to convert all our branches to green branches by 2025.

Further, we urge our team members to replicate these good practices in their homes and let them cascade to everyone around them.

During the year, we conducted a survey to inculcate a sustainability culture within the households of our team members, enabling us to find out the current use of energy efficient equipment, LED and solar energy used in their homes and their preference to use clean energy. The CDB Advance Roof solar facility was introduced, facilitating our team members to invest in a smarter and sustainable tomorrow.

We introduced "biking to work" concept, encouraging our team members who live within a radius of 10km to their reporting branch/division to ride to work. We offered a concessionary loan scheme to purchase bikes and accessories (lights and helmet) for those who are interested.

Conservation of biodiversity

GRI 304-3

We contribute to sustainable management of forests through rehabilitating lands destroyed by human activities and committing to reduce deforestation of degraded landscapes. This is exemplified through our commitment to restore one acre of Wilpattu forest reserve in collaboration with the "*Thuruliya Wenuwen Api*" national tree planting project and through the Life project which is our main conservation project. The Life project includes restoring one hectare of a degraded land in Halgahawala, Opatha, adjacent to Kanneliya rain forest over a period of five years. The restoration program has a high survival rate as it includes a stringent monitoring and a gap-filling plan. The development of a biodiversity credit accrual system in par with international standards enables biodiversity conservation project owners to generate accruable non-carbon credits. The partners involved in this project will be the first to earn such credits from engaging in restoration activities in Sri Lanka. The credit accruals will be recorded in a "bio register" and can be set off against the biodiversity footprint. The process will be carried out by experts in the field.

This project is done in partnership with Biodiversity Sri Lanka (BSL), the Forest Department and International Union for Conservation of Nature (IUCN) Sri Lanka and nine private sector partners. Further during the year we partnered BSL's collaborative initiative – Life to Our Beaches, which aims to support the cleaning up and maintenance of two selected beach stretches. We will commence the project in the ensuing year, in collaboration with the Marine Environment Protection Authority (MEPA) and the Department of Samurdhi Development (DoSD), making it a truly Public-Private-People Partnership, benefitting Sri Lanka's coastal environment as well as underprivileged coastal communities that live within the selected area.

The CDB Chief Executive Officer serves as the director of the BSL for the second consecutive year, thus setting the tone from the top for environmental conservation.

Collaborating to conserve

Over the years, we have built partnerships that add value to our conservation efforts, resource efficiency agenda and to creating awareness on conservation. We collaborate with energy providers and relevant companies to scale-up both supply and demand of renewable energy and develop a district energy system. We also collaborate with suppliers to procure clean energy, increase share of renewable energy and support new business models to deliver sustainable and renewable energy. During the year under review, we became a Signatory to the UN Global Compact Network.

Please refer the Business partner section on page 71 for the list of our sustainability partners.

Future priorities

We aim to be the leader in sustainable finance, advancing the Green Economy by 2030.

To achieve this, we will prioritise green financing, offer a renewable energy-based bundled products suite and accelerate affordable electric and hybrid mobility solutions. Under conservation and bio diversity, we will play a leading role in sustainable financing, forest conservation and preservation and landscape restoration by 2030. We will create Green Ambassadors who will be a part of the solution by creating awareness on current sustainability issues among our team members, their families, our customers and other stakeholders.

3.4 SOCIETY

GRI 102-12,103-1,103-2,103-3,413-1

COMU

CDB has long believed that our long-term success is intrinsically linked with the communities of which we are a part of. Therefore, guided by our sustainability policy, CDB is dedicated to touching the lives of marginalised communities in the most vulnerable base of the pyramid through our outreach community development projects, which goes beyond inclusive finance. Our sustainability initiatives, which are primarily centred around child health and well-being, child education and literacy, employee volunteerism, and empowerment of youth, women, and entrepreneurs, are designed to benefit our communities and add value to society. By addressing the grassroot-level issues that exist in our communities through our sustainability initiatives, CDB continues to be a role model for community-led sustainability, endorsing sustainable development, enhancing the quality of life for communities, sharing knowledge, and enabling growth opportunities. Tech disruption and sustainability agenda will be the key pillars that would drive our transition into TechFin organisation with a financial services mindset in this decade as we assure value generation for all.

As per a Board decision taken in 2018, we have continued to allocate 2% of the corporate profits for social and environmental initiatives each year. Rs. 20 Mn. was invested in social initiatives during the year under review and the balance budget will be allocated to FY2021/22.

Related strategic imperatives and material focus areas

ESD

Endorse sustainable development

- Community and sustainability

Contribution to UN Sustainable Development Goals

Financial inclusion

CDB fuses its business model, which combines urban funding and rural lending, with sustainable practices. This, combined with our net lending position to the rural economy, positions us as a conscientious and formidable leader in the financial services industry, enriching the lives of the marginalised people in thick rural areas. CDB drives community-led sustainability, using our digital capabilities to enable and encourage rural entrepreneurship and uplift rural financial strength, thus helping to address the inequalities, social exclusion, and marginalisation of various societal groups.

Net lending position of CDB outside the Western Province

	2020/21 Rs. Mn.	2019/20 Rs. Mn.	2018/19 Rs. Mn.	2017/18 Rs. Mn.	2016/17 Rs. Mn.
Lending portfolio	**31,286**	28,744	28,822	24,444	18,991
Deposit portfolio	**10,119**	10,931	13,302	10,113	8,946
Net lending	**21,167**	17,813	15,520	14,331	10,045

Increasing employability of rural youth

CDB strives to provide learning opportunities for passionate, dynamic, and focused young people through our internship and management trainee programmes and our island-wide branch network. During the period under review, internship and management trainee opportunities were provided to youth outside the Western Province and 52% of new hires were from outside the Western Province.

Women empowerment

CDB believes that investing in women empowerment is crucial to encouraging inclusive economic growth, gender equality, and contributes to poverty eradication in Sri Lanka. We support and empower women through our core business of providing financial services, including extending loans to start new businesses, expand existing ventures, and reinvesting returns to spur the development of small businesses. During the period under review, 33% of our lending was extended to women. We also empower women entrepreneurs through the CDB SMB Friday initiative.

Uplifting child health and well-being

With one in 100 children being diagnosed with autism spectrum disorder, CDB launched the Autism Awareness project in collaboration with the Sri Lanka Association for Child Development (SLACD) in 2016 to promote early detection and timely intervention and reduce the negative impact that autism can have on their lives. In addition to raising public awareness around the disorder, CDB mooted the Autism Trust Fund by allocating Rs. 10 Mn. A dedicated hotline was also established at the CDB Customer Care Centre, thereby creating a framework for families to obtain information and assistance.

Since our inception, we have been investing in activities to raise awareness among our communities about Autism Spectrum Disoder and child wellbeing. This includes mass media campaigns, outreach programmes, establishing a therapeutic play area at the Ampara District hospital, organising the Autism awareness walk and opening the state-of-the-art Children's Intervention Centre at the Anuradhapura Teaching Hospital in collaboration with SLACD.

Going forward, a series of activities have been planned. These include the "Train the Trainer" programme in collaboration with SLACD, and the doctors and medical staff to enhance the knowledge and practice of early detection and intervention. CDB will support by sponsoring a dedicated resource person to coordinate and implement the programme. Furthermore, intervention centres will be established in Colombo and Badulla under the national theme "Act Early for Autism".

Uplifting education and literacy

CDB strives to support the human capital development needs of Sri Lanka and create an equitable society. We believe that access to quality education is a fundamental right of every child and the solution to many economic and social problems in our Nation.

With the objective of uplifting the Children's education, we have been continuing the CDB Sisu Diri scholarship program for the past 12 years. We aim to offer 100 new scholarships in season 13 as well. This scholarship programme recognises and nurtures the talents of schoolchildren, enabling access to quality education and encouraging them to acquire the skills to strengthen their employability, and reducing the school dropout rate that stems from financial difficulties. Since the inception of the programme, we have awarded 609 scholarships valued at Rs. 12 Mn. in order to enhance the access to quality education. Furthermore, 12 schools have been provided with smart classrooms, empowering students in rural schools with access to digital education.

Team member volunteerism

CDB aims to inculcate a spirit of volunteerism and empathy in our team towards the less fortunate people in our communities by promoting community development and deploying social sustainability representatives across the island through CDB Hithawathkam.

In celebration of our 25th anniversary, 25 community projects were conducted covering most of the districts in Sri Lanka with an investment of Rs. 3.7 Mn. Additionally, our staff members also contributed to these projects, which were carried out with the participation of all branch team members.

Empowerment of Entrepreneurs

CDB also aims to empower entrepreneurs and small businesses by providing them with a platform to raise their visibility through our "CDB SMB Friday" initiative. With an average of 35,000 views for a video, we helped to increase their visibility through our social media channels and corporate website.

As a key initiative in the year under review, we conducted the first ever webinar for women entrepreneurs coinciding with International Women's Day. Several areas of importance were discussed including the importance of women empowerment, support systems available to navigate through the challenges of the pandemic and an open discussion to clear any doubts relating to their respective business areas.

The resource panel included four SMB vendors we had featured at the inception of the programme and they shared their success stories.

Support during the COVID-19 pandemic

We have taken several steps to support communities and the nation during the pandemic, including donating Rs. 10 Mn. towards the building of a Quarantine Centre and supporting deserving families through the branch network.

Encompassing the brand Promise, "Your Friend", several initiatives were conducted to raise public awareness and wellbeing. In particular, the COVID-19 awareness campaign was a key initiative undertaken during the period. Furthermore, we placed awareness boards at dealer points highlighting the basic etiquettes that need to be followed to prevent the spread of the virus. We reached deserving families through our branch network and provided essential supplies during the period of travel restrictions. Furthermore, essential medical equipment costing Rs. 10 Mn. was donated to the Gampaha District Hospital during month of May 2021. These included a vital ICU monitor and an ICU ventilator unit.

Future priorities

We will continue to use the UN Sustainable Development Goals to guide our social responsibility initiatives. With the path to the end of the COVID-19 pandemic being laid out, we will focus on supporting our communities and small businesses to return to normalcy and support the country's economy. In particular, we will create a physical and virtual market place for the vendors providing the needed digital support to uplift the SMEs who are the backbone of our economy. We will merge the SMB Friday programme with the patpat virtual market place, allowing the vendors to reach and meet their potential buyers. Additionally the CDB SMB Friday programme will be extended to other regions of Sri Lanka to support business communities to reach a wider audience.

To empower our next generation to be global citizens, we will provide 25 smart classrooms to deserving schools in the ensuing year, and equip them with the needed IT skills, competencies, and IT literacy.

3.5 REGULATORS

REGU

Our commitment to the highest levels of governance and compliance is a continuously evolving process to ensure the resilience and integrity of our organisation as we deliver a generation of services assuring value generation for all. By adopting a holistic ecosystem approach, we elevate customer aspirations, expand inspired innovation, emphasise organic growth, endorse sustainable development and employee development, evolving our strategy to deliver value to all our stakeholders within a governance framework that provides stability, prudence, and effective oversight. Our transformation into a FinTech organisation with a financial services mindset in this decade, driven by sustainability and tech disruption will further strengthen the resilience and compliance aspects of our company.

Related strategic imperatives and material focus areas

ECA – Elevate customer aspirations
- Assurance

EII – Expand inspired innovations
- Sustained innovations
- Disruptive innovation

ED – Employee development
- Culture

EOG – Emphasise organic growth
- Balance sheet growth
- Governance and compliance

ESD – Endorse sustainable development
- Community led sustainability
- Environment and sustainability

Contribution to UN Sustainable Development Goals

17

The diverse key regulators who regulate our operations

Regulator	Role
Central Bank of Sri Lanka (CBSL)	The CBSL plays a vital role in the financial sector of Sri Lanka, to achieve and maintain a healthy and stable economic and financial system while utilising resources effectively. Department of Supervision of Non-Banking Finance Institutions of Central Bank of Sri Lanka (DSNBFI) and Financial Intelligence Unit of Sri Lanka (FIU) function within the administration of the CBSL to ensure achievement of the ultimate objective. DSNBFI supervises Non-Banking Financial Institutions through examinations, continuous surveillance, granting regulatory approvals, issuance of directions and prudential requirements, and investigation to ensure the establishment and maintenance of a sound financial system. FIU functions to combat money laundering, terrorist financing, and other related crimes in Sri Lanka in line with international recommendations and standards.
Securities and Exchange Commission (SEC)	SEC acts in order to create and maintain a market where securities can be fairly traded and to protect investors.
Colombo Stock Exchange (CSE)	CSE aims to facilitate entities to raise capital by trading equity securities while extending regulations to maintain market integrity and investor confidence.
Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)	To monitor compliance with the Sri Lanka Accounting Standards and the Sri Lanka Auditing Standards in the preparation, presentation, and audit of financial statements of specified business entities.
Inland Revenue Department (IRD)	IRD administers the various taxes which fall under its authority with the objective of securing tax revenue to be utilised for the sustainable development of Sri Lanka.

A sound governance structure

Good corporate governance practices are imperative to creating and sustaining shareholder value and ensuring that behaviour is ethical, legal, transparent, and for the benefit of all stakeholders. Whilst supporting a sound and ethical operating environment, we remain committed to proactively engaging with regulators and other stakeholders. Simultaneously, we integrate ethical behaviour and good conduct within our culture. Since we operate in a highly regulated environment, we follow an organised approach to ensure that our business processes, policies, or system changes necessary for regulatory compliance are implemented. The regulators conduct reviews of our controls and progress in meeting regulatory requirements in the normal course of business. We maintain open and transparent communications with regulators and we engage constructively in inspections and investigations.

Strengthening our IT Governance and cyber security

We place the highest priority on minimising our vulnerability to cyber-crimes, loss of information, and maintaining uninterrupted data services for our stakeholders, whilst ensuring preparedness for the future. With increased investment in technology and digital capabilities to build scale and offer best-in-class experience to our stakeholders, we have also recognised the need to fortify our IT Governance framework. The globally recognised ISO/IEC 27001:2013 Information Security Standard was recertified for the third consecutive year in 2020/21. The certification is a testament of our conformance to the highest information systems practices and protocols in accordance with global standards, ensuring the highest levels of customer information security. Our Information Technology Steering Committee promotes and supports the effective use of technology and information across the organisation, improving alignment between IT and business strategy, accountability for IT decisions, and value generation through ongoing evaluation of the performance of IT services. Moreover, we implement a comprehensive firewall and security policy management solution (for multi-vendor) to combat cyber security and to enhance the security architecture of the organisation. ICT Shared Services have implemented a web application firewall to protect the application systems in tandem with the increasing use of web-based applications and the resulting increase in exposure to the Internet.

A sustainable organisation

GRI 409-1

The CDB Sustainability Steering Committee provides oversight to the Company's sustainability policy and agenda of promoting financial inclusion. The Committee closely monitors our business conduct to ensure accountability, fairness, and ethical behaviour whilst assuring privacy of customer data. Adopting ethical business practices, we maintain a zero tolerance towards financial crime, bribery, and corruption. We also ensure that no slavery, forced, or bonded labour is undertaken within CDB operations and suppliers operations through the Environmental and Social Management System (ESMS), Procurement policy, and Supplier Codes of Conduct.

As satisfied customers can drive the organisation towards a sustained competitive advantage, we are committed to providing quality and convenient financial services, fuelled by our business model and the "urban funding rural lending" concept. Our customers can experience the most convenient and differentiated financial services 24/7 through a disciplined and well-trained workforce and FinTech innovations. Furthermore, as a socially responsible organisation, we are committed to resolving customer complaints, which in turn ensures the sustainability of the organisation. Customer needs are addressed in a swift and fair manner.

Respecting human rights and respecting the universal right to work, equal opportunity is provided to earn a living through work, with freedom of choice and space to safeguard the rights of team members. We have included information about human rights, gender equality, and sustainable development in our corporate internal policies, such as the Employee Code of Conduct and HR Policy. By increasing awareness and application, we have ensured that these policies are comprehensively shared and understood by all team members.

We also established a zero-tolerance policy towards all forms of violence in the workplace and preventing sexual harassment. Appropriate policies, procedures, grievance mechanisms, and support structures have been established for our team members to anonymously report incidences or suspected incidences of violence, exploitation, or harassment. Protection is in place for whistleblowers so that the team is free from fear of retribution. Our commitment to reduce gender-based violence has been communicated both internally and externally. We have also raised awareness among team members about what constitutes harassment, trafficking, or exploitation, and provide training on how to manage and prevent it.

Ethics and integrity

Ethical leadership is a fundamental aspect and is of paramount importance to CDB. Ethical behaviour is internalised through the Company's Code of Ethics which is central to how we operate and grow sustainably, refuting unethical behaviour, fraud, and corruption. Ethical business practices are supported by the top management and are guided by our values driven culture and is cascaded to the staff members in carrying out day-to-day business.

Supporting regulators through the pandemic

We coordinated with the regulators and established communication protocols to respond to their urgent and ad hoc queries in order to safeguard the interests of the stakeholders and the industry. We continue to be fully compliant with all regulations, especially pertaining to operations during the pandemic. All our Board meetings were held virtually.

Future priorities

We will continue to strengthen our governance and regulatory compliance aspects as a responsible and ethical corporate entity that creates and sustains shareholder value and ensures sustainable value creation for all stakeholders. The regulatory environment is evolving to provide relief to financial distresses arising from the COVID-19 pandemic. As a result, FinTech is being promoted and we are geared to integrate technological innovation into our service delivery process, enabling everyone to access our products easily whilst ensuring resilience amid the pandemic.

3.6 BUSINESS PARTNERS

BUS.P

The mutually beneficial and consistent relationships with our business partners are a source for competitive advantage as we assure value generation for all. Our partners are essential for the continuity of our business, as we elevate customer aspirations. We maintain expedient relationships which are professional, transparent, and fair to ensure operational excellence at all times. The value we eventually deliver pivots on business partners providing us the right expectations of quality, competitiveness, timeliness, availability, and cost benefits which drives organic growth. We will enhance value as we transition into a TechFin organisation with a financial services mindset in this decade. Sustainability and tech disruption will further enhance our value proposition to our business partners.

Related strategic imperatives and material focus areas

ECA Elevate customer aspirations
- Convenience

EII Expand inspired innovations
- Sustained innovations
- Disruptive innovation

ED Employee development
- Elevate aspirations

EOG Emphasise organic growth
- Balance sheet growth
- Governance and compliance
- Growth in customer touchpoints
- Asset mix
- Product development

ESD Endorse sustainable development
- Community led sustainability
- Environment and sustainability

Contribution to UN Sustainable Development Goals

17

Our business partners

BUS.P — **Business Partners**

FND — **Funding Partners**

Support business growth

TEC — **Technological Partners**

Efficiency improvement, business disruption, and extend an uninterrupted customer service

STP — **Sales touch Points**

Provide customer connectivity

REGU — **Regulator**

Strengthen the governance framework

SUP — **Sustainability Partners**

Provide environmental and social sustainability

UPO — **Utility providers and others**

Ensure smooth business operations

View here

Our business partner selection process and how we maintain a sustainable supply chain

GRI 102-9, 102-10, 308-1

Responsible and sustainable financing

GRI 307-1

We manage the environmental and social risks when promoting new business opportunities. Responsible and inclusive financial services are offered to enable positive social and environmental development. This includes areas such as promoting environmental protection, social justice, and economic prosperity. We stand ahead of the curve with a considerable net lending position to the rural economy.

We have nurtured long-term relationships with the following sustainability partners to make a positive contribution to the society and environment.

Partner	Project
Bio Diversity Sri Lanka (BSL)	Environment conservation efforts
Green Links (Pvt) Ltd.	Paper and e-waste recycling
Sri Lanka Climate Fund	ISO 14064-1 2018 GHG verification
Sri Lanka Association for Child Development	Act Early for Autism project

Funding partners supporting growth and expansion

Our funding partners support us by providing the required finances to expand our business, grow our balance sheet, and engage in elevating the aspirations of our stakeholders. Over the years, we have maintained long-standing relationships with both our local and international funding partners.

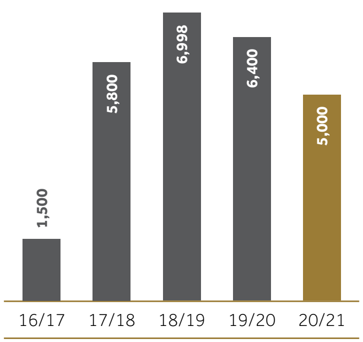
Since receiving our first foreign funding in 2013/14, we have built trust and confidence in our institution through stringent compliance, commitment to transparency, discharging of debt obligations in a timely manner, and business ethics. By channelling funds according to the respective mandates, we have contributed towards green financing that combats climate change, empowers women, and contributes to rural and SME development and agriculture expansion.

Transactions received from foreign funding partners.

Funding partner	Year	Volume of funding
Belgian Investment Company for Developing Countries	2013/14 2018/19	USD 6 Mn. USD 10 Mn.
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	2018/19	USD 25 Mn.
BlueOrchard Micro Finance Fund	2018/19	USD 25 Mn.
Triodos Fair Share Fund & Triodos SICAV II	2020/21	EUR 5 Mn.

Funding secured through our banking relationships with local funding partners.

TOTAL FUNDING Rs. Mn.



Uninterrupted service through our technological partners

In tandem with our strategic priority of transformation from a FinTech to a TechFin Company, as a financial institution with a tech mindset in this decade, our technological partners will play a vital role in this process. Our technological partners support efficiency improvements and enriching customer experience. We have been working closely with a wide range of partners for our tech support. Especially following the COVID-19 pandemic, our strong and long-standing relationships with our technological partners enabled us to provide an uninterrupted service and meet the increased demand for digital services.

Our key technology partners

TEC

Technology partners

Millennium Information Technologies ESP (Pvt) Ltd.
Datacenter/Core infrastructure solutions

Intellect Design Arena
Core Banking Application

John Keels IT
Robotic Process Automation and Digital Transformation

VISA/Mastercard
Payment card networks

Worldline India Private Limited
Credit Card embossing and card management solutions

EPIC Lanka (private) Limited
Digital and agency banking solution

Data network communication partners

SLT/Mobitel
Data communications and Data centre

Information security services partners

TechCERT
Security Reviews and Assessments

Assurance and advisory services partners

Ernst & Young
Information system audits and system reviews

3.1 Customers
3.2 CDB team
3.3 Environment
3.4 Society
3.5 Regulators
3.6 Business partners
3.7 Investors

We continued to support our business partners throughout the pandemic by activating timely payments, remaining strongly committed to all our partner agreements, and working diligently with our suppliers and external parties to continue our business operations.

17%

growth in our dealer base grew YoY

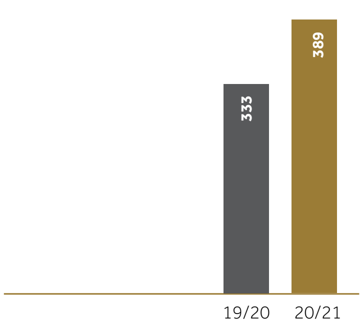
Long-standing relationships with technological partners

Our partnership with sales touchpoints

Motor vehicle leasing is a key segment of our business, which constitutes a major portion of the lending business portfolio. Emphasising the importance of the strategic partnership with the vehicle dealers and principal agents, we have continued to nurture long-standing, cordial relationships with several vehicle suppliers across the country. They have supported customer connectivity resulting in the growth of our customer base and provision of value-added benefits to customers.

Growth in our dealer base

NEW VEHICLE DEALERS ADDED ANNUALLY — Nos.



Our approach of expanding the vehicle dealer network through patpat dealer onboarding was prioritised during the year under review which enabled us to maintain the same momentum of adding new dealers. Even though the number of promotions conducted was impacted by the intermittent lockdown and restrictions of movement due to pandemic during the year, we were able to build up more productive and value added relationship compare to the competitors with the synergy of CDB lending strategy and patpat communication strategy

Support services ensuring smooth operations

There are several international and local partners who are vital for our business. We have outsourced operations, such as security, janitorial, logistics, courier, waste management, maintenance of office equipment, and machine servicing to specialist companies. This enables us to function smoothly and engage in daily business operations effectively. Most of these service providers are local. We engage with them regularly and recognise their efforts and services they provide. Through prompt payment for these services (electricity, water, telephone, and Internet services), we secure our relationship with them, together with reciprocal uninterrupted service. During the year 2020/21, Rs. 99 Mn. was paid to utility service providers.

View details on our membership and associations

GRI 102-13

Supporting our business partners through the pandemic

We continued to support our business partners throughout the pandemic by activating timely payments, remaining strongly committed to all our partner agreements and working diligently with our suppliers and external parties to continue our business operations. Arrangements were made to ensure all general payments were made without a delay for all the services received.

Future priorities

We will continue to prioritise contributing towards SDG 17 – Partnerships for the goals, and strengthen our relationships with business partners, securing mutual benefits and maximising the value delivered to our stakeholders. This will enable us to enhance our operational excellence by continuously elevating business partner experience and initiating new partnerships to create increased value.

3.7 INVESTORS

INVS

CDB's investors are a key stakeholder in its value creation process assuring value delivery for all, through the generation of services. Our investors constitute individuals and groups who provide us with the financial capital for investments and expansion. They also play an integral role in shaping our corporate behaviour on socio-environmental and governance aspects. We create shareholder value by managing risk effectively, expanding inspired innovation, elevating customer aspirations, and delivering sustainable growth and returns by emphasising organic growth. We nurture our relationships with investors through accountability, regular engagement, and mutual trust. We strive to provide investors with sufficient information to make an informed assessment of the performance during the year under review and on our future prospects, so that they can value us appropriately. The value delivered to our investors will be enhanced as we transition into a into a TechFin organisation with a financial services mindset in this decade, driven by sustainability and tech disruption.

Related strategic imperatives and material focus areas

ECA
Elevate customer aspirations
- Emotions
- Convenience

EII
Expand inspired innovations
- Sustained innovations
- Disruptive innovation

ED
Employee development
- Culture
- Elevate aspirations

EOG
Emphasise organic growth
- Balance sheet growth
- Governance and compliance
- Growth in customer touchpoints
- Asset mix
- Product development

ESD
Endorse sustainable development
- Community led sustainability
- Environment and sustainability

Contribution to UN Sustainable Development Goals

12

A resilient performance

Capital market performance

The Colombo Stock Exchange (CSE) has 278 companies with a market capitalisation of Rs. 3,111 Bn. as at 31 March 2021. All Share Price Index (ASPI) and S&P Sri Lanka 20 Index (S&P SL 20) stood at 7,121 and 2,850 respectively.

The issued ordinary shares of Citizens Development Business Finance PLC are listed on the Main Board of the Colombo Stock Exchange.

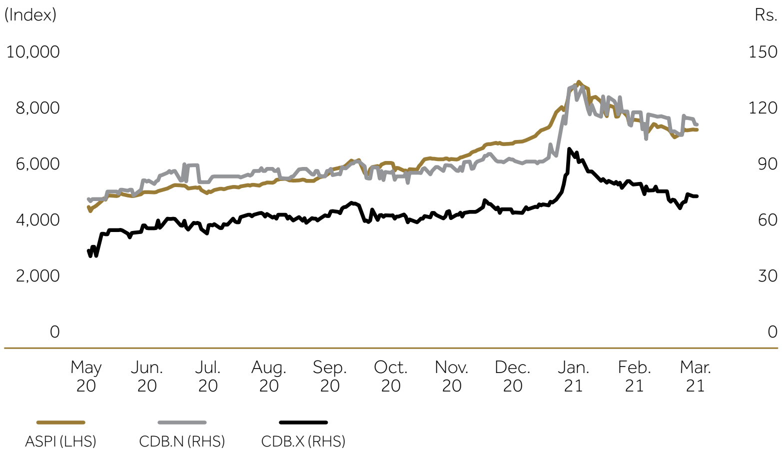
A steady growth momentum is expected, considering the share movement trend of CDB. During the financial year, prices of ordinary voting and ordinary non-voting shares of CDB generated a capital appreciation of 133% and 160% respectively, whereas ASPI performed 55.75% YoY as of 31 March 2021. CDB.N was trading between Rs. 60.10 – Rs. 140.00 and CDB.X was trading between Rs. 38.50 – Rs. 100.00. Overall, CDB stock market capitalisation has appreciated by 53.33% YoY, where Rs. 4.75 Bn. market capitalisation in 2019/20 has grown to Rs. 7.28 Bn.

We have maintained a positive and effective communication with investors and shareholders over the period, leading to enhanced relationships and performance of the organisation. We have connected with the investors through online and offline communication, in order to ensure fair and timely disclosures, and provide relevant information.

Stock exchange listing

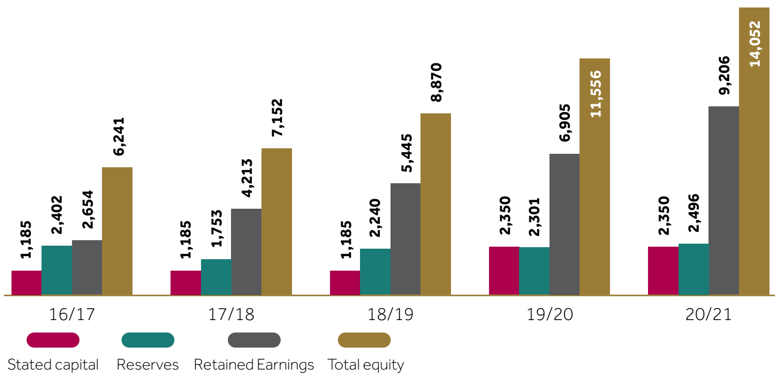
The unaudited Interim Financial Statements for the three quarters in the financial year 2020/21 have been submitted to the CSE within the stated 45 day period. The unaudited Interim Financial Statements for the final quarter was submitted to the CSE within the stated 60 days from the Statement of Financial Position date.

COMPARISON OF CDB SHARE PRICE MOVEMENT WITH ASPI



Strength of our balance sheet and continued improvement in our financial position reflect our financial stability and financial strength.

MOVEMENT IN STATED CAPITAL, RESERVES, RETAINED EARNINGS AND TOTAL EQUITY



Overall share market

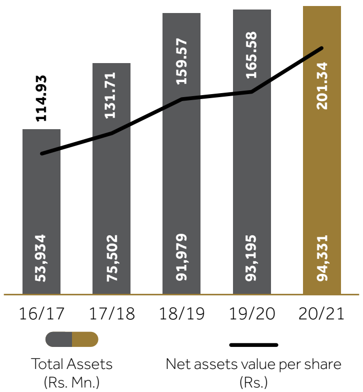
Market capitalisation of Rs. 3,111 Bn. reflecting an increase of 46% compared to Rs. 2,128 Bn. in the previous year.

	31 March 2021
All Share Price Index (ASPI)	7,121
S&P Sri Lanka 20 Index (S&P SL 20)	2,850
Market capitalisation (Rs. Bn.)	3,111

Financial information

Operating in a very challenging economic context in 2020/21, we recorded a resilient performance, with consistent revenue, recording a 39% YoY growth in profit after tax and a 1.22% growth in our balance sheet as at 31 March 2021. The net asset value per share increased by 22% to Rs. 201.34.

TOTAL ASSETS AND NET ASSETS VALUE PER SHARE

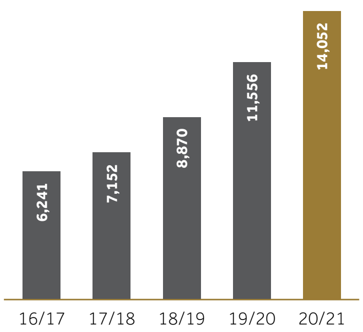


Highlights

	2020/21	2019/20
Price earnings ratio (Times)	**3.00**	2.74
Earnings per share (Rs.)	**36.64**	26.32
Net assets value per share (Rs.)	**201.34**	165.58
Price to Book value (Times)	**0.55**	0.44
Return on Equity (%)	**19.97**	17.99
Return on Assets (%)	**2.73**	1.98
Earnings Yield (%)	**33.31**	36.50
Dividend Yield (%)	**6.82**	–
Dividend pay-out (%)	**20.47**	–
Dividend Cover (Times)	**4.89**	–
Net interest margin (%)	**8.10**	7.17
Debt/Equity Ratio (Times)	**5.45**	6.64
Quick Assets Ratio (Times)	**0.94**	0.86
Interest Cover (Times)	**1.48**	1.25

For further analysis of the financial performance of the company refer CFO's analysis on pages 24 - 29.

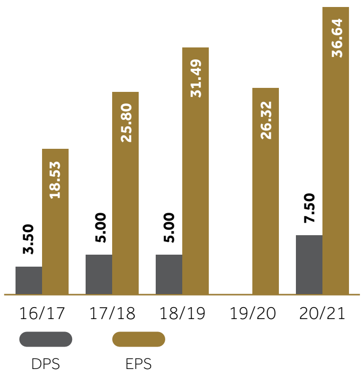
TOTAL EQUITY Rs. Mn.



Dividends

For the financial year ended 31 March 2021, CDB declared a cash dividend of Rs. 7.50 per share for both voting and non-voting shares of Rs. 445,868,100 and Rs. 77,577,510 respectively, which aggregated to a sum of Rs. 523,445,610.

MOVEMENT IN DIVIDEND PER SHARE (DPS) AND EARNINGS PER SHARE (EPS) Rs.



Share price

	Voting		Non -Voting	
	2020/21 Rs.	2019/20 Rs.	2020/21 Rs.	2019/20 Rs.
High	**140.00**	101.10	**100.00**	78.90
Low	**60.10**	65.80	**38.50**	43.00
Last traded	**110.00**	72.10	**71.90**	44.80

View share performance on volume and turnover of CDB voting and non-voting shares

Share trading information

Annual transaction information – Ordinary voting shares

	2020/21	2019/20	2018/19	2017/18	2016/17
Number of transactions	**1,556**	1,401	1,970	3,330	2,965
Number of shares traded	**2,497,879**	5,647,980	2,735,334	7,354,042	4,453,153
Value of shares traded (Rs.)	**240,347,905**	500,892,517	229,888,715	508,655,792	351,201,140

Annual transaction information – Ordinary non-voting shares

	2020/21	2019/20	2018/19	2017/18	2016/17
Number of transactions	**3,341**	1,267	789	1,261	1,200
Number of shares traded	**4,322,586**	1,175,929	755,533	1,172,546	1,601,961
Value of shares traded (Rs.)	**306,053,238**	76,157,195	55,384,111	70,699,527	116,268,214

View share price movement of CDB voting and non-voting shares

View quarterly summary of voting and non-voting shares

Market capitalisation

As at 31 March 2021	Number of shares	Market price per share	2020/21	2019/20
Voting	59,449,080	110.00	**6,539,398,800**	4,286,278,668
Non-voting	10,343,668	71.90	**743,709,729**	463,396,326
Total			**7,283,108,529**	4,749,674,994

Float adjusted market capitalisation

As at 31 March 2021	Number of shares	Market price per share	Market capitalisation (Rs.)	Percentage of public holders (%)	Float adjusted market capitalisation (Rs.)
Voting	59,449,080	110.00	6,539,398,800	44.22	2,891,722,149
Non-voting	10,343,668	71.90	743,709,729	83.13	618,245,898
Total			7,283,108,529		3,509,968,047

The float adjusted market capitalisation of the Company falls under Option 4 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange, and the Company has complied with the minimum public holding requirement applicable under the said option.

Shareholder analysis

Ordinary voting – Composition according to shareholding

Shareholdings	Resident			Non-resident			Total		
	Number of shareholders	No. of shares	Percentage (%)	Number of shareholders	No. of shares	Percentage (%)	Number of shareholders	No. of shares	Percentage (%)
1 to 1,000 Shares	1,043	197,828	0.33	5	1,111	–	1,048	198,939	0.33
1,001 to 10,000 Shares	506	1,349,419	2.27	3	8,603	0.01	509	1,358,022	2.28
10,001 to 100,000 Shares	150	4,443,182	7.47	1	15,685	0.03	151	4,458,867	7.50
100,001 to1,000,000 Shares	28	5,704,345	9.60	–	–	–	28	5,704,345	9.60
Over 1,000,000 Shares	14	47,728,907	80.29	–	–	–	14	47,728,907	80.29
	1,741	59,423,681	99.96	9	25,399	0.04	1,750	59,449,080	100.00

Composition of voting shareholders

Categories of shareholders	2020/21			2019/20		
	No. of shareholders	No. of shares	Holding %	No. of shareholders	No. of shares	Holding %
Individual	**1,662**	**8,163,576**	**13.73**	1,771	8,735,165	14.69
Institutional	**88**	**51,285,504**	**86.27**	101	50,713,915	85.31
	1,750	**59,449,080**	**100.00**	1,872	59,449,080	100.00

Ordinary non-voting – Composition according to shareholding

Shareholdings	Resident			Non-resident			Total		
	Number of shareholders	No. of shares	Percentage (%)	Number of shareholders	No. of shares	Percentage (%)	Number of shareholders	No. of shares	Percentage (%)
1 to 1,000 Shares	1,473	188,221	1.82	4	916	0.01	1,477	189,137	1.83
1,001 to 10,000 Shares	170	627,921	6.07	1	7,046	0.07	171	634,967	6.14
10,001 to 100,000 Shares	73	2,474,221	23.92	1	39,500	0.38	74	2,513,721	24.30
100,001 to1000,000 Shares	16	3,820,081	36.93	2	216,018	2.09	18	4,036,099	39.02
Over 1,000,000 Shares	2	2,969,744	28.71	–	–	0.00	2	2,969,744	28.71
	1,734	10,080,188	97.45	8	263,480	2.55	1,742	10,343,668	100.00

Composition of non-voting shareholders

Categories of shareholders	2020/21			2019/20		
	No. of shareholders	No. of shares	Holding %	No. of shareholders	No. of shares	Holding %
Individual	**1,656**	**4,693,084**	**45.37**	1,649	4,783,572	46.25
Institutional	**86**	**5,650,584**	**54.63**	87	5,560,096	53.75
	1,742	**10,343,668**	**100.00**	1,736	10,343,668	100.00

View information on share capital movement

Establishment of an Employee Share Option Plan (ESOP 2021)

In terms of rule 5.6.6 (b) of the listing rules of the CSE, we are pleased to inform you that the Board of Directors of Citizens Development Business Finance PLC has duly resolved to establish an ESOP on the basis outlined below.

Employee Share Option Plan (ESOP 2021)

1. The total number of options to be granted for the period commencing from 1 September 2021 to 1 September 2023 is 2,972,454 ordinary voting shares
2. The number of shares to be issued under ordinary voting shares represents 5%
3. The stated capital as at 31 March 2021 is Rs. 2,350,362,616
4. The number of shares representing the stated capital as at 31 March 2021:

- Ordinary voting shares 59,449,080
- Ordinary non-voting shares 10,343,668

The granting of options under the proposed ESOP is in compliance with the Listing Rules of the CSE and is subject to the Exchange approving, in principle, the issue and listing of shares issued pursuant to such scheme and obtaining shareholder approval, by way of a special resolution at a General Meeting.

List of 20 major shareholders based on their shareholdings as at 31 March 2021

Ordinary voting shares

Name	Shareholding	(%)
1. Ceylinco Life Insurance Limited Account No.3	19,120,225	32.16
2. Janashakthi Insurance PLC – Shareholders	3,044,855	5.12
3. Janashakthi Insurance PLC – Non Par	2,977,453	5.01
4. Cargills Bank Limited/Asia Management Consultancy (Private) Limited	2,444,169	4.11
5. People's Leasing & Finance PLC/ Mr W P C M Nanayakkara	2,399,957	4.04
6. Commercial Bank of Ceylon PLC/ Janashakthi Limited	2,384,787	4.01
7. Ceylinco Insurance PLC Account No.2 (General Fund)	2,379,654	4.00
8. Ceylinco Life Insurance Limited Account No.1	2,377,871	4.00
9. Asia Management Consultancy (Private) Limited	2,345,816	3.95
10. Seylan Bank PLC/Janashakthi PLC	2,241,048	3.77
11. Citizens Development Business Finance PLC A/C 02 (CDB Employee Gratuity Fund)	2,194,152	3.69
12. People's Leasing & Finance PLC/ Mr S V Munasinghe	1,316,247	2.21
13. People's Leasing & Finance PLC/ Mr R H Abeygoonewardena & Mrs V F Abeygoonewardena	1,301,785	2.19
14. Seylan Bank PLC/Tennakoon Mudiyanselage Damith Prasanna Tennakoon	1,200,888	2.02
15. Mr E Karthik	551,486	0.93
16. People's Leasing & Finance PLC/ Mrs N D Kodagoda	503,972	0.85
17. People's Leasing & Finance PLC/ Mr H K Dassanayake	349,115	0.59
18. People's Leasing & Finance PLC/ Mr I M Kotigala	327,798	0.55
19. National Development Bank PLC/ Asia Management Consultancy	325,000	0.55
20. Janashakthi PLC Account No.1	301,588	0.51
Subtotal of top 20 shareholders	50,087,866	84.25
	9,361,214	15.75
Total	59,449,080	100.00

The percentage of shares held by the public as at 31 March 2021 was 44.22% (with 1,735 public shareholders).

Ordinary non-voting shares

Name	Shareholding	(%)
1. J B Cocoshell (Pvt) Ltd	1,588,251	15.35
2. Deutsche Bank AG As Trustee for JB Vantage Value Equity Fund	1,381,493	13.36
3. Mr Amarakoon Mudiyanselage Weerasinghe	635,095	6.14
4. Mr Jafferjee Murtoza Ali	356,380	3.45
5. Askold (Private) Limited	327,840	3.17
6. Mr Yusuf Husseinally Abdulhussein	315,554	3.05
7. Commercial Bank of Ceylon PLC/ Andaradeniya Estate (Pvt) Ltd	286,515	2.77
8. People's Leasing & Finance PLC /Mr H M Abdulhussein	274,402	2.65
9. Essajee Carimjee Insurance Brokers (Pvt) Ltd	263,520	2.55
10. Miss Rukaiya Husseinally Abdulhussein	260,653	2.52
11. Mr Abbasally Nuruddin Esufally	217,551	2.10
12. Avanti Manoja Moonesinghe	165,375	1.60
13. Little Smile Organic (Pvt) Ltd	150,856	1.46
14. Sabapathi Mudiyanselage Pradeep Lal Jayaratne	133,966	1.30
15. People's Leasing & Finance PLC/Mr H A D U G Gunasekera	115,616	1.12
16. Gold Investment Limited.	108,009	1.04
17. Jafferjees Investments (Pvt) Ltd.	108,009	1.04
18. Mukesh Abhaykumar Valabhji	108,009	1.04
19. Commercial Bank of Ceylon PLC Account No. 4	105,390	1.02
20. Lakdhanavi Limited	103,359	1.00
Subtotal of top 20 share holders	7,005,843	67.73
	3,337,825	32.27
Total	10,343,668	100.00

The percentage of shares held by the public as at 31 March 2021 was 83.13% (with 1,735 public shareholders).

Directors' and Chief Executive Officer's Shareholding as at 31 March 2021

Ordinary voting shares

Name	Shareholding
1. Mr W P C M Nanayakkara	1,283
2. People's Leasing & Finance PLC/ Mr W P C M Nanayakkara	2,399,957
3. Mr T M D P Tennakoon	–
4. Assetline Leasing Company Ltd/ Mr T M D P Tennakoon	170,151
5. Seylan Bank PLC/Mr T M D P Tennakoon	1,200,888
6. Mr S V Munasinghe	–
7. People's Leasing & Finance PLC/Mr S V Munasinghe	1,316,247
8. Mr R H Abeygoonewardena/ Mrs V F Abeygoonewardena	5,652
9. Peoples's Leasing & Finance PLC/Mr R H Abeygoonewardena & Mrs V F Abeygoonewardena	1,301,785
10. Mr D A De Silva	–
11. Dialog Finance PLC/D A De Silva	117,550
12. Dr A Dharmasiri	–
13. Mr S P P Amaratunge	–
14. Mr J R A Corera	1,027
15. People's Leasing & Finance PLC/Mr J R A Corera	21,622
16. Mr J P Abhayaratne	–
17. Mr E Karthik	551,486
18. Mrs P R W Perera	–
19. Mr S Kumarapperuma	–
20. Mr E R S G S Hemachandra	–
Total	7,087,648

Ordinary non-voting shares

Name	Shareholding
1. Mr W P C M Nanayakkara	56
2. Mr T M D P Tennakoon	–
3. Seylan Bank PLC/Tennakoon Mudiyanselage Damith Prasanna Tennakoon	–
4. Mr S V Munasinghe	–
5. Mr R H Abeygoonewardena/Mrs V F Abeygoonewardena	99,653
6. Peoples's Leasing & Finance PLC/Mr R H Abeygoonewardena & Mrs V F Abeygoonewardena	37,850
7. Mr D A De Silva	–
8. Dr A Dharmasiri	–
9. Mr S P P Amaratunge	–
10. Mr J R A Corera	10,335
11. Mr J P Abhayaratne	–
12. Mr E Karthik	–
13. Mrs P R W Perera	–
14. Mr S Kumarapperuma	–
15. Mr E R S G S Hemachandra	–
16. Mrs P N Gamage	–
Total	147,894

Directors' interest in debentures

Following Director has subscribed for company debentures as indicated below as at 31 March 2021.

Mr R H Abeygoonewardana Rs. 4 Mn. (31 March 2019 – Rs. 4 Mn.) Except for above there were no debentures registered in the name of other directors as at 31 March 2021.

View information on Right issue movement

View information on listed debenture movements

View information on listed debentures

Guaranteed listed rated unsecured redeemable debentures June 2016 – June 2021

Market prices for the year ended 31 March 2021

Price, current yield and yield to maturity

Debenture type	Highest price Rs.	Lowest price Rs.	Last traded Rs.	Current yield (%)	Yield to maturity (%)
Type A	102.60	100.61	101.50	12.74	9.92
Type B	–	Not traded	–	–	–

During the financial year, prices of ordinary voting and ordinary non-voting shares of CDB generated a capital appreciation of 133% and 160% respectively.

22%

increase in Net asset value per share to Rs. 201.34

Subordinated listed rated unsecured redeemable debentures March 2018 – March 2023

Debenture type	Highest price Rs.	Lowest price Rs.	Last traded Rs.	Current yield (%)	Yield to maturity (%)
Type A	–	–	Not traded	–	–
Type B	103.00	103.00	103.00	14.51	15.13

Subordinated listed rated unsecured redeemable debentures January 2019 – January 2024

Debenture type	Highest price Rs.	Lowest price Rs.	Last traded Rs.	Current yield (%)	Yield to maturity (%)
Type A	108.00	108.00	108.00	14.77	17.64
Type B	100.00	100.00	100.00	16.22	17.09

Subordinated listed rated unsecured redeemable debentures December 2019 – December 2024

Debenture type	Highest price Rs.	Lowest price Rs.	Last traded Rs.	Current yield (%)	Yield to maturity (%)
Type A	100.00	100.00	100.00	19.00	13.79
Type B	–	–	Not traded	–	–

Utilisation of funds via capital market from the rights issue

Objective as per prospectus	Amount allocated as per prospectus in Rs.	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. (A)	Total proceeds %	Amount utilised in Rs. (B)	Utilisation against Allocation (B/A) %
To strengthen the Tier 1 capital of the Company in the light of the regulatory requirements introduced by the Central bank of Sri Lanka						
Company's Achievement of the Capital Adequacy Ratio (CAR) under the Finance Business Act Direction No.3 of 2018	1,019,355,729	Within the next 12 months from the date of allotment	1,019,355,729	100	1,019,355,729	100
Support the Company's Asset Growth						

View disclosure on utilisation of funds via capital market on debentures

Credit rating

ICRA Lanka Limited has assigned a credit rating of (SL) 'BBB'+ (negative) outstanding long and short-term corporate credit ratings of the Company. Credit ratings obtained for listed, unsecured, debentures are as follows:

Instrument	Rated amount (Rs. Mn.)	Rating action
Issuer rating	N/A	[SL]BBB+ (Negative); Outstanding
Subordinated, unsecured, listed redeemable debentures programme	928	[SL]BBB (Negative); Outstanding
Subordinated unsecured listed redeemable debentures	1,075	[SL]BBB (Negative); Outstanding
Subordinated, unsecured, listed redeemable debentures programme	2,000	[SL]BBB (Negative); Outstanding
Subordinated guaranteed listed redeemable debentures	1,000	[SL]A-(SO) (Stable); Outstanding

Report on compliance with the rules on the content of the Annual Report according to section 7.6 of the Listing Rules of the Colombo Stock Exchange (Listing rules)

Colombo Stock Exchange (CSE) Listing Rules aim to boost the confidence of investors by requiring companies to publish accurate information on a timely basis to help investors to evaluate companies and make wise decisions on investing. These rules also depict governance rules, which should be adhered to by all listed companies. Level of compliance by CDB with such rules is highlighted in the following table:

Rule no.	Disclosure Requirement	Section Reference	Page Reference
7.6 (i)	Name of persons who held the positions of Directors during the financial year		95
7.6 (ii)	Principal activities of the Entity and its Subsidiaries during the year and any changes therein	Notes to the Financial Statements- Reporting Entity	144 - 248
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentages of such shares held	3.7 Investors	74 - 84
7.6 (iv)	The public holding percentage	3.7 Investors	74 - 84
7.6 (v)	A statement of each Director's and Chief Executive Officer's shareholding and the percentage of such shares held	3.7 Investors	80
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Risk Management	85 - 90
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	N/A	N/A
7.6 (viii)	Extent, locations, valuations, and the number of buildings of the Entity's land holdings and investment properties	Notes to the Financial Statements	144 - 248
7.6 (ix)	Number of shares representing the Entity's stated capital	3.7 Investors	74 - 84
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings	3.7 Investors	74 - 84
7.6 (xi)	Ratios and market price information: Equity Debt Any changes in credit rating	3.7 Investors	74 - 84
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Notes to the Financial Statements	144 - 248
7.6 (xiii)	Details of funds raised through Public Issues, Rights and Private Placements during the year	3.7 Investors	74 - 84
7.6 (xiv)	Information in respect of Employee Share Option Schemes and Employee Share Purchase Schemes	3.7 Investors	74 - 84
7.6 (xv)	Disclosure pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5 c and 7.10.6 c of Section 7 of the Rules	3.7 Investors	83 - 84
7.6 (xvi)	Disclosure on Related Party Transaction exceeding 10% of the equity or 5% of the total assets whichever is lower, of the Entity as per the latest Audited Financial Statements.	Refer Notes to the Financial Statements in relation to Related Party Transactions. Further, refer page 84 for compliance with section 09.	144 - 248

Compliance Requirements on Corporate Governance Rule 7.10 of the Listing Rules

The Continuing Listing Rule Section 7.10 of the Colombo Stock Exchange (CSE) mandates companies listed on the Colombo Stock Exchange to publish a table in the Annual Report, confirming that as at the date of the Annual Report, they comply with the Corporate Governance rules. The rule addresses the following areas:

A. Non-Executive Directors,

B. Independent Directors,

C. Disclosures relating to Directors,

D. Remuneration Committee,

E. Audit Committee.

Rule Reference	Requirement	Compliance Status	Details
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Compliant	For the FY 2020/21, seven of the thirteen Directors were Non-Executives (NED), which is more than the requirement of the rule.
7.10.2 (a)	Two or one third of Non-Executive Directors, whichever is higher, should be independent	Compliant	For the FY 2020/21 four out of seven Non-Executive Directors are Independent.
7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	Compliant	All Non-Executive Directors submitted the requisite declarations during the year under review.
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer Corporate Governance section on pages 91 to 105.
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	N/A	No such determination was required to be made by the Board, as all the Independent Directors of the Company met the specified criteria.
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Compliant	Please refer pages108 to 109 for Directors profiles.
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Compliant	During this financial year 2020/21, one Executive Director, two Independent Non-Executive Directors and two Non-Executive Directors were appointed to the Board. Please refer page 100.
7.10.5	A listed company shall have a Remuneration Committee	Compliant	Refer the Remuneration Committee Report on page 120 for disclosure on the names of the Remuneration Committee Members and the Remuneration Policy of the Company.
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	Compliant	Refer the Remuneration Committee Report on page 120 for disclosure on the names of the Remuneration Committee members
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors	Compliant	Refer the Remuneration Committee Report on page 120 for disclosure on the names of the Remuneration Committee Members and the Remuneration Policy of the Company.
7.10.5 (c)	The Annual Report shall set out:		
	(i) The names of the Directors that comprise the Remuneration Committee	Compliant	Refer the Remuneration Committee Report on page 120 for disclosure on the names of the Remuneration Committee Members
	(ii) A statement of Remuneration Policy	Compliant	Refer the Remuneration Committee Report on page 120 for disclosure on the names of the Remuneration Committee Members and the Remuneration Policy of the Company.

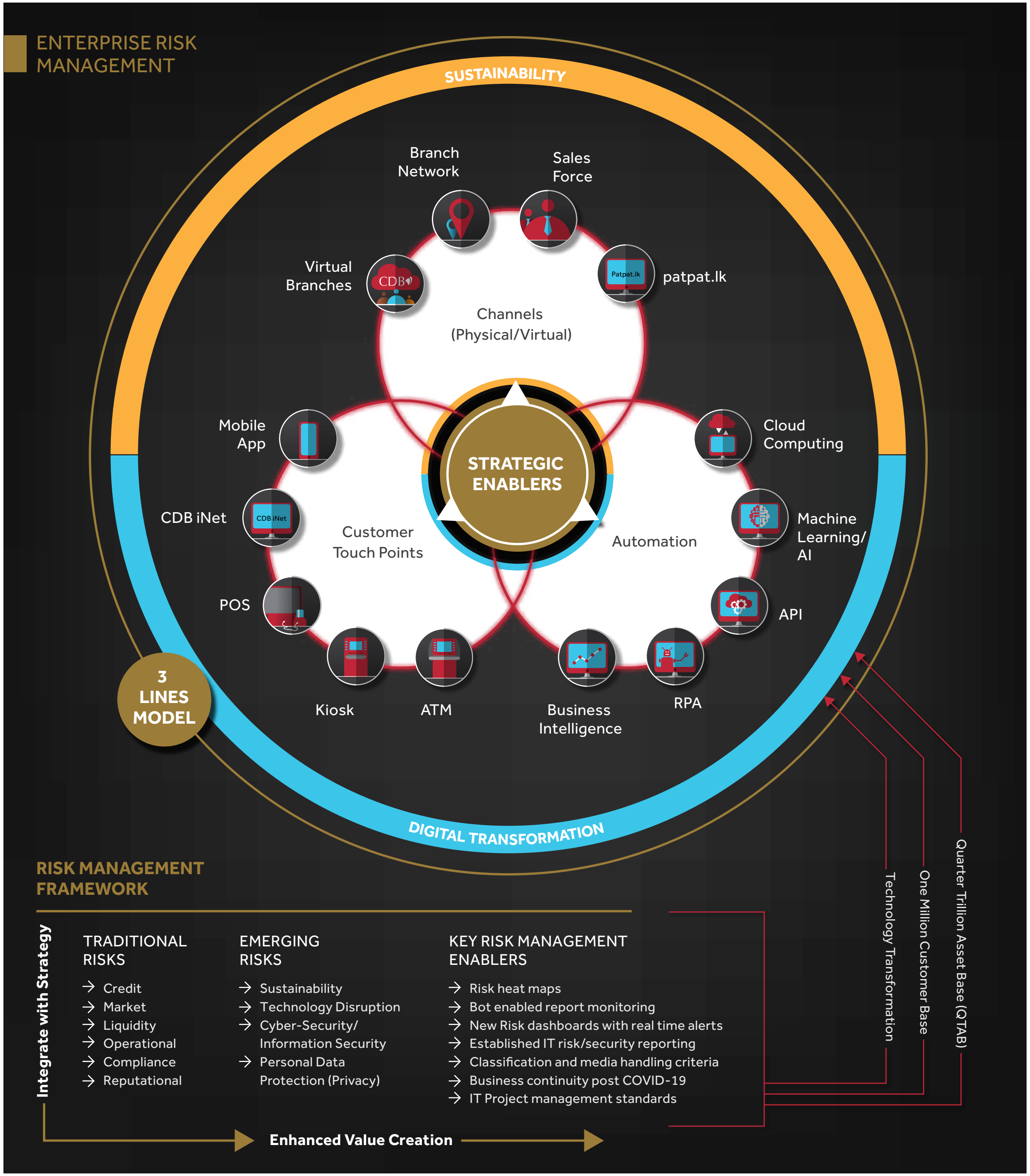
Rule Reference	Requirement	Compliance Status	Details
	(iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer pages 212 - 215 on Key Management Personnel (KMP) compensation.
7.10.6	A listed company shall have an Audit Committee	Compliant	Refer Board Audit Committee Report on pages 115 to 117.
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	Compliant	The Audit Committee comprised three Non-Executive Directors and out of those three, two Directors are Independent. Please refer page 115.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	Both the Chief Executive Officer and the Chief Financial Officer attended the Audit Committee meetings by invitation.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Compliant	The Chairperson of the Committee is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka.
7.10.6 (b)	The functions of the Audit Committee shall be as set out in Section 7.10 of the Listing Rules.	Compliant	Refer Board Audit Committee Report on pages 115 to 117.
7.10.6 (c)	The Annual Report shall set out;		
	The names of the Directors who comprise the Audit Committee	Compliant	Refer Board Audit Committee Report on pages 115 to 117.
	The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Refer Board Audit Committee Report on pages 115 to 117.
	A report by the Audit Committee setting out the manner of compliance of the functions set out in Section 7.10 of the Listing Rules	Compliant	Refer Board Audit Committee Report on pages 115 to 117.

"Report on compliance with the rules on the content of the Annual Report in section 9.3.2 of the listing rules of the Colombo Stock Exchange (Related Party Transactions)"

With the compulsory adoption of the Code of Best Practices on Related Party Transactions (RPT) ('the Code') issued by the Securities and Exchange Commission of Sri Lanka since January 2016, the Related Party Transactions Review Committee (RPTR) was established with the approval of the Board of Directors of CDB to ensure strict compliance with the rules and regulations governing related party transactions for Listed Entities.

Rule no.	Disclosure Requirement	Section Reference	Page Reference
9.3.2 (a)	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity according to the latest Audited Financial Statements.	Related Party Transaction Note in the Financial Statements	212 - 215
9.3.2 (b)	In the case of Recurrent Related Party Transactions, if the aggregate value of the Recurrent Related Party Transactions exceeds 10% of the Net revenue/income as per the latest Audited Financial Statements	Related Party Transaction Note in the Financial Statements	212 - 215
9.3.2 (c)	Annual Report shall contain a report compiled by the RPTR Committee including followings: • Names of the Directors who are in the committee • Statement with regard to Related party transactions reviewed during the financial year • Number of times the committee has met during the financial year • Policies and procedures adopted by the RPT Committee	BRPT Review Committee Report.	122 - 123

4.1 RISK MANAGEMENT



Our ERM approach

Our risk management systems are robust with a well-developed risk management framework governed by mandated board and management committees with the relevant expertise. Our risk measures seek to balance regulatory requirements and shareholder expectations for risk-adjusted returns. We carefully manage our capital, liquidity, and funding levels to support business growth, maintain depositor and creditor confidence, and create value for all our shareholders. We take a holistic, forward-looking view of the risks we face, assessing both the prevalent and emerging threats in our operating environment. Our well-developed framework supports a consistent approach to enterprise risk management.

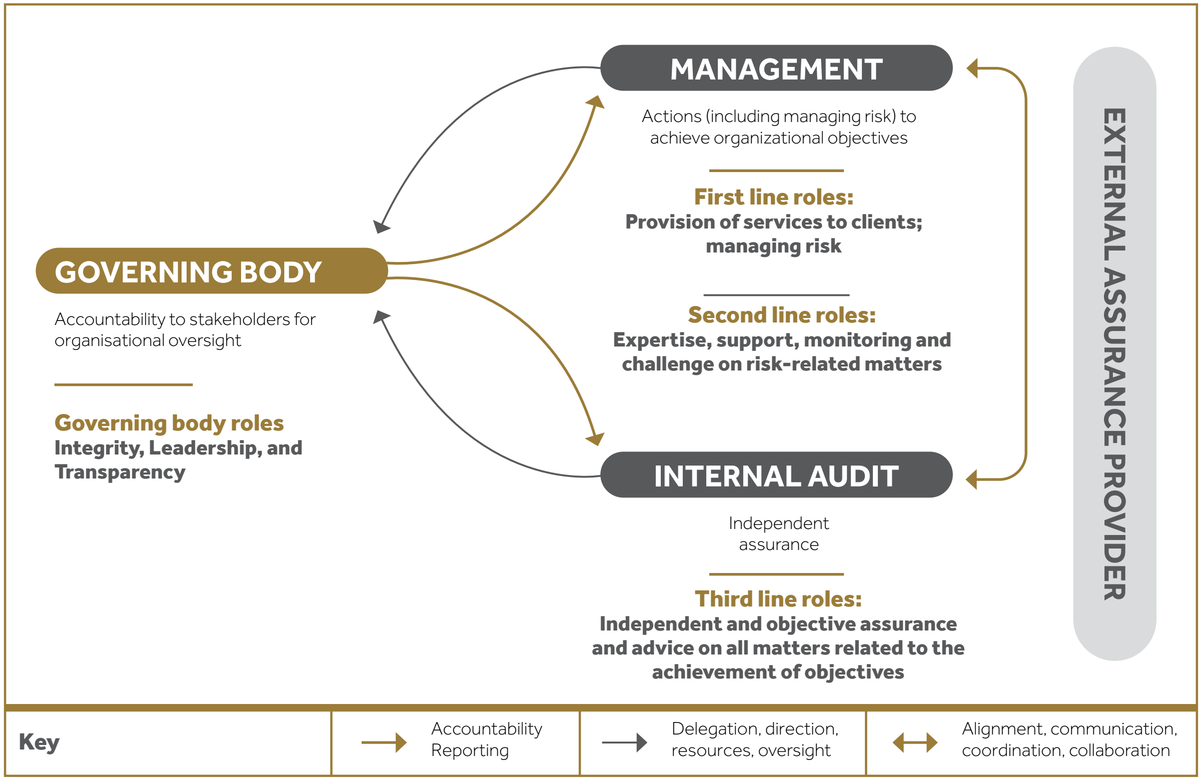
As depicted above, our ERM framework has been established in line with CDB's entity-wide strategic objectives and values with the ultimate objective of enhanced value creation. It ensures that risk management at CDB is not only a mere exercise of recognising risks but it also helps the Company to harness opportunities arising from the evolving environment. This future focused approach and robust governing structure (3 lines model) ensure CDB's resilience amidst both traditional risks and emerging risks through key risk management enablers which are integrated with high level strategies as well as mid and bottom level operations.

CDB's three lines model clearly defines the roles and responsibilities for the management of risk within the Company. This emphasises the fundamental concept that risk ownership and management is everyone's responsibility from the Board to the business units.

First line under "Management" leads and directs actions/ resources to achieve organisational objectives and maintains continuous communication regarding management of risks with governing bodies (BOD/Executive Committees). Further, this line is responsible for establishing and maintaining appropriate structure and processes for the management of operations and associated risks.

Second line is expected to provide complementary expertise, support, monitoring, and challenge the first line relating to the management of risk. Further, it also provides analysis and reports on the adequacy and effectiveness of risk management (including internal controls). This layer represents the risk and compliance division of CDB.

The role of the Third line is played by the Internal Audit division and they mainly provide independent and objective assurance and advice to management and the governing body on the adequacy and effectiveness of governance and risk management (including internal control) to support the achievement of organisational objectives and to promote and facilitate continuous improvement.



Our risk culture

We actively promote a risk-minded culture across the organisation. CDB risk culture provides guiding principles for the behaviours expected from our people when managing risk. We encourage the following behaviours and outcomes:

- An enterprise-level ability to identify and assess current and future risks, openly discuss them, and take prompt actions (CDB Assurance net)
- The highest level of integrity by being transparent and proactive in disclosing and managing all types of risks
- A constructive and collaborative approach in providing oversight and challenge, and taking decisions in a timely manner
- Everyone to be accountable for their decisions and feel safe in using their judgment to make these considered decisions
- Risk identification and risk management are widely discussed topics whenever the management is going ahead with a new product, process etc.

We acknowledge that financial services industry inherently involves risk-taking and undesired outcomes will occur from time to time; however, we shall take the opportunity to learn from our experience and formalise what we can do to improve. We expect all our people to demonstrate a high awareness of risk and control by self-identifying issues and managing them in a manner that will deliver lasting change. What is unique about CDB is how we have carved the importance of risk identification and risk management into our team members' mindset. For them, it is a value addition more than a mere reporting activity. We reward those team members who identify and report on critical risk areas and we have embedded such risk identification as an evaluation criteria to all our team members' performance assessment scorecards as well. We recognise our people as "Risk Reporting Champions" at the annual awards ceremony and award them with magnificent monetary and non-monetary rewards.

A summary of the year in review from risk perspective

The Board of Directors is integrally involved in ensuring stringent management of risk, liquidity, capital, and conduct through our risk appetite framework which continues to be assessed in light of prevailing market conditions and CDB's overall strategy. The primary aim is to achieve a suitable balance between risk and reward in our business. Although the current macro-environment due to the COVID-19 pandemic continues to present significant challenges, CDB was able to record exceptional performance and risk metrics throughout the year in review. While industry gross NPL ratios averages around 11%, we were able to manage the same at 7% level amidst all the challenges. Sri Lankan economy recorded a GDP contraction of 3.6% in 2020 and expectations for a strong rebound in 2021 are likely to be impacted by the vulnerabilities stemming from the third wave of the pandemic currently engulfing the South Asian region. We remain highly focused on managing credit, liquidity, market, reputational, and operational risks. IT risks and cyber security are high priorities as we are a true believer in embracing technology, and CDB continually aims to strengthen systems and controls in order to manage cyber risks. Concerns over money laundering, terrorism financing, fraud, and corruption are growing and our compliance team has ensured that we meet all our regulatory obligations in this regard.

Given the unusual and unprecedented economic and market conditions as a result of the COVID-19 pandemic, the risk outlook remains uncertain and it is unclear how our clients and stakeholders will adjust over the coming months. As the pandemic evolves, management is focused on maintaining the integrity of our balance sheet through continuous oversight of credit, liquidity, and capital risk with ongoing stress testing, scenario planning, and ensuring the business remains operational through resilient strategies implemented, as we continue to support our clients during this period. We are comfortable that we have a strong balance sheet with regard to the high levels of liquidity and strong capital as well as established risk management processes and systems in place to navigate through this period of uncertainty.

RISK MANAGEMENT PROCESS

Update for 2020/21

RISK IDENTIFICATION

102 risk areas were reported through risk identification system.

Rewarded 17 staff members for reporting high risk areas.

8 Process risk analyses and continuous portfolio assessments.

RISK ASSESSMENT

Risk areas identified via the process risk analyses/risk identification system were assessed, considering the likelihood and the impact and mitigation actions were taken accordingly.

RISK TREATMENT

Risk areas which were identified and assessed were treated with mitigation actions (72 risk mitigation actions from the process risk analyses).

Awareness building.

RISK MONITORING

Agreed risk mitigation actions were continuously monitored in order to measure residual risks if any and to further strengthen the mitigation actions.

Integrated dashboards, stress testing assessments and forecasts.

RISK REPORTING

A dashboard covering different risk categories is assessed based on trigger points set and with a summary of the identified risks, assessments, and strategies employed to minimise risks and monitoring mechanism is presented at the quarterly IRMC meetings.

IT and cyber risk reviews at ITSC.

4.1
Risk
management

4.2
Corporate
governance

4.3
Board of
Directors

4.4
Corporate
management
team

4.5
Management
team

4.6
Board
Committee
Reports

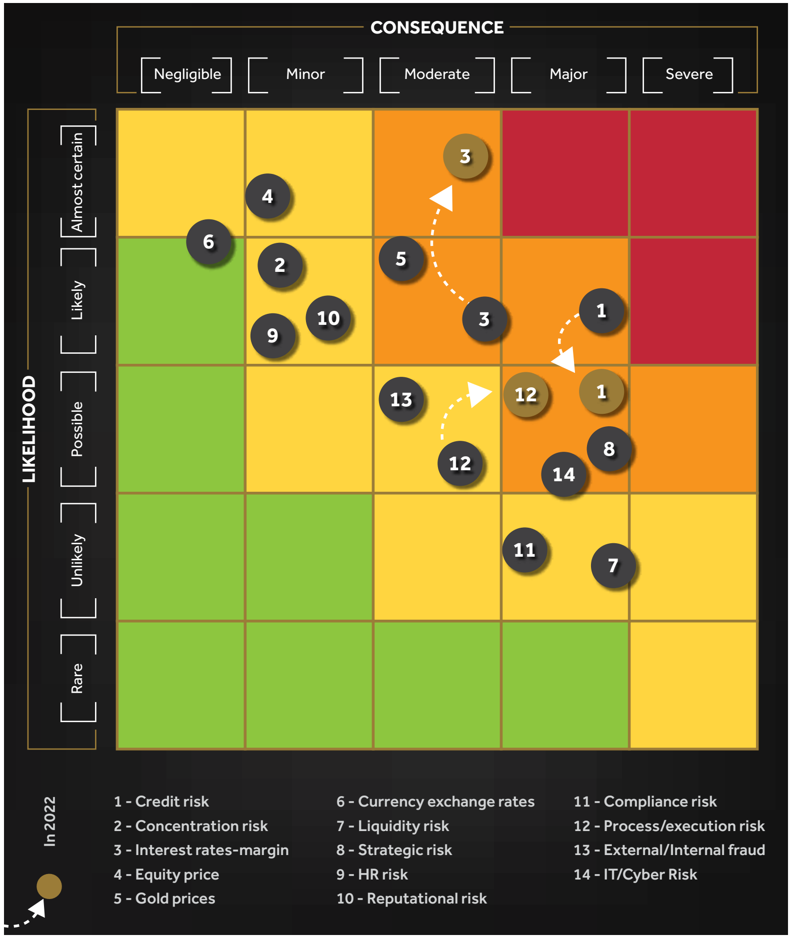
4.7
Statement
of Directors'
responsibility

4.8
Directors'
statement on
internal control
over financial
reporting

4.9
Auditor's
assurance report
on the Directors'
statement on
internal control

Future outlook

CDB proactively manages risk and continually identifies emerging issues that could pose an impact to its business in the future. The Risk Heat Map below shows the key risk drivers that could affect the Company in FY2021/22 (over a one year horizon) along the dimensions of probability and impact. The risk drivers are not to be seen in isolation as they may trigger or reinforce each other.



SNAPSHOT OF KEY RISKS AND MITIGATION STRATEGIES

Credit risk

Losses arising from the failure of obligors to meet their financial or contractual obligations when due.

Key highlights in 2020/21

NPL ratio was managed at 7% compared to previous year's 7.54%, where industry ratio was at 11%. Under the tough environment that prevailed, many strategies were put in place through recovery team to maintain healthy collection ratios, particularly after the first and second COVID waves. Cumulative collection ratio stood at 95.86% compared to 92.35% in the last financial year.

Moratoriums were granted as per the CBSL stipulated guidelines and were monitored with high emphasis.

Reducing yard stocks too was given a high emphasis via allocating resources to dispatch high number of vehicles on a daily/weekly basis. Yard stock reduced by Rs. 780 Mn. compared to last year.

NPL ratios were monitored giving high priority and exposures were reduced for the products with continuous high NPL ratios.

Collections were monitored under different baskets and different perspectives.

Future focus

Plan to continue with the initiated strategies to manage NPL ratios within acceptable levels and the potential impact of them adhering to SLFRS 9.

NPLs to be monitored giving special consideration on products, sector etc. to identify products/sectors which are prone to high NPLs.

Obtain the business intelligence support and improve automated processes focusing on recoveries through enhanced systems, processes, and analytics.

Funding and liquidity risk

Failure to maintain or generate sufficient cash resources to meet day-to-day obligations

Key highlights in 2020/21

Due to the impact of COVID, CBSL reduced the statutory liquidity ratios and the market continued to have excess liquidity throughout the financial year. Statutory liquidity ratio stood at 14.19% as at 31 March 2021.

All obligatory payments were met during the pandemic even with low collection figures while offering moratoriums to customers.

Future focus

To maintain adequate liquid assets while focusing on maximising the return.

Focus on having optimum liquidity level to ensure compliance with statutory ratios and that the Company has the appropriate diversification and tenor of funding and liquidity.

Key highlights in 2020/21	Future focus
Maturity mismatch was prevailing around -3% (1 year cumulative) and was managed at tolerable levels. Liquidity stress testing was done based on different worst case scenarios and liquidity contingency plans were prepared and discussed. A weekly Treasury meeting was conducted focusing mainly on cash flow predictions to ensure we meet the short-term obligations. Off-shore options for funding were evaluated and Company could attract EUR 5 Mn. worth of funding through foreign borrowings.	To conduct cash flow predictions/liquidity stress testing and to be better prepared for unforeseen risks.

Market risk

The risk of loss arising from a change caused by adverse movements in market interest rates, commodity prices, equity prices, and currency exchange rates.

Key highlights in 2020/21	Future focus
SDF rate was decreased by 175bps by the CBSL causing a positive impact on net interest income. Lending rates were also decreased in order to facilitate economic recovery but CDB was able to maintain adequate margins throughout the year by having right balance in the asset mix. Reviewed maturity mismatches and stress testing was conducted and presented at monthly ALCO meetings based on CBSL guidelines of both behavioural and contractual maturities. At monthly ALCO meetings, interest rates predictions, margins, asset liability composition, weighted average rates etc. were reviewed. Gold prices were monitored on a daily basis and stress testing was carried out to assess the impact of continuous price reductions. A weekly gold price dashboard was communicated to the senior management which consisted of gold price movements, trends, tenor exposures, profit margins etc.	Conduct gold price & portfolio analysis to set optimum advances to minimise market risk. Continue to conduct interest rate stress testing under different scenarios to better react to unforeseen economic conditions. Continue to monitor and manage market risk elements in the context of future volatile market environment, including monetary policy decisions and rate changes.

Operational risk

The risk of loss resulting from inadequacy of, or failure in internal processes or events including internal frauds processes or events including internal fraud, external fraud, employment practices and workplace safety, clients, products, business practices, damage to physical assets, business disruption and systems failures, execution, delivery, and process management.

Key highlights in 2020/21	Future focus
New ways and means of onboarding customers, immediate credit approvals, opening of savings accounts through automated processes were initiated while complying with regulatory guidelines. Investments made on technology infrastructure enabled our customers to conduct their financial transactions without any hassle while staying at home during the lockdown period. Shifting to more IT enabled platforms also exposed us to IT/Cyber risks where we increased the numbers of vulnerability reviews through the help of third parties and staff members were continuously made aware of identifying cyber threats. CDB team placed 5th position of the drill on readiness for cyber defence conducted by TechCert. Exceptional reports obtained via Oracle BI to monitor transactions were strengthened to monitor online transactions. The CDB team is provided with proper in-house training, external training, and virtual training based on the training needs identified at the performance appraisals.	Enhancing IT governance framework. Strengthen the security measures by keeping the existing systems up to date with the latest protection software and timely updates in order to prevent from the external threats. Facilitate RPA processes to emphasise less human interactions and improvement of performance and establishing segregation of duties. Enhancing credit/debit card Fraud Risk Monitoring with dashboards with behaviour analysis. Frequent vulnerability assessments and penetration testing to ensure the systems are resilient to cyber-attacks. Initiate information security awareness among the staff members in light of the increased use of digital platforms and work from home practices.

Strategic Risk

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

Key highlights in 2020/21	Future focus
With challenging market conditions, achieved a bottom line growth of 39%.	To use data and BI data & analytics for better decision making.
With the dawn of another decade, CDB has launched its new strategic direction and business plan to be a technologically sound best corporate citizen.	Continue to adapt our ways of working, skills base, and human resource practices to meet the requirements of a different future.
In line with the strategic objectives, many process automation projects were initiated and the proposals were referred to risk division and were evaluated covering various risk categories.	Continue to align business strategy and Enterprise Risk Management strategy to proactively identify risks and to minimise any negative impact to CDB.
Various dashboards in place to monitor the performance on a daily, weekly, and monthly basis and various sensitivity analyses and financial analyses are carried out at ALCO, finance committee meetings etc. to ensure Company is on track to achieve the targets set.	

Reputational risk

Damage to the Company's image due to potential or actual events which may impair the profitability and/or sustainability of business.

Key highlights in 2020/21	Future focus
Implementation of toll free 'Missed call service' to encourage customers to share their feedback (suggestions & complaints) with Customer care agent.	Continue to expand customer awareness about the missed call service to improve customer engagement on the process.
Existing IVR was developed to identify priority customers with urgent requirements (e.g.: lost card).	Advance IVR development to automate frequently asked questions.
Adhered to 'Work from Home' contingency plan due to COVID-19 outbreak and maintained 24×7 operations with trilingual support.	To enable customer portfolio summary to pop up in agents' desktops via a CRM pop-up screen when a customer contacts the Hotline via a system registered number.
Implemented "Customer Information Retrieval Solution" which will allow the agents to provide a better and a speedy solution to the client inquiries.	

Key highlights in 2020/21	Future focus
Strengthen the Customer verification Matrix (Low/Medium/High risk verification) based on customer inquiry to identify the original customer.	Continue to enhance product knowledge and improve service quality of contact centre agents through more activities and training & development programmes.
Training and development programmes were conducted through external professional trainers for contact centre agents to improve their knowledge and capabilities on delivering a quality customer service.	
Contact centre was switched to working from home environment with the breakdown of the pandemic and was able to deliver the same level of service to customers without any operational interruptions.	

Compliance Risk

GRI 205-1, 205-2, 205-3

The risk of legal or regulatory sanction, financial loss, or damage to reputation the Company may suffer as a result of its failure to comply with laws, regulations, codes of conduct, and standards

Key highlights in 2020/21	Future focus
Appointment of compliance representatives for each and every department including branch staff and frequent discussions with them has led to a creation of compliance culture throughout the organisation.	To have an automatic alert generation system for both compliance and transaction monitoring in order to create real time alerts.
Continuous training programmes, Quiz Sessions along with QR Code E-Flyers to all staff with special focus to Branch Staff have created good awareness on Compliance including Anti Money Laundering aspects.	Effective online training and awareness sessions with the support of E-Learning platforms.
Continuous transaction monitoring with several red flag indicators is conducted in order to identify unusual and suspicious transactions.	Generating an interface with KYC data for all customers which would create a path for enhanced due diligence on customers and some other critical decision making activities.

More information on Key Risks VS Mitigation Strategies

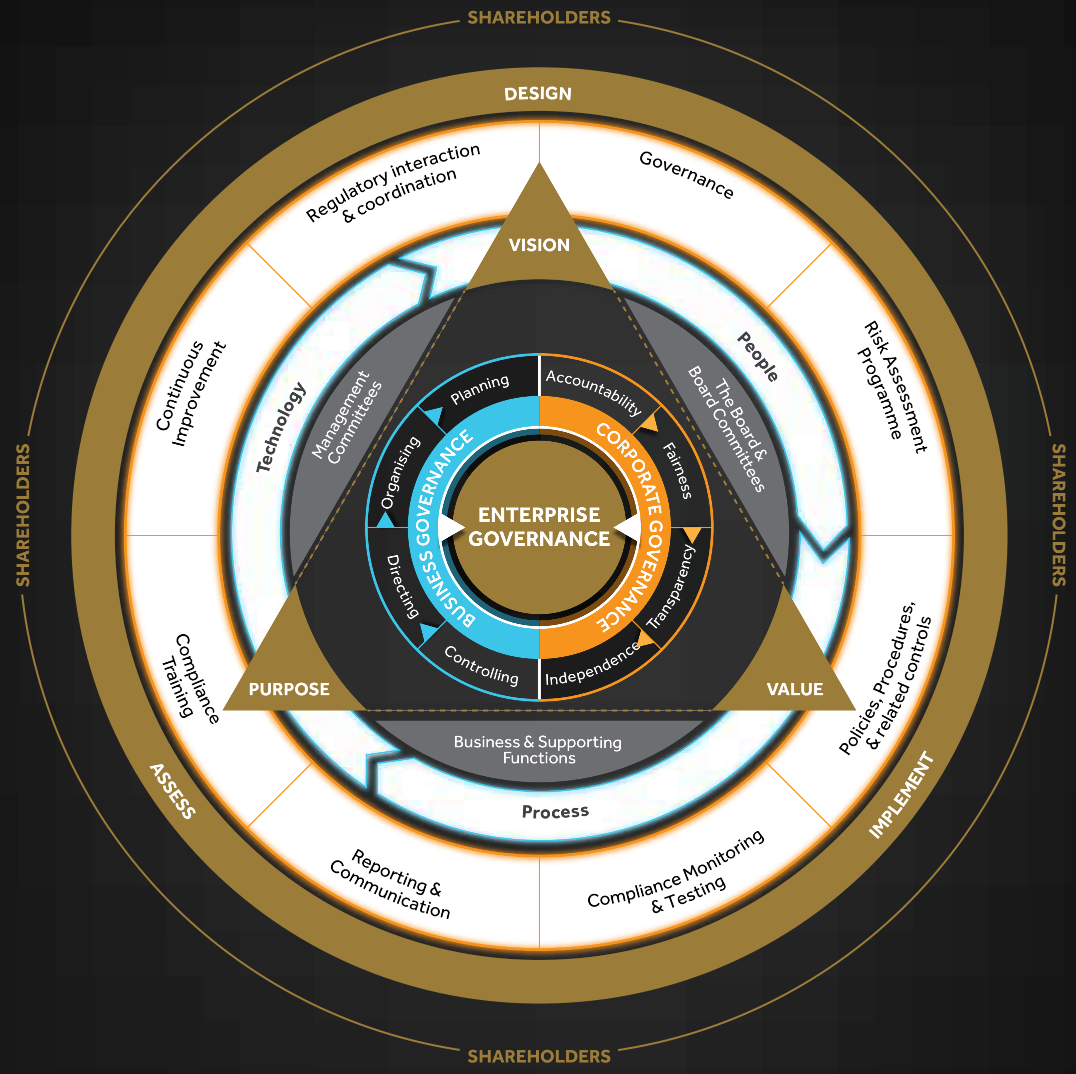
4.2 CORPORATE GOVERNANCE

GRI 102-18, 102-19, 102-22

CDB enterprise governance

Navigating the business operations through extremely complex environment and creating value to our stakeholders are challenging in the absence of a proper enterprise governance framework. As a responsible organisation, CDB considers 'Enterprise Governance' as one of the most critical components which is vital in achieving stakeholder value creation objective. Thus, CDB always strives to implement the right processes, structures, and relational mechanisms which in turn would achieve the established objective of the organisation.

COMPREHENSIVE GOVERNANCE FRAMEWORK AT CDB



Business governance at CDB
Page 93

Corporate governance at CDB
Page 92

Management committees
Page 93

Corporate governance disclosures
Pages 97 - 105

Highlights of robust regulatory-compliance risk management programme:
Page 94

Board composition
Page 95

Board meetings
Page 95

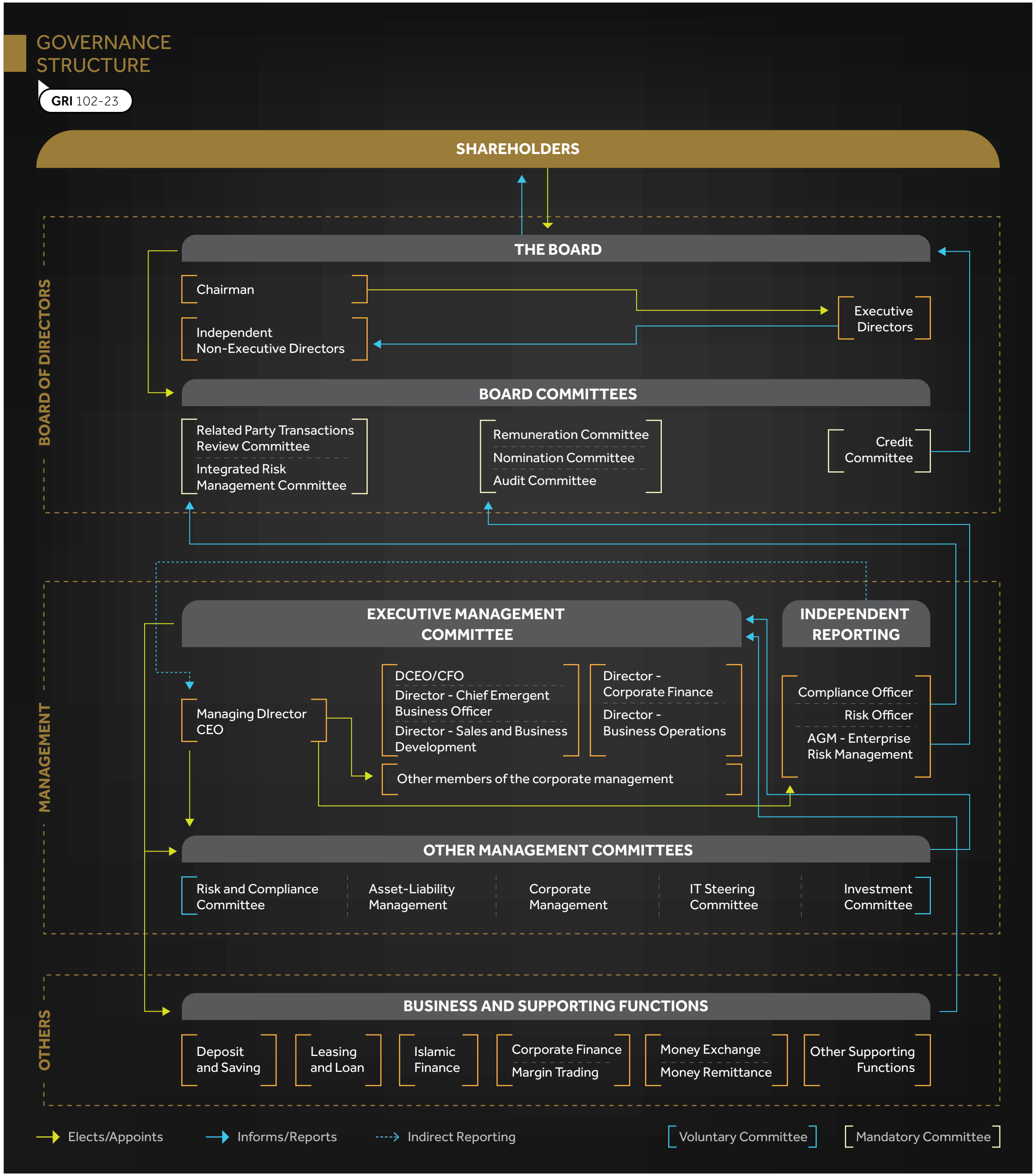
Board committess
Page 93

CDB corporate governance

Sound and effective corporate governance practices are the basis of smooth, effective and transparent operations of CDB which ensures attracting investments, protecting shareholders' and other stakeholders' rights, and enhancing shareholder value. Accordingly, good corporate governance practices aid in maintaining a healthy relationship between shareholders and the management.

As we are required to comply with external/internal and mandatory/voluntary practices for continuous improvement to compliance, the Board is always committed to bolster the effectiveness of the Organisation governance models through responsible conduct, deepening competitive advantage through adding value, effective leadership, robust risk management, clear performance management, greater transparency and a sound ethical culture.

CDB considers 'Enterprise Governance' as one of the most critical components which is vital in achieving stakeholder value creation objectives.



Business governance at CDB

Business governance also contributes towards value creation through effective allocation of resources. Sustainable shared value creation emanates from accelerating the strategies and managing constraints in terms of operations, finance, human resources and information technology in an ever-changing world.

OPERATIONAL

Automation of part of the business operations

FINANCIAL

PAT increased by **39%**

Cost to income ratio **41%**

Total capital ratio stood at **15.34%**

Provision Coverage Ratio stood at **69%**

HUMAN RESOURCES

Delivering an average of 21.5 hours of training per staff member

Introduction of CDB Virtual University

INFORMATION TECHNOLOGY

Introduction of the Sales App for the marketing team

Board committees

IRC – **Integrated Risk Management Committee**

Oversight responsibility for all areas of risk management including credit, market, operational, liquidity, cyber/IT and strategic risks and ensures compliance with the entirety of the risk management policy framework and compliance with laws and regulations

RC – **Remuneration Committee**

Monitors, evaluates and prepares for remuneration related matters

AC – **Audit Committee**

Identifies any deficiencies in routines and the organisation in terms of governance, risk management and control

RPTRC – **Related Party Transactions Review Committee**

Reviews in advance all proposed Related Party Transactions of the Company in order to ensure that related parties are treated on par with other shareholders and constituents of CDB

NC – **Nomination Committee**

The shareholders' governing body that nominates Board members and the Auditors and proposes their fees

CC – **Credit Committee**

Formulates, reviews and revises policies and procedures for granting credit facilities, to be submitted for the approval of the Board of Directors whilst ensuring compliance with all statutory and regulatory requirements

Management Committees

CMC – **Corporate Management Committee**

This is the highest management level committee in CDB. This Committee reviews the entire performance of CDB, with a view of formulating strategies and issuing directions to manage deviations

ITSC – **IT Steering Committee**

Directs, reviews and approves IT strategic plans

RCC – **Risk and Compliance Committee**

Reviews overall risk and compliance at CDB

ALMC – **Asset-Liability Management Committee**

Reviews the funding strategy, liquidity management, asset liability mismatch as well as market risk exposures, management of liquidity risk and interest rate risks as primary objectives and manages various financial risks of the Company

IC – **Investment Committee**

Assists the Board of Directors to discharge its statutory duties and its oversight responsibilities in relation to investment activities

Highlights for the year 2020/21 of the robust regulatory compliance risk management programme

CDB as a financial service provider, requires to ensure zero non-compliance in order to protect the customers first and foremost and also the Organisation as a whole. Since compliance in financial institutions is becoming increasingly sophisticated with the growing regulatory demands, CDB has devoted substantial resources to adhere with all regulatory requirements. Even amidst the COVID-19 pandemic, numerous compliance requirements were put into effect by the regulators and CDB proactively and promptly enforced compliance across the Organisation through its "Compliance Culture"; an initiative taken during the last financial year.

1 GOVERNANCE

From 2019, the Compliance Division was headed by a member of Corporate Management team and the overall Organisation's compliance is ensured with Compliance representatives who are responsible for external and internal benchmarks of governance. In addition to that, the Compliance Division has monthly compliance committee meetings with Directors to update the status of Compliance.

Voluntary and mandatory corporate governance disclosures: pages 97 to 105.

2 RISK ASSESSMENT PROGRAMME

As part of 'Compliance Culture Creation', which was initiated in the last financial year, the Compliance Division independently carries out compliance reviews on all the departments and branches. Further, it assesses the risk through certain exceptional reports and takes corrective measures accordingly.

The audit, which is annually carried out by the Internal Audit Department aids in identifying further improvements needed areas.

3 POLICIES, PROCEDURES, AND RELATED CONTROLS

The Compliance Division is always committed to streamline the process. Therefore, frequent reviews and updates on AML policy and other policies/procedures are followed up.

AML related guidelines were drafted and made available to all the operational staff safeguarding CDB against financial crime risk.

4 COMPLIANCE MONITORING AND TESTING

In order to facilitate a smooth customer screening process, Acuity - the online screening tool, and PEPs.lk were incorporated into robotic process automation (RPA) ensuring 100% compliance with CDD rules. Technology is consistently changing and evolving. Affiliated risks are increasing along with the rapid technological developments. We as a financial service provider are highly vulnerable to AML/CFT risk. Therefore, we have invested in a transaction monitoring system called Forestpin in order to detect suspicious transactions. Further, we have an in-house built system mechanism to report, monitor and test such unusual transactions. the Compliance Division daily monitors and ensures the continuous compliance with regulatory requirements.

5 REPORTING AND COMMUNICATION

The Compliance Division pioneered in creating a Compliance Culture within the Organisation by appointing a Compliance Representative across all the departments. Two-way communication has been built between the Compliance Division and Compliance Representatives. We always maintain close relationships with branch staff hence, we believe proper training and communication helps in creating a sound compliance culture.

6 COMPLIANCE TRAINING

Officers engaged in the functions of Branch Operations, Deposit Operations, Credit Operations as well as the officers at the Compliance Division were provided with proper training programmes on Anti-Money Laundering and Countering Terrorist Financing conducted by the CBSL and EY. At the same time, a compliance training session has been incorporated to the Induction programme of the Organisation. Further, the Compliance Division has conducted several training programmes to branch operation staff, marketing staff and verification staff in order to build up an effective compliance culture within CDB. The insights that we received through such training programmes help in undertaking further developments to sound compliance culture.

7 REGULATORY INTERACTIONS AND COORDINATION

The Compliance Division proactively monitors the external regulatory requirements introduced and circulated by CBSL NBFI Division, FIU, SEC, CSE, SLAAMB, and IRD etc.

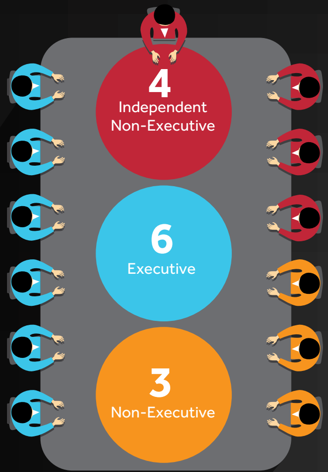
8 CONTINUOUS IMPROVEMENT

The Compliance Division always strives to improve the existing mechanism, persuade all staff to get engaged in an effective compliance culture ensuring zero non-compliance and financial crime risk-free environment at CDB. Therefore, in the current financial year, we have improved the existing risk scorecard incorporating all AML related risk areas to evaluate more effectively the risk level of customers and one-off KYC was also introduced. Further, e-KYC is being introduced to facilitate EDD.

To encourage staff in building up an effective compliance culture, the Compliance Division gives proper recognition to well-performing staff. Also, QR code embedded eflyers were shared among all team members to create awareness on AML.

THE BOARD

Independence



Professional Experience

11% Accounting and Finance

8% Marketing

27% Management Accounting

31% Business Management

23% HR and Administration

Tenure

Over 5 years
5

0-5 years
8

Age Group

41-50 years
3

51-60 years
10

Board of Directors profile refer the pages 108-109

For more information refer the page 93

1

Mr Alastair Corera

Independent Non-Executive Director

Meeting Attendance

13
13

IRC
NC

2

Mr Mahesh Nanayakkara

Executive Director

Meeting Attendance

13
13

IRC
CC

3

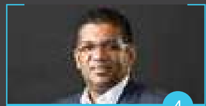
Senior Prof Sampath Amaratunge

Independent Non-Executive Director

Meeting Attendance

13
13

RC
NC



4

Mr Damith Tennakoon

Executive Director

Meeting Attendance

13
13

IRC
RPTRC
CC

5

Mr Roshan Abeygoonewardena

Executive Director

Meeting Attendance

13
13

IRC
CC
RPTRC

6

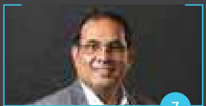
Mr Sasindra Munasinghe

Executive Director

Meeting Attendance

13
13

IRC
CC



7

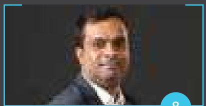
Mr Dave De Silva

Executive Director

Meeting Attendance

13
13

IRC
CC



8

Mr Karthik Elangovan

Executive Director

Meeting Attendance

09
09

CC
IRC

9

Mr Jagath Abhayaratne

Non-Executive Director

Meeting Attendance

13
13

AC

10

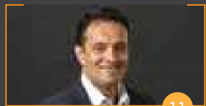
Ms Rajitha Perera

Independent Non-Executive Director

Meeting Attendance

07
07

AC
RC



11

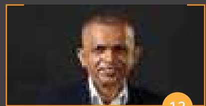
Mr Samitha Hemachandra

Non-Executive Director

Meeting Attendance

03
03

RPTRC
NC
RC



12

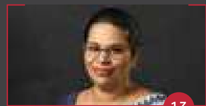
Mr Sujeewa Kumarapperuma

Non-Executive Director

Meeting Attendance

05
05

IRC
NC



13

Prof Prasadini Gamage

Independent Non-Executive Director

Meeting Attendance

02
02

RPTRC
AC

Names of the persons who ceased to hold office as Directors of the Company during the year, Mr R Mohammed, INED, retired upon reaching age of 70 on 16 August 2020, and the following Directors stepped down from the Board due to CG 9 years ruling; Mr P A J Jayawardena NED, w.e.f. 25 October 2020, Mr R Abeynayake, former Chairman and NED, w.e.f. 31 December 2020 and Prof A Dharmasiri, INED, w.e.f. 31 January 2021.

31%

of the Directors with Business managerial experience

38%

of the Directors had a tenure of over 5 years

Sound and effective corporate governance practices are the basis of smooth, effective and transparent operations of CDB which ensures attracting investments, protecting shareholders' and other stakeholders' rights, and enhancing shareholder value.

MD/CEO'S RESPONSIBILITIES

- Monitoring and reporting to the Board on the performance of CDB and its compliance with applicable legal and regulatory obligations
- Ensuring proper succession planning of the Executive committee and assessing their performance
- Developing CDB's strategy for consideration and approval by the Board and its implementation thereafter
- Ensuring that CDB operates within the approved risk appetite
- Developing and recommending budgets to the Board to support CDB's mid and long-term strategy

CHAIRMAN'S RESPONSIBILITIES

- To keep abreast of the activities of the Company and its Management in general
- To call special meetings of the Board when required
- To ensure that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgements
- To develop and set the agendas for meetings of the Board in collaboration with the CEO
- To sit on other committees of the Board when required as determined by the Board
- To assess and make recommendations to the Board annually regarding the effectiveness of the Board as a whole, the Committees of the Board and individual Directors

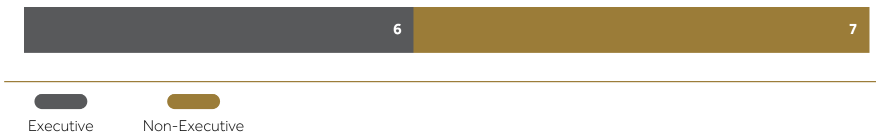
Corporate governance disclosures

GRI 419-1

In our endeavour to strengthen governance at CDB, we complied with the provisions in all applicable codes and directions on corporate governance during the year ended 31 March 2021. Accordingly, CDB has adopted and is in compliance with voluntary requirements outlined in the "Code of Best Practice on Corporate Governance 2017", issued by the Institute of Chartered Accountants of Sri Lanka (the ICASL) along with the mandatory requirements of Direction No. 03 of 2008 (Corporate Governance) and subsequent amendments issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

Caption	ICASL Reference	CBSL Rule Reference	Principle, Compliance and Implementation	Status of Compliance
The Board				
Board meetings	A.1.1	3 (1)/ 3 (3) & 3 (4)	Board meetings are held monthly with proper notice, mainly to review the performance of the Company and other matters referred to the Board by the heads of respective divisions, while special Board Meetings are convened whenever necessary. These meetings ensure that prompt action is taken to align the business processes to achieve the expectations of all stakeholders. All the Directors attended all the meetings that they were eligible for. (Attendance of Board meetings: Page 95).	✓
Responsibilities of the Board	A.1.2	2 (1)	The Board is collectively responsible for the success of the Company. The Board formulates the business strategy and ensures that MD/CEO and the Management Team possess the skills, experience and knowledge to implement the strategy. It also ensures that effective systems are in place to secure integrity of the information, internal controls and risk management and compliance with all applicable laws and regulations. The Independent Directors are responsible for bringing independent judgment to decisions made by the Board.	✓
Compliance with laws and access to independent professional advice	A.1.3	2 (3)	A procedure has been put in place for Directors to seek independent professional advice, in furtherance of their duties, at the Company's expense. This will be coordinated by the Board Secretary, as and when it is required. In addition, the Board is assisted by several Board sub-committees on various matters.	✓
Advice and Services of the Company Secretary	A.1.4	3 (5) & 3 (7)	All secretarial matters for which clarification is needed by the Board are referred to the Company Secretary who has the required qualifications as set out in the Companies Act. The Company Secretary provides all information after obtaining necessary professional advice, whenever required to do so. All Board members have access to the Company Secretary to ensure that proper Board procedures are followed and that all applicable rules and regulations are complied with. The consent of all Board members is required for the removal of the Company Secretary.	✓
Independent judgment of Directors	A.1.5	2.4	None of the Directors held executive responsibilities in their capacity as Non- Executive Directors. The Non-Executive Directors do not have any business interests that could materially interfere with the exercise of their independent judgment. Directors are required to disclose all transactions with the Company, including those of their close family members as required by the relevant Sri Lanka Accounting Standards and the Companies Act. The Board has taken steps to ensure that conflicts and potential conflicts of interest of Directors are disclosed to the Board.	✓
Dedication of adequate time and effort for matters of the Board	A.1.6	2.5	The Board members dedicate adequate time and effort to fulfil their duties as Directors of the Company (both before and after the Board meetings) to ensure that the duties and responsibilities owed to the Company are discharged accordingly. In addition to attending Board meetings, they attended Sub-committee meetings and also made decisions via circular resolutions where necessary. The Board Sub-committees include: ● Audit Committee ● Integrated Risk Management Committee ● Credit Committee ● Remuneration committee ● Nomination Committee ● Related Party Transactions Review Committee Further, additional meetings and discussions are held with the management whenever the need arises.	✓

Caption	ICASL Reference	CBSL Rule Reference	Principle, Compliance and Implementation	Status of Compliance
Resolutions to be presented	A.1.7		One-third of Directors can call for a resolution to be presented to the Board.	✓
Training for new and existing directors	A.1.8		Both new and existing Directors of the Company are provided guidelines on general aspects of directorship and industry specific matters. During the year, presentations were made to the Board/ Board Sub-committees by the Company from time to time on industry specific matters and regulatory updates and the Directors attended a number of meetings with the Corporate Management Teams to familiarise themselves with the Company strategy, operations and internal control. Director training focus areas for 2020/21 were ● Marketing strategies ● Economic developments ● Governance ● Resilient leadership	✓
Situation of insolvency		2 (6)	No such situation arose during the year.	✓
Inclusion of proposals by all Directors in the agenda		3 (2)	The Company Secretary facilitates any request made by the Directors at the meeting or otherwise and ensures that the said matters and proposals are included in the agenda for the next meeting for discussion.	✓
Management function delegated by the Board		6 (1) & 6 (2)	The Board annually evaluates the delegated authority process to ensure that the delegation of work does not materially affect the ability of the Board as a whole in discharging its functions.	✓
Chairman and Chief Executive Officer (CEO)				
Division of responsibilities of the Chairman and MD/CEO	A.2.1	2 (2) & 7 (1)/ 7 (11)	The roles of the Chairman and the MD/Chief Executive Officer are separate in the Company. The Chairman is an Independent Non-Executive Director while the Managing Director serves as an Executive Director of the Company. This is to ensure a balance of power in strategic and operational decisions authority such that no one possesses unfettered powers of decisions. The Chairman is responsible for leading, directing and managing the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The MD/CEO's role is primarily to conduct the business operations of the Company with the help of the Corporate Management.	✓
Chairman's Role				
Role of the Chairman	A.3.1	7 (4) - 7 (10)	The Chairman's main role is to lead and manage the Board and ensure effectiveness in all aspects of its role. The Chairman of the CDB is an Independent Non-Executive Director. The Chairman's role encompasses that; ● The views of Directors on issues under consideration are ascertained ● The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders ● All Directors are encouraged to make an effective contribution within their respective capabilities, for the benefit of the Company ● A balance of power between Executive and Non-Executive Directors is maintained ● The views of the Board are represented to the public	✓
Financial Acumen				
Availability of sufficient financial acumen and knowledge	A.4.1		The Chairman is a Chartered Financial Analyst and a Fellow Member of The Chartered Institute of Management Accountants UK while MD/CEO is a member of the Chartered Institute of Management Accountants of UK. In addition, the Board includes one member of the Institute of Chartered Accountants of Sri Lanka and three members of the Chartered Institute of Management Accountants of UK. Directors' profiles are given on pages 108 to 109.	✓

Caption	ICASL Reference	CBSL Rule Reference	Principle, Compliance and Implementation	Status of Compliance
Balance of the Board				
Presence of Non-Executive Directors	A.5.1	4 (1)/ 4(6) & 4 (7)	During the FY 2020/21, seven of the thirteen Directors were Non-Executives (NED) which is well above the minimum prescribed by this code which is two NEDs or equivalent to one third of the total number of Directors, whichever is higher. This ensures that the views of NEDs carry a significant weight in the decisions made by the Board. **EXECUTIVE VS. NON-EXECUTIVE** 	✓
Independent Directors	A.5.2	4 (4)	During the FY 2020/21, four out of seven Non-Executive Directors were independent as defined by the Code. **INDEPENDENT VS. NON-INDEPENDENT** 	✓
Independence evaluation review	A.5.3		All four independent Directors were independent of management and free of any business or other relationship that could impair their independence.	✓
Signed declaration of Independence	A.5.4		All Non-Executive Directors of the Company have made written submissions as regards their independence against the specified criteria set out by the Company, which is in line with the requirements of Schedule K of the Code.	✓
Determination of independence of the Directors by the Board	A.5.5		The Board has determined the independence of Directors based on the declarations submitted by the NEDs, as to their independence, as a fair representation and will continue to evaluate their independence on this basis annually. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code.	✓
Appointment of an Alternative Director	A.5.6	4 (5)	When an alternative Director is appointed, requirements of the Code are met. However, such a situation has not arisen.	✓
Senior Independent Director	A.5.7	7 (2)	N/A	✓
Confidential discussion with the Senior Independent Director	A.5.8		N/A	✓
Meeting of Non -Executive Directors	A.5.9		Chairman meets with the Non-Executive Directors without the presence of MD/CEO, on a need basis.	✓
Recording of concern in Board minutes	A.5.10	3 (9)	Minutes of all meetings are duly recorded in sufficient detail and retained by the Company Secretary under the supervision of the Chairman. There were no concerns raised by the Directors during the year, which needed to be recorded in the Board meeting minutes.	✓

Caption	ICASL Reference	CBSL Rule Reference	Principle, Compliance and Implementation	Status of Compliance
Supply of Information				
Information to the Board by the Management	A.6.1		The Board was provided with timely and appropriate information by the Management by way of Board Papers and proposals. The Board sought additional information as and when required. Corporate and Senior Management made presentations on issues of importance. The Chairman ensured that all Directors were briefed on matters arising from Board Meetings. The Directors have free and open contact with the Corporate and Senior Management of the Company.	✓
Adequate time for effective Board meetings	A.6.2	3 (6) & 3 (8)	The Board was provided with timely and appropriate information by the Management by way of Board Papers and proposals. The Board sought additional information as and when necessary. The Company Secretary prepares the agenda and keeps the minutes of meetings. Refer to page 85 for further details on Board meetings.	✓
Appointments to the Board				
Nomination Committee and Assessment of Board composition	A.7.1 & A.7.2	4 (9)	The Board as a whole annually assesses Board-composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment should be taken into account when new Board appointments are considered and when incumbent Directors come up for re-election. Refer to page 119 for the details of the Nomination Committee and its composition. During the financial year 2020/21, five new Directors were appointed. An Executive Director, Mr E Karthik was appointed w.e.f. 01 July 2020. Two Independent Non-Executive Directors, Ms P R W Perera and Prof P N Gamage were appointed w.e.f. 16 August 2020 and 31 January 2021 respectively while two more Non-Executive Directors, Mr S Kumarapperuma and Mr E R S G S Hemachandra were appointed to the Board w.e.f 25 October 2020 and 31 December 2020 respectively.	✓
Disclosure of details of new Directors to shareholders	A.7.3		When the new Directors were appointed to the Board, a brief resume of each new Director including the nature of his/ her experience, the names of Companies in which the Director holds Directorship, membership in the Board Sub-committees etc., are informed to the Central Bank of Sri Lanka and the Colombo Stock Exchange in addition to disclosing this information in the annual report.	✓
Appointment of an employee as a Director		4 (3)	Mr E Karthik was appointed as an Executive Director w.e.f. 1 July 2020	✓
Appointment to fill a casual vacancy		4 (10)	No such appointments occurred during the financial year 2020/21.	✓
Holding office in more than 20 companies		5 (2)	No Director holds such positions	✓
Re-election				
Appointment of Non-Executive Directors	A.8.1		Articles of Association of the Company requires, each Non-Executive Director to retire by rotation once in every three years and is required to stand for re-election by the shareholders at the Annual General Meeting. The proposed re-election of Directors is subjected to prior review by the full Board.	✓
Re-election by the Shareholders	A.8.2		Refer comment above.	✓
Resignation of a Director	A.8.3	4 (2)/ 4 (11) & 5 (1)	During the financial year, four Directors relinquished their Directorships at CDB. ● Prof A S Dharmasiri – Retired due to completion of 9 Years of service ● Mr R Mohamed – retired on reaching 70 years ● Mr S R Abeynayake – Retired due to completion of 9 Years of service ● Mr P A J Jayawardena – Retired due to completion of 9 Years of service	✓

Caption	ICASL Reference	CBSL Rule Reference	Principle, Compliance and Implementation	Status of Compliance
Appraisal of Board Performance				
Annual appraisal of Board performance and that of its committees	A.9.1 & A.9.2	2 (8)	The Board annually evaluated its performance against the annual objectives set at the beginning of the year. The performance of Board sub-committees was also evaluated against the objectives of the respective sub-committees.	✓
Level of contribution, and engagement of each Director at the time of re-election	A.9.3		The Board already has a robust process to review the participation, contribution and engagement of each Director at the time of re-election.	✓
Disclosure of criteria used for the performance evaluation	A.9.4		Refer to the "Report of the Remuneration Committee" on page 120 of the Annual Report for details of the criteria considered for the performance evaluation of the Board.	✓
Disclosure of Information in respect of Directors				
Details in respect of Directors	A.10.1	4 (8)	Details of Directors are given on pages 108 to 109 of this Annual Report.	✓
Relationship between Chairman and CEO and other Directors		7 (3)	There are no material relationships between the Chairman/the CEO and/or other members of the Board which will impair their respective roles.	✓
Appraisal of CEO				
Financial and non-financial targets for CEO	A.11.1		The MD/CEO's performance objectives are aligned with the business sustainability of the Company. The performance targets for the MD/CEO are set at the commencement of every financial year by the entire Board which are in line with, the medium and long-term objectives of the Company.	✓
Annual evaluation of the performance of CEO	A.11.2		There is an ongoing process to evaluate the performance of MD/CEO against the financial and non-financial targets set as described above which is followed by a formal annual review by the Board at the end of each financial year.	✓
Directors' Remuneration Procedures				
Remuneration Committee	B.1.1		The Remuneration Committee is responsible for assisting the Board with regard to the remuneration policy for the Executive Directors and the Corporate Management, and for making all relevant disclosures. The Committee determines and agrees with the Board, the broad policy framework for the remuneration of the MD/CEO. The MD/CEO participates in meetings by invitation in deciding the remuneration of the Corporate Management in order to recruit, retain and motivate the Corporate Management Team.	✓
Composition of the Remuneration Committee	B.1.2 & B.1.3		The following Non-Executive Directors served on the Remuneration Committee during the financial year. ● Senior Prof S P P Amaratunge – Chairman/Non-Executive Independent Director ● Mrs P R W Perera – Member/Independent Non-Executive Director ● Mr E R S G S Hemachandra – Member/Non-Executive Director	✓
Remuneration of Non-Executive Directors	B.1.4		The Board as a whole decides the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a fee for being a Director of the Board and an additional fee for either chairing or being a member of a Committee.	✓
Consultation of the Chairman and access to professional advice	B.1.5		Inputs of the Chairman are obtained by his involvement as a member of the said sub-committee. External professional advice is sought by the Remuneration Committee, on a need basis through the Board Secretary.	✓

Caption	ICASL Reference	CBSL Rule Reference	Principle, Compliance and Implementation	Status of Compliance
The Level And Make up of Remuneration				
Level and make up of remuneration	B.2.1 - B.2.9		The Board is mindful of the fact that the remuneration of Executive and the Non-Executive Directors should reflect the expectation of the Company and sufficient enough to attract and retain the quality of Directors needed to run the Company. The remuneration package of the MD/CEO is structured to link rewards to corporate and individual performance. The Company's remuneration framework for the CEO is designed to create and enhance value for all CDB's stakeholders and to ensure that there is strong alignment between the short-term and long-term interests of the Company.	✓
Remuneration of the Non-Executive Directors	B.2.10		Non-Executive Directors receive a nominal fee in line with the market practices as disclosed in this Annual Report. Non-Executive Directors do not participate in performance-related incentive schemes.	✓
Disclosure of remuneration				
Disclosure of Directors' remuneration in the Annual Report	B.3.1		Refer the Remuneration Committee Report on page 120 for disclosure on the names of the Remuneration Committee members and the remuneration policy of the Company. Also refer note 45 to the Financial Statements on page 213 for the aggregate remuneration paid to Executive and Non-Executive Directors.	✓
Relations with Shareholders				
Arranging Notice of AGM and related papers to be sent to shareholders	C.1.1		The Company ensures that all the notices relevant for the AGM are disseminated well before the meeting and as per the stipulated regulatory timelines.	✓
Separate resolution for all separate issues	C.1.2		Separate resolutions are proposed for all substantially separate issues to provide shareholders with the opportunity to deal with each significant matter separately. This mechanism promotes better stewardship while assuring the transparency in all activities of the Company.	✓
Use of proxy votes	C.1.3		The Company has an effective mechanism to record all proxy votes and proxy votes lodged for each resolution prior to the general meeting.	✓
Availability of all Chairmen of Board Sub committees at the AGM	C.1.4		The Chairman of the Company ensures that the Chairman/Chairperson of all Board appointed Sub committees are present at the AGM to answer the questions under their purview.	✓
Adequate notice of the AGM to shareholders together with the summary of the procedure	C.1.5		A Form of Proxy and a copy of the Annual Report are dispatched to all shareholders together with the notice of meeting detailing the summary of procedure as per legal requirements giving adequate notice to shareholders. This provides an opportunity to all shareholders to attend the AGM based on their voting status and obtain clarifications for matters of interest to them.	✓
Communication with shareholders	C.2.1 - C2.7		The Company has implemented the relevant communication channels, disclosed the policy and methodology and other requirements of the Code for communication with shareholders.	✓
Major and Material transactions	C.3.1 - C.3.2		During the year there were no major transactions as defined by Section 185 of the Companies Act No. 7 of 2007 which materially affected CDB's net asset base. Transactions, if any, which materially affect the net assets of the Company, will be disclosed in the quarterly/annual Financial Statements. Further, all these transactions (if any, during the financial year) are reviewed by the Board Related Party Transactions Review Committee headed by an Independent Non-Executive Director of CDB.	✓

Caption	ICASL Reference	CBSL Rule Reference	Principle, Compliance and Implementation	Status of Compliance
Financial and Business Reporting				
Reports to public and, Regulatory and Statutory reporting	D.1.1 - D.1.3	10 (1)	CDB has reported a true and fair view of its financial position and performance for the year ended 31 March 2021 and at the end of each Quarter of 2020/2021. In the preparation of Financial Statements, CDB had strictly complied with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 and amendments thereto. They are prepared and presented in conformity with Sri Lanka Accounting Standards. CDB has complied with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka, the Colombo Stock Exchange, the Securities and the Exchange Commission of Sri Lanka. Financial statements are published in newspapers in all three languages on 29 June 2021.	✓
Directors report in the Annual report	D.1.4		The Directors' Report given in this Annual Report covers all areas of this section as required by the direction. Please refer pages 4 to 5 for the Directors' Report.	✓
Statement of Directors' and Auditors' responsibility for the financial statements, Report/ statement on Internal Controls	D.1.5		The Statement of Directors' responsibility for Financial Reporting is given in this Annual Report as required by the direction, and the Auditor's reporting responsibility is given in their audit report in the financial statements of this Annual Report.	✓
Management Discussion and Analysis	D.1.6		Our value creation story (MD&A) is given in this Annual Report as required by the direction.	✓
Declaration by the Board that the business is a going concern and summoning an EGM to notify serious loss of capital	D.1.7		This is given in the Directors' Report. Further likelihood of such occurrence is remote. However, should the situation arise, an EGM will be called for and shareholders will be notified.	✓
Disclosure of Related Party Transactions	D.1.8	9 (2) - 9 (4)	Relevant Related Party Transactions are adequately and accurately disclosed in the Annual Report. Further, all the related party transactions are reviewed by the BRPTR Committee.	✓
Minimum disclosures		10 (2)	All required disclosures have been made in the Annual Report. Please refer pages 91 to 128.	✓
Board appointed committees				
Board appointed two subcommittees		8 - 8 (3)	The Audit Committee and Integrated Risk Management Committee are functioning as per the requirements of this direction.	✓
Risk Management and Internal Control				
Review of the risks the Company is facing and evaluation of the Internal Control System	D.2.1 & D.2.5		The Company has established a comprehensive framework of policies and procedures for risk management and internal controls, which are regularly reviewed and updated. The Company's Audit Committee ensures that there is an effective internal control and financial reporting system by adopting the following measures: (i) Audits are conducted by the Internal Audit Department, in areas involving high risks as identified in the annual internal audit plan. (ii) A structured process is in place for loss reporting, control exception reporting and compliance breach reporting. (iii) A comprehensive checklist is used to follow up on the status of implementation of all audit recommendations.	✓

Caption	ICASL Reference	CBSL Rule Reference	Principle, Compliance and Implementation	Status of Compliance
			(iv) Periodic Branch Audits are performed on the Company's branch operations. The Company obtained the External Auditor's certification on the effectiveness of the internal control mechanism on financial reporting.	
Internal audit function	D.2.3		The Company already has an Internal Audit Department, which is responsible for the internal audit function.	✓
Reviews of the process and effectiveness of risk management and internal controls	D.2.4		The Audit Committee carries out reviews of the process and effectiveness of risk management, internal controls and reports to the Board on a regular basis.	✓
Audit Committee				
Composition of the Audit Committee	D.3.1		The Company's Audit Committee consists of three members all of whom are Non-Executive Directors. The Committee operates within clearly defined terms of reference. Details of the members, invitees and the Secretary of the Committee are found in the Audit Committee Report in this Annual Report. Please refer pages 115 to 117 for the Audit Committee Report.	✓
Duties of Audit Committee - Ensuring the objectivity and independence of External Auditors and terms of reference of the Audit Committee	D.3.2		The Committee maintains an appropriate relationship with the External Auditors, KPMG (Chartered Accountants) to ensure their objectivity and independence. The payments to External Auditors for Audit and Non-Audit services are disclosed in the Directors' Report of this Annual Report. In addition, the Company has established an internal audit function which operates independently and has direct access to the Audit Committee. The External Auditors do not have any relationship (other than that of Auditor) and any interest in the Company.	✓
Disclosure of the Audit Committee	D.3.3		Names of the members of the Audit Committee and the scope of the Committee are given in this Annual Report under the Audit Committee Report.	✓
Related Party Transactions Review Committee				
Related Party Transactions Review Committee	D.4.1 - D.4.3		Please refer to the BRPTRC note on pages 122 to 123 and the RPT on pages 212 to 215.	✓
Code of Business Conduct and Ethics				
Code of Business Conduct and Ethics	D.5.1 - D.5.3		The Company has developed a Code of Business Conduct and Ethics for all team members, which addresses conflict of interest, corporate opportunities, confidentiality of information, fair dealing, protecting and proper use of the Company's assets, compliance with applicable laws and regulations and encouraging the reporting of any illegal or unethical behaviour etc.	✓
Affirmation by the Chairman that there is no violation of the code of conduct and ethics	D.5.4		Refer to the Chairman's Statement in the Annual Report for details.	✓

Caption	ICASL Reference	CBSL Rule Reference	Principle, Compliance and Implementation	Status of Compliance
Corporate Governance Disclosure				
Disclosure of Corporate Governance	D.6.1	2. (7)	This requirement is met through the presentation of this Report.	✓
Institutional investors				
Shareholder Voting	E.1		Institutional shareholders are required to make considered use of their votes and encouraged to ensure their voting intentions are translated into practice. The Annual General Meeting is used to have an effective dialogue with the shareholders on matters which are relevant and of concern to the general membership.	✓
Evaluation of Governance Disclosures	E.2		Institutional investors are encouraged to give due weight to all relevant factors in the Board structure and composition.	✓
Other investors				
Investing/Divesting Decision	F.1		Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions.	✓
Shareholder Voting	F.2		Individual shareholders are encouraged to participate in general meetings and exercise their voting rights.	✓
Internet of Things and Cyber Security				
Process of mitigating cyber security threats	G.1		During the financial year, CDB carried out internal and external IT vulnerability test with the assistance of external parties in order to mitigate cyber security threats. Further, these external parties conducted several Board presentations on the findings and on local/global best practices.	✓
Environment, Society and Governance (ESG)				
ESG Reporting	H.1 - H.1.1		Please refer to the Report on Environment/Society/Regulator sections on pages 56 to 69.	✓
Environmental Factors	H.1.2 - H.1.2.1		Please refer to the Report on Environment section on pages 56 to 63.	✓
Social Factors	H.1.3 - H.1.3.1		Please refer to the Report on Society section on pages 64 to 66.	✓
Governance	H.1.4 - H.1.4.1		Please refer to the Report on Regulator section on pages 67 to 69.	✓
Board Role on ESG Factors	H.1.5 - H.1.5.1		Please refer to the Key Framework and Compliance Report on pages 56 to 69.	✓
Sustainability Reporting				
Principles of Sustainability Reporting	G.1.1 - 1.7		The Company has adopted the relevant principles and procedures of the Code to develop a sustainable business environment and disclosures are made in the Annual Report.	✓
Transitional provision				
Transitional and other general provisions		11 (1) - 11 (6)	The Company has complied with transitional provisions when applicable.	✓

4.3 BOARD OF DIRECTORS


11
4
6
9
3
2
10

1

Mr Alastair Corera

Chairman/Non-Executive Independent Director

Mr Corera is an Executive Director of Orion Fund Management (Pvt) Ltd., a Fund Management firm managing long-term investment portfolios for corporates and individuals and regulated by the Securities and Exchange Commission of Sri Lanka. Previously, he was at Fitch Ratings Lanka Ltd. where he headed the Financial Institutions rating team and was its Country Head from 2004 to 2006. Prior to that Mr Corera was the General Manager at Forbes ABN AMRO Securities (Pvt) Ltd. Mr Corera is a Chartered Financial Analyst, USA and a Fellow of the Chartered Institute of Management Accountants, UK.

2

Mr Mahesh Nanayakkara

Managing Director/ Chief Executive Officer/ Executive Director

Mr Nanayakkara joined CDB in 2001 and counts over 30 years experience in financial services. Over the last two decades he successfully spearheaded a dynamic team of young professionals who were instrumental in transforming CDB from a negative net worth company to the dynamic entity it is today. He was instrumental in establishing the Autism Trust Fund, a collaboration between CDB and the Sri Lanka Association for Child Development (SLACD) which focuses on the early detection and intervention of autism in Sri Lanka.

3

Senior Prof Sampath Amaratunge

Non-Executive Independent Director

Prof Amaratunge was appointed to the Board in October 2016. He counts over 25 years as an academic at the University of Sri Jayewardenepura. He has published more than 75 articles in international and national refereed journals and proceedings. He was appointed as the Chairman of the University Grants Commission by His Excellency the President of Sri Lanka with effect from the 3 January 2020. As of year 2019, he was appointed the Chairman of the Committee of Vice Chancellors and Directors Sri Lanka (CVCD) for the year 2019. Prof Amaratunge was also a recipient of the prestigious Research Excellence Award 2002, awarded by the Kyushu Society of Rural Economics, Japan. He is an expert in the field of Economics with special reference to Rural Development. From 2012 to 2014, Prof Amaratunge served as a member of the University Grants Commission (UGC) of Sri Lanka and several other commissions. He was the youngest professor ever appointed to the UGC. Prof Amaratunge was the Chairman of the Federation of University Teachers Associations (FUTA) of Sri Lanka from 2009 to 2012 and holds directorships in two other listed corporates as well. Prof Amaratunge was appointed as the Vice-Chancellor of the University of Sri Jayewardenepura twice and was the Dean of the Faculty of Management Studies and Commerce. He holds a BA (Hons) in Economics and a MA in Economics from the University of Colombo. He also holds an MSc in Economics of Rural Development from the Saga National University and a PhD from Kogoshima National University in Japan.

4

Mr Damith Tennakoon

Deputy CEO/Chief Financial Officer/Executive Director

Mr Tennakoon counts over 25 years experience in Finance, Treasury, Risk management, Compliance, Recovery and Strategic Planning. He is a Fellow of the Chartered Institute of Management Accountants, UK and a Chartered Global Management Accountant.

5

Mr Roshan Abeygoonewardena

Director – Corporate Finance

Mr Abeygoonewardena was appointed to the Board in 2011. He counts over 27 years experience in the financial services industry and three years in the manufacturing industry. He is the Past Chairman of The Finance Houses Association of Sri Lanka (FHASL), the apex body for the Finance Companies in Sri Lanka. He is a Fellow of the Chartered Institute of Management Accountants, UK, a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka and a Fellow Member of the Sri Lanka Institute of Credit Management.

6

Mr Sasindra Munasinghe

Director – Sales and Business Development

Mr Munasinghe was appointed to the Board in April 2011. He counts over 29 years experience in the Leasing Industry. He was instrumental in setting up leasing operations at CDB including credit evaluations, recoveries, operations and marketing. He holds an MBA from the Federation University of Australia.

7

Mr Dave De Silva

Director – Business Operations

Mr De Silva was appointed to the Board on 1st January 2012 as an Independent Non-Executive Director and thereafter appointed as an Executive Director – Business Operations in October 2016. He counts 19 years experience in the financial services sector. He holds a BSc (Business Administration) special degree from the University of Sri Jayewardenepura and is an Associate Member of the Chartered Institute of Management Accountants, (UK).

8

Mr Karthik Elangovan

Director – Chief Emergent Business Officer

Mr Elangovan was appointed to the Board with effect from 1 July 2020. He was the president of SLIM in 2017/18 and was Director/CEO of a subsidiary of CDB consequent to its amalgamation. He is a Chartered Marketer, a Fellow of the Chartered Institute of

Marketing of UK and Fellow of Sri Lanka Institute of Marketing. He holds a BSc. in Management from the University of Sri Jayewardenepura and an MBA from the Postgraduate Institute of Management (PIM). He was conferred the Honorary Fellow of the Institute of Marketing of Malaysia. He has attended Executive Development Programmes at Harvard Business School (HBS) Boston, USA. He also holds a National Diploma in Human Resource Management (IPM) and is a Chartered Global Management Accountant (CGMA) as well.

9

Mr Jagath Abhayaratne

Non-Executive Director

Mr Abhayaratne is the General Manager Operations at Ceylinco Life Insurance PLC, where he has been serving for over 15 years. He counts over 30 years experience in the Insurance Industry. Mr Abhayaratne holds an MBA (UK) and a Bachelor's Degree in Business Administration (USA), a Certificate in Insurance Chartered Insurance Institute, UK and a Diploma in Business Administration, (UK).

10

Ms Rajitha Perera

Non-Executive Independent Director

Ms Perera serves as a partner at Gomes & Company, Chartered Accountants. She was a Senior Manager of the Assurance Division at Ernst & Young, Chartered Accountants and Chief Financial Officer (CFO) of a diversified group of Companies.

Ms Perera was an Independent Non-Executive Director of Unisons Capital Leasing Limited (UCL), which was a subsidiary of Citizens Development Business Finance PLC (CDB) till UCL was amalgamated with CDB. She is a Fellow of the Institute of Chartered Accountants of Sri Lanka and an Associate Member of the Institute of Certified Management Accountants of Sri Lanka.

11

Mr Samitha Hemachandra

Non-Executive Director

Mr Hemachandra is the General Manager – Marketing at Ceylinco Life. He counts over 20 years of work experience in Brand Management, Customer Relationship Management, Marketing Management and Strategic Planning. Mr Hemachandra has been directly involved in designing, developing and implementing many integrated marketing campaigns for Ceylinco Life to date. He was a past Chairman of the Marketing and Sales Forum of Insurance Association of Sri Lanka and a member of the judging panel of the SLIM Brand Excellence for many years. He is also a Director for Ceylinco Healthcare Services Ltd, which is a fully owned subsidiary of Ceylinco Life. Mr Hemachandra is a Fellow (FCIM) and Chartered Marketer of CIM – UK, Certified Management Accountants (CMA) – Australia and holds a Master of Business Administration (MBA) from the University of Western Sydney – Australia.

12

Mr Sujeewa Kumarapperuma

Non-Executive Director

Mr Kumarapperuma counts over 28 years of experience in the actuarial field. He is the Senior Deputy General Manager/Chief Risk Officer at Ceylinco Life Insurance Ltd. Previously, he has headed the Group Insurance Division, Reinsurance Division and the Investment Division of Ceylinco Life. Mr Kumarapperuma is a member of the Strategic Planning Team of the Company (since year 2003) and the Operational Investment Committee of the Company (since 2009). He is a founder member/associate of the Actuarial Association of Sri Lanka and a life member of the MBA Alumni Association of the University of Colombo. He holds a BSc. degree in Physical Science with a Second Class Upper and an MBA, both from the University of Colombo.

13

Prof Prasadini Gamage

Non-Executive Independent Director

Prof Gamage is attached to the Department of Human Resource Management of the University of Kelaniya. She completed her PhD in HRM at the Management and Science University (MSU) in Malaysia upon completion of a BSc (Business Administration) Special degree with a first-class honors and MSc (Management) degree, both from the University of Sri Jayewardenepura. In addition, she is an Attorney-at-Law of the Supreme Court of Sri Lanka and also Chartered member of the Chartered Institute of Personnel Management Sri Lanka Inc.

She is the recipient of a number of awards such as the T Sinnadore Scholarship for the best student, Werakoon, Gold medal for the highest marks obtained awarded by the University of Sri Jayewardenepura, Award for the best results obtained at the Intermediate level by the Sri Lanka Law College, the Gold Medal in recognition of her contributions made to the HR field by the Women in Management Institute, Sri Lanka, Most Outstanding Researcher's Award for the year 2015 by the University of Kelaniya and also Academic Excellence Award from Management & Science University, Malaysia in 2020.

Prof Gamage has over 25 years of teaching experience at undergraduate, postgraduate, PhD and professional courses. She has published more than 100 research papers in local and international journals. She presented her research work at many international and local conferences including University of Harvard. She has been a Member of the governing council of Chartered Institute of Personnel Management of Sri Lanka and also the Chairman of the Committee on Applied Research and Knowledge Center.

4.4 CORPORATE MANAGEMENT TEAM

1 **Mahesh Nanayakkara**
Managing Director/
Chief Executive Officer

2 **Damith Tennakoon**
Executive Director/Deputy Chief Executive Officer/Chief Financial Officer

3 **Roshan Abeygoonewardena**
Director – Corporate Finance

4 **Dave De Silva**
Director Business Operations

5 **Sasindra Munasinghe**
Executive Director – Sales and Business Development

6 **Karthik Elangovan**
Director – Chief Emergent Business Officer

7 **Senaka Attygalle**
Chief Information Officer

Mr Attygalle holds a MBA from the University of Lincoln, UK. He is a Member of the British Computer Society, UK, Member of the Institute of Management Information Systems, UK and Member of the Australian Computer Society. Mr Attygalle counts over 35 years experience in the field of Information Technology.

8 **Nayanthi Kodagoda**
Senior General Manager –
HR and Administration

Ms Kodagoda holds an Executive MBA from University of Colombo and she is an Associate Member of the Sri Lanka Institute of Credit Management. She counts over 24 years experience in the Finance Business Industry and is

6 Supplementary Reports
5 Financial Reports
4 Risk Management, Governance and Leadership
4.1 Risk management
4.2 Corporate governance
4.3 Board of Directors
4.4 Corporate management team
4.5 Management team
4.6 Board Committee Reports
4.7 Statement of Directors' responsibility
4.8 Directors' statement on internal control over financial reporting
4.9 Auditor's assurance report on the Directors' statement on internal control

an expert in the operational aspects of Finance, HR, Credit Administration and Branch Operations. Ms Kodagoda has served CDB for 24 years.

9 Hasitha Dassanayake

General Manager – Emergent Business & Business Intelligence

Mr Dassanayake holds an honours degree of Bachelor of Commerce from University of Colombo and an MBA from University of Sri Jayewardenepura and the Postgraduate Institute of Management (PIM). He is an Associate Member of the Chartered Institute of Management Accountants (UK) and a Chartered Global Management Accountant (CGMA). He counts over 15 years experience at CDB.

10 Chaminda Jayawardana

General Manager – Recoveries

Mr Jayawardana holds an MBA from Open University of Malaysia and an Intermediate Diploma in Banking. He counts over 30 years experience in the Banking and Finance Business Industry.

11 Isanka Kotigala

General Manager – Sales

Mr Kotigala holds an MBA from the University of Wales. He has gained both local and international experience prior to joining CDB. He counts over 8 years experience in well-recognised multinational companies. Mr Kotigala has served CDB for over 14 years.

12 Sudath Fernando

General Manager – Leasing /Credit

Mr Fernando counts 30 years experience in the Banking and Finance Business Industry. He has served CDB for over 12 years.

13 Ranjith Gunasinghe

General Manager – Risk

Mr Gunasinghe holds Master of Financial Economics (MFE) from the University of Colombo, an MBA from the University of Southern Queensland, Australia, and a Postgraduate Diploma in Business and Financial Administration from The Institute of Chartered Accountants of Sri Lanka. He is a Certified Professional Marketer of the Asia Marketing Federation and holds a Postgraduate Diploma in Marketing from Sri Lanka Institute of Marketing (SLIM). He counts over 22 years experience in the Finance Business Industry and has served CDB for over 19 years.

14 Ruwan Chandrajith

Senior Deputy General Manager – Finance and Planning

Mr Chandrajith holds a BSc (Accountancy) (Sp) from the University of Sri Jayewardenepura. He is an Associate Member of The Institute of Chartered Accountants of Sri Lanka. He counts 18 years experience in Financial Management and Auditing and has served CDB for over 11 years.

15 Darshana Jayasinghe

Senior Deputy General Manager – Marketing

Mr Jayasinghe is a professional Marketer with over 15 years experience in Strategic Marketing, Marketing Communications and Sales Management in local and International markets. He is a Chartered Marketer of the Chartered Institute of Marketing UK and Doctoral student of Business Administration of the University of Kelaniya. He is the President of Marketing Alumni of University of Sri Jayewardenepura. He holds a Masters in Business Studies from the University of Colombo and 1st Class Bachelor's Degree in Marketing Management from the University of Sri Jayewardenepura.

16 Herath Dharmadasa

Deputy General Manager – Business Development

Mr Dharmadasa holds an MBA from Cardiff Metropolitan University UK and a degree of bachelor of Arts from University of Peradeniya. He counts over 25 years of experience in the sales, marketing and financial services industry.

17 Aruni Panagoda

Deputy General Manager – Operations

Ms Panagoda hold a MBA from Cardiff Metropolitan University, UK and she is also an Associate Member of Sri Lanka Institute of Credit Management. She counts 21 years experience in the fields of Credit Operations, Insurance Operations & Deposit Operations at CDB.

18 Sanjeewa Ranathunga

Deputy General Manager – Post Disbursement Follow-up

Mr Ranathunga is an Associate member of Sri Lanka Institute of Credit Management, an Associate member of Institute of Certified Professional Manager and also an Associate member of United Kingdom Association of Professionals. He holds a Diploma in Agriculture. He joined CDB in 1998, and has been with CDB over a periods of 22 years excelling in the post disbursement follow-up-division.

19 Prasad Ranasinghe

Deputy General Manager – Gold Loan Sales

Mr Ranasinghe is a highly experienced and well-known professional in the Sales in the Finance sector. He counts 17 years experience in sales for lending and deposits prodcuts. He holds a Bachelor of Commerce degree from the University of Sri Jayawardenapura and a Masters Degree in Business Management (Australia).

20 J L Priyantha

Deputy General Manager – Asset Portfolio Sales

Mr Priyantha holds a BSc (special) degree from the faculty of Agriculture, University of Peradeniya and MBA from Post Graduate Institute of Management (PIM), University of Sri Jayewardenepura. He was awarded the gold award in supervisor category of financial services and products at the NASCO awards, 2013 organised by the Sri Lanka Institute of Marketing and Silver Award in Territory Manager category in 2015. He joined CDB in February, 2005 as a sales trainee. He has 16 years experiences in the field of sales and marketing with an extensive progress in leasing and lending sales strategy.

21 Nadee Silva

Deputy General Manager – Business Development

Ms Silva has been associated with CDB since 1998. She counts over 23 years experience in sales and marketing in the financial services industry and over 10 years experience in business development management. She was awarded the "best female sales person of the year" and Territory Manager silver award in the finance sector category at SLIM-NASCO 2013.

4.5 MANAGEMENT TEAM


1
Dassana Chandrananda
Senior Assistant General Manager – Business Development


2
Lalith Peiris
Senior Assistant General Manager – Liability Portfolio Sales


3
Sarath Kumara
Senior Assistant General Manager – Branch Operations


4
Aravinda Perera
Assistant General Manager – Business Development


5
Ashad Weerabangsa
Assistant General Manager – Branch Operations


6
Heshan Bandara
Assistant General Manager – Risk


7
Darshana Amarasinghe
Assistant General Manager – Compliance


8
Mahesh Pathmalal
Assistant General Manager – Internal Audit


9
Rizvi Kareem
Assistant General Manager – Information System


10
Aroshi Ranatunga
Senior Manager – Talent Management and Sustainability


11
Bandula Kumara
Senior Manager – Business Development


12
Chamath Siriwardana
Senior Manager – Financial Reporting & Planning


13
Chamil Silva
Senior Manager – Business Development


14
Dilruk Abeydiwakara
Senior Manager - IT Operations


15
Garry Reith
Senior Manager – Business Development


16
Kushan Tantrige
Senior Manager – EBIT


17
Laavanya Paheerathan
Senior Manager – Legal


18
Nuwan De Silva
Senior Manager – Finance Operations


19
Priyangani Wickramage
Senior Manager – Operations

20 **Rangana Pragnarathna**
Senior Manager – Business Development

21 **Ravindran Subashkumar**
Senior Manager – Business Development

22 **Steve Gabriel**
Senior Manager – Credit Cards

23 **Suneth Senadheera**
Senior Manager – Digital Business

24 **Tharanga Suraweera**
Senior Manager – Business Development

25 **Tharanga Udawaththa**
Senior Manager – Network and Security

26 **Yenara Udayanga**
Senior Manager – Business Development

27 **Asenath Wijeratne**
Manager – Business Development

28 **Chamith Samarasena**
Manager – Leasing/Credit

29 **Charitha Warnakulasooriya**
Manager – Brands

30 **Duminda Pinto**
Manager – Operations

31 **Gunanga Samanthilake**
Manager – Legal

32 **Jagath Dissanayake**
Manager – Leasing/Credit

33 **Janani Philip**
Manager – Card Centre

34 **Kathiravel Sivagar**
Manager – Leasing/Credit

35 **Lahiru Thrikawala**
Manager – Post disbursement, follow up

36 **Nadarajah Sasigar**
Manager – Business Development

37 **Shabni Mohideen**
Manager – Operations

38 **Tharindu De Silva**
Manager – IT Infrastructure

4.6 BOARD COMMITTEE REPORTS

REPORT OF THE BOARD AUDIT COMMITTEE

Composition of the Board Audit Committee

The Board Audit Committee appointed by and responsible to the Board of Directors of Citizens Development Business Finance PLC consists of three Non-Executive Directors all of them are members of recognized professional bodies and possess wide ranging financial, commercial and management experience. The biographical details of the members of the Board Audit Committee are set out in the Board of Directors profiles section of the Annual Report. The Chairman of the Committee is a fellow member of The Institute of Chartered Accountants of Sri Lanka. Ms P R W Perera functions as the Chairman of the Audit Committee.

The Committee Members as at 31 March 2021

- **Ms P R W Perera**: Independent Non-Executive Director (Appointed to the Committee w.e.f 16August 2020)
- **Prof P N Gamage**: Independent Non-Executive Director (Appointed to the Committee w.e.f 31January 2021)
- **Mr J P Abhayarathne**: Non-Executive Director (Appointed to the Committee w.e.f 31January 2021)

Charter of the Committee

The scope and responsibilities of the Board Audit Committee emanates from its Terms of Reference which is periodically reviewed and revised with the concurrence of the Board of Directors. The process ensures that new developments and concerns are adequately addressed. The Committee is responsible to the Board of Directors and reports on its activities regularly. The Board Audit Committee also assists the Board in its general oversight of financial reporting, internal controls and functions relating to internal and external audits.

Role and Responsibilities

The main objective of the Board Audit Committee is to assist the Board of Directors in exercising its fiduciary responsibilities towards its stakeholders. The Committee is empowered by the Board to:

(i) Ensure that the financial reporting system in place is effective and well managed in order to provide accurate, appropriate and timely information to the Board, Regulatory Authorities and other stakeholders.

(ii) Review the Annual Financial Statements and Interim Financial Statements prior to publication to ensure compliance with statutory and regulatory requirements, accounting standards and accounting policies which are consistently applied.

(iii) Evaluate the adequacy, effectiveness of Risk Management Systems and Internal Controls of the Company.

(iv) Assess the independence and review adequacy of the scope, functions and resources of the Internal Audit Department.

(v) Review and monitor the External Auditors' independence, objectivity and effectiveness of the audit process.

(vi) Ensure that sound Corporate Governance practices are upheld within the Company.

Meetings

The Board Audit Committee held six meetings during the period under review which included two meetings with the External Auditors without the presence of the Executive Directors and Management. The quorum for a meeting of the Committee is two Board Audit Committee members.

The Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit and other Directors attend meetings of the Committee by standing invitation. The Committee also invited members of the Senior Management of the Company to participate in the meetings from time to time on a need basis. The External Auditors also attend meetings whenever they are invited to be present.

The Head of Internal Audit functions as the Secretary to the Board Audit Committee. Proceedings of these meetings with adequate details of matters discussed are regularly reported to the Board.

The attendance of the Committee members at the meetings was as follows:

Name of the Director	Eligibility	Attendance
Ms P R W Perera: Independent Non-Executive Director	4	4
Prof P N Gamage: Independent Non-Executive Director	1	1
Mr J P Abhayarathne: Non-Executive Director	1	1
Mr R Mohamed: Independent Non-Executive Director (Retired w.e.f 16 August 2020)	2	2
Prof A S Dharamasiri: Independent Non-Executive Director (Retired w.e.f 31 January 2021)	5	5
Mr J R A Corera: Independent Non-Executive Director (Resigned from the Committee w.e.f 31 January 2021)	5	5

Reporting to the Board

The Minutes of the Committee meetings are tabled at Board Meetings at least every quarter, enabling all Board members to have access to them.

Activities in the financial year 2020/2021

The Committee carried out the following activities:

Financial Reporting

The Committee reviewed the interim and year-end financial statements and obtained the approval of the Board, prior to their publication. These reviews facilitated the Committee to monitor compliance with SLFRS/ LKAS and the other regulations and also to ensure the integrity of the information provided to the Company's stakeholders.

The Committee reviewed the revised Policy and Procedure Manual of Financial Reporting and Operations during the financial year. Further, the Committee reviewed the Policy manual on principles and methodologies including Expected Credit Losses computation on Credit Card Operations under SLFRS 9- "Financial Instruments" adopted by the management during the financial year.

In addition to the above, the Committee also reviewed an external independent opinion obtained on Accounting Treatment for Income Recognition under Moratorium granted due to COVID-19.

The Committee encourages to continuously strengthen the processes, internal controls, management information system, risk management and reports required for validation and compliance in line with SLFRS 9 on "Financial Instruments".

Internal Control over Financial Reporting

In line with the Section 10 (2)(b) of the Finance Companies Direction No. 03 of 2008 as amended by the Direction No.06 of 2013,the Company is required to comply the said direction and assess the effectiveness of the Internal Control Over Financial Reporting as at 31 March 2021.

Internal Audit Department of the Company carried out a series of walk through tests to establish their adequacy of documented processes and made appropriate recommendations where necessary. Based on the Internal Auditors' assessments, the Board has concluded that as at 31 March 2021, the Company's Internal Control over Financial Reporting was effective.

Internal Audit

The Committee approved the Internal Audit Plan for the financial year and also monitored and reviewed the scope, extent and effectiveness of the activities of the Internal Audit Department. The Committee also reviewed and monitored the progress of the Internal Audit Plan during the financial year, along with its resource requirements. The Committee has had sufficient interaction with the Head of Internal Audit throughout the year.

The Committee continuously reviewed to ensure that appropriate measures and actions have been taken to manage the risks identified during the first and second waves of the COVID-19 pandemic. A centralized monitoring process was commenced on selected high risk areas of the business operations by the Internal Audit Department as directed by the Board Audit Committee.

During the year the Committee also reviewed the audit reports covering matters pertaining to Financial Reporting, Branches, Departments, Information System Audits and Special Investigations and also followed up the implementation of audit recommendations. Audit findings presented in the reports were prioritized based on the level of risk involved. The Board Audit Committee advised the Corporate Management to take precautionary measures on significant audit findings. Internal Audit reports were made available to the External Auditors as well.

External Auditors

The Board Audit Committee assisted the Board in engaging the External Auditors for the audit service in compliance with regulatory provisions. The Committee also reviewed the non-audit services provided by the External Auditors to ensure that they do not lead to impairment of the External Auditors' independence and objectivity.

The Management Letter issued by the External Auditors in respect of the financial year ended 31 March 2020 was considered by the Committee and corrective action is being pursued wherever such action is warranted.

Prior to commencement of the annual audit, the Committee discussed with the External Auditors, their audit plan, audit approach, and matters relating to the nature and scope of the audit. The Committee met the External Auditors on two occasions during the financial year without the Executive Directors and the Management being present, to ensure that there was no limitation of scope in relation to the Audit and to allow for full disclosure of any matters, which could have had a negative impact on the effectiveness of the external audit. The Committee concluded that there was no such cause for concern.

The Committee also reviewed the service period of the engagement of the External Audit Partner to ensure that it has not exceeded five years.

The Audit Committee having considered the independence and performance of the External Auditors KPMG (Chartered Accountants) recommend that they be re-appointed as the Company's statutory auditors for the financial year ending 31 March 2022, subject to the approval of shareholders at the forthcoming Annual General Meeting.

Statutory and Regulatory Compliance

The Committee reviewed the procedures established by management for compliance with the requirements of the regulatory bodies. The Compliance Officer submitted a report to the Board Audit Committee on a quarterly basis, indicating the extent to which the Company was in compliance with mandatory statutory requirements. Due compliance with all requirements are monitored through this process. Further, Internal Audit Department of the Company performs the independent test checks on regulatory compliance requirements.

Whistleblowing Policy

The Company's Whistleblowing Policy was put in place and all members of staff were educated and encouraged to resort to whistleblowing if they had reasonable grounds to believe that there were wrong doings or other improprieties. All appropriate procedures are in place to conduct independent investigations into incidents reported through this process or if identified through other means. Concerns raised are investigated and the identity of the person raising the concern is kept confidential. Even anonymous complaints are investigated. This process is monitored by the Board Audit Committee.

Board Audit Committee Evaluation

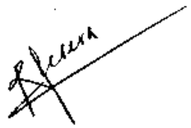
An independent evaluation of the effectiveness of the Committee was carried out by the members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the Company, the Committee has been rated as highly effective.

Appreciation

During the financial year, Mr R Mohamed, Non-Executive Independent Director retired from the Committee as he ceased to be a member of the Director Board of the Company with effect from 16 August 2020, on reaching 70 years of age. Further, Prof A S Dharamasiri Non-Executive Independent Director retired from the Committee as he ceased to be a member of the Director Board of the Company with effect from 31 January 2021, on completing 9 years of service. The Committee wishes to thank Mr R Mohamed and Prof A S Dharamasiri for their valuable contribution over the years.

Conclusion

Based on the review of reports submitted by the External and Internal auditors, the information obtained by the Committee and after examination of the adequacy and effectiveness of the internal controls which have been designed to provide a reasonable assurance to Directors that the assets of the Company are safeguarded, the Board Audit Committee is satisfied that the financial position of the Company is regularly monitored and that steps are being taken to continuously improve the control environment in which the Company operates.



P R W Perera
Chairperson
Board Audit Committee

10 June 2021
Colombo

6 Supplementary Reports
5 Financial Reports
4 Risk Management, Governance and Leadership
4.1 Risk management
4.2 Corporate governance
4.3 Board of Directors
4.4 Corporate management team
4.5 Management team
4.6 Board Committee Reports
4.7 Statement of Directors' responsibility
4.8 Directors' statement on internal control over financial reporting
4.9 Auditor's assurance report on the Directors' statement on internal control

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Integrated Risk Management Committee (IRMC) plays a pivotal role for the Board to fulfill its oversight responsibilities with respect to deciding risk appetite and ensuring that significant risks are competently managed.

Composition of the Board Integrated Risk Management Committee

The Board appointed Integrated Risk Management Committee comprises of the following members:

- **Mr Sujeewa Kumarapperuma**
  Non-Executive Director (appointed with effect from 22 January 2021)
- **Mr Alastair Corera**
  Independent Non-Executive Director
- **Mr Mahesh Nanayakkara**
  Executive Director/MD/CEO
- **Mr Damith Tennekoon**
  Executive Director/Deputy CEO/CFO
- **Mr Roshan Abeygoonewardena**
  Executive Director – Corporate Finance
- **Mr Sasindra Munasinghe**
  Executive Director – Sales and Business Development
- **Mr Dave de Silva**
  Executive Director – Business Operations
- **Mr Karthik Elangovan**
  Executive Director – Chief Emergent Business Officer

Charter of the Board Integrated Risk Management Committee

The Integrated Risk Management Committee was established as a sub-committee of the Board in compliance with Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka.

Governance of IRMC

The IRMC's governance structure comprises of representatives from the Board, IRMC, Risk Management Division, Internal Audit and Compliance Division (refer page 92 for the governance structure).

Committee meetings and methodology

Four meetings were held during the financial year under review both physically and via online. Key risks such as credit, operational, market, liquidity and strategic risks were assessed through a risk dashboard on a monthly basis. The risk dashboard together with meeting minutes were referred to the Board on a quarterly basis.

Attendance

Name of the member	Meetings held
Mr Sujeewa Kumarapperuma*	1/1
Mr Alastair Corera	4/4
Mr Mahesh Nanayakkara	4/4
Mr Damith Tennekoon	4/4
Mr Roshan Abeygoonewardena	4/4
Mr Sasindra Munasinghe	4/4
Mr Dave de Silva	4/4
Mr Karthik Elangovan**	3/3

** Appointed with effect from 22 January 2021*

***Appointed with effect from 1 July 2020*

Committee activities during the financial year

Trigger points

Trigger points were reviewed and changed to reflect the prevailing context.

Reporting risks

Risks which were identified specially at the operational level were reported through the established mechanism of risk reporting via the ERP system. This was carried out with a rewards framework which has immensely contributed to the establishment of a strong risk reporting culture. Altogether 102 risk areas/forged documents were identified and reported via the ERP system. 17 staff members were rewarded as Risk Reporting Champions.

Risk Heat Map

The concept of Risk Heat Map was brought in to depict the risk exposure changes and to give the committee and the Board, a futuristic picture of the possible risks CDB may be exposed to in the near future.

Risk monitoring

Exceptional reports were generated to identify and monitor suspicious transactions, procedure violations, frauds etc.

Business continuity plan (BCP) & Disaster recovery (DR)

Due to the COVID-19 pandemic, taking correct actions to maintain all our operations, protecting our workforce and keeping our customers informed were among the top priorities. In order to mitigate operational disruptions and to ensure service continuity, a Central Task Force was formed and several prevention-oriented policies were implemented emphasizing workplace hygiene.

Updates from Committees

The Committee also reviewed updates from the three management committees namely Asset-Liability Committee, Compliance Committee and Credit Committee who are also involved in the risk management process.

Board Reporting

The Board was updated on a regular basis on the performance of identified risk indicators and prudential limits defined and approved by the Board.

Stress Testing

Stress testing was done to assess the appropriateness of the trigger points for the next quarter/ financial year and to reflect the prevailing business context.

Committee Evaluation

The Committee evaluates its performance annually and is satisfied that it has functioned effectively in the past year.

Sujeewa Kumarapperuma
Chairman
Integrated Risk Management Committee

10 June 2021
Colombo

REPORT OF THE NOMINATION COMMITTEE

GRI 102-24

Composition of the Committee

The Board appointed Nomination Committee consists of a majority of Non-Executive Directors and is chaired by a Non-Executive Independent Director. The members of the Committee have wide range of experience and knowledge of the business acumen.

Committee members are:

- **Mr J R A Corera** (Independent Non-Executive Director)
- **Snr Prof S P P Amarathunga** (Member/Independent Non-Executive Director)
- **Mr S Kumarapperuma** (Member/Non-Executive Director)
- **Mr E R S G S Hemachandra** (Member/Non-Executive Director)

Independence of the Committee

The Committee is independent of the Management and is totally free from any business, personnel or any other relationships that may interfere in making independent judgements.

Terms of reference of the Committee

Identify and recommend suitable candidates as Directors to the Board considering succession plan and requirement of the Board and its subsidiary companies.

Regularly review the structure, size and composition of the Board. Ensure the Board consists of persons possessing a good knowledge, experience and entrepreneurial skills to advance the effectiveness of the Board.

Review the Charter for the appointment and reappointment of Directors to the Board and recommend amendments wherever necessary.

Key functions performed during the year under review

Considered and promoted Board diversity and effectiveness, Evaluated and recommended changes to the Board where necessary, Evaluated and recommended the suitable internal and external candidates to higher levels of the Management, Abiding by the principles of good governance and recommended best practices.

New appointments to the Board during the financial year

Committee recommended to appoint two Non-Executive Directors, two Independent Non-Executive Directors and one Executive Director subject to Central Bank of Sri Lanka Approval.

Meetings

The Committee formally met five times during the year under review.

The year ahead

The Committee would continue to propose policies and best practices to attract and retain the best talent to the Company by providing them with fair and equal opportunities.

J R A Corera
Chairman
Nomination Committee

10 June 2021
Colombo

REPORT OF THE REMUNERATION COMMITTEE

GRI 102-35, 102-36

Composition of the Committee

The Board appointed Remuneration Committee consists of a majority of Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director. The members of the Committee have a range of experience and knowledge of the business and industry.

Committee members are:

- Snr Prof S P P Amaratunge – Chairman/Non-Executive Independent Director
- Mrs P R W Perera – Member/ Independent Non-Executive Director
- Mr E R S G S Hemachandra – Member/Non-Executive Director

Independence of the Committee

The Committee is independent of the Management and is totally free from any business, personnel or any other relationships that may interfere in making independent judgements.

Company remuneration policy

The Company's remuneration policy aims to recruit, retain and motivate high calibre personnel at Board and Executive levels who possess appropriate professional, managerial and operational expertise required to achieve the Company's short-term and long-term objectives. The remuneration policy attempts to guarantee that the total remuneration package is sufficiently competitive to attract the best spirit for the Company.

The Company's remuneration framework has been designed, incorporating the newly developed Human Resource Information System to enhance value for stakeholders of Company as well as to align the inspiration of the executives with the short and long-term interests of the Company. In designing competitive compensation packages, the policy is to appreciate and reward high performers while consciously balancing the short-term performance with medium to long-term commitment to the Company.

Purpose

The Remuneration Committee recommends adoption of a market oriented remuneration policy for its staff and ensure the selection of the best talent and create incentives for staff for their performance and loyalty. The Committee also reviews the recruitment, evaluation of employee performance, incentive schemes, bonus policy of the Company, rewarding and promotions policy of the Senior Management and Executive Officers of the Company. The succession plan policy in place and its effectiveness is critically evaluated by the Committee. The Committee evaluates the performance of the CEO and Key Management Personnel against predetermined set targets and goals to determine the basis for recommending the basis for rewarding, increments and other benefits.

It considers such other matters relating to remuneration policies or practices as the Board, may from time to time bring to its attention of the Committee.

Further the Committee consciously evaluates the appropriateness of the current remuneration policy adopted by the Company for its suitability and appropriateness.

Key functions performed during the year under review

Recommended revision of remuneration packages based on performance, cost of living and comparative industry norms, Evaluate and recommended the individual remuneration packages of Managing Director/CEO and Executive Directors, Abiding by the principles of good governance and recommended best practices.

Meetings

The Committee formally met once during the year under review. The Chief Executive Officer and Director Corporate Finance attend meetings by invitation and assist in there by providing relevant information. However, they were not involved in their own compensation packages or other matters relating to them reviewed.

The year ahead

The Committee would continue to propose remuneration policies and best practices to attract and retain the best talent to the Company.

Senior Prof Sampath Amaratunge
Chairman
Remuneration Committee

10 June 2021
Colombo

REPORT OF THE CREDIT COMMITTEE

The Credit Committee of the Company will direct the Company's credit strategy, credit policy and other lending guidelines in order to achieve the Company's overall corporate strategy.

Composition of the committee

The Board-appointed Credit Committee consists of Executive Directors chaired by MD/CEO. The members of the Committee have a wide range of expertise and knowledge in credit management. The Committee consists of the following members.

- **Mr Mahesh Nanayakkara**
  Managing Director/Chief Executive Officer
- **Mr Damith Tennakoon**
  Executive Director/Deputy Chief Executive Director/ Chief Financial Officer
- **Mr Dave De Silva**
  Executive Director – Business Operations
- **Mr Roshan Abeygoonewardena**
  Executive Director – Corporate Finance
- **Mr Sasindra Munasinghe**
  Executive Director – Sales and Business Development
- **Mr Karthik Elangovan**
  Executive Director – Chief Emergent Business Officer

Company credit policy

The Board of Directors have approved the credit policy of the Company, where all product guidelines and exposure limits have been highlighted. The credit policy of the Company is the communication tool of the Company's credit strategy and the objective of which is to ensure the credit quality of the Company's credit portfolio is at its highest.

Main responsibilities of the Credit Committee

- Overseeing the credit management of the Company including reviewing of internal credit policies.
- Analysis and review of credit control techniques and external risks associated with credit policies of the Company.
- Provide credit guidance and conduct a more intensive and comprehensive credit analysis when necessary.
- Review and approve credit proposals in line with Board approved credit policies and standards, where required recommended credit requests for Board approval.
- Ensure compliance of all regulatory and statutory requirements prescribed by regulatory and supervisory authorities.
- Set lending directions based on the current economic environment.
- Ensure post credit monitoring and post reviews are performed where necessary.

Accountability of the credit committee

Accountability of Credit Committee can be delivered through the minutes of Credit Committee meeting, circulated decision-memorandum, and periodic Credit Committee reports.

Methodology used by the Credit Committee

- The Committee approves credit proposals based on limits set by the Board. Credit proposals and other credit reports intended for Board approval are examined.
- Credit proposals are evaluated in line with the Company's risk appetite and credit policies.
- Members of the Corporate Management of the Company are invited to participate at the meetings as and when required.
- Monitor the resulting shifts in the composition and the quality of the portfolio and recommended new exposure limits for each sectors/product lines as appropriate.

Committee meetings

Meetings are taken up quarterly to review overall credit strategy of the Company. All other meetings were conducted to review and approve credit proposals recommended by the Management.

Activities during 2020/21

The Committee approved the credit proposals and other specific reports which prerequisite the approval of the Board in line with the credit policies and credit risk appetite of the Company in order to ensure the efficient and effective performance over the credit direction of the Company.

Focus for 2021/22

- Maintaining a healthy credit book while enabling the risk appetite.
- Proactive risk management, strengthen internal controls and management information systems with respect to credit aspects of the Company.
- Continuous monitoring on the adherence to Board approved credit policy.

W P C M Nanayakkara
Chairman
Credit Committee

10 June 2021
Colombo

REPORT OF THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

GRI 102-25

The Board established the Board Related Party Transactions Review Committee (BRPTRC) in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka (the "Code") and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules"). The Board Related Party Transactions Review Committee comprises of one (1) Independent-Non Executive Directors, one (1) Non-Executive Director and two (2) Executive Directors.

The Committee as at the end of the financial year 2020/21 consisted of the following members:

- **Prof P N Gamage** (Committee Chairperson/ Independent Non-Executive Director)
- **Mr E R S G S Hemachandra** (Non-Executive Director)
- **Mr Damith Tennakoon** (Director/Deputy CEO/Chief Financial Officer)
- **Mr Roshan Abeygoonewardena** (Director/Corporate Finance)

The above composition is in compliance with the provisions of the Code regarding the composition of the Board Related Party Transactions Review Committee.

Objectives

This Committee's primary objectives are to:

- Consider, review, evaluate and provide oversight of related party transactions of all types and to approve, ratify, disapprove or reject a related party transaction.
- Determine whether the related party transaction is fair and in the best interest of CDB.
- Review, revise, formulate and approve policies on related party transactions.
- At least once a year conduct a review of all related party transactions concluded during the financial year.

In carrying out its mandate the BRPTRC must at least consider the following matters:

Transaction and Transacting Parties: the nature and scope and identity of all the parties involved in the transaction or relationship in order to determine whether it is a related party transaction or not.

Related Party: a full description of the nature, extent and scope of the related party's interest in the transaction including the related party's position or relationship with, or ownership in, a company, partnership or other legal entity that is party to or has an interest in the transaction.

Terms and Conditions: whether the terms of the transaction or relationship are not less favourable than terms generally offered to an unrelated third party given the same facts and circumstances.

Purpose & Rationale: consideration must be given to the business purpose, timing, rationale and benefits of the transaction or relationship.

Value: the monetary value of the related party's interest in the transaction must be accurately ascertained.

Valuation Method: the method used to determine the value of the transaction.

Scope of the Committee Includes:

- Adopting policies and procedures to review related party transactions of the Company and reviewing and overseeing existing policies and procedures;
- Reviewing in advance all proposed related party transactions of the Company except those explicitly exempted in the code under rule 27;
- Determining whether related party transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- If related party transactions are "recurrent in nature" the Committee establishes set of guidelines for senior management as explained in the code to follow in its ongoing dealings with the relevant related party.
- Ensuring that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such a Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee.
- If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee (including independent consultant if necessary) to review and approve the proposed related party transaction.
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the code are made in a timely and detailed manner.

Meetings

During 2020/2021 the committee held four meetings. Attendance by the Committee members at each of these meetings is given in the table on page 123 of the Annual Report.

Review of Transactions for the Financial Year 2020/21

All related party transactions that had taken place during 2020/2021 were reviewed by the BRPTR. There were no non- recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange. Further, all the related party transactions which occurred during the financial year are disclosed in the audited financial statements and reported to Board on 18 May 2021. Please refer page 212 for RPTs published in the Note 45 to the Financial Statements.

Declaration

A declaration by the Board of Directors in the Annual Report as a negative statement that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2020/21 is given on page 5 of the Annual Report.

Prof P N Gamage
Chairperson
Board Related Party Transactions Review Committee

10 June 2021
Colombo

Committee Meetings

The attendance of the members of the Committee was as follows for the FY 2020/21:

Name of the Directors/ KMPs	Designation	Total Number of Meetings Eligible to Attend	Number of Meetings Attended
Prof P N Gamage (Appointed w.e.f. February 2021)	Committee Chairperson/ Independent Non-Executive Director	1	1
Mr E R S G S Hemachandra (Appointed w.e.f. January 2021)	Non-Executive Director	1	1
Mr R Mohamed (Retired on 16 August 2020)	Independent Non-Executive Director	2	2
Prof A S Dharmasiri (Retired on 31 January 2021)	Independent Non-Executive Director	3	3
Mr Damith Tennakoon	Director/Deputy CEO/ Chief Financial Officer	4	4
Mr Roshan Abeygoonewardena	Director/Corporate Finance	4	4

4.7 STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the Financial Statements of the Citizens Development Business Finance PLC (Company) is set out in the following statement. The responsibility of the Auditors in relation to the Financial Statements is set out in the Report of the Auditors given on pages 135 to 138..

These Financial Statements are prepared in compliance with the requirements of the following rules, regulations, and guidelines.

- Companies Act No. 07 of 2007;
- Finance Business Act No. 42 of 2011;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka; and
- Directions, Rules, Determinations, Notices, and Guidelines issued under the Finance Business Act No. 42 of 2011 by the Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka.

In preparing these Financial Statements, the Directors are required to ensure that –

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any have been disclosed and explained;
- The Financial Statements are presented in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs);
- Reasonable and prudent judgements and estimates have been used so that the form and substance of transactions are appropriately reflected;
- These Financial Statements provide the information required by and otherwise comply with the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

In terms of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that the Company keep proper books of accounts and prepare Financial Statements that give true and fair view of the state of affairs of the Company as at the end of each Financial year and of the Statement of Income of the Company for each financial year and place them before the General Meeting.

The Financial Statements comprise the Statement of Financial Position, Statement of Comprehensive Income, and Statement of Changes in Equity, Cash Flow Statement and the Notes to the Financial Statements. The Directors have taken reasonable measures to safeguard the assets of the Company to prevent and detect frauds and other irregularities. Accordingly, the Directors have taken steps to establish appropriate systems of internal controls comprising of internal audit reviews, risk assessment tests and financial and other controls to mitigate, prevent and detect fraud and other irregularities.

Further, the Board of Directors wishes to confirm that the Company has met requirements under the Section 7 of the continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange where applicable.

The Board of Directors also wishes to confirm that, as required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who have expressed desire to receive a hard copy or to other shareholders a soft copy each in a CD containing the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders in each category have been treated equitably in accordance with the original terms of issue.

The Company's External Auditors Messrs KPMG were reappointed, in terms of the Companies Act No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting. They carried out reviews, and sample checks on the system of internal controls as they considered required and appropriate and necessary for expressing an opinion on the Financial Statements and internal controls. They were provided with every opportunity to undertake the inspections they considered appropriate.

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

The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors, reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operation for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the Financial Statements.

By Order of the Board,

J R A Corera
Chairman

W P C M Nanayakkara
Managing Director

10 June 2021
Colombo

4.8 DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Requirement

In line with the Section 10 (2)(b) of the Finance Companies Direction No. 03 of 2008 as amended by the Direction No. 06 of 2013, and principle D1.5 of Code of Best Practice on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka, the Board of Directors presents this report on Internal Control mechanisms of Citizens Development Business Finance PLC ("the Company") over Financial Reporting.

Responsibility

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

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of Internal Controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board in accordance with the guidance for Directors of the Company on the "Directors Statement on Internal Control" issued by The Institute of Chartered Accountants of Sri Lanka . As per the said guidance, significant processes affecting significant accounts of the Company were assessed along with the key areas of the Company.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting and that the preparation of Financial Statements for external purposes 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 to mitigate and control these risks.

Key features of the process adopted in applying and reviewing the design and effectiveness of the Internal Control System over Financial Reporting

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

- Establishment of Board Subcommittees to assist the Board in ensuring the effectiveness of the Company's day-to-day operations and to ensure that all such operations are carried out in accordance with the corporate objectives, strategies and the annual budget as well and the policies and business directions that have been approved.
- Policies/Procedures are developed covering all functional areas of the Company and these are approved by the Board or Board – approved committees. Such policies and procedures are reviewed and approved periodically.
- The Internal Audit Department of the Company checks for compliance with policies and procedures and the effectiveness of the Internal Control system on an on-going basis using samples and rotational procedures and highlights significant findings in respect of any non- compliance. The annual audit plan is reviewed and approved by the Board Audit Committee. Audits are carried out on a majority of departments, functions, branches including IT General Controls, IT Application Controls and Cyber Security Reviews. The frequency of these audits are determined by the level of risk assessed. The findings of the audits are submitted to the Board Audit Committee for review at their periodic meetings.

- The Board Audit Committee of the Company reviews Internal Control issues identified by the Internal Audit Department, the External Auditors, Regulatory Authorities and the Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. The Board Audit Committee reviews the effectiveness of internal audit functions with particular emphasis on the scope of audits and the quality of the same. The Minutes of the Board Audit Committee meetings are forwarded to the Board on a quarterly basis. Further, details of the activities undertaken by the Board Audit Committee are set out in the Board Audit Committee Report of this Annual Report.
- The Board Integrated Risk Management Committee (BIRMC) is established to assist the Board to oversee the overall management of principal areas of risk of the Company.
- Operational Committees have also been established with appropriate empowerment to ensure effective management and supervision of the Company's core areas of the business operations. These Committees include the Assets and Liability Management Committee, Credit Committee, Treasury Committee and Information Technology Steering Committee.

In assessing the Internal Control System over Financial Reporting, identified officers of the Company were assigned to collate all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company. These in turn were observed and checked by the Internal Audit Department for suitability of design and effectiveness on an ongoing basis.

The Company has adopted SLFRS 9 – "Financial Instruments" which was issued in 2014 with a date of initial application of 1 April 2017. Since adoption of this standard, progressive improvements on processes to comply with new requirements of classification, estimation of expected credit losses and disclosure were made whilst, further strengthening of processes will take place pertaining to expected credit loss estimation and financial statement disclosures. During the financial year existing processes were further refined to incorporate the potential implication of COVID-19 pandemic and the moratorium schemes introduced to support the recovery of the economy. The Board Audit Committee reviewed the amendments made to the policies and methodologies and the underlying assumptions during the financial year taking into consideration the potential implications of the COVID-19 pandemic situation.

Further, adequate training and awareness sessions have been conducted for the Board and the Senior Management with regard to Accounting Standards.

The Comments made by the External Auditors in connection with internal control system over financial reporting during the previous financial year were reviewed during the year and appropriate steps have been taken to implement the recommendations.

Confirmation

Backed by the Internal Audit, Information System Audit, and Risk Management Division's continued review and verification of the suitability and effectiveness of pre-existing procedures and controls, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide a reasonable assurance of the reliability of the financial reporting system and the preparation of financial statements for external purposes has been done in accordance with Sri Lanka Accounting Standards, and comply with regulatory requirements including the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011.

Review of The Statement By External Auditors

The External Auditor, Messrs KPMG, has reviewed the above Directors' Statement on Internal Control over Financial Reporting for the year ended 31 March 2021 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the Internal Control System over Financial Reporting of the Company. Their independent assurance report on the "Directors' Statement on Internal Control over Financial Reporting" is given on page 127 of this Annual Report.

By order of the Board

J R A Corera
Chairman

P R W Perera
Chairperson – Board Audit Committee

W P C M Nanayakkara
Managing Director/CEO

T M D P Tennakoon
Executive Director/Deputy CEO/CFO
10 June 2021
Colombo

4.9 AUDITOR'S ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
: +94 - 11 244 6058
Internet : www.kpmg.com/lk

To the Board of Directors of Citizens Development Business Finance PLC

Report on the Directors' statement on internal control

We were engaged by the Board of Directors of Citizens Development Business Finance PLC ("the Company") to provide assurance on the Directors' Statement on Internal Control ("Statement") included in the annual report for the year ended 31st March 2021.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company on the Directors' Statement on Internal Control" issued in compliance with the section 10 (2) (b) of the Finance Companies (Corporate Governance) Direction no. 3 of 2008, by the Institute of Chartered Accountants of Sri Lanka.

Our independence and quality control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the License Finance Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This standard requires that the auditor's plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of work performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the system of internal control for the Company.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

(a) Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the Annual Report.

(b) Reviewed the documentation prepared by the Management to support their Statement made.

(c) Related the Statement made by the Directors to our knowledge of the Company obtained during the audit of the Financial Statements.

(d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

(e) Considered whether the Directors' Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

(f) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Auditor's conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process, the Board of Directors have adopted in the review of the design and effectiveness of internal control of the License Finance Company.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

10 June 2021

FINANCIAL REPORTS

5.1 FINANCIAL CALENDAR

Dividend

Final dividend for the year ended 31 March 2021 to be paid on*

Thursday, 19 August 2021

Audited Financial Statements and Annual General Meeting (AGM)

Audited Financial Statements

2020/21
Thursday, 10 June 2021

2021/22 (Proposed)
Wednesday, 1 June 2022

Annual General Meeting

2020/21
Friday, 30 July 2021

2021/22 (Proposed)
Thursday, 30 June 2022

Interim Financial Statements to CSE**

Quarter ended 30 June

2020/21
Thursday, 30 July 2020

2021/22 (Proposed)
Friday, 13 August 2021

Quarter ended 30 September

2020/21
Wednesday, 11 November 2020

2021/22 (Proposed)
Thursday, 11 November 2021

Quarter ended 31 December

2020/21
Friday, 12 February 2021

2021/22 (Proposed)
Friday, 11 February 2022

Quarter ended 31 March

2020/21
Friday, 28 May 2021

2021/22 (Proposed)
Monday, 30 May 2022

Six Months Financial Statements***

Year ended 31 March (Audited)

Lankadeepa
2019/20
Tuesday, 28 July 2020

2020/21
Tuesday, 29 June 2021

Virakesari
2019/20
Tuesday, 28 July 2020

2020/21
Tuesday, 29 June 2021

DailyFT
2019/20
Tuesday, 28 July 2020

2020/21
Tuesday, 29 June 2021

Six months ended 30 September (Unaudited)

Lankadeepa
2020/21
Friday, 27 November 2020

2021/22 (Proposed)
Tuesday, 23 November 2021

Virakesari
2020/21
Friday, 27 November 2020

2021/22 (Proposed)
Tuesday, 23 November 2021

DailyFT
2020/21
Friday, 27 November 2020

2021/22 (Proposed)
Tuesday, 23 November 2021

UFS

Unaudited Financial Statements

Friday, 28 May 2021

AFS

Audited Financial Statements

Thursday, 10 June 2021

AFN

Audited Financial Statements to be published on Newspapers

Monday, 28 August 2021

AGM

Annual General Meeting

Friday, 30 July 2021

QFS

Quarterly Financial Statements

Q1	Q2	Q3	Q4
Friday, 13 August 2021	Thursday, 11 November 2021	Friday, 11 February 2022	Monday, 30 May 2022

* *Subject to confirmation by shareholders at Annual General Meeting*

** *In terms of the Rule 7.4 of the CSE and as per the requirements of the Central Bank of Sri Lanka.*

*** *In terms of the requirements in Direction No. 2 of 2006, Central Bank of Sri Lanka.*

5.2 FINANCIAL STATEMENTS – TABLE OF CONTENTS

5.3 FINANCIAL HIGHLIGHTS

Key performance indicators	2020/21	2019/20	%
Financial performance (Rs. Mn.)			
Gross revenue	**16,623**	17,363	(4)
Net interest income	**7,595**	6,639	14
Net operating income	**7,919**	6,812	16
Profit before tax	**3,467**	2,272	53
Profit after tax	**2,557**	1,837	39
Position as at the year end (Rs. Mn.)			
Loans and receivables to customers	**75,058**	72,423	4
Total assets	**94,331**	93,195	1
Total equity	**14,052**	11,556	22
Deposits from customers	**48,999**	43,306	13
Financial ratios (%)			
Profitability perspective (%)			
Operating profit margin	**24.60**	15.73	
Net interest margin	**8.10**	7.17	
Cost to income ratio (Excluding VAT on FS)	**41.00**	48.79	
Return on average assets (ROA) – after tax	**2.73**	1.98	
Investor perspective			
Earnings per share (Rs.)	**36.64**	26.32	
Earnings yield (%)	**33.31**	36.50	
Return on equity (ROE) (%) – after tax	**19.97**	17.99	
Dividend per share	**7.50**	–	
Dividend yield (%)	**6.82**	–	
Dividend cover (Times)	**4.89**	–	
Dividend payout (%)	**20.47**	–	
Net assets value per share (Rs.)	**201.34**	165.58	
Market value per share – closing – voting (Rs.)	**110.00**	72.10	
Market value per share – closing – non-voting (Rs.)	**71.90**	44.80	
Market capitalisation (Rs. Mn.)	**7,283**	4,750	
Price to earnings (Times)	**3.00**	2.74	
Statutory ratios (%)			
Capital adequacy			
Tier I (minimum requirement – 5%)	**12.10**	10.25	
Tier I and II (minimum requirement – 10%)	**15.34**	13.29	
Statutory liquidity ratio	**14.19**	15.28	
Non-performing advances ratio (%)			
Gross NPL (Net of IIS)	**7.00**	7.54	
Net NPL (Net of IIS and provisions)	**2.21**	4.24	

Comparative KPIs except the statutory ratios have been adjusted to reflect the effect of amalgamation.

Revenue
Rs. 16,623 Mn.

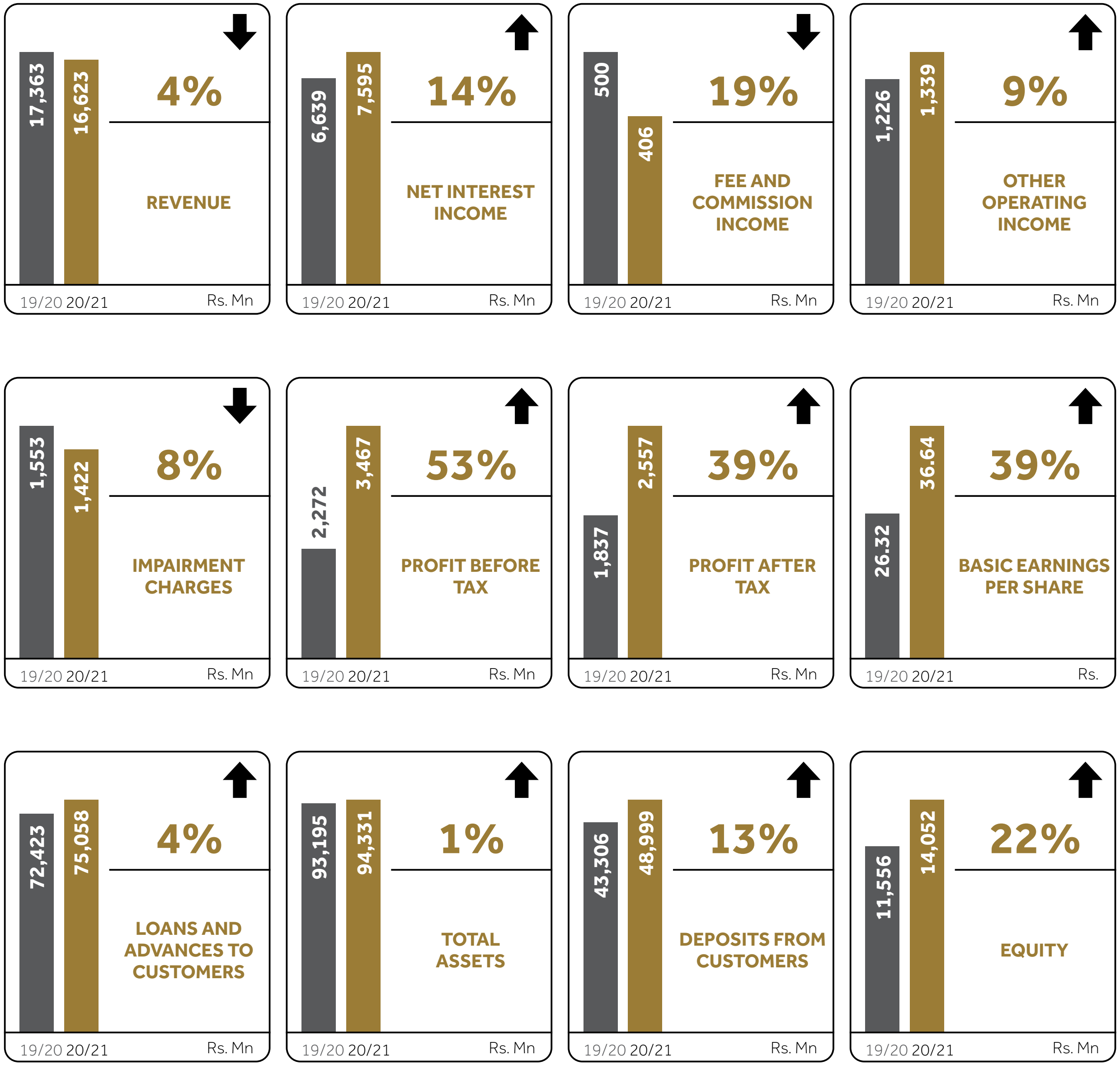
Net profit after tax
Rs. 2.6 Bn.

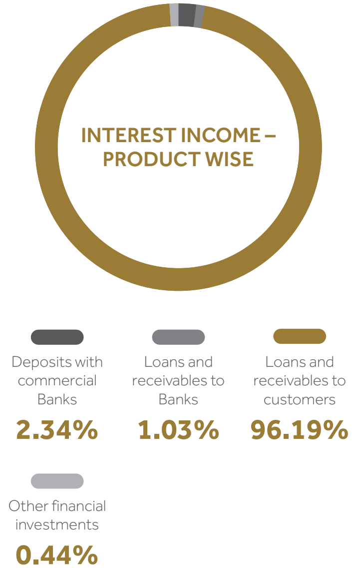
Earning per share
Rs. 36.64

Total assets
Rs. 94.3 Bn.

Loan book
Rs.75.1 Bn.

Net assets value per share
Rs. 201.34


17,363
16,623
4%
REVENUE
19/20 20/21
Rs. Mn
6,639
7,595
14%
NET INTEREST INCOME
19/20 20/21
Rs. Mn
500
406
19%
FEE AND COMMISSION INCOME
19/20 20/21
Rs. Mn
1,226
1,339
9%
OTHER OPERATING INCOME
19/20 20/21
Rs. Mn
1,553
1,422
8%
IMPAIRMENT CHARGES
19/20 20/21
Rs. Mn
2,272
3,467
53%
PROFIT BEFORE TAX
19/20 20/21
Rs. Mn
1,837
2,557
39%
PROFIT AFTER TAX
19/20 20/21
Rs. Mn
26.32
36.64
39%
BASIC EARNINGS PER SHARE
19/20 20/21
Rs.
72,423
75,058
4%
LOANS AND ADVANCES TO CUSTOMERS
19/20 20/21
Rs. Mn
93,195
94,331
1%
TOTAL ASSETS
19/20 20/21
Rs. Mn
43,306
48,999
13%
DEPOSITS FROM CUSTOMERS
19/20 20/21
Rs. Mn
11,556
14,052
22%
EQUITY
19/20 20/21
Rs. Mn


INTEREST INCOME – PRODUCT WISE
Deposits with commercial Banks
2.34%
Loans and receivables to Banks
1.03%
Loans and receivables to customers
96.19%
Other financial investments
0.44%


LOANS AND RECEIVABLES PRODUCT WISE
Loans and advances
30.86%
Net investments in leases
69.02%
Net investments in hiring contracts
0.12%

5.4 INDEPENDENT AUDITOR'S REPORT

KPMG

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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
 : +94 - 11 244 6058
Internet : www.kpmg.com/lk

To the Shareholders of Citizens Development Business Finance PLC

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Citizens Development Business Finance PLC (the "Company"), which comprise the statement of financial position as at 31 March 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.

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

Basis for opinion

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

Key audit matters

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

1. Impairment of loans and receivables to customers

Refer to the "Note 2.12" (Use of Judgements and Estimates), "Note 12" (Impairment of loans and receivables to customers) and "Note 24" (Loans and receivables to customers) to the Financial Statements.

Risk Description	Our Responses
As at 31 March 2021, 80% of its total assets of the Company consisted of loan and receivables to customers totaling to Rs. 75 Bn, net of impairment allowance of Rs. 3.74 Bn. Impairment of loans and receivables to customers is a subjective area due to the level of judgment applied by management in determining impairment allowances. From the Company's perspective, the portfolios which gave rise to the greatest uncertainty in determining impairment allowances for loans and receivables to customers were those where impairments were derived from internally developed statistical models, where the loans and receivables to customers were unsecured or where the loans and receivables to customers were subject to potential collateral shortfalls. The determination of the allowance for expected credit losses is heavily dependent on the external macro environment and reliant on data and a number of estimates related to statistical models. The Company's expected credit losses for loans and receivables to customers are derived from the statistical models which are based on internally computed data comprising qualitative and quantitative factors including past due information and also incorporating forward looking information. The COVID-19 pandemic has 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. The disclosures regarding the Company's application of SLFRS 9 and SLFRS 7 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results. We identified assessing impairment of loans and receivables to customers as a key audit matter because there is a high degree of complexity and judgment involved for the Company in estimating individual and collective credit impairment provisions against these loans. These features resulted in significant audit effort to address the risks around loan recoverability and the determination of related provisions.	Our audit procedures included: Assessing the design, implementation and operating effectiveness of key internal controls over the approval of new lending facilities against the Company lending policies, recording, monitoring of counter party credit quality and restructuring of loans and receivables to customers, the process of the measurement of impairment allowances for loans and receivables to customers; Challenging the validity of the models used and assumptions adopted in Company calculation of the impairment allowances by critically assessing: – Input parameters involving management judgment; – the overdue statistical data for the loan and receivable portfolios; and – Historical loss parameters used. Considering, as part of the procedures above, the nature of and reasons for any revisions to the key assumptions and input parameters in the models, the consistency of judgment applied in the use of economic factors and forward looking information and assessing key internal controls over the input of underlying data into the models; Assessing the economic factors used in the models to market information to assess whether they were aligned with market and economic development; Assessing the ongoing effectiveness of the significant increase in credit risk criteria and independently calculated the loans' stage; Assessing the reasonability of the Company's treatment of COVID-19 payment relief to customers (moratorium / debt concession) considering the significant increase in credit risk perspective; Working with KPMG specialists, we assessed the reasonability of the adjustments made by the Company to the forward-looking macroeconomic factors and assumptions used in the ECL model; Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the portfolios against the Company's assessment. Evaluating the appropriateness of the accounting policies based on the requirements of the accounting standards, our business understanding and industry practice; Assessing the appropriateness of the Company's disclosures in the financial report using our understanding obtained from our testing and against the requirements of the Sri Lanka Accounting Standards.

2. IT systems and controls over financial reporting

Risk Description	Our Responses
Automated accounting procedures and IT environment controls, which include IT governance, controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Key areas of importance are system calculations, logic regarding significant accounts, including interest calculations, interfaces between business management systems and accounting systems. We identified IT systems and controls over financial reporting as a key audit matter because the Company's financial accounting and reporting systems are fundamentally reliant on complex IT systems and control processes which are driven by significant transaction volumes caused by the size of the customer base.	Our audit procedures included: We used KPMG IT specialists to perform audit procedures to assess IT systems and controls over financial reporting, which included: ● Assessing the design, implementation and operating effectiveness of key internal controls over the continued integrity of all major IT systems fundamental to dealing with the financial data, particularly financial reporting; ● Examining the framework of governance over the Company's IT organization and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required; ● Evaluating the design, implementation and operating effectiveness of the significant accounts-related IT process controls by assessing the operating effectiveness of IT Application Controls, assessing the operating effectiveness of certain automated controls and system calculations which are relevant to the Company's compliance activities and assessing the consistency of data transmission and data migration; ● Assessing the availability and stability of key operating systems, taking into consideration the rapid development of businesses types and transactions volumes as well as IT projects that have a significant impact on business continuity; ● Testing the access rights given to staff by checking them to approved records, and inspecting the reports over the granting and removal of access rights; ● Testing preventative controls designed to enforce segregation of duties between users within particular systems;

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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to communicate that fact. 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 of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor’s report is 3272.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
10 June 2021

5.5 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	2021 Rs. '000	2020 Rs. '000 *Restated
Revenue	8	16,622,791	17,362,985
Interest income	9.1	14,877,242	15,636,833
Interest expense	9.2	7,282,499	8,998,331
Net interest income	9	7,594,743	6,638,502
Fee and commission income	10	406,234	499,996
Other operating income	11	1,339,315	1,226,156
Total operating income		9,340,292	8,364,654
Less: Impairment charges and other credit losses on financial assets	12	1,421,500	1,552,731
Net operating income		7,918,792	6,811,923
Less: Operating expenses			
Personnel expenses	13.1	1,402,328	1,651,422
Premises, equipment and establishment expenses	13.2	1,896,625	1,876,438
Other expenses	13.3	530,885	553,031
Total operating expenses	13	3,829,838	4,080,891
Operating profit before taxes on financial services		4,088,954	2,731,032
Less: Taxes on financial services	14	622,001	459,109
Profit before tax		3,466,953	2,271,923
Less: Income tax expense	15	909,999	434,873
Profit for the year		2,556,954	1,837,050
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Change in deferred tax on revaluation		32,087	–
Equity investments at FVOCI – net change in fair value		68,116	(38,915)
Net actuarial gain/(loss) on defined benefit plan		(74,806)	62,061
Total other comprehensive income		25,397	23,146
Total comprehensive income for the year		2,582,351	1,860,196
Earnings per share			
Basic/Diluted earnings per share (Rs.)	16	36.64	26.32

The Notes to the Financial Statements on pages 144 to 248 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

** Comparative information for the year ended 31 March 2020 have been restated to reflect the effect of amalgamation. (Refer note 3)*

5.6 STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2021 Rs. '000	As at 31 March 2020 Rs. '000 *Restated	As at 1 April 2019 Rs. '000 *Restated
Assets				
Cash and cash equivalents	20	**2,090,509**	1,391,919	1,189,251
Financial assets measured at fair value through profit or loss (FVTPL)	21	**160,639**	56,442	1,727,013
Derivative financial assets	32	**198,046**	–	–
Loans and receivables to banks	22	**2,966,711**	3,691,374	3,195,205
Deposits with financial institutions	23	**3,003,275**	4,387,464	6,719,704
Loans and receivables to customers	24	**75,058,331**	72,422,827	71,582,081
Other investment securities	25	**2,669,959**	2,362,194	1,319,177
Investment property	26	**20,198**	20,198	20,198
Property, plant and equipment	27	**3,090,338**	2,950,554	2,384,016
Intangible assets	28	**116,476**	92,837	97,838
Goodwill on amalgamation	29	**244,180**	244,180	244,180
Right-of-use assets	30	**797,001**	840,868	–
Other assets	31	**3,915,306**	4,734,292	3,499,958
Total assets		**94,330,969**	93,195,149	91,978,621
Liabilities				
Derivative financial liabilities	32	**13,142**	60,440	363,153
Deposits from customers	33	**48,999,341**	43,305,775	47,222,578
Debt securities issued	34	**5,089,839**	5,092,096	3,980,483
Other interest-bearing borrowings	35	**21,719,986**	27,505,136	26,473,852
Lease liabilities	30	**810,682**	804,390	–
Current tax liabilities	36	**1,220,992**	1,603,146	633,142
Deferred tax liabilities	37	**376,460**	609,271	1,336,061
Retirement benefit obligation	38	**9,098**	28,931	7,681
Other liabilities	39	**2,039,209**	2,629,604	3,091,402
Total liabilities		**80,278,749**	81,638,789	83,108,352
Equity				
Stated capital	40	**2,350,363**	2,350,363	1,185,062
Reserves	41	**2,495,581**	2,301,317	2,240,471
Retained earnings	42	**9,206,276**	6,904,680	5,444,736
Total equity		**14,052,220**	11,556,360	8,870,269
Total liabilities and equity		**94,330,969**	93,195,149	91,978,621
Net assets value per share (Rs.)	43	**201.34**	165.58	127.09
Contingencies and commitments	44	**2,704,783**	503,323	269,613

** Comparative information as at 31 March 2020 and 1 April 2019 have been restated to reflect the effect of amalgamation. (Refer note 3)*

The Notes to the Financial Statements on pages 144 to 248 form an integral part of these Financial Statements.

I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007 and Finance Business Act No. 42 of 2011.

Damith Tennakoon
Deputy CEO/Director/CFO

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements.

Approved and signed for and on behalf of the Board.

C M Nanayakkara
Managing Director/CEO

J R Alastair Corera
Chairman
10 June 2021

Colombo

5.7 STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs. '000	Reserves: Revaluation Reserve Rs. '000	Reserves: Fair Value Reserve Rs. '000	Reserves: Statutory Reserve Fund Rs. '000	Retained Earnings Rs. '000	Total Equity Rs. '000
Balance as at 1 April 2019, as previously reported	1,185,062	577,574	–	1,662,912	5,239,855	8,665,403
Changes in capital structure due to amalgamation*				(15)	204,881	204,866
Restated balance as at 1 April 2019	1,185,062	577,574	–	1,662,897	5,444,736	8,870,269
Rights issue	1,019,356					1,019,356
Total comprehensive income for the year 2019/20*						
Profit for the year					1,837,050	1,837,050
Other comprehensive income for the year						
Equity investments at FVOCI – net change in fair value			(38,915)			(38,915)
Net actuarial gain on defined benefit plan (Refer Note 38)					62,061	62,061
Total comprehensive income for the year 2019/20		–	(38,915)	–	1,899,111	1,860,196
Transactions with equity holders of the Company						
Dividends to equity holders for the year – 2018/19 – Cash					(169,703)	(169,703)
Dividends to equity holders for the year – 2018/19 – Scrip	145,945				(169,703)	(23,758)
Transfers during the year (Refer Note 41.2)			8,510	91,251	(99,761)	–
Total transactions with equity holders	145,945	–	8,510	91,251	(439,167)	(193,461)
Balance as at 31 March 2020	2,350,363	577,574	(30,405)	1,754,148	6,904,680	11,556,360
Balance as at 1 April 2020	2,350,363	577,574	(30,405)	1,754,148	6,904,680	11,556,360
Impact of amalgamation **					(86,491)	(86,491)
Total comprehensive income for the year 2020/21						
Profit for the year					2,556,954	2,556,954
Other comprehensive income for the year						
Adjustment in Deferred tax on revaluation		32,087				32,087
Equity investments at FVOCI – net change in fair value			68,116			68,116
Net actuarial loss on defined benefit plan (Refer Note 38)					(74,806)	(74,806)
Total comprehensive income for the year 2020/21	–	32,087	68,116	–	2,482,148	2,582,351
Transactions with equity holders of the Company						
Transfers during the year (Refer Note 41.2)			(33,787)	127,848	(94,061)	–
Total transactions with equity holders	–	–	(33,787)	127,848	(94,061)	–
Balance as at 31 March 2021	2,350,363	609,661	3,924	1,881,996	9,206,276	14,052,220

The Notes to the Financial Statements on pages144 to 248 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

**Comparative information for the year ended 31 March 2020 have been restated to reflect the effect of amalgamation. (Refer note 3)*

***Unisons Capital Leasing Limited (with effect from 18 May 2020) and Fortune Properties Limited (with effect from 31 December 2020) have been amalgamated with Citizens Development Business Finance PLC. (Refer Note 3)*

5.8 STATEMENT OF CASH FLOWS

ACCOUNTING POLICY

In accordance with LKAS 7 – "Statement of Cash Flows". The Statement of cash flows has been prepared using the "Direct Method". Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The cash and cash equivalents include cash in hand, balances with banks, money at call and money market funds.

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000 *Restated
Cash flow from operating activities		
Interest receipts	**12,529,193**	14,726,601
Commission receipts	**68,839**	279,470
Other income receipts	**1,606,503**	2,001,955
Interest payments	**(7,479,942)**	(8,885,054)
Fee and business promotion expenses	**(387,487)**	(402,989)
Employee related payments	**(1,328,968)**	(1,491,723)
Supplier payments	**(2,979,723)**	(2,439,758)
Financial expenses	**(35,968)**	(27,646)
Operating profit before changes in operating assets	**1,992,447**	3,760,856
(Increase)/Decrease in operating assets		
Investments in financial institutions	**2,108,852**	1,755,199
Investments in Government securities	**(102,320)**	137,437
Net funds advanced to customers	**(1,708,955)**	(1,914,005)
Changes in other short-term assets	**1,326,438**	(804,725)
Changes in inventories	**(170,055)**	1,748
	1,453,960	(824,346)
Increase/(Decrease) in operating liabilities		
Net borrowings	**(6,366,190)**	75,239
Net deposits from customers	**5,882,777**	(4,095,521)
	(483,413)	(4,020,282)
Net cash generated from/(used in) operating activities	**2,962,994**	(1,083,772)
Contribution to plan asset	**(168,000)**	(85,000)
Taxation	**(1,105,094)**	(15,968)
	1,689,900	(1,184,740)
Cash flow from investing activities		
Dividend receipts	**31,548**	28,525
Proceed from the rights issue	**–**	1,019,356
Investment in other investment securities	**(307,765)**	319,032
Purchase of property, plant and equipment	**(413,675)**	(825,428)
Proceeds from sale of property, plant and equipment	**41,342**	5
Net cash from/(used in) investing activities	**(648,550)**	541,490

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000 *Restated
Cash flow from financing activities		
Dividend paid	–	(193,461)
Payment to NCI on amalgamation	**(42,645)**	–
Net change in debentures	**(2,257)**	1,111,613
Net cash inflows/(outflows) from financing activities	**(44,902)**	918,152
Net increase/(decrease) in cash and cash equivalents	**996,448**	274,902
Cash and cash equivalents at the beginning of the year	**918,121**	643,219
Cash and cash equivalents at the end of the year	**1,914,569**	918,121
Cash and cash equivalents at the beginning of the year		
Cash at bank and cash in hand	**1,391,919**	1,189,251
Bank overdrafts	**(473,798)**	(546,032)
	918,121	643,219
Cash and cash equivalents at the end of the year		
Cash at bank and cash in hand (Refer Note 20)	**2,090,509**	1,391,919
Bank overdrafts (Refer Note 39)	**(175,940)**	(473,798)
	1,914,569	918,121

The Notes to the Financial Statements on pages 144 to 248 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

**Comparative information as at 31 March 2020 have been restated to reflect the effect of amalgamation. (Refer note 3)*

5.9 NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

1.1 Corporate information

GRI 102-5

Citizens Development Business Finance PLC ("CDB") is a public limited liability company listed on the Main Board of the Colombo Stock Exchange, incorporated on 7 September 1995 (Domiciled) in Sri Lanka. The Registered Office is situated at No. 123, Orabipasha Mawatha, Colombo 10. The Company was re-registered under the new Companies Act No. 07 of 2007.

CDB is licensed by Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011, and also registered under the Finance Leasing Act No. 56 of 2000 and Consumer Credit Act No. 29 of 1982.

CDB is an approved credit agency under Mortgage Act No. 06 of 1949 and Trust Receipt Ordinance No. 12 of 1947.The staff strength of the Company as at 31 March 2021 – 1,758 (2020 – 1,789).

1.2 Principal activities and nature of operation

Entity	Principal business activities	Holding percentage 2020/21	Holding percentage 2019/20
Company			
Citizens Development Business Finance PLC	Company provides a vast range of financial services which includes accepting term and savings deposits, leasing, hire purchase, loan facilities, gold loan, foreign exchange, foreign remittances, issuance of international debit cards, credit cards, margin trading, Islamic finance products and other financial services.		
Subsidiaries			
Fortune Properties Limited (formerly known as CDB Micro Finance Limited)	Company provides financial services for property development.	N/A*	99.98%
Unisons Capital Leasing Limited	Company provides financial services including leasing, personal loan and term-loan.	N/A*	90.38%

**Unisons Capital Leasing Limited and Fortune Properties Limited have been amalgamated with Citizens Development Business Finance PLC. (Refer Note 3)*

2. Basis of preparation

2.1 Financial Statements

The Company has prepared amalgamated Financial Statements for the year ended 31 March 2021 hence the amalgamation of both subsidiaries are in effect. The Company does not have an identifiable parent of its own. As per the requirements of Statement of Recommended Practice (SORP): Merger Accounting for Common Control Combinations issued by The Institute of Chartered Accountants of Sri Lanka comparative information for the year ended 31 March 2020 and 1 April 2019 have been restated to reflect the effect of amalgamation.

2.2 Statement of compliance

The Financial Statements of the Company which comprise Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and Finance Business Act No. 42 of 2011 and amendments thereto and provides appropriate disclosures required by the Listing Rules of the Colombo Stock Exchange.

2.3 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges this responsibility as set out in the Report of the Directors under "Directors' Responsibility for Financial Statements".

Financial Statements include the following components:

- Information on the financial performance of the Company for the year under review.
- Information on the financial position of the Company as at the year end.
- Information showing all changes in shareholders' equity during the year under review of the Company.
- Information to the users on the movement of the cash and cash equivalents of the Company.
- Notes to the Financial Statements including the accounting policies and other explanatory notes.

2.4 Approval of Financial Statements by Directors

The Company's Financial Statements for the year ended 31 March 2021 were authorised for issue by the Board of Directors in accordance with the Resolution of the Directors on 10 June 2021.

2.5 Basis of measurement

The Financial Statements have been prepared on a historical cost basis except for the following material items:

Item	Basis of measurement	Note
Retirement benefit obligation	Fair value of plan assets less the present value of the defined benefit obligation	38
Freehold land	Fair value	27
Financial assets measured at fair value through profit or loss (FVTPL)	Fair value	21
Debt investments measured at fair value through other comprehensive income (FVOCI)	Fair value	25
Equity investments measured at fair value through other comprehensive income (FVOCI)	Fair value	25

2.6 Functional and presentation currency

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

2.7 Presentation of Financial Statements

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

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss and Other Comprehensive Income unless required or permitted by an Accounting Standard or interpretation, and as specifically disclosed in the Accounting Policies of the Company.

2.8 Materiality and aggregation

Each material class of similar items are presented separately in the Financial Statement. Items which dissimilar in nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 – "Presentation of Financial Statements".

2.9 Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by accounting standards.

2.10 Offsetting of assets and liabilities

Assets and liabilities are offset and the net amount reported in the Statement of Financial Position only where there is a legal right to set-off the recognised amounts and it intents either to settled on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousands, except where otherwise indicated.

2.12 Use of estimate and judgement

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRSs/LKAS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amount may differ from these estimates.

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in Notes below:

Assumptions and estimation uncertainties

(a) Going concern

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

During the preparation of financial statements for the year ended 31 March 2021 management has made an assessment of Company's ability to continue as a going concern using the all available information about the future and capturing the current economic uncertainties and market volatility caused by the COVID-19 outbreak. Please refer Note 51 for more details.

(b) Fair value of financial instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The 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 valuation of financial instruments are described in more detail in Note 19. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

(c) Useful Life of property, plant and equipment

The Company reviews the residual values, useful life and method of depreciation for Property, Plant and Equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rate, methods and hence subject to uncertainty.

(d) Impairment on cash-generating unit

The Company assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the "value in use" of such individual assets or the cash-generating units. Estimating value in use requires Management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate which reflects the current market assessment of the rate of money and risk specific to the assets in order to calculate the present value of the relevant cash flows.

This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

(e) 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. Significant Management judgements are required to determine the amount of deferred tax assets/liabilities that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(f) Revaluation of property, plant and equipment

The Company measures land at revalued amounts with changes in fair value being recognised in equity through other comprehensive income. The Company engages independent professional valuer to assess fair value of land. The key assumptions used to determine fair value is provided in Note 27.1.

(g) Contingencies and commitments

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 of legal cases against the Company have been disclosed in the Notes to the Financial Statements. However, based on the available information and the available legal advice, the Company do not expect the outcome of any action to have any material effect on the financial position of the Company.

Commitments of the Company are disclosed in Note 44 and Litigations against the Company are disclosed in Net 46.

(h) Provision for employee defined benefit obligation

The provision for defined benefits obligations and the related charge for the year is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rate, future salary increase, mortality rate etc. All the assumption are reviewed at each reporting date. Due to the long-term nature of such obligation, these estimates are subject to significant uncertainty.

(i) Expected Credit Losses (ECL) on financial assets

The Company measures loss allowances using both lifetime ECL and 12-month ECL. When estimating ECL Company determines whether the credit risk of a financial asset has increased significantly since initial recognition. For this the Company 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 Company's historical experience, informed credit assessment and including forward-looking information.

(j) Expected Credit Losses (ECL) on other financial assets measured at amortised cost

The ECL applies to other financial assets measured at amortised cost as well. Company measures loss allowance at an amount equal to life time ECL, except those investments that are determined to have low credit risk at the reporting date. The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade". The Company uses information from external credit agencies as inputs to the ECL calculation and adjust to reflect forward looking information and economic scenarios.

(k) Goodwill on Amalgamation

For the purpose of impairment, testing acquire was considered as a separate cash-generating unit (CGU) and the recoverable amounts of the CGU have been calculated based on its value in use. The value in use is determined by discounting the future cash flows expected to be generated from the continuing use of the CGU.

3. Changes in accounting policies

The Company has consistently applied the Accounting Policies as set out in these Financial Statements, except for changes arising out of amalgamation as set out below.

3.1 Adoption of new accounting standards – Definition of a Business (Amendments to SLFRS 3)

The Company has initially adopted Definition of a Business (Amendments to SLFRS 3) from 1 January 2020. A number of other new standards are also effective from 1 January 2020 that do not have a material effect on the financial statements.

Definition of a business

The Company applied Definition of a Business (Amendments to SLFRS 3) to business combinations whose dates of acquisition are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The amendments do not have a material effect on the financial statements because the Company has not acquired any subsidiaries during the year.

3.2 Amalgamation of Unisons Capital Leasing Limited and Fortune Properties Limited

Unisons Capital Leasing Limited and Fortune Properties Limited have been amalgamated with Citizens Development Business Finance PLC in accordance with the provisions of Part VIII of the Companies Act, No. 07 of 2007 and Citizens Development Business Finance PLC surviving as the amalgamated entity.

After the amalgamation of Unisons Capital Leasing Limited and Fortune Properties Limited, the Company will not have any investment, which requires consolidation. Accordingly, the presentation of consolidated financial statements will not be relevant for the Company. As described in the Note 3.2 the Company had accounted for the amalgamation by restating the comparative financial statements.

	Date of amalgamation	Holding percentage prior to amalgamation
Unisons Capital Leasing Limited	18 May 2020	90.38%
Fortune Properties Limited	31 December 2020	99.98%

Accounting policy for amalgamation

The amalgamation between three entities is considered as a common control transaction, which is outside the scope of - "Business Combinations" as amalgamated entities are continue to be controlled by Citizens Development Business Finance PLC after the amalgamation. Accordingly the Company has followed the requirements in LKAS 8 - "Accounting policies, changes in accounting estimates and errors" and Statement of Recommended Practice (SORP): Merger Accounting for Common Control Combinations issued by The Institute of Chartered Accountants of Sri Lanka in dealing with these transactions.

When applying merger accounting, it is considered that the business combination has occurred from the date when the combining entities first came under the control of the controlling entity. That is financial statement items of the combining entities are included in the consolidated financial statements of the combined entity from the date of the previous acquisition, using the acquisition values recognized at that date.

The carrying values of the combining entities are included in the financial statements of the controlling party which is CDB. The SORP section 8 identifies this treatment as "existing book values from the controlling parties' perspective". Further, as elaborated in SORP section 9(a), it is required to continue to record any remaining goodwill arising from the previous acquisition and non-controlling interest in the CDB's financial statements.

The results of amalgamation of three entities under common control are economically the same before and after the amalgamation as the amalgamated entity will have identical net assets. Accordingly Citizens Development Business Finance PLC continues to record carrying values including the remaining goodwill that resulted from the original acquisition of subsidiaries that has been consolidated since its acquisition.

Impact of Amalgamation

The book values of Unisons Capital Leasing Limited and Fortune Properties Limited was amalgamated with that of the Citizens Development Business Finance PLC and the investment in subsidiaries of Rs. 510 Mn recorded in Citizens Development Business Finance PLC (including the payment to minority sharehlodders amounting to Rs. 43 Mn), was set off against the equity of Citizens Development Business Finance PLC. Since the amalgamation of three entities under common control goodwill of Rs. 244 Mn is recognized in the statement of Financial Position and Rs. 86.5 Mn amalgamation impact was recognized in equity of the Company respectively.

Further as per the requirements of the SORP, comparative information for the year ended 31 March 2020 and 1 April 2019 have been restated to reflect the effect of amalgamation. Accordingly, comparative amounts in the financial statements are presented using the principles as set out above as if the entities had been combined at the previous balance sheet date and the amalgamated income statement includes the results of each of the combining entities from the earliest date presented (i.e. including the comparative period)

Effect of amalgamation for the year ended 31 March 2020 on the statement of profit or loss and other comprehensive income and the statement of financial position on the financial statements of Citizens Development Business Finance PLC are as follow:

Statement of financial position

31 March 2020	As previously presented Rs'000	Restated considering the amalgamation Rs'000	Effect on amalgamation
Assets			
Cash and cash equivalents	1,347,303	1,391,919	44,616
Financial assets measured at fair value through profit or loss (FVTPL)	56,442	56,442	
Loans and receivables to banks	3,671,353	3,691,374	20,021
Deposits with financial institutions	4,387,464	4,387,464	
Loans and receivables to customers	71,218,455	72,422,827	1,204,372
Other investment securities	2,319,634	2,362,194	42,560
Investment in subsidiaries	509,918	–	(509,918)
Investment property	20,198	20,198	
Property, plant and equipment	2,938,155	2,950,554	12,399
Intangible assets	80,146	92,837	12,691
Goodwill on amalgamation	–	244,180	244,180
Right-of-Use Asset	840,868	840,868	
Other assets	4,458,554	4,734,292	275,738
Total assets	91,848,490	93,195,149	1,346,659
Liabilities			
Derivative financial liabilities	60,440	60,440	
Deposits from customers	43,327,576	43,305,775	(21,801)
Debt securities issued	5,092,096	5,092,096	
Other interest-bearing borrowings	26,675,062	27,505,136	830,074
Lease liabilities	804,390	804,390	
Current tax liabilities	1,519,031	1,603,146	84,115
Deferred tax liabilities	650,401	609,271	(41,130)
Retirement benefit obligation	28,931	28,931	
Other liabilities	2,463,793	2,629,604	165,811
Total liabilities	80,621,720	81,638,789	1,017,069
Equity			
Stated capital	2,350,363	2,350,363	
Reserves	2,295,877	2,301,317	5,440
Retained earnings	6,580,530	6,904,680	324,150
Total equity	11,226,770	11,556,360	329,590
Total liabilities and equity	91,848,490	93,195,149	1,346,659

Statement of changes in equity - day 1 adjustment

	Stated Capital	Revaluation Reserve	Statutory Reserve Fund	Retained Earnings	Total equity
Balance as at 1 April 2019, as previously reported	1,185,062	577,574	1,662,912	5,239,855	8,665,403
Changes in capital structure due to amalgamation*			(15)	204,881	204,866
Restated balance as at 1 April 2019	1,185,062	577,574	1,662,897	5,444,736	8,870,269

Summary of assets and liabilities in Unison Capital Leasing Limited immediately before the date of amalgamation

31 March 2020	As at May 2020 Rs'000
Assets	
Cash and cash equivalents	32,718
Loans and receivables to customers	1,403,787
Financial investments	142,646
Property, plant and equipment	24,196
Trade and other receivables	321,175
Total Assets	1,924,522
Liabilities	
Interest-bearing borrowings	1,164,401
Current tax liabilities	77,652
Trade and other liabilities	133,731
Total liabilities	1,375,784
Net Assets	548,738

Fortune Properties Limited had Rs. 2,195,447 net assets immediately before the date of amalgamation.

4. Accounting Impact of COVID-19 relief measures

Since March 2020 Based on the guidelines issued by Central Bank of Sri Lanka and Company's own initiatives various forms of assistance to customers including debt moratorium were granted.

The moratorium on loan repayment is considered to be a loan modification under SLFRS 9. Modifications to the original terms and conditions of the loans due to COVID-19 moratorium did not result in a derecognition of the original loans if the modification does not result in cash flows that are substantially different. Accordingly based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss which have been netted off under the interest income.

Accordingly, a modification loss of Rs. 172 Mn recognised during the year ended 31 March 2021 under net interest income in Note 9.1.1, representing the difference between the original carrying value of the loan (before modification) and the discounted present value of the revised cash flows (at the Original EIR) at the date of the loan modification.

Proposed accounting treatment for lease contracts rent concession granted under the COVID – 19 moratorium scheme is not a lease modification since there is no change in scope or the consideration for the lease. Accordingly, the requirements as per SLFRS 16 - "Leases" is applicable when accounting for lease contracts under moratorium scheme. Accordingly, the lease contracts ware accounted based on the requirements specified in SLFRS 16 – "Leases" and the related changes in the lease payments were accounted as a variable lease payment.

5. New accounting standards issued but not yet effective

The Company has not applied the following new standards or amendments in preparing these Financial Statements. The new standards and amendments listed below are those that could potentially have an impact on the Company's performance, financial position or disclosures:

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- COVID-19-Related Rent Concessions (Amendment to IFRS 16).b
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

6. General accounting policies

6.1 Basis of amalgamation

Unisons Capital Leasing Limited and Fortune Properties Limited have been amalgamated with Citizens Development Business Finance PLC in accordance with the provisions of Part VIII of the Companies Act, No. 07 of 2007 and Citizens Development Business Finance PLC surviving as the amalgamated entity.

As explained in note 3.1 the Company has merged its former subsidiaries Unisons capital Leasing Limited and Fortune Properties Limited. The Company has applied accounting principles described in the said note and accordingly as at 31 March 2021 the Company has presented its amalgamated financial statements.

6.2 Basis of consolidation

6.2.1 Subsidiaries

"Subsidiaries" are investees controlled by the Parent. As per the SLFRS 10 – "Consolidated Financial Statements", the Parent "controls" an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g., those resulting from a lending relationship) become substantive and lead to the Parent having power over an investee. The Financial Statements of subsidiaries are included in the Financial Statements from the date that control effectively commences until the date that control effectively ceases.

6.2.2 Acquisition method and goodwill

As per the SLFRS 3 – "Business Combinations" acquisition date is the date on which it obtains control of the acquiree. As at this date identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree, are recognised separately from goodwill in the Group's Financial Statements. All assets acquired and liabilities assumed in a business combination are measured at acquisition date fair value.

Goodwill is measured as the difference between the aggregate value of the consideration transferred, the amount of any non-controlling interest and in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously-held equity interest in the acquiree, and the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

6.2.3 Transactions eliminated on consolidation

All intra-group balances and transactions and any unrealised gains arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

6.2.4 Non-controlling interest

Non-controlling interest is measured at their proportionate share of acquirer's identifiable net assets at the date of acquisition. Changes in the Company's interest in a Subsidiary that do not result in a loss of control are accounted for as equity transactions.

6.2.5 Loss of control

When the Group loses control over a Subsidiary, it derecognises the assets and liabilities of the Subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost and is accounted depending on the level of control retained.

6.3 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. All differences arising on non-trading activities are taken to "Other Operating Income" in the Statement of Profit or Loss. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Unrealised gains and losses are dealt under "Other Operating Income" in the Statement of Profit or Loss.

7. Specific accounting policies

Set out below is an index of the specific accounting policies, the details of which are available on the pages that follow:

8. Revenue

ACCOUNTING POLICY

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Interest income (Refer Note 9.1)	14,877,242	15,636,833
Fee and commission income (Refer Note 10)	406,234	499,996
Other operating income (Refer Note 11)	1,339,315	1,226,156
Total revenue	16,622,791	17,362,985

9. Net interest income

ACCOUNTING POLICY

Interest income and expense are recognised in Statement of Profit or Loss using the effective interest rate (EIR) method.

Effective Interest Rate (EIR)

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

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

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

For credit-impaired financial assets (Stage three) Interest revenue is calculated on the net carrying amount that is reduced for expected credit losses. For information on when financial assets are credit-impaired, see Note 12.

Presentation

Interest income and expense presented in the statement of profit or loss include

- Interest on financial assets and financial liabilities measured at amortised cost
- Interest income and expense on all assets and liabilities measured at fair value

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Interest income (Refer Note 9.1)	**14,877,242**	15,636,833
Less: Interest expense (Refer Note 9.2)	**(7,282,499)**	(8,998,331)
Net interest income	**7,594,743**	6,638,502

9.1 Interest income

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Placements with financial institutions	**348,514**	518,845
Loans and receivables to banks	**152,512**	327,442
Loans and receivables to customers (Refer Note 9.1.1)	**14,310,192**	14,731,668
Other financial investments (Refer Note 9.1.2)	**66,024**	58,878
Total interest income	**14,877,242**	15,636,833

9.1.1 Interest on loans and receivables to customers

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Finance leases	**10,171,601**	10,702,226
Stock out on hire	**16,598**	53,492
Loans and advances*	**3,554,649**	3,272,658
Ijara profit income	**288,319**	377,359
Murabaha profit income	**279,025**	325,933
Total interest income from loans and receivables to customers	**14,310,192**	14,731,668

**Interest Income from Loans and advances to customers includes Rs. 172 Mn impact of modifications made to loans due to debt concessionary schemes implemented by the Company as a measure to support the recovery of customers affected by COVID-19 pandemic. (Refer Note 4)*

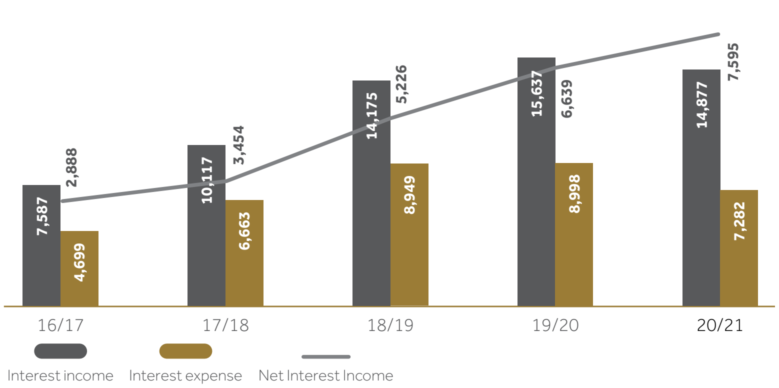
9.1.2 Interest on other financial investments

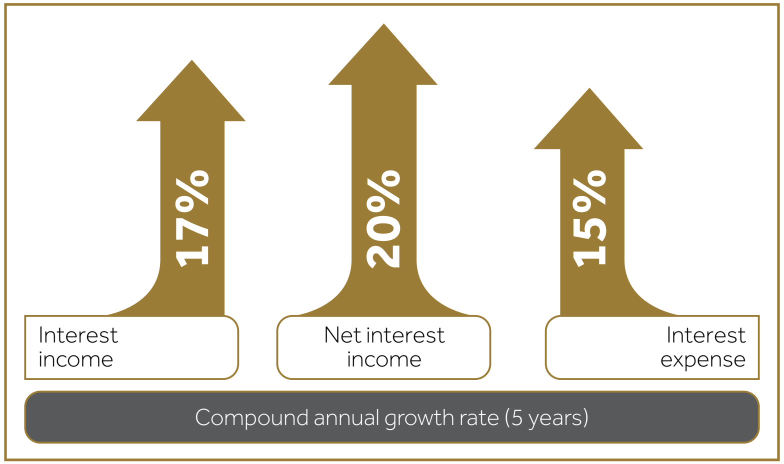
For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Government Treasury Bond investments	**10,882**	10,405
Government Treasury Bill investments	**33,626**	40,493
Corporate bond investments	**–**	286
Other investments	**21,516**	7,694
Total interest income from other financial investments	**66,024**	58,878

9.2 Interest expense

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Term deposits from customers	**4,163,532**	5,007,144
Savings deposits from customers	**95,441**	136,447
Mudharaba investments from customers	**23,786**	27,218
Debentures	**707,341**	603,024
Foreign borrowings	**624,157**	950,948
Other borrowings	**1,668,242**	2,273,550
Total interest expenses	**7,282,499**	8,998,331

NET INTEREST INCOME Rs. Mn.





10. Fee and commission income

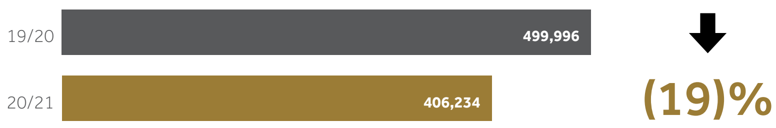
ACCOUNTING POLICY

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.

A contract with a customer that results in a recognition of a financial instrument in the Company's Financial Statements may be partially in the scope of SLFRS 9 and SLFRS 15. If this is the case the Company first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Insurance commission	**401,583**	486,044
Guarantee/lending-related commission income	**644**	10,084
Commission on money remittances	**214**	183
Commission on debit card transactions	**3,793**	3,685
Total fee and commission income	**406,234**	499,996

FEE AND COMMISSION INCOME Rs.'000



11. Other operating income

ACCOUNTING POLICY

Profit/loss from sale of fixed assets is recognised in the period in which the sale occurs and is classified as other income/expense.

Income from early settlement of lending contracts and other income is recognised once the contract is derecognised due to closure.

Dividend income from equity investments at FVTPL is recognised in the Statement of Profit or Loss on an accrual basis when the Company's right to receive the dividend is established.

Foreign exchange gain/loss includes gain and losses from foreign transactions and fair value changes in the derivative contracts and gains/losses of settlement and translation of monetary items.

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Dividend income from quoted equity investments	**31,548**	28,524
Other net income from trading portfolio (Refer Note 11.1)	**10,195**	(60,351)
Profit on sale of fixed assets	**41,342**	4,005
Other income	**539,897**	1,267,034
Income from credit cards	**29,252**	23,407
Income from early settlement of lending facilities	**1,029,036**	674,777
Foreign exchange loss (Refer Note 11.2)	**(341,955)**	(711,240)
Total other operating income	**1,339,315**	1,226,156

11.1 Other net income from trading portfolio

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Trading income – Treasury Bonds	**8,318**	4,361
Realised gain from trading securities	**–**	6,687
Mark to market adjustment		
Treasury Bonds (Refer Note 21.1)	**1,877**	2,810
Equity securities	**–**	(74,209)
Total net income from trading portfolio	**10,195**	(60,351)

11.2 Foreign exchange gain/(loss)

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Foreign exchange gain/(loss) on transactions*	**(6,259)**	48,547
Derivative financial instruments		
Exchange gain/loss on foreign borrowings	**(308,681)**	(812,500)
Fair value changes in derivative contracts	**(27,015)**	52,713
Total foreign exchange gain/(loss)	**(341,955)**	(711,240)

** Foreign exchange gain/loss on transaction represent exchange differences arising from settlement of monetary items and retranslation of foreign currency denominated monetary items.*

12. Impairment charges and other credit losses on financial assets

ACCOUNTING POLICY

The Company recognises loss allowances for ECL on loans and receivables, other financial assets measured at amortised cost and debt investments at FVOCI.

Accordingly this note covers expected loss allowances for

- Loans and receivables to customers
- Other financial assets measured at amortised cost

No impairment loss is recognised on investments in equity instruments classified under FVTPL.

Loans and receivables to customers

The Company measures loss allowances using both lifetime ECL and 12 months ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company 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 Company's historical experience and informed credit assessment and including forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

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

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 150 days past due.

12 months 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 ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

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 Company expects to receive).

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

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost 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 150 days past due;
- the restructuring of a loan or advance by the Group on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties

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:

ACCOUNTING POLICY

- 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.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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 Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Other financial assets measured at amortised cost and debt investments at FVOCI

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

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

The Company considers a debt 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 loans and receivables to banks, deposits with licensed commercial banks and other investment securities measured at amortised cost as well.

Assessment of Expected credit losses considering the impact of COVID-19

In order to factor the COVID-19 implications and possible increases in ECL, the Company evaluated scenarios by evaluating the sensitivities through worst case situations and adjusted provisions to reflect possible adverse implications.

Expected Credit Losses (ECL) as per SLFRS 9 – "Financial instruments"

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Expected credit losses (ECL) loans and receivables to customers		
Finance leases receivables	**835,536**	568,563
Hiring contracts	**(4,818)**	(29,080)
Loans and advances	**243,238**	(67,549)
	1,073,956	471,934
Other financial assets measured at amortised cost	**47,124**	–
Net deficit from disposal of leased assets	**300,420**	1,080,797
Total impairment charges on financial assets	**1,421,500**	1,552,731

Refer Note 24.2 for more details on allowance for impairment and other credit losses.

Refer Note 51.A.I for more details on inputs, assumptions and techniques used for estimating ECL.

13. Operating expenses

ACCOUNTING POLICY

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 in arriving at the profit for the year.

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Personnel expenses (Refer Note 13.1)	**1,402,328**	1,651,422
Premises, equipment and establishment expenses (Refer Note 13.2)	**1,896,625**	1,876,438
Other expenses (Refer Note 13.3)	**530,885**	553,031
Total operating expense	**3,829,838**	4,080,891

13.1 Personnel expenses

ACCOUNTING POLICY

Personnel expenses includes salaries and bonus, terminal benefit expenses 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.

Short term employee benefits

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

Defined benefit plans – Retiring gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit obligation is calculated annually using the Projected Unit Credit method as specified by the Sri Lanka Accounting Standard LKAS 19 – "Employee Benefits" and valuation of the defined benefit obligation is carried out by a qualified actuary. The key assumptions used in determining the defined benefit obligations are given in Note 39. Actuarial gains or losses are recognised in the Other Comprehensive Income in the period in which they arise. The defined benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost. When the benefits of a plan are changed, the portion of the changed benefit relating to past service by employees is recognised in the Statement of Profit or Loss on a straight-line basis over the average period until the benefits become vested.

To the extent that the benefits vest immediately, the expense is recognised immediately in Statement of Profit or Loss.

Gratuity payments are being made by the Company according to the Payment of Gratuity Act No. 12 of 1983. As per the present policy of the Company the employees are entitled to payment of gratuity as follows:

5-10 years Service	– ½ month basic salary for each year of service
10-15 years Service	– 1 month basic salary for each year of service
15-20 years Service	– 1 ½ months basic salary for each year of service
Over 20 years Service	– 2 months basic salary for each year of service

Defined contribution plan

Employees' Provident Fund:

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the approved Employees' Provident Fund.

Employees' Trust Fund:

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

Share based payment plans

The Company does not have any share based payment transactions in force as at 31 March 2021.

Personnel expenses includes the following significant items:

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Salary and bonus	**995,920**	1,106,888
Employees' defined benefit plan service expenses (Refer Note 38)	**73,361**	168,623
Contribution to employees' provident fund and trust fund	**121,421**	120,613
Directors' emoluments	**209,045**	207,561

13.2 Premises, equipment and establishment expenses

ACCOUNTING POLICY

Depreciation of property, plant and equipment

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation is determined separately for each significant component of an item of Property, Plant and Equipment. Management reviews the assets residual value, useful life and depreciation method at each reporting date. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Freehold buildings	–	2.5%
Motor vehicles	–	20%
Computer equipment	–	20%
Office equipment	–	20%
Furniture and fittings	–	20%

Depreciation is not provided for freehold lands.

Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. The estimated useful life of software is eight years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Changes in estimates

Useful lives and residual values of the assets are reassessed at each reporting date and adjust if appropriate. During the year Company conducted an operational review and no estimates were revised.

Premises, equipment and establishment expenses includes the following significant items:

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Depreciation and amortisation	**421,062**	429,458
Contribution to deposit insurance scheme of CBSL	**66,252**	64,796
Legal expense and professional charges	**74,181**	78,829
Auditor's remuneration		
Audit fees and expenses	**7,661**	7,358
Audit-related fees and expenses	**1,576**	2,796
Non-audit services	**1,663**	1,088

13.3 Other expenses

Other expenses includes the following significant items:

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Advertising and communication	**316,596**	337,721
Activities on corporate social responsibility	**22,613**	29,587
Interest cost for lease liabilities	**107,432**	108,089

14. Taxes on financial services

ACCOUNTING POLICY

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 of VAT on financial services is the accounting profit before VAT, NBT on financial services, and income tax adjusted for economic depreciation and emoluments 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 31 March 2021 was 15%.

Nation Building Tax (NBT) on financial services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No. 09 of 2009 and subsequent amendments thereto. NBT on financial services is calculated based on the value addition calculated for the purpose of VAT on financial services.

NBT on financial services rate applicable up to 1 December 2019 was 2%. The NBT on Financial Services was abolished with effect from 1 December 2019 as per the Nation Building Tax (Amendment) Act No. 3 of 2020.

Crop Insurance Levy (CIL)

Section 14 of the Finance Act No. 12 of 2013 impose a Crop Insurance Levy on finance companies and accordingly the Company is required to pay 1% of the profit after tax for a year of assessment to the National Insurance Trust Fund with effect from 1 April 2013.

Debt Repayment Levy (DRL)

Debt Repayment Levy (DRL) has been imposed by the Finance Act No. 35 of 2018, commencing from 01 October 2018. DRL was charged at the rate of 7% on the value addition calculated for the purposes of VAT on Financial services and paid on monthly basis. The DRL was abolished with effect from 01 January 2020 as per the Finance (Amendment) Act No. 2 of 2020.

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Value added tax on financial services (VAT)	**600,401**	306,967
Nation building tax on financial services (NBT)	**–**	29,307
Crop insurance levy (CIL)	**21,600**	21,000
Debt repayment levy (DRL)	**–**	101,835
Total taxes on financial services	**622,001**	459,109

15. Income tax expense

ACCOUNTING POLICY

Income tax expense comprises current and deferred taxes. 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 tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of previous years.

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. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted as at the reporting date. Deferred tax liabilities are not recognised for the following temporary differences:

ACCOUNTING POLICY

The initial recognition of assets and liabilities in a transaction that is not business combination and that affects neither accounting nor taxable profit nor differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. 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.

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Current income tax expense (Refer Note 15.2)	**1,169,987**	1,237,496
Changes in provision estimates of prior periods	**(18,134)**	(75,834)
Deferred tax expense (Refer Note 37.2)	**(241,854)**	(726,789)
Income tax charge for the year	**909,999**	434,873

15.1 Tax provisions based on Inland Revenue Act No. 24 of 2017 and amendment thereto

According to the Inland Revenue (Amendment) Act No. 10 of 2021 income tax rate has been reduced from 28% to 24% with effect from 1 January 2020.

15.2 Reconciliation between income tax expenses and the accounting profit

A reconciliation between taxable income and the accounting profit multiplied by the statutory tax rate is given below:

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Accounting profit before tax	**3,466,953**	2,271,921
Tax expenses as per accounting profit	**832,069**	634,106
Tax expenses for the year (dividend at applicable tax rate)	**4,417**	–
Adjustments		
Tax effect of capital portion of lease rentals	**655,529**	1,504,799
Income from non-taxable sources	**(45,689)**	(377,374)
Tax effect of disallowed expenses	**611,576**	841,234
Tax effect of deductible expenses and tax losses	**(887,915)**	(1,365,269)
Tax on business profit (Based on taxable profit)	**1,169,987**	1,237,496
Prior period under/(over) provision (Refer Note 36.1)	**(18,134)**	(75,834)
Deferred tax expenses (Refer Note 37.2)	**(241,854)**	(726,789)
Income tax expense	**909,999**	434,873

15.3 Summary of the taxes paid during the year

We have paid following direct and indirect taxes to the Government of Sri Lanka during the financial year:

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Direct taxes		
Value added tax on financial services	**586,629**	254,083
Nation building tax on financial services	**–**	19,043
Crop insurance levy	**17,136**	17,121
Economic service charge	**–**	62,623
Income tax	**1,105,094**	15,968
Debt repayment levy	**–**	96,426
Indirect taxes (Collected and paid)		
Value added tax	**30,383**	59,923
Nation building tax	**–**	6,199
Stamp duty	**161,210**	159,002
Withholding tax on dividend and interest	**–**	229,573
PAYE tax	**21,542**	46,901
Total taxes paid during the financial year	**1,921,994**	966,862

16. Earnings Per Share (EPS)

ACCOUNTING POLICY

The Company computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding.

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

Basic earnings per share

For the year ended 31 March	2021	2020
Amount used as numerator:		
Net profit attributable to equity holders of parent (Rs.)	**2,556,953,517**	1,837,049,934
Amount used as denominator:		
Weighted average number of ordinary shares	**69,792,748**	69,792,748
Basic earnings per ordinary share (Rs.)	**36.64**	26.32

Diluted earnings per share

There were no potentially dilutive ordinary shares as at 31 March 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.

17. Dividend Per Share (DPS)

ACCOUNTING POLICY

Provision for 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.

	COMPANY	
For the year ended 31 March	2021 (Proposed)	2020
Gross dividend per share (Rs.)	7.50	–
Dividend payout ratio (%)	20.47	–

The Board has proposed a first and final cash dividend of Rs. 7.50 per share for its voting and non-voting shares for the year ended 31 March 2021.

In accordance with the provisions of LKAS 10 – "Events after the reporting period" this proposed dividend has not been recognised as a liability in the Financial Statements for the year ended 31 March 2021.

Withholding tax on dividend distributed by the Company

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

18. Classification of financial assets and financial liabilities

ACCOUNTING POLICY

i. Recognition and initial measurement

The Company 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 Company 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.

Subsequent measurement of financial assets depends on their classification.

ii. Classification

Financial assets

SLFRS 9 – "Financial Instruments" contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under SLFRS 9 – "Financial Instruments" is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Under SLFRS 9 – "Financial Instruments", derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level a 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 Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated –
- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are 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 (SPPI Test)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

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

ACCOUNTING POLICY

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as 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.

Debt instruments measured at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as 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.

Equity instruments

Investments in equity instruments are always measured at fair value. Equity instruments are those that meet the definition of "equity" from the perspective of the issuer as defined in LKAS 32 – "Financial instrument: Presentation". For all other equity instruments, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in OCI rather than profit or loss. If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in OCI. There is no recycling of amounts from OCI to profit and loss (for example, on sale of an equity investment), nor are there any impairment requirements. However, the entity might transfer the cumulative gain or loss within equity.

– All the equity instrument for which the irrecoverable option is not made should be measured at fair value through profit or loss.

Other

All other financial assets are classified as financial assets measured at FVTPL.

Financial liabilities

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

iii. Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. An entity shall not reclassify any financial liability.

iv. Derecognition

Financial assets

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

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

From 1 April 2017 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 Company is recognised as a separate asset or liability.

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

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

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

In certain transactions, the Company 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.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

ACCOUNTING POLICY

v. Modifications of financial assets and financial liabilities

Financial assets

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

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

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

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

Financial liabilities

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

vi. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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 IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

Classification of financial assets and liabilities

		Classification of financial assets			Classification of financial liabilities		
As at 31 March 2021	Note	Fair value through profit or loss Rs. '000	Fair value through OCI Rs. '000	Amortised cost Rs. '000	Fair value through profit or loss Rs. '000	Amortised cost Rs. '000	Total Rs. '000
Cash and cash equivalents	20			2,090,509			2,090,509
Financial assets measured at FVTPL	21	160,639					160,639
Derivative financial assets	32	198,046					198,046
Loans and receivables to banks	22			2,966,711			2,966,711
Deposits with financial institutions	23			3,003,275			3,003,275
Loans and receivables to customers	24			75,058,331			75,058,331
Other investment securities	25		1,630,090	1,039,869			2,669,959
Total financial assets		358,685	1,630,090	84,158,695			86,147,470
Other non-financial assets							8,183,499
Total assets							94,330,969
Derivative financial liabilities	32				13,142		13,142
Deposits from customers	33					48,999,341	48,999,341
Debt securities issued	34					5,089,839	5,089,839
Other interest-bearing borrowings	35					21,719,986	21,719,986
Lease liabilities	30					810,682	810,682
Total financial liabilities					13,142	76,619,848	76,632,990
Other non-financial liabilities							3,645,759
Total liabilities							80,278,749

As at 31 March 2020	Note	Classification of financial assets – Fair value through profit or loss Rs. '000	Classification of financial assets – Fair value through OCI Rs. '000	Classification of financial assets – Amortised cost Rs. '000	Classification of financial liabilities – Fair value through profit or loss Rs. '000	Classification of financial liabilities – Amortised cost Rs. '000	Total Rs. '000
Cash and cash equivalents	20			1,391,919			1,391,919
Financial assets measured at FVTPL	21	56,442					56,442
Loans and receivables to banks	22			3,691,374			3,691,374
Deposits with financial institutions	23			4,387,464			4,387,464
Loans and receivables to customers	24			72,422,827			72,422,827
Other investment securities	25		1,429,627	932,567			2,362,194
Total financial assets		56,442	1,429,627	82,826,151			84,312,220
Other non-financial assets							8,882,929
Total assets							93,195,149
Derivative financial liabilities	32				60,440		60,440
Deposits from customers	33					43,305,775	43,305,775
Debt securities issued	34					5,092,096	5,092,096
Other interest-bearing borrowings	35					27,505,136	27,505,136
Lease liabilities	30					804,390	804,390
Total financial liabilities					60,440	76,707,397	76,767,837
Other non-financial liabilities							4,870,952
Total liabilities							81,638,789

19. Fair value measurement of financial instruments

ACCOUNTING POLICY

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

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

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

The best evidence of the fair value of financial instrument at initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Company determines that the fair value 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 date from observable markets, then the financial instrument is initially measured at a fair value, adjusted to defer the deference 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.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company 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. These 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 Company recognises transfer between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Accounting estimates

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

ACCOUNTING POLICY

19.a Valuation models

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The Company 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.

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 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 Company 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.

ACCOUNTING POLICY

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.

19.b Valuation control framework

The Company has established a control framework with respect to the measurement of fair value which is independent from the Treasury Division and followings are the some specific controls exists:

- verification of observable pricing;
- re performance of model valuations;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value of measurement of Level 3 instruments compared with the previous month.

When third party information, such as broker quotes or pricing services, is used to measure fair value and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS. This includes:

- verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price is an active market for an identical instrument;
- when prices of similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

Any significant valuation issues are reported to the Board Audit Committee.

19.c Valuation summary

As at 31 March	2021 Rs. '000	2020 Rs. '000
Assets disclosed at fair value – Fair value hierarchy (Refer Note 19.d)	3,888,950	3,354,936
Assets not disclosed at fair value – Fair value hierarchy (Refer Note 19.f)	90,442,019	89,840,213
Total assets	94,330,969	93,195,149
Liabilities disclosed at fair value – Fair value hierarchy (Refer Note 19.d)	13,142	60,440
Liabilities not disclosed at fair value – Fair value hierarchy (Refer Note 19.f)	80,265,607	81,578,349
Total liabilities	80,278,749	81,638,789

19.d Financial instruments disclosed at fair value – Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position. The fair values include any differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

As at 31 March 2021	Note	2021 Level 1 Rs. '000	2021 Level 2 Rs. '000	2021 Level 3 Rs. '000	2021 Total Rs. '000	2020 Level 1 Rs. '000	2020 Level 2 Rs. '000	2020 Level 3 Rs. '000	2020 Total Rs. '000
Financial assets									
Financial assets measured at FVTPL	21								
– Government securities – Treasury Bonds		160,639			160,639	56,442			56,442
– Equity instruments – Unquoted shares									
Derivative financial assets	32		198,046		198,046				
Other investment securities measured at FVOCI	25								
– Equity instruments – Quoted shares		1,629,966			1,629,966		1,429,503		1,429,503
– Equity Instruments – Unquoted Shares **				124	124			124	124
Total financial assets disclosed at fair value		1,790,605	198,046	124	1,988,775	56,442	1,429,503	124	1,486,069
Other non-financial assets									
Property, plant and equipment – Freehold land	27			1,900,175	1,900,175			1,868,867	1,868,867
Total non-financial assets at fair value		–	–	1,900,175	1,900,175	–	–	1,868,867	1,868,867
Total assets at fair value		1,790,605	198,046	1,900,299	3,888,950	56,442	1,429,503	1,868,991	3,354,936
Financial liabilities									
Derivative financial liabilities	32		13,142		13,142		60,440		60,440
Total financial liabilities disclosed at fair value		–	13,142	–	13,142	–	60,440	–	60,440

Fair value measurement of quoted equity instruments due to COVID-19

As per the guidelines issued by CA Sri Lanka and the provisions of SLFRS 13 – Fair value measurement, there was an impossibility to derive the fair value of quoted equity instruments as at 31 March 2020 due to unavailability of reliable information and distress market conditions. Accordingly alternative valuation technique was used in determining the market prices of equity investments as at 31 March 2020. These equity investments are classified under Level 2.

Company holds unquoted shares of Rs. 24 Mn of Middleway Limited. as at the reporting date 31 March 2021 categorised under financial assets measured at FVOCI whose fair value cannot be measured reliably and fully impaired.

Note 27.1 provides information on significant unobservable inputs used as at 31 March 2021 in measuring fair value of freehold land categorised under Level 3 and fair value reconciliation can be found in Statement of Changes in Equity.

19.e Level 3 fair value measurements

19.e.i Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Property, plant and equipment – freehold land Rs. '000
Balance as at 1 April 2019	1,234,400
Purchases/Additions	634,467
Disposals during the year	–
Revaluation surplus	–
Balance as at 31 March 2020	1,868,867

	Property, plant and equipment – freehold land Rs. '000
Balance as at 1 April 2020	1,868,867
Purchases/Additions	31,308
Disposals during the year	–
Revaluation surplus	–
Balance as at 31 March 2021	1,900,175

19.e.ii Unobservable inputs used in measuring fair value

Refer Note 27.1 for information about significant unobservable inputs used in 31 March 2021 to measure the fair value of freehold lands categorised under Level 3 in the fair value hierarchy.

19.e.iii The effect of unobservable inputs on fair value measurement

Table below shows the effect of changes in assumptions used above for fair value determination:

	Effect on total comprehensive income	
	Favourable 1% Increase in fair value Rs. '000	Unfavourable 1% Decrease in fair value Rs. '000
2021	**19,002**	**(19,002)**
2020	18,689	(18,689)

19.e.iv Recurring and non-recurring basis valuation

The Company is using recurring basis valuation for assets categorised under Level 3 and details relating to fair valuation is given in Note 27.1.

19.f Assets and liabilities not disclosed at fair value – Fair value hierarchy

The following table sets out the fair values of financial instruments not measured at fair value and analysed them by the level in the fair value hierarchy into which each fair value measurement is categorised. The fair values in the table below are stated as at 31 March and may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument:

As at 31 March 2021	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Assets						
Cash and cash equivalents	20	2,090,509			2,090,509	2,090,509
Loans and receivables to banks	22			2,966,711	2,966,711	2,948,577
Deposits with financial institutions	23			3,003,275	3,003,275	3,041,468
Loans and receivables to customers	24			75,058,331	75,058,331	76,017,155
Other investment securities	25					
– Treasury Bonds		113,660			113,660	111,615
– Unit trusts				926,209	926,209	926,209
Investment property	27			20,198	20,198	54,000
Other assets					6,263,126	6,263,126
Total assets not disclosed at fair value		2,204,169	–	81,974,724	90,442,019	91,452,659

As at 31 March 2021	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Liabilities						
Deposits from customers	33			**48,999,341**	**48,999,341**	**48,977,738**
Debt securities issued	34			**5,089,839**	**5,089,839**	**5,089,839**
Other interest-bearing borrowings	35			**21,719,986**	**21,719,986**	**21,719,986**
Lease liabilities				**810,682**	**810,682**	**810,682**
Other liabilities					**3,645,759**	**3,645,759**
Total liabilities not disclosed at fair value		**–**	**–**	**76,619,848**	**80,265,607**	**80,244,004**

As at 31 March 2020	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Assets						
Cash and cash equivalents	20	1,391,919			1,391,919	1,391,919
Loans and receivables to banks	22			3,691,374	3,691,374	3,691,449
Deposits with financial institutions	23			4,387,464	4,387,464	4,389,302
Loans and receivables to customers	24			72,422,827	72,422,827	73,866,912
Other investment securities	25					
– Treasury Bills		469,607			469,607	467,201
– Treasury Bonds		113,593			113,593	112,696
– Promissory notes and unit trusts				349,367	349,367	349,367
Investment property	26			20,198	20,198	54,000
Other assets					6,993,864	6,993,864
Total assets not disclosed at fair value		1,975,119	–	80,871,230	89,840,213	91,316,710
Liabilities						
Deposits from customers	33			43,305,775	43,305,775	47,292,888
Debt securities issued	34			5,092,096	5,092,096	5,092,096
Other interest-bearing borrowings	35			27,505,136	27,505,136	27,505,136
Lease liabilities				804,390	804,390	804,390
Other liabilities					4,870,952	4,870,952
Total liabilities not disclosed at fair value		–	–	76,707,397	81,578,349	85,565,462

19.f.i Methodology

The fair value calculated in this section are only for disclosure purposes and do not have any impact on the Company's reported financial position and performance. The following section consist with the methodologies and assumptions used in determining fair value for financial instruments not disclosed at fair value in the face of Financial Statements:

Asset/Liability	Methodology and assumptions
Cash and cash equivalents	Carrying value of the financial instruments which are typically short-term in nature and which are repriced to current market rates frequently are considered reasonable approximation to fair value.
Loans and receivables to banks	Carrying value of the financial instruments which are typically short-term in nature and which are repriced to current market rates frequently are considered reasonable approximation to fair value.
Deposits with financial institutions	The fair value of deposits with banks is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms.
Loans and receivables to customers	Where available, fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes incurred credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral dependent impaired loans, the fair value is measured based on the value of the underlying collateral. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates and default probability.
Investment securities at amortised cost	The fair value of investment securities at amortised cost is estimated by applying the active market prices for similar or identical instruments. Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.
Investment property	Fair value has been determined by using market comparable method which considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location condition of specific property.
Deposits from customers	The fair value of deposits from customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms.
Debt securities issued	Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.
Other interest-bearing borrowings	Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.

Reclassification of financial assets and liabilities

As per the guidelines issued by CA Sri Lanka a one off option is provided to reclassify equity portfolio from fair value through profit or loss (FVTPL) to fair value through other comprehensive income (FVOCI). Accordingly as at 1 January 2020 the Company has reclassified equity portfolio held under FVTPL to FVOCI.

Other than mentioned above there were no any other significant reclassifications for the reporting periods of 2019/20 and 2020/21.

20. Cash and cash equivalents

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand and balance with banks. They are brought to account at the face value or the gross value where appropriate.

Bank overdraft that is repayable on demand and forms 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.

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

As at 31 March	2021 Rs. '000	2020 Rs. '000
Local currency in hand	827,722	744,844
Foreign currency in hand	62,499	85,826
Demand/savings deposit balances with Banks	1,200,288	561,249
Total cash and cash equivalents	2,090,509	1,391,919

Maturity analysis of cash and cash equivalents is given in Note 49.

21. Financial assets measured at Fair Value through Profit or Loss (FVTPL)

ACCOUNTING POLICY

Financial assets measured at FVTPL are those assets that the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets are those assets that the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Recognition

Financial assets measured at FVTPL are measured initially at fair value and transaction costs that are directly attributable to its acquisition or issue is charge to profit or loss.

Measurement

Financial assets measured at FVTPL are subsequently recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in profit or loss.

Interest income are recorded in "Interest income" net gains/(losses) from trading recorded in the income statement.

Classification of financial asset are given in Note 18.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Government securities (Refer Note 21.1)	160,639	56,442
Total financial assets measured at FVTPL	160,639	56,442

Maturity analysis of financial assets measured at FVTPL is given in Note 49.

21.1 Government securities

As at 31 March	2021 Rs. '000	2020 Rs. '000
Amortised cost	158,762	53,632
Gain from mark to market valuation (Refer Note 11.1)	1,877	2,810
Fair value	160,639	56,442

** Government securities include treasury bonds.*

22. Loans and receivables to banks

ACCOUNTING POLICY

Company classifies non-derivative financial assets with fixed or determinable payments that are not quoted in an active market under loans and receivables to banks. Accordingly, Loans and receivables to banks comprise repurchase agreements with banks.

Recognition

Loans and receivables to banks are measured initially at fair value plus transaction costs.

Measurement

Loans and receivables to banks are 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.

Expected credit losses

The Company recognises loss allowances for ECL on assets subsequently measured at amortised cost. Company measures loss allowance at an amount equal to life time ECL, except financial investments that are determined to have low credit risk at the reporting date.

Classification of financial assets are given in Note 18.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Securities purchased under resale agreements – Treasury Bills	**2,966,711**	3,691,374
Less: Allowance for expected credit losses	**–**	–
Net loans and receivables to banks	**2,966,711**	3,691,374

No expected credit losses (ECL) were recognised for Government securities since those are rated as risk free investments.

Maturity analysis of loans and receivables to banks is given in Note 49.

23. Deposits with financial institutions

ACCOUNTING POLICY

Deposits with financial institutions comprises the fixed deposits with licensed commercial banks and other financial institutions.

Recognition

Deposits with financial institutions are measured initially at fair value plus transaction costs.

Measurement

Deposits with licensed financial institutions 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.

Expected credit losses

The Company recognises loss allowances for ECL on assets subsequently measured at amortised cost. Company measures loss allowance at an amount equal to life time ECL, except financial investments that are determined to have low credit risk at the reporting date.

Classification of financial assets are given in Note 18.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Term deposits with financial institutions	3,003,536	4,387,725
Less: Allowance for expected credit losses	(261)	(261)
Total deposits with financial institutions	3,003,275	4,387,464

Maturity analysis of deposits with financial institutions is given in Note 49.

24. Loans and receivables to customers

ACCOUNTING POLICY

Amount receivable under finance lease, hire purchase and loans net of prepaid rentals, unearned lease income and allowance for expected credit losses are presented in the loans and receivable to customers.

Recognition

Loans and receivables to customers are measured initially at fair value plus transaction costs.

Measurement

After initial recognition loans and receivables from customers are subsequently measured at amortised cost using the effective interest rate less loss allowance based on expected credit losses. Amortised cost is calculated by taking into account any fee and cost that are integral part of EIR. The amortisation is included in interest income in the Statement of Profit or Loss.

Expected credit losses

Refer Note 12 for impairment policy based on expected credit losses (ECL).

Classification of financial assets are given in Note 18.

Loans and receivables from customers are carried at amortised cost in the Statement of Financial Position.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Gross loans and receivables to customers	78,799,466	75,090,006
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	(3,741,135)	(2,667,179)
Net loans and receivables to customers (Refer Note 24.1)	75,058,331	72,422,827

Based on the guidelines given by Central Bank of Sri Lanka, the Company has offered moratorium facilities to customers to counteract the impact of COVID-19 on the ability of customers to meet their loan obligations since March 2020.

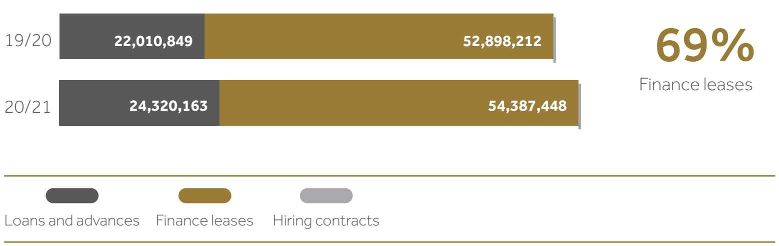
Maturity analysis of loans and receivables from customers is given in Note 49 and pre terminations may cause actual maturities differ from contractual maturities.

24.1 Analysis

Product-wise analysis

As at 31 March	2021 Rs. '000	2020 Rs. '000
Loans and advances to customers (Refer Note 24.1.1)	**24,320,163**	22,010,849
Finance lease receivables (Refer Note 24.1.2)	**54,387,448**	52,898,212
Hiring contracts (Refer Note 24.1.3)	**91,855**	180,945
Gross loans and receivables to customers	**78,799,466**	75,090,006
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	**(3,741,135)**	(2,667,179)
Net loans and advances to customers	**75,058,331**	72,422,827

PRODUCT-WISE ANALYSIS OF LOAN PORTFOLIO Rs.'000



Further analysis on loans and receivables to customers is given in Note 51 (Financial Risk Management).

24.1.1 Loans and advances to customers

As at 31 March	2021 Rs. '000	2020 Rs. '000
Short-term loans	**2,128,601**	1,705,220
Term and vehicle loans	**14,415,473**	14,854,005
Staff loans	**569,461**	567,573
Gold-related lending	**6,893,299**	4,687,708
Credit card	**313,329**	196,343
Gross loans and advances to customers	**24,320,163**	22,010,849
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	**(706,211)**	(462,973)
Net loans and advances to customers	**23,613,952**	21,547,876

24.1.2 Finance lease receivable

As at 31 March	2021 Rs. '000	2020 Rs. '000
Gross investment in finance leases		
Receivable within one year	**27,330,665**	24,827,300
Receivable after one year before five years	**39,563,971**	46,455,245
Receivable after five years	**5,398,654**	1,066,159
Total finance lease receivables	**72,293,290**	72,348,704
Unearned finance income	**(17,905,842)**	(19,450,492)
Gross finance lease receivables	**54,387,448**	52,898,212
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	**(3,014,104)**	(2,178,568)
Net finance lease receivables	**51,373,344**	50,719,644

24.1.3 Hiring contracts

As at 31 March	2021 Rs. '000	2020 Rs. '000
Gross investment in hiring contracts	91,855	180,945
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	(20,820)	(25,638)
Net investment in hiring contracts	71,035	155,307

24.2 Allowance for impairment and other credit losses

Provision for Expected Credit Losses (ECL) as per SLFRS 9 – "Financial instruments"

	2021			
As at 31 March	Loans and advances	Finance lease	Hiring contracts	Total
Balance as at the beginning of the year	462,973	2,178,568	25,638	2,667,179
Charge/(Reversal) for the year	243,238	835,536	(4,818)	1,073,956
Balance as at the end of the year	706,211	3,014,104	20,820	3,741,135

	2020			
As at 31 March	Loans and advances	Finance lease	Hiring contracts	Total
Balance as at the beginning of the year	530,522	1,610,005	54,718	2,195,245
Charge/(Reversal) for the year	(67,549)	568,563	(29,080)	471,934
Balance as at the end of the year	462,973	2,178,568	25,638	2,667,179

Refer Note 51.A.I for more details on inputs, assumptions and techniques used for estimating ECL.

Movements in allowance for expected credit losses (stage transition)

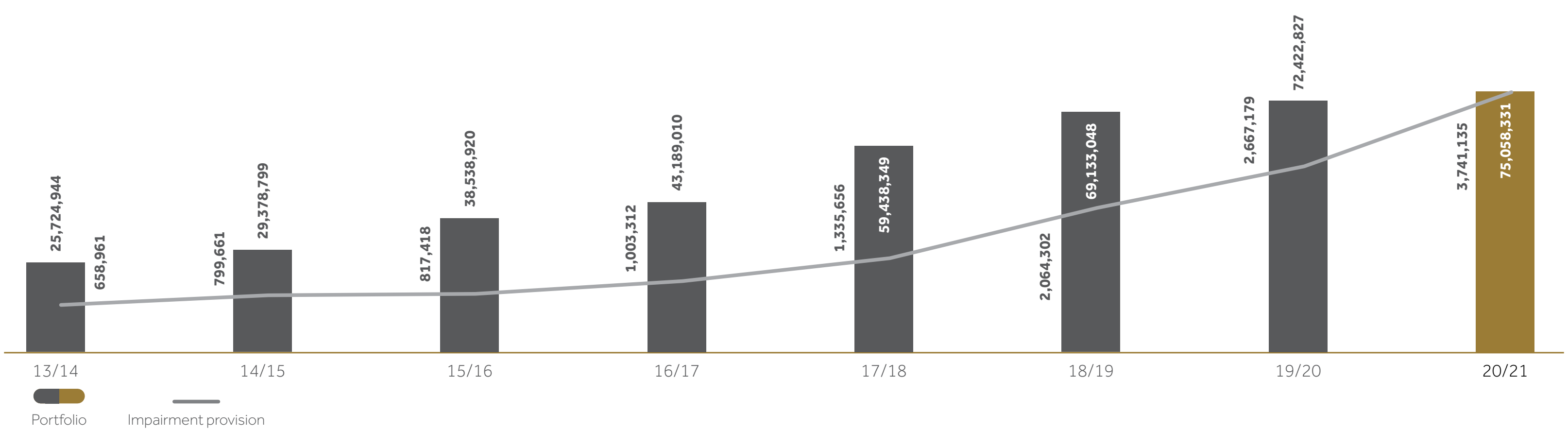
	2021			
As at 31 March	Stage 1: 12 months ECL Rs. '000	Stage 2: lifetime ECL not credit-impaired Rs. '000	Stage 3: lifetime ECL credit-impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	557,606	457,235	1,652,338	2,667,179
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(160,232)	87,116	18,893	–
Transferred from lifetime ECL not credit-impaired	102,833	(216,467)	21,868	–
Transferred from lifetime ECL credit-impaired	57,399	129,351	(40,761)	–
Net remeasurement of loss allowance	(163,422)	103,246	1,134,132	1,073,956
Balance as at the end of the year	394,184	560,481	2,786,470	3,741,135

As at 31 March	2020			
	Stage 1: 12 months ECL Rs. '000	Stage 2: lifetime ECL not credit-impaired Rs. '000	Stage 3: lifetime ECL credit-impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	593,675	444,670	1,156,900	2,195,245
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(83,417)	63,358	20,059	–
Transferred from lifetime ECL not credit-impaired	78,266	(155,910)	77,644	–
Transferred from lifetime ECL credit-impaired	18,618	9,888	(28,506)	–
Net remeasurement of loss allowance	(49,536)	95,229	426,241	471,934
Balance as at the end of the year	557,606	457,235	1,652,338	2,667,179

24.3 Allowance for impairment against the loan portfolio

ALLOWANCE FOR IMPAIRMENT AGAINST LOAN PORTFOLIO

Rs. Mn.



24.4 Analysis of loans and receivables to customers 2020/21

Leasing 69.02%	Vehicle and term loans 18.29%	Gold-related lending 8.75%
Loans against deposits 1.88%	Margin trading 0.77%	Staff loans 0.72%
Credit Cards 0.40%	Hire purchase 0.12%	Other 0.05%

Motor cars and other light vehicles 55.40%	Three wheelers 19.70%	Motor lorries and other heavy vehicles 2.60%
Gold articles 8.70%	Loans against deposits 1.90%	Motor Cycles 2.20%
Mini trucks 0.90%	Motor buses and motor coaches 0.70%	Machinery 0.40%
Other 7.50%		

Transport 29.70%	Service 19.40%	Commercial 20.60%
Housing and property development 6.00%	Financial services 2.50%	Agricultural 3.00%
Industrial 0.10%	Tourism 3.20%	Consumption and other 15.50%

25. Other investment securities

ACCOUNTING POLICY

Other Investment securities comprise with debt investments measured at amortised cost and equity investments measured at FVOCI.

Recognition

Debt investment securities measured at amortised cost

Debt investments measured at amortised cost are initially measured at fair value plus incremental direct transaction costs.

Debt investment securities measured at FVOCI

Debt investments measured at FVOCI are initially measured at fair value plus incremental direct transaction costs.

Measurement

Debt investments measured at amortised cost

Debt investments subsequently measured at their amortised cost using the effective interest method.

ACCOUNTING POLICY

The Company recognises loss allowances for ECLs on assets subsequently measured at amortised cost. Company measures loss allowance at an amount equal to life time ECL, except financial investments that are determined to have low credit risk at the reporting date. Refer Note 12 for further details on ECL policy.

Debt investments measured at FVOCI

For debt investments measured at FVOCI, gains and losses are recognised in OCI except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method
- ECL and reversals
- Foreign exchange gains and losses

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Equity investments at FVOCI

The Company elects to present in OCI changes in the fair value of certain investments in equity instruments that are not FVTPL. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Classification of financial assets is given in Note 18.

No impairment loss is recognised on equity investments classified quoted under FVOCI.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Debt investments measured at amortised cost (Refer Note 25.1)	1,039,869	932,567
Unquoted equity investments measured at FVOCI (Refer Note 25.2)	124	124
Quoted equity investments measured at FVOCI (Refer Note 25.3)	1,629,966	1,429,503
Total other investment securities	2,669,959	2,362,194

Maturity analysis of other investment securities is given in Note 49.

25.1 Debt investments measured at amortised cost

As at 31 March	2021 Rs. '000	2020 Rs. '000
Treasury Bills	–	469,607
Treasury Bonds	113,660	113,593
Unit trusts	926,209	222,763
Promissory notes	–	126,604
Debt investments measured at amortised cost	1,039,869	932,567

25.2 Unquoted equity investments measured as at fvocl

As at 31 March	2021 Number of shares	Cost at acquisition Rs. '000	Cost Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Unquoted shares					
Middleway Limited – Ordinary shares*	416,455	4,165	4,165	–	–
Middleway Limited – Preference shares*	2,050,000	20,500	20,500	–	–
Credit Information Bureau of Sri Lanka (CRIB)	100	124	124	124	124
Total unquoted equity investments			24,789	124	124

**These unquoted investments were fully impaired*

25.3 Quoted equity investments measured as at FVOCI

As at 31 March 2021	Sector as per CSE classification	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000	Mark to market gain/(loss) Rs. '000
Ceylinco Insurance PLC – Voting	Bank, Finance and Insurance	682,464	2,087	1,424,473	268,250	1,156,223
Pan Asia Banking Corporation PLC – Voting	Bank, Finance and Insurance	200,000	14	2,800	3,580	(780)
Sampath Bank PLC – Voting	Bank, Finance and Insurance	75,000	54	4,035	4,986	(951)
Vallibel One PLC– Voting	Bank, Finance and Insurance	347,999	47	16,391	22,387	(5,996)
John Keells Holdings PLC – Voting	Diversified Holdings	50,000	149	7,425	7,597	(172)
Aitken Spence PLC – Voting	Diversified Holdings	50,415	56	2,798	3,310	(512)
Expolanka Holdings PLC – Voting	Diversified Holdings	450,000	45	20,115	23,313	(3,198)
Teejay Lanka PLC – Voting	Manufacturing	62,862	40	2,514	2,507	7
Alumex PLC– Voting	Manufacturing	300,000	11	3,240	4,277	(1,037)
CIC Holdings PLC – Voting	Manufacturing	75,000	51	3,818	4,411	(594)
CIC Holdings PLC– Non Voting	Manufacturing	213,435	42	9,050	10,486	(1,436)
Ceylon Grain Elevators PLC – Voting	Manufacturing	54,555	118	6,437	6,915	(478)
Royal Ceramics Lanka PLC – Voting	Manufacturing	52,551	257	13,506	16,008	(2,502)
ACL Cables PLC – Voting	Manufacturing	50,000	36	1,795	2,275	(480)
Dipped Products PLC – Voting	Manufacturing	712,523	46	33,061	44,247	(11,186)
Tokyo cement company (lanka) PLC – Non Voting	Manufacturing	50,405	61	3,055	2,959	96
Tokyo cement company (lanka) PLC – Voting	Manufacturing	286,450	67	19,106	22,467	(3,361)
Haycarb PLC – Voting	Manufacturing	160,000	93	14,880	21,463	(6,583)
Hayleys PLC – Voting	Manufacturing	309,390	61	18,811	19,402	(591)
Kalani Cables PLC – Voting	Manufacturing	92,809	112	10,371	15,736	(5,365)

As at 31 March 2021	Sector as per CSE classification	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000	Mark to market gain/(loss) Rs. '000
Overseas Realty (Ceylon) PLC – Voting	Land and property	27,007	16	419	586	(167)
Lion Brewery PLC – Voting	Beverage, food and tobacco	12,064	569	6,864	6,513	351
Lanka Milk Foods (CWE) PLC – Voting	Beverage, food and tobacco	15,000	150	2,254	2,295	(41)
Lanka Walltiles PLC – Voting	Capital Goods	72,920	38	2,749	2,661	88
Total equity investments				1,629,966	518,631	1,111,335

As at 31 March 2020	Sector as per CSE classification	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000	Mark to market gain/(loss) Rs. '000
Ceylinco Insurance PLC – Voting	Bank, Finance and Insurance	682,464	1,977	1,349,138	266,806	1,082,332
Commercial Bank of Ceylon PLC – Voting	Bank, Finance and Insurance	112,300	94	10,607	13,748	(3,141)
Sampath Bank PLC – Voting	Bank, Finance and Insurance	218	150	33	13,748	(13,715)
National Development Bank PLC – Voting	Bank, Finance and Insurance	1,105	94	104	124	(20)
John Keells Holdings PLC – Voting	Diversified Holdings	6,013	136	816	930	(114)
Aitken Spence PLC – Voting	Diversified Holdings	41,468	46	1,926	1,848	78
Melstacorp PLC – Voting	Diversified Holdings	207,584	38	7,892	8,800	(908)
Asian Hotels & Properties PLC – Voting	Hotels	560,434	40	22,196	22,941	(745)
The Kingsbury PLC – Voting	Hotels	471,706	12	5,852	6,268	(416)
Teejay Lanka PLC – Voting	Manufacturing	486,818	36	17,390	20,023	(2,633)
Regnis Lanka PLC – Voting	Manufacturing	6,824	84	572	889	(317)
Bairaha Farms PLC – Voting	Manufacturing	1,516	93	141	227	(86)
Ceylon Grain Elevators PLC – Voting	Manufacturing	58,027	68	3,928	4,060	(132)
Three Arces Farms PLC – Voting	Manufacturing	44,440	114	5,049	4,920	129
Swisstek (Ceylon) PLC – Voting	Manufacturing	10,862	42	456	609	(153)
ACL Cables PLC – Voting	Manufacturing	355	39	14	18	(4)
Distilleries Company of Sri Lanka PLC – Voting	Beverage, Food and Tobacco	118	16	2	1	1
Lion Brewery PLC – Voting	Beverage, Food and Tobacco	5,140	577	2,965	2,837	128
Overseas Realty (Ceylon) PLC – Voting	Land and Property	27,007	14	391	586	(195)
Dialog Axiata PLC – Voting	Communication	3,000	10	31	26	5
Total equity investments				1,429,503	369,409	1,060,094

26. Investment property

ACCOUNTING POLICY

Recognition

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment properties are recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured.

Measurement

Investment properties are initially measured at its cost and transaction costs shall be included in the initial measurement. Subsequent to the initial recognition the investment properties are stated at cost model which is in accordance with LKAS 16 – "Property, Plant and Equipment".

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal. The land is non-depreciated. Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses.

However entity measure the fair value of investment property for the purpose of disclosure and the Company obtain a valuation by an independent valuer who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Transfers to/from investment property

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by commencement of owner occupation, for a transfer from investment property to owner occupied property, commencement of development with a view to sale, for a transfer from investment property to inventories, end of owner occupation, for a transfer from owner-occupied property to investment property; or commencement of an operating lease to another party, for a transfer from inventories to investment property.

When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property.

Any gain arising on remeasurement is recognised in Statement of Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in Other Comprehensive Income and presented in revaluation reserve in equity. Any loss is recognised immediately in the Statement of Profit or Loss.

Derecognition

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Balance as at the beginning of the year	20,198	20,198
Acquisitions during the year	–	–
Disposals during the year	–	–
	20,198	20,198
Less: Provision for impairment	–	–
Balance as at the end of the year	20,198	20,198

Investment property comprises land acquired by the Company and held for capital appreciation purpose.

No depreciation is recognised since the land has an infinite useful life.

No provision for impairment was recognised for the year ended 31 March 2021 since fair value is higher than the carrying amount of the property. (Refer Note 26.1)

26.1 Fair valuation of investment property

The fair values of investment property were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair values of the Company's investment property at the reporting period end is as follows.

Property	Extent (perches)	Date of valuation	Cost Rs. '000	Fair value 2021 Rs. '000	Fair value 2020 Rs. '000
Land – Biyagama	120	10 April 2019	20,198	**54,000**	54,000

Valuer	Valuation technique	Significant unobservable inputs	Sensitivity
A R Ajith Fernando (FRICS). Chartered Valuation Surveyor, B.Sc Estate Management (London), Diploma in Valuation (SL).	Market Comparable Method – Valuation of the property have been arrived at with reference prevailing land sales and in the area adjusted for the specific conditions of the above property.	The reference rage of value for the properties in the area range from Rs. 400,000/- to Rs. 500,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.

27. Property, plant and equipment

ACCOUNTING POLICY

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

Cost model

The Company applies cost model to property, plant and equipment except for freehold land and records at cost of purchase or construction together with any directly attributable expenses thereon less accumulated depreciation and any accumulated impairment losses.

Revaluation model

The Company applies the revaluation model to the freehold land. Revaluation is performed frequently and if material value difference is observed such difference is taken to revaluation reserve. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land of the Company is revalued to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Profit or Loss or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves.

ACCOUNTING POLICY

Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Company revalued all of its free hold land as at 31 March 2019. Method and significant assumptions including unobservable market inputs employed in estimating fair value is given in Note 27.1.

Based on the management assessment there were no indications to identify significant fair value changes as at 31 March 2021 hence the Company has not performed an external independent valuation to determine the fair value of the free hold land as at 31 March 2021.

Subsequent cost

The subsequent cost of replacing a component 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 that part will flow to the Company and its cost can be reliably measured. The carrying amount of those parts that are replaced is derecognised. The costs of day-to-day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred. Costs incurred in using or redeploying an item are not included under carrying amount of an item.

Derecognition

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

Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation is determined separately for each significant component of an item of property, plant and equipment. Management reviews the assets residual value, useful life and depreciation method at each reporting date. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Freehold buildings	2.5%
Motor vehicles	20%
Computer equipment	20%
Office equipment	20%
Furniture and fittings	20%

Depreciation is not provided for freehold land.

Useful life time of property, plant and equipment

The Company reviews the residual values, useful lives and method of depreciation of property, plant & equipment at reach reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Capital work-in-progress

Capital work-in-progress is stated at cost less any accumulated impairment losses. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset 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 Management.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with Sri Lanka Accounting Standard 23.

(LKAS 23) – "Borrowing Costs". A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

Impairment of individual assets

The carrying amounts of the Company's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset or CGU.

ACCOUNTING POLICY

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU subject to an operating segment ceiling test. The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate asset is allocated. Impairment losses are recognised in Statement of Profit or Loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Assets impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairent loss had been recognised.

	Land Rs. '000	Buildings Rs. '000	Furniture and fittings Rs. '000	Computer equipment Rs. '000	Office equipment Rs. '000	Motor vehicles Rs. '000	Capital Work in Progress Rs. '000	Total Rs. '000
Cost/Valuation								
Balance as at 1 April 2020	1,868,867	655,133	859,630	517,888	250,683	253,066	14,737	4,420,004
Additions during the year	31,308		70,093	123,874	9,721	77,921	53,739	366,656
Disposal during the year						(55,569)		(55,569)
Balance as at 31 March 2021	1,900,175	655,133	929,723	641,762	260,404	275,418	68,476	4,731,091
Accumulated depreciation								
Balance as at 1 April 2020	–	86,706	618,289	387,167	212,116	165,172	–	1,469,450
Charged during the year		16,378	94,005	64,942	10,349	41,198		226,872
Disposal during the year						(55,569)		(55,569)
Balance as at 31 March 2021	–	103,084	712,294	452,109	222,465	150,801	–	1,640,753
Carrying value								
Balance as at 31 March 2021	1,900,175	552,049	217,429	189,653	37,939	124,617	68,476	3,090,338

	Land Rs. '000	Buildings Rs. '000	Furniture and fittings Rs. '000	Computer equipment Rs. '000	Office equipment Rs. '000	Motor vehicles Rs. '000	Capital Work in Progress Rs. '000	Total Rs. '000
Cost/Valuation								
Balance as at 1 April 2019	1,234,400	655,133	777,581	496,666	239,648	218,841	–	3,622,269
Additions during the year	634,467		82,397	21,392	10,865	40,625	14,737	804,483
Disposal during the year			(348)			(6,400)		(6,748)
Balance as at 31 March 2020	1,868,867	655,133	859,630	517,888	250,683	253,066	14,737	4,420,004

	Land Rs. '000	Buildings Rs. '000	Furniture and fittings Rs. '000	Computer equipment Rs. '000	Office equipment Rs. '000	Motor vehicles Rs. '000	Capital Work in Progress Rs. '000	Total Rs. '000
Accumulated depreciation								
Balance as at 1 April 2019	–	70,328	518,579	328,204	192,528	128,614	–	1,238,253
Charged during the year		16,378	99,884	58,963	19,588	42,958		237,771
Disposal during the year			(174)			(6,400)		(6,574)
Balance as at 31 March 2020	–	86,706	618,289	387,167	212,116	165,172	–	1,469,450
Carrying value								
Balance as at 31 March 2020	1,868,867	568,427	241,341	130,891	38,397	87,894	14,737	2,950,554

Maturity Analysis of property, plant and equipment given in Note 49.

27.1 Revalued properties

The fair values of property, plant and equipment were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

Details of the revalued properties is as follows:

Property as at 31 March 2021	Extent (Perches)	Date of valuation	Rs. '000
Land – No. 123, Orabipasha Mawatha, Colombo 10	85.20	Saturday, 6 April 2019	852,000
Land – No. 377/2, Kandy Road, Mahara, Kadawatha	39.00	Saturday, 6 April 2019	97,500
Land – No. 79, Mihindu Mawatha, Kadawatha	76.00	Saturday, 6 April 2019	76,000
Land – Madapatha, Piliyandala Lot 1A	11.85	Tuesday, 7 May 2019	4,700
Land – Madapatha, Piliyandala Lot X	11.00	Tuesday, 7 May 2019	4,100
Land – No. 119, Galle Road, Moratuwa	5.20	Sunday, 12 May 2019	16,900
Land – No. 79, Colombo Road, Kurunegala – Front	23.00	Saturday, 11 May 2019	174,800
Land – No. 79, Colombo Road, Kurunegala – Rear	2.10	Saturday, 11 May 2019	8,400
			1,234,400

Valuer	Valuation technique	Significant unobservable inputs	Sensitivity
Land – No. 123, Orabipasha Mawatha, Colombo 10			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 9,500,000/- to Rs. 10,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 377/2, Kandy Road, Mahara, Kadawatha			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 2,400,000/- to Rs. 2,500,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.

5.1 Financial calendar
5.2 Financial statements – table of contents
5.3 Financial Highlights
5.4 Independent auditor's report
5.5 Statement of Profit or Loss and Other Comprehensive Income
5.6 Statement of Financial Position
5.7 Statement of Changes in Equity
5.8 Statement of Cash Flows
5.9 Notes to the Financial Statements

Valuer	Valuation technique	Significant unobservable inputs	Sensitivity
Land – No. 79, Mihindu Mawatha, Kadawatha			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 900,000/- to Rs. 1,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – Madapatha Lot 1A, Piliyandala			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 350,000/- to Rs. 400,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – Madapatha Lot X, Piliyandala			
A.R.Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 350,000/- to Rs. 400,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 119, Galle Road, Moratuwa			
K T Nihal, BSc Estate Management and Valuation, Associate member of Institute of Valuers in Sri Lanka. Incorporated Valuer	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 2,500,000/- to Rs. 3,500,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 79, Colombo Road, Kurunegala – Front			
K T Nihal, BSc Estate Management and Valuation, Associate Member of Institute of Valuers in Sri Lanka, Incorporated valuer	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 7,000,000/- to Rs. 8,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land – No. 79, Colombo Road, Kurunegala – Rear			
K T Nihal, BSc Estate Management and Valuation, Associate Member of Institute of Valuers in Sri Lanka, Incorporated valuer	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 3,000,000/- to Rs. 4,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.

**Market Comparable Method - Valuation of the property have been arrived at with reference prevailing land sales and in the area adjusted for the specific conditions of the above property. Valuation guideline CA*

Valuer has been selected with reference to the "guideline on property, plant and equipment and biological assets valuation" for the purpose of financial reporting issued by CA Sri Lanka.

27.2 Cost of the revalued properties

Property as at 31 March 2021	Cost Rs. '000
Land – No. 123, Orabipasha Mawatha, Colombo 10	196,628
Land – No. 377/2, Kandy Road, Mahara, Kadawatha.	15,234
Land – No. 79, Mihindu Mawatha, Kadawatha.	23,000
Land – Madapatha, Piliyandala Lot 1A	1,635
Land – Madapatha, Piliyandala Lot X	1,528
Land – No. 119, Galle Road, Moratuwa	15,600
Land – No. 79, Colombo Road, Kurunegala	181,999
Total cost of the revalued properties	435,624

Above table includes the original cost of the properties which carries at revalued amounts as at 31 March 2021.

27.3 Title restriction on property, plant and equipment

There were no restrictions existed on the title of the property, plant and equipment of the Company as at the reporting date.

27.4 Compensation from third parties for property, plant and equipment

There were no compensation received or pending for property plant and equipment as at the reporting date.

27.5 Fully depreciated property, plant and equipment

The Company is having Rs. 170 Mn. fully depreciated assets available within the Company as at the reporting date.

27.6 Temporary idle property, plant and equipment

There were no any temporary idle property, plant and equipment as at the reporting date.

27.7 Property, plant and equipment retired from active use

There were no property plant and equipment retired from active use as at the reporting date.

27.8 Borrowing cost

There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the year.

27.9 Number of buildings in lands held by the Company

There are four buildings in the following lands, held by the Company

- Land - No. 123, Orabipasha Mawatha, Colombo 10
- Land - No. 79, Mihindu Mawatha, Kadawatha
- Land - No. 377/2, Kandy Road, Mahara, Kadawatha
- Land - No. 119, Galle Road, Moratuwa

27.10 Property, plant and equipment pledged as securities

Lot X in Plan No. 4359 located in No. 63, Ananda Kumaraswamy Mawatha, Kollupitiya purchased during the year 2019/20 for a value of Rs. 634 Mn. has pledged as a security for bank borrowings. Other than that there were no any properties pledge as a security as at 31 March 2021.

28. Intangible assets

ACCOUNTING POLICY

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

Computer software

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

(a) Subsequent expenditure

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

ACCOUNTING POLICY

(b) Amortisation

Intangible assets are amortised on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. The estimated useful life of software is eight years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Derecognition

An intangible asset shall be derecognised on disposal; or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Cost		
Balance as at the beginning of the year	226,546	204,941
Additions during the year	47,019	21,605
Disposals during the year	–	
Balance as at the end of the year	273,565	226,546
Accumulated amortisation		
Balance as at the beginning of the year	133,709	107,103
Charge during the year	23,380	26,606
Disposals during the year	–	
Balance as at the end of the year	157,089	133,709
Carrying value		
Balance as at the end of the year	116,476	92,837

Intangible assets comprise computer software and licenses acquired by the Company to be used in its operation.

There is no restrictions on the title of the intangible assets of the Company as at the reporting date. Further, there were no items pledged as securities. There were no capitalised borrowing cost during the financial year.

As at the reporting date, the Company does not have development costs capitalised as an internally-generated intangible assets and no software under development.

Maturity analysis of intangible assets is given in Note 49.

29. Goodwill on amalgamation

ACCOUNTING POLICY

Goodwill on amalgamation

The results of amalgamation of three entities under common control are economically the same before and after the amalgamation as the amalgamated entity will have identical net assets. Accordingly Citizens Development Business Finance PLC continues to record carrying values including the remaining goodwill that resulted from the original acquisition of subsidiaries that has been consolidated since its acquisition.

Goodwill on consolidation

Goodwill is initially measured being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable asset acquired and liabilities assumed. Subsequent to initial recognition, Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing goodwill acquired in a business combination is allocated to each of the Company's cash-generating units that are expected to benefit from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment test for goodwill on amalgamation

Goodwill shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount. If the recoverable amount exceeds the carrying amount, the goodwill shall be regarded as not impaired. If the carrying amount exceeds the recoverable amount, the entity shall recognise the impairment loss.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Balance as at the beginning of the year	244,180	244,180
Additions during the year	–	–
Disposal during the year	–	–
Balance as at the end of the year	244,180	244,180

29.1 Impairment test on goodwill

Goodwill acquired through business combination is tested for impairment annually as at the reporting date.

For the purpose of impairment testing amalgamated companies were considered as a separate cash-generating unit (CGU) and the recoverable amounts of the CGU have been calculated based on its value in use. The value in use is determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. No impairment loss was recognised during 2020/21 because the recoverable amount of this CGUs was determined to be higher than its carrying amount.

As at 31 March	2021 %
Discount rate*	8.71
Growth in terminal value**	5
Growth in budgeted profit before tax (Average of next five years)***	5

* *The discount rate was based on the cost of capital of CDB.*

** *Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rate adjusted to reflect the Company specific performance strategies and the long-term compound annual profit before taxes, depreciation and amortisation growth rate estimated by the Management.*

*** *Budgeted profit after tax was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was predicted taking into account the average growth levels experienced over the past five years and the estimated growth for the next five years.*

The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of either CGU to decline below the carrying amount.

Sensitivity

The following table illustrate the effect on value in use due to a reasonable possible changes to key assumptions.

	1%	
As at 31 March	Increase %	Decrease %
Discount rate	(24.76)	43.37
Growth in terminal value	21.28	(33.52)
Growth in budgeted profit before tax (Average of next five years)	6.94	(6.67)

30. Right-of-use assets and lease liabilities

ACCOUNTING POLICY

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

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

As a lessee

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

The Company 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 Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

Lease payments 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 Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

ACCOUNTING POLICY

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 Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a 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 Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment.

The Company 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 separately from other assets on the Statement of financial position. Similarly, lease liabilities are presented separately from other liabilities on the Statement of financial position. Depreciation expense and interest expense cannot be combined in the income statement. 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.

30.1 Right-of-use assets movement during the year

As at 31 March	2021 Rs. '000	2020 Rs. '000
Right-of-use asset		
Balance as at 1 April	**1,005,950**	–
Effect of SLFRS 16 adoption as at 1 April 2019	**–**	827,961
Additions and improvements during the year	**153,410**	309,823
Disposals during the year	**(26,467)**	(131,834)
Balance as at 31 March	**1,132,893**	1,005,950
Accumulated depreciation		
Balance as at 1 April	**165,082**	–
Charge during the year	**170,810**	165,082
Balance as at 31 March	**335,892**	165,082
Carrying value		
Balance as at 31 March	**797,001**	840,868

30.2 Lease liabilities movement during the year

As at 31 March	2021 Rs. '000	2020 Rs. '000
Lease liabilities		
Balance as at 1 April	804,390	–
Effect of SLFRS 16 adoption as at 1 April 2019		845,686
Additions and improvements during the year	128,910	154,854
Disposals during the year	(26,467)	(104,292)
Accretion of interest during the year	107,432	108,089
Payments during the year	(203,583)	(199,947)
Balance as at 31 March	810,682	804,390

30.3 Amounts recognised in profit or loss

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Depreciation of Right-of-use assets	170,810	165,082
Interest on lease liabilities	107,432	108,089
Total cost recognised in profit or loss	278,242	273,171

30.4 Amounts recognised in statement of cash flows

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Total cash outflow for leases	(203,583)	(199,947)

30.5 Maturity analysis – Contractual undiscounted cash flows

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Less than one year	249,424	188,056
Between one and five years	710,399	577,484
More than five years	403,803	188,638
Total undiscounted cash flows	1,363,626	954,178

31. Other assets

ACCOUNTING POLICY

Other assets mainly comprise recoverable tax, insurance premium receivable, insurance commission receivable, advance payments and inventory carried at historical cost.

Inventories

Inventories include mainly the gift items purchased for the savings value added scheme. Those inventories are valued at cost or net realisable value whichever is lower. The cost of an inventory is the purchase price. Net realisable value is the estimated realisable value less estimated cost necessary to make the sale.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Tax recoverable	–	394,138
Insurance premium receivable and capitalised charges	3,197,402	3,025,096
Insurance referral income receivable	90,195	235,804
Unamortised cost on staff loans	139,395	142,009
Gift stock	9,126	8,124
Other stocks	183,654	14,607
Other receivables and advances	295,534	914,514
Total other assets	3,915,306	4,734,292

Maturity analysis of other assets is given in Note 49.

32. Derivative financial instruments

ACCOUNTING POLICY

Derivative contract is a financial instrument or other contract with all three of the following characteristics.

(a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the "underlying").

(b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

(c) It is settled at a future date.

A derivative usually has a notional amount, which is an amount of currency, a number of shares, a number of units of weight or volume or other units specified in the contract. However, a derivative instrument does not require the holder or writer to invest or receive the notional amount at the inception of the contract. Alternatively, a derivative could require a fixed payment or payment of an amount that can change (but not proportionally with a change in the underlying) as a result of some future event that is unrelated to a notional amount.

Derivatives are recorded at fair value with corresponding gains or losses are recognised in net gains/(losses) on trading in the Income Statement.

Derivative financial instruments are classified as fair value through profit or loss if they are acquired principally for the purpose of selling or repurchasing it in the near term.

Derivative financial instruments are subject to hedge accounting if those instruments are satisfying the hedge effectiveness criteria.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Forward exchange contracts – Financial Liabilities	13,143	60,440
Forward exchange contracts – Financial Assets	198,046	–

Maturity analysis of derivative financial instruments is given in Note 49.

Company has entered into forward contracts to cover the exchange rate risk exposed from the foreign borrowings obtained from Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) , BlueOrchard Microfinance Fund and Triodos IM.

Refer Note 35.2 for more details on foreign borrowings.

Refer Note 11 for gains/losses from derivative financial instruments.

33. Deposits from customers

ACCOUNTING POLICY

These include savings deposits and term deposits. Customer deposits are initially recognised at fair value net of transaction cost. Subsequent to initial recognition deposits are measured at their amortised cost using the effective interest rate (EIR) method. Interest paid/payable on these deposits is recognised in the Statement of Profit or Loss.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Term deposits	45,647,851	40,782,693
Savings deposits	2,915,167	2,267,437
Mudharabah	436,323	255,645
Total deposits from customers	48,999,341	43,305,775

Maturity analysis of deposits from customers is given in Note 49 and pre-termination of fixed deposits and renewal of fixed deposits may cause actual maturities differ from contractual maturities.

Deposit insurance scheme

As per the Direction No. 01 of 2010, Sri Lanka Deposit Insurance Scheme, which was effected from 1 October 2010 all licensed finance companies are required to pay an insurance premium calculated at the rate of 0.15% per annum payable monthly for all eligible deposits as at the end of the month. Eligible deposits includes all the time deposits held by CDB except for –

a. Deposit liabilities to member institutions

b. Deposit liabilities to the Government of Sri Lanka inclusive of Ministries, Departments and Local Governments.

c. Deposit liabilities to Directors, Key Management Personnel and other related parties as defined by the Finance Companies Act (Corporate Governance) Direction No. 03 of 2008.

d. Deposit liabilities held as collateral against any accommodation granted.

e. Deposits falling within the meaning of abandoned property in terms of the Finance Companies Act, Funds which have been transferred to the Central Bank of Sri Lanka in terms of the relevant directions issued by the Monetary Board.

34. Debt securities issued

ACCOUNTING POLICY

Debt securities issued include debentures issued by the Company. Subsequent to the initial recognition these are measured at amortised cost using EIR method in the Statement of Financial Position. Interest paid/payable (Effective interest rate method) on debt securities is recognised in the Statement of Profit or Loss.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Listed debentures (Refer Note 34.1)	**5,089,839**	5,092,096
Total debt securities issued	**5,089,839**	5,092,096

Debt securities issued would be subordinated to the claims of depositors and all other creditors of the issuer in the event of the winding-up of the issuer.

The Company has not had any defaults of principal or interest or other breaches with respect to any subordinated liability during the year ended 31 March 2021. (2020 – Nil)

Maturity analysis of debt securities issued is given in Note 49.

34.1 Details of listed debentures issued

Debenture issue – 2016

Ten million (10,000,000) Subordinated, Listed, Rated (A-), Guaranteed, Redeemable debentures at a price of Rs. 100/- each.

Debenture issue – 2018

Initial issue of ten million (10,000,000) Subordinated, Listed, Rated (BBB), Unsecured, Redeemable debentures at a price of Rs. 100/- each with an option to issue up to a further ten million (10,000,000) debentures in the event of an oversubscription of the initial issue.

Debenture issue – 2019 January

Five million (5,000,000) Subordinated, Listed, Rated (BBB), Unsecured, Redeemable debentures at a price of Rs. 100/- each with the option to increase by a further Five million (5,000,000) debentures in the event of an oversubscription with a further option to issue two million five hundred thousand (2,500,000) debentures.

Debenture issue – 2019 December

Initial issue of Five million (5,000,000) Subordinated, Unsecured, Listed, Redeemable, Rated (BBB) debentures at a price of Rs. 100/- each with the option to issue two million five hundred thousand (2,500,000) debentures in the event of an oversubscription of the initial issue.

Description	Face value	Amortised cost		Allotment date	Maturity date	Term (Years)	Interest rate	Repayment term
	Rs. '000	2021 Rs. '000	2020 Rs. '000				%	
Issued in 2016								
Type A	998,370	**1,039,544**	1,035,224	3 June 2016	2 June 2021	5	12.75	Semi-annually
Type B	1,630	**1,709**	1,702	3 June 2016	2 June 2021	5	6-months Net T-Bill Rate (net of tax) plus 1.50% Floor rate of 10.00% per annum	Semi-annually
	1,000,000	**1,041,253**	1,036,926					
Issued in 2018								
Type A	1,066,990	**1,066,633**	1,063,096	28 March 2018	27 March 2023	5	13.75	Semi-annually
Type B	933,010	**933,386**	929,663	28 March 2018	27 March 2023	5	14.20	Annually
	2,000,000	**2,000,019**	1,992,759					
Issued in 2019								
Type A	259,180	**262,695**	264,400	31 January 2019	30 January 2024	5	15.00	Semi-annually
Type B	668,590	**677,166**	682,526	31 January 2019	30 January 2024	5	15.50	Annually
	927,770	**939,461**	946,926					
Issued in 2019 (December)								
Type A	387,900	**399,793**	402,087	10 December 2019	9 December 2024	5	13.43	Semi-annually
Type B	687,300	**709,313**	713,398	10 December 2019	9 December 2024	5	13.88	Annually
	1,075,200	**1,109,106**	1,115,485					
Total debt securities issued		**5,089,839**	5,092,096					

34.2 Utilisation of funds raised via capital market

Objective as per prospectus	Amount allocated as per prospectus in Rs.	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. (A)	Total proceeds %	Amounts utilised in Rs. (B)	Utilisation against Allocation (B/A) %
Issued in 2016						
Finance the Company's anticipated future business growth						
Strengthen the Tier II capital base	1 Bn.	Within the next 12 months from the date of allotment	1 Bn.	100	1 Bn.	100
Reduce the asset and liability mismatch						
Issued in 2018						

Objective as per prospectus	Amount allocated as per prospectus in Rs.	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. (A)	Total proceeds %	Amounts utilised in Rs. (B)	Utilisation against Allocation (B/A) %
Supporting the general business growth opportunities of the Company						
Reduce the asset and liability mismatch	2 Bn.	Within the next 12 months from the date of allotment	2 Bn.	100	2 Bn.	100
Strengthen the Tier II capital base						
Issued in 2019 (January)						
Supporting the general business growth opportunities of the Company						
Reduce the asset and liability mismatch						
Strengthen the Tier II capital base	927.77 Mn.	Within the next 12 months from the date of allotment	927.77 Mn.	100	927.77 Mn.	100
Issued in 2019 (December)						
Supporting the general business growth opportunities of the Company						
Reduce the asset and liability mismatch						
Strengthen the Tier II capital base	1,075.2 Mn.	Within the next 12 months from the date of allotment	1,075.2 Mn.	100	1,075.2 Mn.	100

35. Other interest-bearing borrowings

ACCOUNTING POLICY

These represent borrowings from financial institutions, due to foreign institutions, securitisation, commercial papers and other borrowings. 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.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Due to banks (Refer Note 35.1)	**11,447,414**	13,806,004
Due to foreign institutional lenders (Refer Note 35.2)	**9,309,926**	10,550,655
Securitisation (Refer Note 35.3)	**957,258**	2,975,019
Other borrowings	**5,388**	173,458
Total other interest-bearing borrowings	**21,719,986**	27,505,136

Maturity analysis of other interest – bearing borrowings is given in Note 49.

35.1 Due to banks

As at 31 March	Loan obtained Rs. '000	2021 Rs. '000	2020 Rs. '000
Bank of Ceylon – Term Loan	500,000	–	115,301
Commercial Bank of Ceylon PLC – Term Loan 1	300,000	–	106,660
DFCC Bank PLC – Term Loan 1	500,000	135,480	260,393
Hatton National Bank PLC – Term Loan 4	1,000,000	27,849	362,480
Hatton National Bank PLC – Term Loan 5	1,000,000	475,170	810,710
Hatton National Bank PLC – Term Loan 6	1,500,000	1,222,523	
Hatton National Bank PLC – Term Loan (Revolving)	700,000	–	699,881
MCB Bank Limited – Term Loan 1	200,000	–	21,909
National Savings Bank – Term Loan 1	500,000	–	124,725
National Savings Bank – Term Loan 2	500,000	306,306	473,534
Nations Trust Bank PLC – Term Loan 1	500,000	–	167,632
Nations Trust Bank PLC – Term Loan 2	750,000	354,762	605,439
Sampath Bank PLC – Term Loan 1	1,100,000	207,510	484,258
Sampath Bank PLC – Term Loan 2	1,500,000	625,714	1,001,336
Sampath Bank PLC – Term Loan 3	1,000,000	608,069	1,007,350
Sampath Bank PLC – Term Loan 4	500,000	527,597	–
Seylan Bank PLC – Term Loan 1	1,000,000	–	116,068
Seylan Bank PLC – Term Loan 2	2,000,000	33,335	431,680
Seylan Bank PLC – Term Loan 3	1,000,000	134,569	335,865
Seylan Bank PLC – Term Loan 4	500,000	192,573	292,943
Seylan Bank PLC – Term Loan 5	1,000,000	466,468	666,442
Seylan Bank PLC – Term Loan 6	400,000	260,139	340,252
Seylan Bank PLC – Term Loan 7	1,500,000	1,079,087	1,380,880
Seylan Bank PLC – Term Loan 8	1,500,000	753,714	–
Seylan Bank PLC – Short - Term Loan	200,000	–	200,000
Union Bank PLC – Term Loan 1	500,000	156,204	281,051
Nations Devlopment Bank PLC – Term Loan 1	500,000	–	560,590
Nations Devlopment Bank PLC – Term Loan 2	1,000,000	1,163,726	1,132,481
Nations Devlopment Bank PLC – Term Loan 3	1,000,000	1,215,626	1,169,528
Nations Devlopment Bank PLC – Term Loan 4	1,500,000	1,500,993	–
Loans obtained by amalgamled entities		–	656,616
Total due to banks		11,447,414	13,806,004

35.2 Due to foreign institutional lenders

As at 31 March	Loan obtained Rs. '000	2021 Rs. '000	2020 Rs. '000
Belgian Investment Company for Developing Countries (BIO)	**1,597,500**	**648,142**	1,024,894
Nederlandse Financierings – Maatschappij voor Ontwikkelingslanden N.V. (FMO)	**4,562,500**	**3,752,535**	4,856,809
BlueOrchard Microfinance Fund	**4,487,500**	**3,725,925**	4,668,952
Triodos Fair Share Fund and Triodos SICAV II	**1,179,990**	**1,183,324**	–
Total due to foreign institutional lenders	**11,827,490**	**9,309,926**	10,550,655

35.3 Securitisation

Details of securitisation as at 31 March 2021 is as follows:

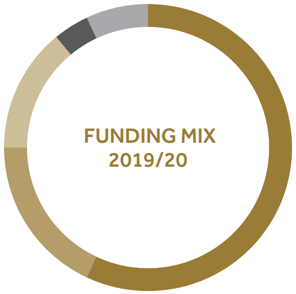
Issue No.	Face value (Rs. '000)	Maximum period (Months)	Trustee	Balance as at 31 March 2021 Rs. '000	Security
D19	628,000	36	HNB	**71,958**	Mortgage over lease and hire purchase receivables
D21	290,000	36	HNB	**278,210**	Mortgage over lease and hire purchase receivables
D28	500,000	20	HNB	**82,168**	Mortgage over lease and hire purchase receivables
D29	750,000	28	HNB	**453,305**	Mortgage over lease and hire purchase receivables
D30	200,000	35	HNB	**50,373**	Mortgage over lease and hire purchase receivables
D 31	300,000	36	HNB	**21,244**	Mortgage over lease and hire purchase receivables
Total securitisation				**957,258**	

Details of securitisation as at 31 March 2020 is as follows:

Issue No.	Face value (Rs. '000)	Maximum period (Months)	Trustee	Balance as at 31 March 2020 Rs. '000	Security
D2	200,000	36	HNB	39,663	Mortgage over lease and hire purchase receivables
D3	1,321,170	36	HNB	188,217	Mortgage over lease and hire purchase receivables
D4	750,000	60	Deutsche Bank	94,198	Mortgage over lease and hire purchase receivables
D5	250,000	60	Deutsche Bank	16,020	Mortgage over lease and hire purchase receivables
D18	50,000	36	HNB	61,006	Mortgage over lease and hire purchase receivables
D19	628,000	36	HNB	417,994	Mortgage over lease and hire purchase receivables
D20	160,000	36	HNB	60,787	Mortgage over lease and hire purchase receivables
D21	290,000	36	HNB	155,882	Mortgage over lease and hire purchase receivables
D22	240,000	24	People's Bank	127,232	Mortgage over lease and hire purchase receivables
D24	40,000	24	People's Bank	5,908	Mortgage over lease and hire purchase receivables
D25	200,000	36	HNB	18,056	Mortgage over lease and hire purchase receivables

Issue No.	Face value (Rs. '000)	Maximum period (Months)	Trustee	Balance as at 31 March 2020 Rs. '000	Security
D26	1,000,000	36	HNB	90,330	Mortgage over lease and hire purchase receivables
D27	300,000	36	HNB	367,808	Mortgage over lease and hire purchase receivables
D28	500,000	20	HNB	535,276	Mortgage over lease and hire purchase receivables
D29	750,000	28	HNB	796,642	Mortgage over lease and hire purchase receivables
Total securitisation				2,975,019	

35.4 Analysis of interest-bearing funding mix



Deposits	Bank borrowings	Foreign borrowings
57.05%	18.19%	13.90%
Securitisation	**Other borrowings**	**Debentures**
3.92%	0.23%	6.71%

Deposits	Bank borrowings	Foreign borrowings
64.64%	15.10%	12.28%
Securitisation	**Other borrowings**	**Debentures**
1.26%	0.01%	6.71%

36. Current tax liabilities

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Company 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.

Refer Note 15 for more details on taxation.

The Company is subject to income taxes and other taxes including VAT and NBT on financial services.

As at 31 March	2021 Rs. '000	2020 Rs. '000
VAT on financial services	**163,426**	151,936
Withholding tax payable	**114**	46
Provision for income tax (Refer Note 36.1)	**988,442**	1,385,377
Other taxes on financial services	**69,010**	65,787
Total current tax liabilities	**1,220,992**	1,603,146

Maturity analysis of current tax liabilities is given in Note 49.

36.1 Provision for income tax

As at 31 March	2021 Rs. '000	2020 Rs. '000
Balance as at the beginning of the year	**1,385,377**	299,244
Current tax for the year (Refer Note 15)	**1,169,987**	1,237,496
Over provision in respect of prior periods (Refer Note 15)	**(18,134)**	(75,834)
Self-assessment payment of tax/ESC recovered	**(1,548,788)**	(75,529)
Balance as at the end of the year	**988,442**	1,385,377

37. Deferred tax assets and liabilities

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Company 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.

The Company is subject to income taxes and other taxes including VAT and NBT on financial services.

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. Management judgements are required to determine the amount of deferred tax assets/liabilities that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Refer Note 15 for more details on taxation.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Deferred tax liabilities	376,460	650,401
Deferred tax assets	–	(41,130)
Total net deferred tax liabilities	376,460	609,271

Net deferred tax assets/liabilities of one entity cannot be set-off against another entity's assets/liabilities since there is no legally enforceable right to set-off. Therefore net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

Maturity analysis of deferred tax asset and liabilities are given in Note 49.

37.1 Summary of net deferred tax liability

	2021		2020	
As at 31 March	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
Deferred tax liabilities on:				
Accelerated depreciation for tax purposes – owned assets	649,000	155,760	545,034	152,609
Accelerated depreciation for tax purposes – leased assets	117,399	28,176	828,750	232,050
Deferred tax on revaluation surplus	802,185	192,524	802,185	224,612
Net deferred tax liability	1,568,584	376,460	2,175,969	609,271

37.2 Movement of net deferred tax liability

As at 31 March	2021 Total movement Rs. '000	2021 Effect on income statement Rs. '000	2021 Effect on other comprehensive income Rs. '000	2020 Total movement Rs. '000	2020 Effect on income statement Rs. '000	2020 Effect on other comprehensive income Rs. '000
Net deferred tax liability as at 1 April	**609,271**			1,336,061		
Impact of amalgamation	**41,131**					
Changes in net liability:						
Accelerated depreciation for tax purposes – Owned assets	**5,065**	**5,065**		31,894	31,894	
Accelerated depreciation for tax purposes – Leased assets	**(246,919)**	**(246,919)**		(1,469,611)	(1,469,611)	
Unutilised tax losses				710,841	710,841	
Tax effect on defined benefit plans				87	87	
Change in deferred tax on revaluation	**(32,087)**		**(32,087)**			
Total effect on total comprehensive income	**(273,941)**	**(241,854)**	**(32,087)**		(726,789)	
Net deferred tax liability as at 31 March	**376,460**			609,271		

The Company applied the reduced income tax rate of 24% to calculate deferred tax liabilities as at 31 March 2021 and the impact is Rs. 63 Mn.

38. Retirement benefit obligation

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Company 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.

Plan asset comprises the assets held by a long-term employee benefit fund that is legally separate from the reporting entity and exists solely to pay or fund employee benefits.

Refer Note 13.1 for Group's policy on retirement benefit obligation.

As at 31 March	2021 Defined benefit obligation Rs. '000	2021 Fair value of plan asset Rs. '000	2021 Net defined benefit liability Rs. '000	2020 Defined benefit obligation Rs. '000	2020 Fair value of plan asset Rs. '000	2020 Net defined benefit liability Rs. '000
Balance as at the beginning of the year	**643,002**	**614,071**	**28,931**	514,261	506,581	7,681
Recognised in profit or loss						
Current service cost	**70,467**	**–**	**70,467**	167,502	–	167,501
Interest cost/Income	**64,300**	**61,406**	**2,894**	56,534	55,724	810
	134,767	**61,406**	**73,361**	224,035	55,724	168,311

As at 31 March	2021			2020		
	Defined benefit obligation Rs. '000	Fair value of plan asset Rs. '000	Net defined benefit liability Rs. '000	Defined benefit obligation Rs. '000	Fair value of plan asset Rs. '000	Net defined benefit liability Rs. '000
Recognised in other comprehensive income						
Actuarial gain/loss	**79,988**	**5,182**	**74,806**	(54,228)	7,833	(62,061)
	79,988	**5,182**	**74,806**	(54,228)	7,833	(62,061)
Others						
Contributions made during the year	**–**	**168,000**	**(168,000)**		85,000	(85,000)
Benefits paid by the plan asset	**(19,969)**	**(19,969)**	**–**	(41,067)	(41,067)	–
Total net defined benefit obligation as at end of the year	**837,788**	**828,690**	**9,098**	643,002	614,071	28,931

Maturity analysis of retirement benefit obligation is given in Note 49.

38.1 Plan assets

Plan assets comprise the followings and all equity investments are quoted:

As at 31 March	2021 Rs. '000	2020 Rs. '000
Cash and cash equivalents	**47,667**	8,239
Quoted equity securities	**241,357**	238,402
Term deposits	**539,666**	367,430
Total plan assets	**828,690**	614,071

38.2 Actuarial valuation

An actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2021 by Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries is the "Projected Unit Credit Method", the method recommended by LKAS 19 – "Employee Benefits".

Actuarial assumptions

Assumption	Description		2021	2020
Non-financial assumptions				
Mortality	A 1967/70 mortality table issued by the Institute of Actuaries, London		**A 67/70**	A 67/70
Staff turnover	The probability of employee leaving the organisation other than death, illness and normal retirement	Permanent	**6%**	6%
		Contract	**54%**	54%
Normal retirement age	Age which employee is normally retired		**55 years**	55 years

Assumption	Description	2021	2020
Financial assumptions			
Discount rate	Determined based on the long-term Government Bond rate and expected inflation in long-term	7.5%	10%
Future salary growth	Normal annual salary increment rate per employee was considered	6%	8%

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions (financial), holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Assumption	Change	Adjusted present value of net defined benefit liability ('000)	Net Effect on present value of defined benefit liability ('000)
Discount rate	1% increase	777,086	(60,702)
	1% decrease	907,544	69,756
Future salary growth	1% increase	911,681	73,893
	1% decrease	772,503	(65,285)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

Expected benefits to be paid out in future years

As at 31 March	2021 Rs. '000	2020 Rs. '000
Within next year	31,986	25,843
Between 2 and 5 years	399,918	277,231
Beyond 5 years	405,884	339,928
Total benefits	837,788	643,002

39. Other liabilities

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Company 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 payable, insurance premium payable, bank overdrafts, rental received in advance and etc.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Accrued expenses	**252,443**	378,148
Supplier payable	**377,034**	601,654
Insurance premium payable	**372,312**	336,881
Bank overdrafts	**175,940**	473,798
Rentals received in advance from loans and advances to customers	**645,364**	448,205
Other liabilities	**216,116**	390,918
Total other liabilities	**2,039,209**	2,629,604

Maturity analysis of other liabilities is given in Note 49.

40. Stated capital

Ordinary shares

Ordinary shares of the Company are recognised at the amount paid per ordinary shares net of directly attributable issue cost.

	2021		2020	
	Number of shares	Value Rs. '000	Number of shares	Value Rs. '000
Balance as at the beginning of the year	**69,792,748**	**2,350,363**	54,305,207	1,185,062
Issued during the year				
Rights Issue – Voting			11,574,805	891,260
Rights Issue – Non Voting			2,001,496	128,096
Scrip Dividend – Voting			1,575,052	124,429
Scrip Dividend – Non Voting			336,188	21,516
Balance as at the end of the year	**69,792,748**	**2,350,363**	69,792,748	2,350,363

	2021		2020	
	Number of shares	Value Rs. '000	Number of shares	Value Rs. '000
Composition of number of shares				
Voting	**59,449,080**	**1,875,532**	59,449,080	1,875,532
Non-voting	**10,343,668**	**474,831**	10,343,668	474,831
Total stated capital	**69,792,748**	**2,350,363**	69,792,748	2,350,363

Rights, preferences and restrictions of ordinary shares

The shares of the Citizens Development Business Finance PLC are quoted on the Main Board of Colombo Stock Exchange.

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

Rights issue

On 26 March 2019 the Company announced a right issue of 11,574,805 new ordinary voting shares on the basis of one new ordinary voting share for every four ordinary voting shares held at the price of Rs. 77/- and 2,001,496 new ordinary non-voting shares on the basis of one new ordinary non-voting share for every four ordinary non-voting shares held at the price of Rs. 64/-.

The right issue was approved by the shareholders at the extra ordinary general meeting (EGM) held on 28 May 2019, and allotment was made on 27 June 2019.

Scrip Dividend

Company paid a scrip dividend of 1,575,052 ordinary voting shares and 336,188 ordinary non-voting shares of the Company and have been listed with effect from 30 September 2019 in the proportion of 0.02721519: 1 and 0.03359375: 1 respectively.

Utilisation of funds raised via capital market

Objective as per prospectus	Amount allocated as per prospectus in Rs.	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. (A)	Total proceeds %	Amounts utilised in Rs. (B)	Utilisation against Allocation (B/A) %
Right Issue 2019/20						
To strengthen the Tier 1 capital of the company in the light of the regulatory requirements introduced by the Central bank of Sri Lanka						
Company's Achievement of the Capital Adequacy Ratio (CAR) under the Finance Business Act Direction No.3 of 2018	1,019,355,729	Within the next 12 months from the date of allotment	1,019,355,729	100	1,019,355,729	100
Support the Company's Asset Growth						

41. Reserves

As at 31 March	2021 Rs. '000	2020 Rs. '000
Revaluation reserve (Refer Note 41.1)	**609,661**	577,574
Statutory reserve fund (Refer Note 41.2)	**1,881,996**	1,754,148
Fair value reserve (Refer Note 41.3)	**3,924**	(30,405)
Total reserves	**2,495,581**	2,301,317

41.1 Revaluation reserve

This revaluation reserve relates to revaluation of freehold land and represent the fair value changes as at the reporting date.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Balance as at the beginning of the year	**577,574**	577,574
Surplus on revaluation of lands during the year	**–**	–
Change in deferred tax on revaluation*	**32,087**	–
Balance as at the end of the year	**609,661**	577,574

**Change in deferred tax on revaluation is resulting due to change in applicable tax rate to 24% from 28% with effect from 1 January 2020.*

41.2 Statutory reserve fund

Statutory reserve fund is maintained by the Company in order to meet the legal requirements.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Balance as at the beginning of the year	1,754,148	1,662,897
Transfers during the year	127,848	91,251
Balance as at the end of the year	1,881,996	1,754,148

The Reserve Fund is maintained in compliance with Direction No. 1 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to finance companies.

As per the said Direction, every licensed finance company shall maintain a reserve fund and transfer to such reserve fund out of the net profits of the each year after due provisions has been made for taxation and bad and doubtful debts on following basis:

Capital funds to deposit liabilities	Percentage of transfer to reserve fund (%)
Not less than 25%	5
Less than 25% and not less than 10%	20
Less than 10%	50

Accordingly, the Company has transferred 5% of its net profit after taxation to the reserve fund as Company's capital funds to deposit liabilities, belongs to not less than 25% category.

41.3 Fair value reserve

This fair value reserve relates to fair value adjustments of equity investments measured at fair value through other comprehensive income.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Balance as at the beginning of the year	(30,405)	–
Net change in fair value during the year	68,116	(38,915)
Net transfers during the year	(33,787)	8,510
Balance as at the end of the year	3,924	(30,405)

42. Retained earnings

As at 31 March	2021 Rs. '000	2020 Rs. '000
Balance as at the beginning of the year	6,904,680	5,239,855
Changes in capital structure due to amalgamation	–	204,881
Impact of Amalgamation	(86,491)	
Profit for the period	2,556,954	1,837,050
Remeasurement of defined benefit liability/(asset)	(74,806)	62,061
Dividends to equity holders	–	(339,406)
Net Transfers during the period	(94,061)	(99,761)
Balance as at the end of the year	9,206,276	6,904,680

43. Net assets value per share

As at 31 March	2021	2020
Numerator		
Total equity attributable to equity holders (Rs.)	14,052,220,000	11,556,360,000
Denominator		
Total number of shares	69,792,748	69,792,748
Net assets value per share (Rs.)	201.34	165.58

44. Contingencies and commitments

ACCOUNTING POLICY

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 Company have been disclosed in the Notes to the Financial Statements. However, based on the available information and the available legal advice, the Company do not expect the outcome of any action to have any material effect on the financial position of the Company.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Contingencies		
– Contingent liabilities/(assets)	–	–
Commitments		
– Undrawn commitments (Refer Note 44.1)	1,004,757	500,503
– Capital commitments (Refer Note 44.2)	1,700,026	2,820
Total contingencies and commitments	2,704,783	503,323

Refer Note 46 for litigations against the Company.

44.1 Undrawn commitments

As at 31 March	2021 Rs. '000	2020 Rs. '000
Direct credit facilities*	1,004,757	500,503
Total undrawn commitments	1,004,757	500,503

**This includes undrawn credit card balances as at the reporting date*

44.2 Capital commitments

As at 31 March	2021 Rs. '000	2020 Rs. '000
Commitments in relation to property, plant and equipment		
– Approved and contracted for	119,259	–
– Approved but not contracted for	1,485,433	–
Commitments in relation to intangible assets		
– Approved and contracted for	6,632	2,820
– Approved but not contracted for	88,702	–
Total capital commitments	1,700,026	2,820

45. Related party disclosures

ACCOUNTING POLICY

The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per LKAS 24 - "Related Party Disclosures". The details are reported below.

The pricing applicable to such transaction is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers with similar credit rating. However, the Key Management Personnel (KMP) are entitle to the scheme of benefits which all the other staff members are uniformly entitled.

45.1 Parent and ultimate controlling party

The Company (CDB) does not have an identifiable parent of its own.

45.2 Transactions with Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company — The Board of Directors (Including Executive Directors and Non-Executive Directors) of the Company has been Classified as KMP of the Company

45.2.1 Compensation of KMP

As at 31 March	2021 Rs. '000	2020 Rs. '000
Short-term employment benefits	209,045	207,561
Post-employment benefits	–	–
Other long-term benefits	–	–
Termination benefits; and	–	–
Share-based payment	–	–
Total compensation	209,045	207,561

45.2.2 Transactions, Arrangements and Agreements Involving kmp and their Close Family Members (CFM)

CFM of KMP are those family members who may be expected to influence or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children of the KMPs domestic partner and dependents of the KMPs domestic partner. CFM are related party to the Company. Aggregate value of the transactions with KMPs and their CFMs are described below:

	Year end balance	
As at 31 March	2021 Rs. '000	2020 Rs. '000
Assets		
Loans and receivables	–	–
Other credit facilities	–	–
Total assets	–	–
Liabilities		
Deposits placed by KMP and CFM	67,368	55,332
Other credit facilities	–	–
Total liabilities	67,368	55,332
Commitments and contingencies	–	–
Total outstanding balance	67,368	55,332

For the year ended 31 March	2021 Rs. '000	2020 Rs. '000
Interest income	–	–
Interest expense	2,905	5,702
Total transactions during the year	2,905	5,702

No losses have been recorded against loan balances outstanding with KMP during the period and no provisions have been made for impairment losses against such balances as at the reporting date.

Dividend paid to KMP and CFM

For the year ended 31 March	2021	2020
Number of ordinary shares (Voting) held	**7,087,648**	6,530,675
Number of ordinary shares (Non-voting) held	**147,894**	314,081
Cash dividends paid (Rs. '000)	**–**	12,527
Scrip dividends paid (Rs. '000)	**–**	12,527

Above figures were computed considering the KMPs and CFMs of the Company as at 31 March 2021.

- Mr Elangovan Karthik has been appointed as a Executive Director of the Company with effect from 1 July 2020.
- Mr Razik Mohamed, Independent Non-Executive Director stepped down from the Board with effect from 16 August 2020 due reaching 70 years of age.
- Mrs Pandithasudara Rajitha Wajirangani Perera has been appointed as an Independent Non-Executive Director of the Company with effect from 16 August 2020.
- Mr P A J Jayawardena, Non-Executive Director stepped down from the Board with effect from 25 October 2020 due reaching 09 years of service.
- Mr Sujeewa Kumarapperuma has been appointed as a Non-Executive Director of the Company with effect from 25 October 2020. Mr Ranga Abeynayake, Non-Executive Director and Chairman of the Board stepped down on completing 9 years of service with effect from 31 December 2020.
- Mr J R A Corera, Non-Executive Independent Director has been appointed as Chairman of the Board with effect from 31 December 2020.
- Mr E R S G S Hemachandra, has been appointed as Non-Executive Director of the Company with effect from 31 December 2020. Prof Ajantha Sujeewa Dharmasiri, Independent Non-Executive Director stepped down on completing 9 years of service with effect from 31 January 2021.
- Prof Prasadani Naganika Gamage has been appointed as an Independent Non-Executive Director of the Company with effect from 31 January 2021.

45.3 Transactions with other related entities

Other related entities include significant investors that have nominated Board members or having common directorships with CDB and their respective entity.

Related company	Holding %	Common Directors	Nature of transaction	2021 Rs. '000	2020 Rs. '000
Ceylinco Life Insurance Limited	34.66	Mr S R Abenayake (Retired with effect from 31 December 2020)	As at 31 March		
			Loans and receivables	**–**	–
			Deposits	**–**	500,000
			Debentures	**–**	–
			Other liabilities	**–**	–
			Commitments and contingencies	**–**	–
			Total	**–**	500,000

Related company	Holding %	Common Directors	Nature of transaction	2021 Rs. '000	2020 Rs. '000
Asset Capital Venture (Private) Limited	N/A	Following 6 executive directors have majority stake of Assets Capital Venture (Pvt) Limited. C M Nanayakkara, T M D P Tennakoon, R H Abeygoonawardena, S V Munasighe, D A De Silva, E Karthik	As at 31 March		
			Loans and receivables	–	–
			Deposits	–	–
			Debentures	–	–
			Other liabilities	1,853	–
			Commitments and contingencies	–	–
			Cost of services obtained	15,748	–
			Total	17,601	–

46. Litigation against the Company

ACCOUNTING POLICY

Litigation is a common occurrence in the financial services industry due to the nature of the business undertaken. Provision for legal matters typically require a higher degree of judgement. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty involved. Company 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 Company make adjustments to the accounts for any adverse effect, if any, which the claim may have on Company's financial position. As at the reporting date Company had unresolved legal claim as explained below. The significant unresolved legal claims against the Company for which legal advisor of the Company is of the opinion that there is a probability that the action will not succeed. Accordingly no provision has been made in these Financial Statements.

A. Court action has been filed by a customer in Anuradhapura District Court bearing no 26288/M for the amount of Rs.16,952,175/- citing CDB as the second and third defendant. The case is fixed for Trial on 05 July 2021.

B. Court action has been filed by a customer in Commercial High Court bearing No. CHC505/15/MR for the amount of Rs.8,000,000/- citing CDB as the defendant. The case is fixed for Trial on 04 June 2021.

C. Court action has been filed by a customer in Commercial High Court bearing No. CHC 88/16/MR for the amount of Rs. 10,400,000/- citing CDB as the defendant. The case is fixed for trial on 13 July 2021.

D. Court action has been filed by a customer in Anuradhapura District Court bearing No. 27744/M for the amount of Rs. 2,000,000/- citing CDB as the second defendant. The case is fixed for Trial on 05 July 2021.

E. Court action has been filed by a customer in Commercial High Court bearing No. CHC 136/2016/MR for the amount of Rs. 20,000,000/- citing CDB as the defendant. The case is fixed for trial on 30 April 2021.

F. Court action has been filed by two customers jointly in Anuradhapura District Court bearing No. 27815/M for the amount of Rs.6,600,000/- citing CDB as the fifth defendant. The case is fixed for Trial on 05 July 2021.

G. Court action has been filed by a customer in Anuradhapura District Court bearing No. 27816/M for the amount of Rs. 4,700,000/- citing CDB as the fifth defendant. The case is fixed for Trial on 05 July 2021.

H. Court action has been filled by a third party in Colombo District Court bearing No. CLM156/15 for the amount of Rs. 45 Mn in relation to a land purchased by CDB requiring to restore the purchase transaction in to its original position. This case is laid by until a decision is arrived in Case No. WP/HCCA/COL/128/2017/LA.

I. There are 08 pending cases bearing DSP37/13 and DSP 14/16 in the District Court of Kandy, DSP 513/15 in the District Court of Colombo, MR 552 in the District Court of Dambulla, 597/17M in the District Court of Jaffna, 28947M in the District Court of Anuradhapura, 2371/19/ Claim in the District Court of Horana and CL/148 in the District Court of Chilaw relating to lending facilities claiming a total sum of Rs. 14,282,000/- which are at the hearing stage.

J. There is a case bearing No. SPL/4725 in the District Court of Kalutara and Cases bearing Nos. 8389/M/20 and 8388/M/20 in the District Court of Mount Lavinia in which CDB has been made a Defendant due to an accident caused by a vehicle leased by CDB claiming a sum of Rs. 20 Mn and in Case No. HCR/21/2019 in the High Court of Kurunegala, CDB has been cited as the third Defendant for transportation of illegal goods in the vehicle leased by CDB.

K. In Case No. DTR/08/2018 in the District Court of Colombo settlement terms have been entered and in HCR/18/2019 in the High Court of Kurunegala which has been filed for transportation of illegal goods in the vehicle leased by CDB, we do not have any interest in the matter, as the lending facility is settled in full.

Other than matters disclosed above there were no material capital commitments and contingent liabilities that require adjustment to or disclosure in the Financial Statements as at the reporting date.

47. Events that occurred after the reporting date

ACCOUNTING POLICY

Events after the reporting date are those favourable and unfavourable events that occur between the reporting date and the date when Financial Statements are authorised for issue.

All material events after the reporting date have been considered and where appropriate adjustments to/or disclosures have been made in the respective Notes to the Financial Statements.

Dividend payable

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

Dividends for the year that are approved after the Reporting date are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard 10 – (LKAS 10) "Events after the Reporting Period".

Share option plan

Board of Directors of the Company has duly resolved to establish an employee share option plan to grant total number of share options of 2,972,454 ordinary voting shares for the period commencing from 1 September 2021 to 1 September 2023. The scheme is subject to approval of the shareholders and Colombo Stock Exchange.

Proposed dividend

The Board has proposed a first and final cash dividend of Rs. 7.50 per share for its voting and non-voting shares for the year ended 31 March 2021.

48. Segmental analysis

ACCOUNTING POLICY

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Reportable segments

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria:

its reported revenue, from both external customers and inter segment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; or

the absolute measure of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or its assets are 10% or more of the combined assets of all operating segments.

Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principles of the standard, the segments have similar economic characteristics and are similar in various prescribed respects.

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments must be identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75% of the entity's revenue is included in reportable segments.

For the Management purposes, the Group has identified four operating segments based on products and services, as follows:

- Leasing and stock out on hire
- Loans and advances
- Others

ACCOUNTING POLICY

Operating segment	Type of the product and services offered
Leasing and stock out on hire	Finance lease business and hire purchases of the Company as well as its subsidiaries included here.
Loans and advances	Loans and advances given to customers other than leasing and hire purchases of the Company as well as its subsidiaries included here.
Others	Other products and services which is not included in above two segments included here.

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Consolidated financial Statements. Income taxes are managed on a Group basis and are not allocated to operating segments.

The following tables presents the income, profit, asset and liability information on the Company's strategic business divisions for the year ended 31 March 2020 and comparative figures.

As at 31 March	Lease and stock out on hire		Loans and advances		Other		Total	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Interest income	**10,476,518**	11,459,010	**3,833,674**	3,272,658	**567,049**	905,165	**14,877,242**	15,636,833
Non-interest income							**1,745,549**	1,726,152
Segmented revenue	**10,476,518**	11,459,010	**3,833,674**	3,272,658	**567,049**	905,165	**16,622,791**	17,362,985
Interest cost							**7,282,499**	8,998,331
Charges for impairment and other credit losses							**1,421,500**	1,552,731
Segment contribution							**7,918,792**	6,811,923
Depreciation and amortisation	**296,511**	314,716	**108,502**	89,882	**16,049**	24,860	**421,062**	429,458
Unallocated expenses							**3,408,775**	3,651,433
Taxes on financial services							**622,001**	459,109
Profit from before tax							**3,466,953**	2,271,923
Income tax expenses							**909,999**	434,873
Profit for the year							**2,556,954**	1,837,050
Segment assets	**51,224,920**	50,389,517	**23,513,216**	21,342,272	**10,844,632**	11,775,948	**85,582,768**	83,507,737
Additions of property, plan and equipment during the year	**219,459**	485,434	**100,736**	205,604	**46,461**	113,445	**366,656**	804,483
Unallocated assets							**8,381,545**	8,882,929
Total assets	**51,444,379**	50,874,951	**23,613,952**	21,547,876	**10,891,093**	11,889,393	**94,330,969**	93,195,149

49. Maturity analysis

ACCOUNTING POLICY

The Company has disclosed an analysis of assets and liabilities in to 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 is detailed below:

Maturity analysis as at 31 March 2021

Assets/Liabilities	Note	Maturity period				
		Up to 1 month Rs. '000	2-3 months Rs. '000	4-6 months Rs. '000	7-12 months Rs. '000	13-24 months Rs. '000
Assets						
Cash and cash equivalents	20	2,090,509				
Financial assets measured at FVTPL	21	160,639				
Derivative financial assets	32	198,046				
Loans and receivables to banks	22	2,966,711				
Deposits with financial institutions	23	260,701	234,789	2,230,923	276,861	
Loans and receivables to customers	24	14,381,577	4,490,600	5,763,313	9,550,898	16,052,420
Other investment securities	25	985,553				
Investment property	26					
Property, plant and equipment	27					
Intangible assets	28					
Goodwill on amalgamation	29					
Right of use asset	30	15,350	30,181	44,644	88,874	159,212
Other assets	31	830,671	1,364,354	1,160,599	559,682	
Total assets		21,889,757	6,119,925	9,199,478	10,476,315	16,265,947
Percentage of total assets (%)		23.21	6.49%	9.75%	11.11%	17.24%
Cumulative percentage (%)		23.21	29.69%	39.45%	50.55%	67.79%
Liabilities						
Derivative financial liabilities	32	13,142				
Deposits from customers	33	7,252,673	6,991,270	9,253,133	14,167,801	6,047,317
Debt securities issued	34		1,017,363			
Other interest-bearing borrowings	35	942,102	2,403,442	1,898,359	3,196,861	6,840,204
Lease liabilities	30	15,613	30,699	45,410	90,399	161,945
Current tax liabilities	36		1,220,992			
Deferred tax liabilities	37	55,029	18,732	26,742	50,623	88,474
Retirement benefit obligation	38		9,098			
Other liabilities	39	546,132	163,574	838,779	490,724	
Total liabilities		8,824,692	11,855,171	12,062,423	17,996,408	13,137,939
Shareholders' funds						
Stated capital	40					
Reserves	41					
Retained earnings	42					
Total equity						
Total equity and liabilities		8,824,692	11,855,170	12,062,423	17,996,406	13,137,939
Percentage of total liabilities and equity (%)		9.36	12.57	12.79	19.08	13.93
Cumulative percentage (%)		9.36	21.92	34.71	53.79	67.72
Maturity gap		13,065,066	(5,735,245)	(2,862,945)	(7,520,091)	3,128,008
Cumulative gap		13,065,066	7,329,820	4,466,875	(3,053,216)	74,792
Asset/Liability gap – Cumulative percentage (%)		13.85	7.77	4.74	-3.24	0.08

Maturity period					
25-36 months Rs. '000	37-60 months Rs. '000	More than 60 months Rs. '000	Unclassified Rs. '000	Total Rs. '000	Assets/Liabilities
					Assets
				2,090,509	Cash and cash equivalents
				160,639	Financial assets measured at FVTPL
				198,046	
				2,966,711	Loans and receivables to banks
				3,003,275	Deposits with financial institutions
11,839,046	7,758,121	5,222,356	–	75,058,331	Loans and receivables to customers
			1,630,090	2,669,959	Other investment securities
			20,198	20,198	Investment property
			3,090,338	3,090,338	Property, plant and equipment
			116,476	116,476	Intangible assets
			244,180	244,180	Goodwill on amalgamation
131,908	159,903	166,930	–	797,001	Right of use asset
				3,915,306	Other assets
11,970,954	7,918,024	5,389,286	5,101,281	94,330,969	**Total assets**
12.69	8.39	5.71	5.41		**Percentage of total assets (%)**
80.49	88.88	94.59	100.00		**Cumulative percentage (%)**
					Liabilities
				13,142	Derivative financial liabilities
2,408,926	2,801,848	76,373		48,999,341	Deposits from customers
2,978,606	1,093,869			5,089,839	Debt securities issued
4,399,028	826,667	1,213,323		21,719,986	Other interest-bearing borrowings
134,172	162,648	169,795		810,682	Lease liabilities
				1,220,992	Current tax liabilities
65,288	42,787	28,787		376,460	Deferred tax liabilities
				9,098	Retirement benefit obligation
				2,039,209	Other liabilities
9,986,020	4,927,818	1,488,279		80,278,749	**Total liabilities**
					Shareholders' funds
			2,350,363	2,350,363	Stated capital
			2,495,581	2,495,581	Reserves
			9,206,276	9,206,276	Retained earnings
			14,052,220	14,052,220	**Total equity**
9,986,020	4,927,818	1,488,279	14,052,220	94,330,969	**Total equity and liabilities**
10.59	5.22	1.58	14.90		**Percentage of total liabilities and equity (%)**
78.30	83.53	85.10	100.00%		**Cumulative percentage (%)**
1,984,934	2,990,205	3,901,007	(8,950,939)		**Maturity gap**
2,059,726	5,049,931	8,950,939	–		**Cumulative gap**
2.18	5.35	9.49	0.00		Asset/Liability gap – Cumulative percentage (%)

Maturity analysis as at 31 March 2020

Assets/Liabilities	Note	Maturity period Up to 1 month Rs. '000	2-3 months Rs. '000	4-6 months Rs. '000	7-12 months Rs. '000	13-24 months Rs. '000
Assets						
Cash and cash equivalents	20	1,391,919				
Financial assets measured at FVTPL	21	56,442				
Loans and receivables to banks	22	3,691,374				
Deposits with financial institutions	23	456,525	1,014,921	1,254,878	1,661,140	
Loans and receivables to customers	24	11,721,492	3,537,550	4,980,307	9,488,963	16,348,112
Other investment securities	25	267,533	127,862		468,499	62,615
Investment property	26					
Property, plant and equipment	27					
Intangible assets	28					
Goodwill on amalgamation	29					
Right of use asset	30	14,920	29,840	44,598	86,248	164,173
Other assets	31	1,155,670	1,437,958	1,286,774	853,890	
Total assets		18,755,875	6,148,131	7,566,557	12,558,740	16,574,900
Percentage of total assets (%)		20.13	6.60	8.12	13.48	17.79
Cumulative percentage (%)		20.13	26.72	34.84	48.32	66.10
Liabilities						
Derivative financial liabilities	32	60,440				
Deposits from customers	33	7,563,735	7,552,346	7,498,688	12,694,697	5,056,932
Debt securities issued	34					1,017,815
Other interest-bearing borrowings	35	2,885,871	2,461,522	2,410,678	4,286,612	6,582,999
Lease liabilities	30	14,273	28,546	42,663	82,505	157,051
Current tax liabilities	36		1,603,146			
Deferred tax liabilities	37	23,102	32,257	46,976	89,558	159,806
Retirement benefit obligation	38		28,931			
Other liabilities	39	808,822	214,425	963,084	643,273	
Total liabilities		11,356,243	11,921,173	10,962,089	17,796,645	12,974,603
Shareholders' funds						
Stated capital	40					
Reserves	41					
Retained earnings	42					
Total equity						
Total equity and liabilities		11,356,243	11,921,173	10,962,089	17,796,645	12,974,603
Percentage of total liabilities and equity (%)		12.19	12.79	11.76	19.10	13.92
Cumulative percentage (%)		12.19	24.98	36.74	55.84	69.76
Maturity gap		7,399,632	(5,773,042)	(3,395,532)	(5,237,905)	3,600,297
Cumulative gap		7,399,632	1,626,590	(1,768,942)	(7,006,847)	(3,406,550)
Asset/Liability gap – Cumulative percentage (%)		7.94	1.75	-1.90	-7.52	-3.66

Maturity period					
25-36 months Rs. '000	37-60 months Rs. '000	More than 60 months Rs. '000	Unclassified Rs. '000	Total Rs. '000	Assets/Liabilities
					Assets
				1,391,919	Cash and cash equivalents
				56,442	Financial assets measured at FVTPL
				3,691,374	Loans and receivables to banks
				4,387,464	Deposits with financial institutions
13,010,430	11,728,418	1,607,555		72,422,827	Loans and receivables to customers
43,426			1,392,259	2,362,194	Other investment securities
			20,198	20,198	Investment property
			2,950,554	2,950,554	Property, plant and equipment
			92,837	92,837	Intangible assets
			244,180	244,180	Goodwill on amalgamation
137,649	175,225	188,215		840,868	Right of use asset
				4,734,292	Other assets
13,191,505	11,903,643	1,795,770	4,700,028	93,195,149	**Total assets**
14.15	12.77	1.93	5.04		**Percentage of total assets (%)**
80.26	93.03	94.96	100.00		**Cumulative percentage (%)**
					Liabilities
				60,440	Derivative financial liabilities
1,119,069	1,753,554	66,754		43,305,775	Deposits from customers
	4,074,281			5,092,096	Debt securities issued
5,573,287	3,304,167			27,505,136	Other interest-bearing borrowings
131,678	167,624	180,050		804,390	Lease liabilities
				1,603,146	Current tax liabilities
127,204	114,668	15,700		609,271	Deferred tax liabilities
				28,931	Retirement benefit obligation
				2,629,604	Other liabilities
6,951,238	9,414,294	262,504		81,638,789	**Total liabilities**
					Shareholders' funds
			2,350,363	2,350,363	Stated capital
			2,301,317	2,301,317	Reserves
			6,904,680	6,904,680	Retained earnings
			11,556,360	11,556,360	**Total equity**
6,951,238	9,414,294	262,504	11,556,360	93,195,149	**Total equity and liabilities**
7.46	10.10	0.28	12.40		**Percentage of total liabilities and equity (%)**
77.22	87.32	87.60	100.00		**Cumulative percentage (%)**
6,240,267	2,489,349	1,533,266	(6,856,332)		**Maturity gap**
2,833,717	5,323,066	6,856,332			**Cumulative gap**
3.04	5.71	7.36	0.00	0.00	Asset/Liability gap – Cumulative percentage (%)

50. Comparative information

ACCOUNTING POLICY

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous periods for all the amounts reported in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

Comparative information is reclassified whenever necessary to conform with the current year's classification in order to provide better presentation.

Statement of financial position

Unisons Capital Leasing Limited and Fortune Properties Limited have been amalgamated with Citizens Development Business Finance PLC in accordance with the provisions of Part VIII of the Companies Act, No. 07 of 2007 and Citizens Development Business Finance PLC surviving as the amalgamated entity.

Further as per the requirements Statement of Recommended Practice (SORP): Merger Accounting for Common Control Combinations issued by The Institute of Chartered Accountants, comparative information for the year ended 31 March 2020 and 1 April 2019 have been restated to reflect the effect of amalgamation.

51. Financial risk management

FINANCIAL RISK MANAGEMENT FRAMEWORK

Introduction and overview

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Company Integrated Risk Management Committee (IRMC), which is responsible for developing and monitoring Company's risk management policies.

The Company's board risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how Management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Board Audit Committee is assisted in its oversight role by internal audit division. Internal audit division undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company Board Audit Committee.

The Company has exposure to the following risks from the financial instruments:

A. Credit risk

B. Liquidity risk

C. Market risk

D. Operational risk

This Note presents the information about the Company's objectives, policies and processes for measuring and managing risk.

The Impact of COVID-19

On 11 March 2020 World Health Organisation ("WHO") declared COVID-19 as a global pandemic and since the outbreak continues to spread Sri Lankan Government also resorted to varying levels of public health measures, including movement restrictions, nationwide curfews, travel bans and border closures to tackle the pandemic. These measures are having a huge impact on people's lives, families and communities whilst having significant consequences on national economies and global trade. Coronavirus disrupts global supply chains, distribution channels and demand. However these data signals a higher possibility of a global recession.

During the period of lockdown and movement restrictions, we ensured to adhere to Government guidelines and directives issued from time to time whilst deploying technology solutions to ensure continuity of the business and also adopting work from home arragements. We continuously engaged with our customers with our digital financial services platform (CDBiNet), our 24X7X365 call centre, ATM access, credit and debit cards and other social media channels to ensure uninterrupted engagement with our customers and other connected parties during the curfew period.

FINANCIAL RISK MANAGEMENT FRAMEWORK

The government and the Central bank decided to introduce number of relief measures to support businesses and individuals affected by the outbreak of COVID-19 which includes deferment of repayment terms under debt moratorium, offering concessionary interest rates to eligible loan products and waiving off certain fees and charges. On the other hand Central Bank of Sri Lanka (CBSL) decided to introduce number of measures to provide flexibility to NBFIs including relaxation of regulatory requirements as well.

Accordingly the Company has taken all the relief measures in line with the directives issued by Central Bank of Sri Lanka.

Future outlook and going concern

According to Fitch Ratings Lanka Limited the coronavirus outbreak and the resultant prolonged business disruptions will put additional pressure and bring multiple challenges on Sri Lankan finance and leasing companies' (FLCs) in terms of profitability, asset quality, muted loan growth, margin compression and lower interest rates, and rising loan-impairment charges due to asset-quality pressures. The ultimate economic and financial market implications of the outbreak are unclear and estimating the exact impact COVID-19 is a challenge. Simply, there are too many unknowns such as rate of infection and immunity, policy response, demand-supply dynamics, reaction of firms etc. However, with the support of Company's Enterprise Risk Management Framework the Company is proactively analysing various possible scenarios in a more descriptive manner.

During the preparation of financial statements for the year ended 31 March 2021 management has made an assessment of an entity's ability to continue as a going concern using the all available information about the future and capturing the current economic uncertainties and market volatility caused by the COVID-19 outbreak. When making that assessment, management considered the existing and anticipated effects of the COVID-19 outbreak on the entity's business activities considering the measures taken by the government and central bank to provide relief to affected entities and relaxation of regulatory requirements. During this exercise Management has paid special attention to below factors

- Management has used best estimates to identify the risk factors in different possible outcomes in current economic uncertainty and market volatility caused by the COVID-19 outbreak
- Evaluation of plans to mitigate events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Assessment of the availability of finance and ensure these plans are achievable and realistic despite of having difficulties in collections of dues and the difficulties in getting funding lines from banks and other financial institutions. Based on the assessment conducted it was concluded that the Company was able to maintain a stable liquidity position and safeguard the interest of the stakeholders.

The Company has made the assessment of going concern considering a wide range of factors in multiple scenarios such as best case, most likely and worst case. The major factors include retention and renewal of deposits, relaxation of regulatory aspects, profitability based on income and cost management projections, excess liquidity, strengthening recovery actions, undrawn loan facilities and potential funding lines.

Having evaluated the above by the Management concludes that the Company has adequate resources to continue as a going concern and the Company is monitoring the impacts on its operations arising in post COVID environment.

Financial reporting impact due to COVID-19

Guidance notes on accounting considerations of the COVID-19 outbreak issued by Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) had provided following measures which have been applied in preparation of comparative financial statements as at 31 March 2020;

Expected credit loss assessment

Company has used Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment computed in 31 December 2019 to assess the expected credit losses as at 31 March 2020 due to uncertainties and lack of sufficient information available to make any adjustments to factor the impact of COVID-19. However the Company has increased the weightage assigned to worst case scenario as at 31 March 2020 to capture potential impact of COVID-19.

Reclassification of debt and equity portfolios

As per the guidelines issued by CA Sri Lanka a one off option has provided to reclassify equity portfolio as at 1 January 2020. Accordingly the Company has reclassified equity portfolio held under fair value through profit or loss to fair value through other comprehensive income.

Fair value measurement of Financial Assets

As per the guidelines issued by CA Sri Lanka and the provisions in SLFRS 13 – Fair value measurement, there is an impossibility to derive the fair value of financial assets as at 31 March 2020 due to unavailability of reliable information and distress prices. Accordingly alternative valuation technique was used when determining the market prices of equity securities as at 31 March 2020.

New measures taken by the Company under risk management consideration due to the impact of COVID-19 is disclosed in the Note 51 to the Financial Statements.

A. 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 receivables to customers and other banks, and investment debt securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk including contingent or potential credit exposure (such as individual obligor default risk, country and sector risk).

The market risk in respect of changes in value in trading assets arising from changes in market credit spreads is managed as a component of market risk; for further details,see (C) below.

The COVID-19 has caused interruptions in economic activities and this has caused financial stress among our lending customers in the short term. Management has already granted debt moratoriums and other reliefs for affected customers as per CBSL directions and have strengthened the recovery process to ensure customers who were not affected by COVID-19 are paid their dues in regular manner.

Management has already identified some economic segments like tourism and apparel which are badly affected and the Company is comfortable with the existing sector concentration and will avoid accumulation of exposures to risky economic sectors.

i. Settlement risk

The Company's activities may give rise to risk at the time of settlement of transactions and trades. "Settlement risk" is the risk of loss due to the failure of an entity to honour its obligation to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Company mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from the Company risk committee.

ii. Management of credit risk

The principal objective of risk management is to maintain strong risk culture across the Company which is responsible for leading and robust risk policies and control framework to reinforcement and challenge in defining, implementing and controlling evaluating our risk appetite under both actual and simulated scenarios and to establish independent evaluation of cost and their mitigation.

In order to achieve this the Board of Directors has delegated responsibility for the oversight of credit risk of the Company to Delegated Credit Committee (DCC).

A separate Credit evaluation department, reporting to the Company Credit Committee, is responsible for managing the Company's credit risk, including the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Company credit, the Head of Company credit, the Company Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk: Company Credit Committee assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and receivables, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Company Credit Committee, which may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Company is required to implement Company credit policies and procedures, with credit approval authorities delegated from the Company Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit-related matters to local management and the Company Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Company credit processes are undertaken by internal audit.

B. LIQUIDITY RISK

"Liquidity risk" is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

i. Management of liquidity risk

The objective of the Company's liquidity risk management framework is to ensure that the Company can fulfill its payment obligations at all times and can manage liquidity and funding risk within risk appetite.

The Company's Board of Directors sets the Company's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to Asset and Liability Committee (ALCO). ALCO approves the Company's liquidity policies and procedures. Treasury manages the Company's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Company and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

FINANCIAL RISK MANAGEMENT FRAMEWORK

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The key elements of the Company's liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Company's financial assets and financial liabilities, and the extent to which the Company's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the Company's liquidity position.

Central Treasury receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Central Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Company as a whole. The liquidity requirements of business units and subsidiaries are met through loans from Central Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

If an operating subsidiary or branch is subject to a liquidity limit imposed by its local regulator, then the subsidiary or branch is responsible for managing its overall liquidity within the regulatory limit in coordination with Central Treasury. Central Treasury monitors compliance of all operating subsidiaries with local regulatory limits on daily basis.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Company specific events (e.g., a rating downgrade) and market-related events (e.g., prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes).

With COVID-19 pandemic, the Company has established more firm process to manage liquidity with the close supervision of Assets and Liability Management Committee (ALCO). Company closely monitoring the latest impact arsing in post COVID environment and continued to keep its risk management measures to respond these changing circumstances. The Company is comfortable with its existing buffer of liquid assets and funding lines available at the moment. ALCO closely monitors asset liability compositions ongoing basis to response any resulting risk while mitigating any adverse effect.

C. MARKET RISK

"Market risk" is the risk that changes in market prices – such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Company's income or the value of its holdings of financial instruments.

i. Management of market risk

The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Company's solvency while optimising the return on risk.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risking aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The Company Market Risk Committee is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

ii . Exposure to market risk

The principal risk to which portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Central Treasury in its day-to-day monitoring activities. Equity price risk is subject to regular monitoring by Company market risk, but is not currently significant in relation to the overall results and financial position of the Company. In respect of foreign currency, the Company monitors any concentration risk in relation to any individual currency with regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of the Company.

D. OPERATIONAL RISK

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

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

FINANCIAL RISK MANAGEMENT FRAMEWORK

The Board of Directors has delegated responsibility for operational risk to its Company Operational Risk Committee, which is responsible for the development and implementation of controls to address operational risk.

This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is cost effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the Company Operational Risk Committee, with summaries submitted to the Audit Committee and Senior Management of the Company.

Interest rates due to COVID-19 outbreak

The Management of the Company is closely analysing the impact on net interest margin resulting from relief measures announced by CBSL to support businesses and individuals affected due to COVID-19 outbreak.

Exchange rates due to COVID-19 outbreak

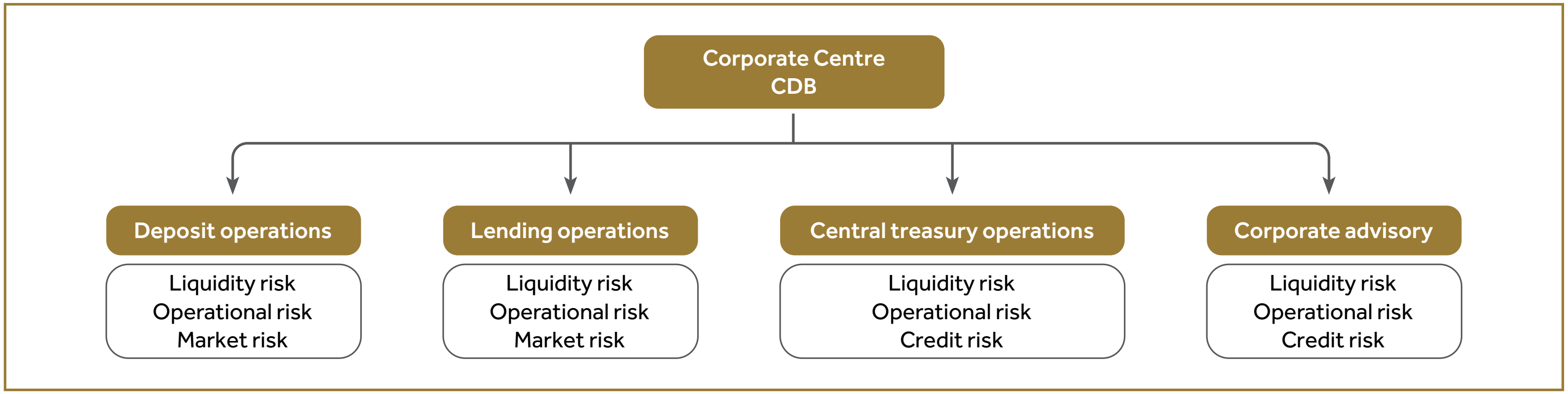
The Sri Lankan Rupee recorder a sharp depreciation against the US Dollar in March 2021 after the pandemic management analyses the impact on foreign exchange movement on regular basis.

Equity prices due to COVID-19 outbreak

The economic fallout and closure of the share market due to COVID-19 pandemic resulted in dynamic changes in share market indexes. However, indexes are gradually recovering and management is monitoring the equity price movements on regular basis.

Integrated risk management division

Primarily, business divisions and respective risk owners are responsible for risk management. The risk management division acts as the Second Line of Defence in managing the risks faced by the Company. Division has taken leadership in building a strong risk culture which is embedded through clear and consistent communication and appropriate training for all employees. Chief Risk Officer reports risk identified through robust risk reporting tool, risk measurement techniques, stress testing and other risk measures to the Corporate Management Team.



Financial risk review of the Company

This presents information about the Company's exposure to financial risks and the Company's management of capital.

A. Credit risk

A.I Credit quality analysis

The tables below sets out information about the credit quality of financial assets held by Company 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

Stage 1:12 months ECL

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

Stage 2: Lifetime ECL – Not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

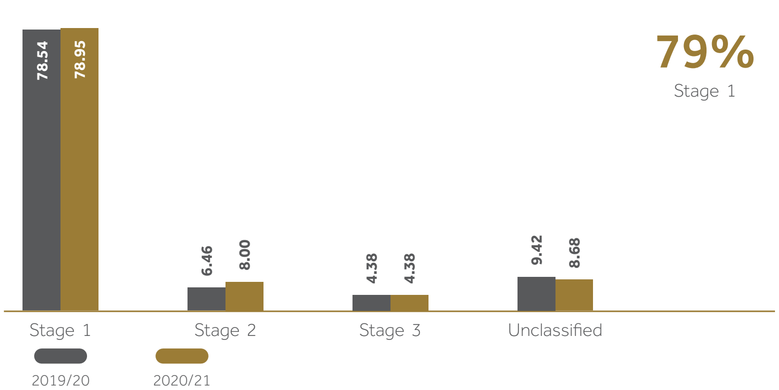
Stage 3: Lifetime ECL – Credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Table below shows the classification of assets and liabilities based on the above-mentioned three stage model:

	Note	12 months ECL Rs. '000	Life Time ECL – Not credit impaired Rs. '000	Life time ECL – Credit impaired Rs. '000	Unclassified Rs. '000	Total Rs. '000
As at 31 March 2021						
Cash and cash equivalents	20	**2,090,509**				**2,090,509**
Financial assets measured at FVTPL	21	**160,639**				**160,639**
Derivative financial assets		**198,046**				**198,046**
Loans and receivables to banks	22	**2,966,711**				**2,966,711**
Deposits with financial institutions	23	**3,003,275**				**3,003,275**
Loans and receivables to customers	24	**63,385,093**	**7,545,029**	**4,128,209**		**75,058,331**
Other investment securities	25	**2,669,959**				**2,669,959**
Other non-financial assets		**–**			**8,183,499**	**8,183,499**
Total assets		**74,474,232**	**7,545,029**	**4,128,209**	**8,183,499**	**94,330,969**
As at 31 March 2020						
Cash and cash equivalents	20	1,391,919				1,391,919
Financial assets measured at FVTPL	21	56,442				56,442
Loans and receivables to banks	22	3,691,374				3,691,374
Deposits with financial institutions	23	4,387,464				4,387,464
Loans and receivables to customers	24	62,197,923	6,093,805	4,131,099		72,422,827
Other investment securities	25	2,362,194				2,362,194
Other non-financial assets					8,882,929	
Total assets		74,087,316	6,093,805	4,131,099	8,882,929	93,195,149

STAGE-WISE ANALYSIS OF TOTAL ASSETS %



Amounts arising from Expected Credit Losses (ECL)

This note highlights inputs, assumptions, and techniques used for estimating expected credit losses (ECL) as per SLFRS 9 – "Financial Instruments".

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable 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 Company historical experience and expert credit assessment and including forward-looking information.

Credit risk

Assessment of credit risk is based on a variety of data by applying experienced credit judgement. Credit risk is evaluated using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is assessed at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade based on 3-stage model. The monitoring typically involves use of the following data:

Corporate exposures	Retail exposures	All exposures
Information obtained during periodic review of customer files – e.g. Audited financial statements, management accounts, budgets and projections.	Internally collected data on customer behaviour	Payment record – this includes overdue status as well as a range of variables about payment ratios
Data from credit reference agencies, press articles, changes in external credit ratings	Affordability metrics	Requests for and granting of for bearance
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	External data from credit reference agencies including industry-standard credit scores	Existing and forecast changes in business, financial and economic conditions

Due to the implications of moratorium/ debt concessionary schemes on PDs and LDGs (due to limited movements to Stage 2 and 3), adjustments have been made as overlays based on stress testing and historic patters to better reflect the adequacy of ECL.

Generating the term structure of probability of default (PD)

Days past due has taken as the primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by the type of product and the borrower. For some portfolios, information gathered from external credit agencies is also used. (Debt Investments)

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macroeconomic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default.

Using variety of external actual and forecasted information, the Company formulates a "base case" view of the future direction of relevant economic variables (GDP growth, inflation, interest rates and unemployment, with lag effect of these variables) as well as a representative range (Best Case and Worst Case) of other possible forecast scenarios. The Company then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

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". The criteria for determining whether credit risk has increased significantly vary by portfolio and include qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully-reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 60 days past due. 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 Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly by analysing both qualitative and based on the delinquency status before the modification of terms of the contract.

The Company renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default. Under the Company's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Company Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default.

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the borrower is past due more than 150 days on any material credit obligation to the Company. In determination of default the Company largely aligns with the regulatory definition of default.
- In assessing whether a borrower is in default, the Company 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 Company; 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.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Using variety of external actual and forecasted information, the Company formulates a "base case" view of the future direction of relevant economic variables as well as a representative range (Best Case and Worst Case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses. The Economic variables used by the Company based on the statistical significance include the followings:

Unemployment rate	Base case scenario along with two other scenarios has been used (Best Case and Worst Case)
Interest rate	
GDP Growth rate	
Inflation rate	

As at 31 March 2021, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to COVID-19 by using the economic forecast. The key consideration for probability weightings in the current period is the continuing impact of COVID-19.In addition to the base case forecast which reflects the negative economic consequences of COVID-19, greater weighting has been applied to the worst scenario given the Company's assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Measurement of ECL. Management overlays (including COVID-19 overlays) which add to the modelled ECL provision have been made for risks particular for risk elevated sectors identified by the Company.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Probability of Default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, product category and recovery costs of any collateral that is integral tthe financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at Default (EAD)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract. For some financial assets, EAD is determined by considering contractual cash flows, prepayments and other factors.

As described above, and subject to using a maximum of a 12 months PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The groupings are subject to regular review to ensure that exposures within a particular company remain appropriately homogeneous.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

Movements in allowance for expected credit losses (Stage transition)

	2021			
	Stage 1: 12 months ECL Rs. '000	Stage 2: Lifetime ECL not credit impaired Rs. '000	Stage 3: Lifetime ECL credit impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	557,606	457,235	1,652,338	2,667,179
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(160,232)	87,116	18,893	–
Transferred from lifetime ECL not credit impaired	102,833	(216,467)	21,868	–
Transferred from lifetime ECL credit impaired	57,399	129,351	(40,761)	–
Net measurement of loss allowance	(163,422)	103,246	1,134,132	1,073,956
Balance as at the end of the year	394,184	560,481	2,786,470	3,741,135

	2020			
	Stage 1: 12 months ECL Rs. '000	Stage 2: Lifetime ECL not credit impaired Rs. '000	Stage 3: Lifetime ECL credit impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	593,675	444,670	1,156,900	2,195,245
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(83,417)	63,358	20,059	–
Transferred from lifetime ECL not credit impaired	78,266	(155,910)	77,644	–
Transferred from lifetime ECL credit impaired	18,618	9,888	(28,506)	–
Net measurement of loss allowance	(49,536)	95,229	426,241	471,934
Balance as at the end of the year	557,606	457,235	1,652,338	2,667,179

Loans and receivables to customers – Credit grade based on delinquency

The following table shows the loans and receivables to customers based on delinquency and expected credit losses for each stage of loss allowances:

As at 31 March 2021	12 months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Grade 1 – Low risk	**35,384,588**			**35,384,588**
Grade 2 – Low risk	**11,316,907**			**11,316,907**
Grade 3 – Low risk	**10,998,609**			**10,998,609**
Grade 4 – Low risk	**6,079,173**			**6,079,173**
Grade 5 – Watch list		**4,054,254**		**4,054,254**
Grade 6 – Watch list		**2,204,201**		**2,204,201**
Grade 7 – Watch list		**1,847,055**		**1,847,055**
Grade 8 – Default			**6,914,679**	**6,914,679**
Gross loans and receivables to customers	**63,779,277**	**8,105,510**	**6,914,679**	**78,799,466**
Expected credit loss allowance	**(394,184)**	**(560,481)**	**(2,786,470)**	**(3,741,135)**
Net loans and receivables to customers	**63,385,093**	**7,545,029**	**4,128,209**	**75,058,331**

As at 31 March 2020	12 months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Grade 1 – Low risk	32,361,063			32,361,063
Grade 2 – Low risk	10,191,631			10,191,631
Grade 3 – Low risk	12,731,061			12,731,061
Grade 4 – Low risk	7,471,774			7,471,774
Grade 5 – Watch list		3,295,735		3,295,735
Grade 6 – Watch list		1,826,467		1,826,467

As at 31 March 2020	12 months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Grade 7 – Watch list		1,428,838		1,428,838
Grade 8 – Default			5,783,437	5,783,437
Gross loans and receivables to customers	62,755,529	6,551,040	5,783,437	75,090,006
Expected credit loss allowance	(557,606)	(457,235)	(1,652,338)	(2,667,179)
Net loans and receivables to customers	62,197,923	6,093,805	4,131,099	72,422,827

Stage transition on loans and receivables to customers

The following table shows the net loans and receivables to customers based on 3-stage approach:

As at 31 March 2021	12 months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Loans and receivables to customer				
Balance as at 1 April 2020	**62,197,923**	**6,093,805**	**4,131,099**	**72,422,827**
Changes due to loans and receivables recognised in opening balance that have –				
Transferred from 12 months ECL	**(10,749,182)**	**7,032,373**	**3,716,809**	**–**
Transferred from lifetime ECL not credit impaired	**1,150,825**	**(2,766,090)**	**1,615,265**	**–**
Transferred from lifetime ECL credit impaired	**92,107**	**105,637**	**(197,744)**	**–**
Financial assets that have been derecognised	**(12,425,520)**	**(1,449,116)**	**(896,304)**	**(14,770,940)**
Net change in expected credit loss allowance	**163,422**	**(103,246)**	**(1,134,132)**	**(1,073,956)**
Other net changes in portfolio	**22,955,518**	**(1,368,334)**	**(3,106,784)**	**22,955,518**
Balance as at 31 March 2021	**63,385,093**	**7,545,029**	**4,128,209**	**75,058,331**

As at 31 March 2020	12 months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Loans and receivables to customer				
Balance as at 1 April 2019	62,475,540	5,316,728	3,789,813	71,582,081
Changes due to loans and receivables recognised in opening balance that have –				
Transferred from 12 months ECL	(4,840,353)	3,758,637	1,081,716	–
Transferred from lifetime ECL not credit impaired	1,082,954	(1,992,423)	909,469	–
Transferred from lifetime ECL credit impaired	91,370	48,313	(139,683)	–
Financial assets that have been derecognised	(11,754,086)	(2,420,287)	(1,016,573)	(15,190,946)
Net change in expected credit loss allowance	49,536	(95,229)	(426,241)	(471,934)
Other net changes in portfolio	15,092,962	1,478,066	(67,402)	16,503,626
Balance as at 31 March 2020	62,197,923	6,093,805	4,131,099	72,422,827

Maximum exposure to credit risk – based on aging

Table below shows the maximum exposure to credit risk based on the aging of each instrument:

As at 31 March	Loans and receivables to customers 2021 Rs. '000	Loans and receivables to customers 2020 Rs. '000	Loans and receivables to banks 2021 Rs. '000	Loans and receivables to banks 2020 Rs. '000	Deposits with financial institutions 2021 Rs. '000	Deposits with financial institutions 2020 Rs. '000	Other investment securities and financial assets measured at FVTPL 2021 Rs. '000	Other investment securities and financial assets measured at FVTPL 2020 Rs. '000
Financial assets measured at amortised cost								
0-30 days	**46,701,495**	42,552,694	**2,966,711**	3,691,374	**3,003,536**	4,387,725	**2,669,960**	2,362,195
31-60 days	**10,998,609**	12,731,061						
61-90 days	**6,079,173**	7,471,774						
91-120 days	**4,054,254**	3,295,735						
121-150 days	**2,204,201**	1,826,467						
Above 150 days	**1,847,055**	1,428,838						
Above 180 Days	**6,914,679**	5,783,437						
Total gross amount	**78,799,466**	75,090,006	**2,966,711**	3,691,374	**3,003,536**	4,387,725	**2,669,960**	2,362,195
Allowance for impairment	**(3,741,135)**	(2,667,179)	**–**	–	**(261)**	(261)	**(1)**	(1)
Net carrying amount	**75,058,331**	72,422,827	**2,966,711**	3,691,374	**3,003,274**	4,387,464	**2,669,959**	2,362,194
Financial assets measured at FTVPL								
0 days							**160,639**	56,442
Total gross amount							**160,639**	1,687,004
Allowance for impairment	**–**	–	**–**	–	**–**	–	**–**	–
Net carrying amount							**160,639**	1,687,004
Maximum exposure	**75,058,331**	72,422,827	**2,966,711**	3,691,374	**3,003,275**	4,387,464	**2,830,598**	4,049,198

Age represents the period in days which any amount uncollected or due beyond their contractual due date. For rescheduled loans age is calculate based on the initial due date of the original contract.

A.II Impaired financial instruments

Impaired loans and receivables and other financial instruments

The Company regards a loan and receivable or a other financial instrument impaired when there is an objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s). As per SLFRS 9 – "Financial Instruments" stage three assets are considered as credit impaired.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Impaired financial instruments		
Loans and receivables to customers	**4,128,209**	4,131,099
Total credit impaired value	**4,128,209**	4,131,099

Loans and receivables with renegotiated terms and the Company's forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

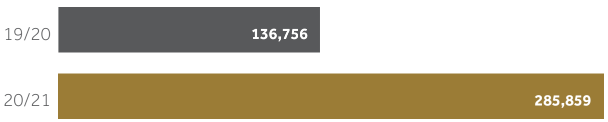
The Company renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default, there is evidence that the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

The table below set out information about the loans and receivables with renegotiated terms:

As at 31 March	2021 Rs. '000	2020 Rs. '000
Gross carrying amount	**285,859**	136,756
Total gross loans and receivables	**78,799,466**	75,090,006
Percentage of renegotiated loans (%)	**0.36**	0.18

RENEGOTIATED FACILITIES Rs. Mn.



0.36%
from total lending portfolio

Write-off policy

The Company writes-off a loan or an investment debt/equity security balance and any related allowances for impairment losses, when it determines that the loans security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status. The Company's policy is to pursue timely realisation of the collateral in an orderly manner.

A.III Collateral held and other credit enhancements

The Company holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against types of loans and receivables.

Collateral held

	Note	Percentage of exposure that is subject to collateral requirements 2021 %	2020 %	Type of collateral Held
Loans and receivables to banks				
Securities purchased under resale agreements	22	**100**	100	Marketable Securities
Loans and receivable to customers				
Lease and hiring contracts	24	**100**	100	Vehicles
Mortgage loan	24	**100**	100	Property and equipment
Personal loans and staff loans	24	**–**	–	Vehicles and guarantors
Loans against deposits	24	**100**	100	Lien deposits
Gold loans	24	**100**	100	Pawning articles
Margin trading	24	**100**	100	Equity securities

A.IV Concentration of credit risk

Company reviews on regular basis its concentration of credit granted in each of the products offered. The diversification was made to ensure that an acceptable level of risk in line with the risk appetite of the Company is maintained. The diversification decisions are made at the ALCO, where it sets targets and present strategies to the Management in optimising the diversification. The product development team of the Company is advised on the strategic decisions taken to diversify the portfolio to align their product development activities accordingly.

The Company monitors concentration of credit risk by product, by sector and by geographical location. An analysis of concentrations of credit risk of loan and receivable to customers and other financial investments is shown below:

Product concentration

The Company monitors concentration of credit risk by product categories and analysis is shown below:

As at 31 March	2021 Rs. '000	%	2020 Rs. '000	%
Leasing	**54,387,452**	**69.0**	52,898,212	70.4
Vehicle and term loans	**14,415,477**	**18.3**	14,854,004	19.8
Gold-related lending	**6,893,299**	**8.7**	4,687,708	6.2
Loans against deposits	**1,482,835**	**1.9**	1,524,697	2.0
Margin trading	**608,609**	**0.8**	153,767	0.2
Staff loans	**569,461**	**0.7**	567,573	0.8
Credit cards	**313,329**	**0.4**	196,342	0.3
Hire purchase	**91,855**	**0.1**	180,944	0.2
Other	**37,149**	**0.0**	26,759	0.0
Gross loans and receivables to customers	**78,799,466**		75,090,006	

PRODUCT CONCENTRATION %

Leasing	Vehicle and term loans	Gold-related lending
70.45%	**19.78%**	**6.24%**
Loans against deposits	**Margin trading**	**Staff loans**
2.03%	**0.20%**	**0.76%**
Credit Cards	**Hire purchase**	**Other**
0.26%	**0.24%**	**0.04%**

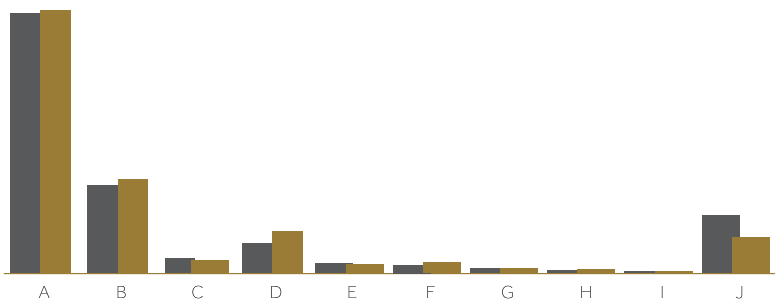
Leasing	Vehicle and term loans	Gold-related lending
69.02%	**18.29%**	**8.75%**
Loans against deposits	**Margin trading**	**Staff loans**
1.88%	**0.77%**	**0.72%**
Credit Cards	**Hire purchase**	**Other**
0.40%	**0.12%**	**0.05%**

Asset concentration

The Company monitors concentration of credit risk by asset categories and an analysis is shown below:

As at 31 March	2021 Rs. '000	%	2020 Rs. '000	%
Motor cars and other light vehicles	**43,635,257**	**55.4**	41,149,370	54.8
Three wheelers	**15,513,782**	**19.7**	13,780,660	18.4
Motor lorries and other heavy vehicles	**2,066,940**	**2.6**	2,372,641	3.2
Gold articles	**6,893,299**	**8.7**	4,687,708	6.2
Loans against deposits	**1,482,835**	**1.9**	1,524,697	2.0
Motor cycle	**1,751,245**	**2.2**	931,087	1.2
Mini trucks	**681,294**	**0.9**	698,468	0.9
Motor buses and motor coach	**527,387**	**0.7**	506,749	0.7
Machineries	**333,112**	**0.4**	333,215	0.4
Other	**5,914,315**	**7.5**	9,105,412	12.1
Gross loans and receivables to customers	**78,799,466**		75,090,006	

ASSET CONCENTRATION %



2019/20 2020/21

A – Motor cars and other light vehicles
B – Three wheelers
C – Motor lorries and other heavy vehicles
D – Gold articles
E – Loans against deposits
F – Motor Cycles
G – Mini trucks
H – Motor buses and motor coaches
I – Machinery
J Other

Geographical concentration

Company reviews its geographical diversification on regular basis at the ALCO and sets long-term target in achieving a geographically well-diversified credit portfolio. Company's strategy on geographical diversification was executed through the establishment of a distribution network for the Company. The geographical concentration is considered when selecting prospective locations for new branches as well. The credit concentration of the economy is mostly affected by the wealth distribution of the country where high concentration was seen in the Western Province.

As at 31 March	2021 Rs. '000	%	2020 Rs. '000	%
Western	**36,645,005**	**46.5**	36,279,118	48.3
North Western	**10,990,642**	**13.9**	10,522,697	14.0
Central	**9,332,493**	**11.8**	8,541,664	11.4
Sabaragamuwa	**7,373,340**	**9.4**	6,632,282	8.8
Southern	**5,632,252**	**7.1**	5,166,111	6.9
North Central	**3,175,664**	**4.0**	2,803,863	3.7
Uva	**3,165,408**	**4.0**	2,782,727	3.7
Eastern	**1,702,590**	**2.2**	1,513,454	2.0
North	**782,072**	**1.0**	848,090	1.1
Gross loans and receivables to customers	**78,799,466**		75,090,006	

Sector-wise analysis of credit exposures

Company manages its credit exposure to a single industry by regularly reviewing the portfolio. As there is more concentration on the vehicle-related financing of the Company there is an inherent concentration on the transportation sector.

Company has set targets to bring down the exposures to each industry to a level accepted by the Company based on its risk appetite.

As at 31 March	2021 Rs. '000	%	2020 Rs. '000	%
Transport	**23,369,112**	**29.7**	29,329,991	39.1
Service	**15,295,888**	**19.4**	12,847,689	17.1
Commercial	**16,210,104**	**20.6**	12,246,877	16.3
Housing and property development	**4,702,654**	**6.0**	3,857,191	5.1
Financial services	**2,005,287**	**2.5**	1,598,535	2.1
Agricultural	**2,385,341**	**3.0**	1,611,624	2.1
Industrial	**66,893**	**0.1**	74,253	0.1
Tourism	**2,525,585**	**3.2**	2,382,696	3.2
Consumption and other	**12,238,602**	**15.5**	11,141,150	14.8
Gross loans and receivables to customers	**78,799,466**		75,090,006	

Concentration of other financial investments

Company manages its credit exposure to a single investment security by regularly reviewing the investment portfolio. This analysis includes all the financial investments classified under financial assets measured at FVTPL, loans and receivables to banks, deposits with financial institutions and other investment securities.

As at 31 March	2021 Rs. '000	%	2020 Rs. '000	%
Time deposits	**3,003,275**	34.1	4,387,464	41.8
Securities purchased under resale agreements	**2,966,711**	33.7	3,691,374	35.2
Equity instruments	**1,631,090**	18.5	1,429,627	13.6
Treasury bills	**–**	0.0	469,607	4.5
Treasury bonds	**274,299**	3.1	170,035	1.6
Other investments	**926,209**	10.5	349,367	3.3
Total other financial investments	**8,800,584**		10,497,474	

INVESTMENT CONCENTRATION %

Investment concentration 2019/20	%	Investment concentration 2020/21	%
Time deposits	41.80%	Time deposits	34.13%
Securities purchased under resale agreements	35.16%	Securities purchased under resale agreements	33.71%
Equity instruments	13.62%	Equity instruments	18.52%
Treasury bills	4.47%	Treasury bonds	3.12%
Treasury bonds	1.62%	Other investments	10.52%
Other investments	3.33%		

A.V Offsetting financial assets and liabilities

The disclosure set out in the table below include financial assets and liabilities that are offset in the Company's Statement of Financial Position or that are subject to an enforceable master netting arrangement or similar financial agreements. Similar financial agreements include sale and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

Master netting arrangements do not meet the criteria for offsetting in the Statement of Financial Position until event of default is occurred. Table below shows financial assets subject to offsetting, enforceable master netting agreements and similar agreements:

As at 31 March 2021	Gross amount recognised in financial assets	Gross amount recognised in financial liabilities		Net exposure	Underlying security
		Offset in Statement of Financial Position	Not offset in Statement of Financial Position		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Types of financial assets					
Securities purchased under resale agreements	**2,966,711**		**2,966,711**		Treasury bills
Loans and receivables to customers	**1,482,835**		**1,482,835**		Term deposits

As at 31 March 2020	Gross amount recognised in financial assets	Gross amount recognised in financial liabilities		Net exposure	Underlying security
		Offset in Statement of Financial Position	Not offset in Statement of Financial Position		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Types of financial assets					
Securities purchased under resale agreements	3,691,374		3,691,374		Treasury bills
Loans and receivables to customers	1,524,697		1,524,697		Term deposits

B. Liquidity risk

B.I Exposure to liquidity risk

The key ratio used by the Company for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, "net liquid assets" includes cash and cash equivalents and investment-grade debt securities for which there is a active and liquid market. Details of the reported Company ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

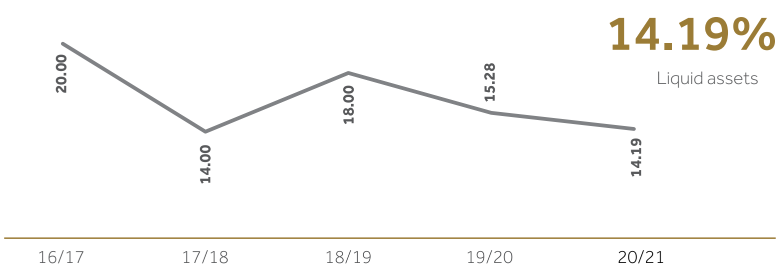
	2021 %	2020 %
As at 31 March	**14.19**	15.28
Average for the period	**14.96**	15.39
Maximum for the period	**18.49**	16.31
Minimum for the period	**12.66**	14.60

Minimum liquidity requirement

As per the Direction 4 of 2013 of Central Bank of Sri Lanka, every finance company shall maintain minimum holding of liquid assets. The table below sets out the components of the Company's holding of liquid assets:

As at 31 March	2021 Rs. '000	2020 Rs. '000
Required minimum amount of liquid assets	**3,201,119**	3,362,939
Total liquid assets	**7,361,866**	8,674,662
Excess liquidity	**4,160,747**	5,311,723

LIQUIDITY RATIO %



B.II Maturity analysis for financial liabilities and financial assets

Detailed maturity analysis is given in Note 49.

The amounts shown in the maturity analysis above have been compiled by applying discounted cash flows which exclude future interest which is applicable. Some estimated maturities will be vary due to changes in contractual cashflows such as early repayment option of loans and receivables. As a part of the management of liquidity risk arising from financial liabilities, the Company holds liquid assets comprising cash and cash equivalents and debt securities which can be readily sold to meet liquidity requirements.

The table below sets out the carrying amounts of Company's non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date:

		More than 12 months	
As at 31 March	Note	2021 Rs. '000	2020 Rs. '000
Financial assets			
Loans and receivables to customers	24	**40,871,943**	43,659,808
Other investment securities	25	**1,684,405**	1,498,300
Total financial assets		**42,556,348**	45,158,108
Financial liabilities			
Deposits from customers	33	**11,334,464**	7,996,309
Debt securities issued	34	**4,072,475**	5,092,096
Other interest-bearing liabilities	35	**13,279,221**	15,477,748
Total financial liabilities		**28,686,160**	28,566,153

B.III Liquidity reserves

The table below sets out the components of the Company's liquidity reserves:

As at 31 March	2021 Rs. '000	%	2020 Rs. '000	%
Cash and balances with other banks	**1,833,978**	2.3	1,096,141	12.6
Other cash and cash equivalents	**2,295,664**	2.9	3,437,561	39.6
Investments in Government securities	**3,232,224**	4.1	4,140,960	47.7
Total liquidity reserves	**7,361,866**		8,674,662	

B.IV Financial assets available for future funding

The table below sets out the availability of the Company's financial assets to support future funding.

As at 31 March 2021	Note	Encumbered		Unencumbered		
		Pledge as a collateral Rs. '000	Other* Rs. '000	Available as collateral Rs. '000	Other** Rs. '000	Total Rs. '000
Cash and cash equivalents	20				**2,090,509**	**2,090,509**
Financial assets measured at FVTPL	21				**160,639**	**160,639**
Derivative financial assets					**198,046**	**198,046**
Loans and receivables to banks	22				**2,966,711**	**2,966,711**
Deposits with financial institutions	23	**707,611**		**2,295,664**		**3,003,275**
Loans and receivables to customers	24	**676,751**		**66,605,498**	**7,776,090**	**75,058,331**
Other investment securities	25				**2,669,959**	**2,669,959**
Non-financial assets				**8,183,499**		**8,183,499**
Total assets		**1,384,362**		**77,084,661**	**15,861,946**	**94,330,969**

** Represents assets that are not pledged but that the Company believes it is restricted from using to secure funding, for legal or other reasons.*

*** Represents assets that are not restricted for use as collateral, but the Company would not consider them as readily available to secure funding in the normal course of business.*

As at 31 March 2020	Note	Encumbered		Unencumbered		
		Pledge as a collateral Rs. '000	Other* Rs. '000	Available as collateral Rs. '000	Other** Rs. '000	Total Rs. '000
Cash and cash equivalents	20				1,391,919	1,391,919
Financial assets measured at FVTPL	21				56,442	56,442
Loans and receivables to banks	22				3,691,374	3,691,374
Deposits with financial institutions	23	949,903		3,437,561		4,387,464
Loans and receivables to customers	24	2,975,019		63,996,183	5,451,625	72,422,827
Other investment securities	25				2,362,194	2,362,194
Non-financial assets				8,882,929		8,882,929
Total assets		3,924,922		76,316,673	12,953,554	93,195,149

** Represents assets that are not pledged but that the Company believes it is restricted from using to secure funding, for legal or other reasons.*

*** Represents assets that are not restricted for use as collateral, but the Company would not consider them as readily available to secure funding in the normal course of business.*

FINANCIAL ASSETS PLEDGED AS COLLATERAL

Rs. Mn.

1.47%

Pledged assets

C. Market risk

c. i. Exposure to market risk

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 31 March 2021	Note	Carrying amount Rs. '000	Market risk measure Trading assets Rs. '000	Market risk measure Non-trading Assets Rs. '000
Assets subject to market risk				
Cash and cash equivalents	20	**2,090,509**		**2,090,509**
Financial assets measured at FVTPL	21	**160,639**	**160,639**	
Derivative financial assets		**198,046**	**198,046**	
Loans and receivables to banks	22	**2,966,711**		**2,966,711**
Deposits with financial institutions	23	**3,003,275**		**3,003,275**
Loans and receivables to customers	24	**75,058,331**		**75,058,331**
Other investment securities	25	**2,669,959**		**2,669,959**
Total assets subject to market risk		**86,147,470**	**358,685**	**85,788,785**
Liabilities subject to market risk				
Derivative financial liabilities	32	**13,142**	**13,142**	
Deposits from customers	33	**48,999,341**		**48,999,341**
Debt securities issued	34	**5,089,839**		**5,089,839**
Other interest-bearing liabilities	35	**21,719,986**		**21,719,986**
Total liabilities subject to market risk		**75,822,308**	**13,142**	**75,809,166**

As at 31 March 2020	Note	Carrying amount Rs. '000	Market risk measure Trading assets Rs. '000	Market risk measure Non-trading Assets Rs. '000
Assets subject to market risk				
Cash and cash equivalents	20	1,391,919		1,391,919
Financial assets measured at FVTPL	21	56,442	56,442	
Loans and receivables to banks	22	3,691,374		3,691,374
Deposits with financial institutions	23	4,387,464		4,387,464
Loans and receivables to customers	24	72,422,827		72,422,827
Other investment securities	25	2,362,194		2,362,194
Total assets subject to market risk		84,312,220	56,442	84,255,778

As at 31 March 2020	Note	Carrying amount	Market risk measure	
			Trading assets	Non-trading Assets
		Rs. '000	Rs. '000	Rs. '000
Liabilities subject to market risk				
Derivative financial liabilities	32	60,440	60,440	
Deposits from customers	33	43,305,775		43,305,775
Debt securities issued	34	5,092,096		5,092,096
Other interest-bearing liabilities	35	27,505,136		27,505,136
Total liabilities subject to market risk		75,963,447	60,440	75,903,007

C.ii. Value at Risk (VaR)

Value at risk (VaR) is a statistical technique used to quantify the level of financial risk within a company or investment portfolio over a specific time period. It estimates how much a set of investments might lose in given normal market conditions.

VaR has been implemented in the Company to measure the market risk exposure of our trading assets on monthly basis. Company calculates VaR monthly using 95% confidential level and one month holding period. Our VaR Model is based on variance-covariance method which calculates portfolio's maximum loss by analysing historic market prices.

A summary of VaR positions as at 31 March 2021 and 2020 is given below:

	2021			
As at 31 March 2021	Carrying amount Rs. '000	Portfolio value Rs. '000	Risk adjusted Portfolio value Rs. '000	Value at risk Rs. '000
Financial assets measured at FVTPL				
Government securities	**160,639**	**150,000**	**163,091**	**13,091**
Total financial assets measured at FVTPL	**160,639**	**150,000**	**163,091**	**13,091**

	2020			
As at 31 March 2020	Carrying amount Rs. '000	Portfolio value Rs. '000	Risk adjusted Portfolio value Rs. '000	Value at risk Rs. '000
Financial assets measured at FVTPL				
Government securities	56,442	50,000	54,364	4,364
Total financial assets measured at FVTPL	56,442	50,000	54,364	4,364

C.iii Exposure to interest rate risk

Interest rate risk exists in interest-bearing assets and liabilities, due to the possibility of a change in the asset's value resulting from the variability of interest rates. Since interest rate risk management has become imperative, CDB takes proactive measures to manage the exposure by forecasting the rate fluctuations. We perform scenario analysis in the course of observing liquidity position, market movements and reprise products-based thereon.

The following table exhibits the gap between the interest-earning financial assets and interest-bearing financial liabilities of the Company:

As at 31 March 2021	Note	Carrying amount Rs. '000	Market risk measure Less than 12 months Rs. '000	1-2 years Rs. '000	2-5 years Rs. '000	More than 5 years Rs. '000
Interest-bearing assets						
Financial assets measured at FVTPL	21	**160,639**	**160,639**			
Derivative financial assets	32	**198,046**	**198,046**			
Loans and receivables to banks	22	**2,966,711**	**2,966,711**			
Deposits with financial institutions	23	**3,003,275**	**3,003,275**			
Loans and receivables to customers	24	**75,058,331**	**34,186,388**	**16,052,420**	**19,597,167**	**5,222,356**
Other investment securities	25	**2,669,959**	**985,554**	**54,315**		**1,630,090**
Total interest-bearing assets		**84,056,961**	**41,500,613**	**16,106,735**	**19,597,167**	**6,852,446**
Interest-bearing liabilities						
Derivative financial liabilities	32	**13,142**	**13,142**			
Deposits from customers	33	**48,999,341**	**37,664,876**	**6,047,317**	**5,210,774**	**76,374**
Debt securities issued	34	**5,089,839**	**1,017,363**		**4,072,476**	
Other interest-bearing borrowings	35	**21,719,986**	**8,440,762**	**6,840,204**	**5,225,694**	**1,213,326**
Total interest-bearing liabilities		**75,822,308**	**47,136,143**	**12,887,521**	**14,508,944**	**1,289,700**
Net interest-bearing assets gap		**8,234,653**	**(5,635,530)**	**3,219,214**	**5,088,223**	**5,562,746**

As at 31 March 2020	Note	Carrying amount Rs. '000	Market risk measure Less than 12 months Rs. '000	1-2 years Rs. '000	2-5 years Rs. '000	More than 5 years Rs. '000
Interest-bearing assets						
Financial assets measured at FVTPL	21	56,442	56,442			
Loans and receivables to banks	22	3,691,374	3,691,374			
Deposits with financial institutions	23	4,387,464	4,387,464			
Loans and receivables to customers	24	72,422,827	29,014,063	16,496,437	24,887,173	2,025,154
Other investment securities	25	2,362,194	821,335	62,615	43,426	1,434,818
Total interest-bearing assets		82,920,301	37,950,657	16,559,052	24,930,599	3,459,972

As at 31 March 2020	Note	Carrying amount Rs. '000	Market risk measure Less than 12 months Rs. '000	1-2 years Rs. '000	2-5 years Rs. '000	More than 5 years Rs. '000
Interest-bearing liabilities						
Derivative financial liabilities	32	60,440	60,440			
Deposits from customers	33	43,305,775	35,309,468	5,056,932	2,872,623	66,752
Debt securities issued	34	5,092,096	-	1,017,815	4,074,281	–
Other interest-bearing borrowings	35	27,505,136	11,849,666	6,778,018	8,877,452	
Total interest-bearing liabilities		75,963,447	47,219,574	12,852,765	15,824,356	66,752
Net interest-bearing assets gap		6,956,854	(9,268,917)	3,706,287	9,106,243	3,393,220

Interest rate sensitivity

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that considered are increase and decrease in interest rate by 100 basis points. This analysis assumes the financial position and performance is constant over the remaining financial year and movement of interest rate is immediate.

	2021 100 bp Increase Rs.	2021 100 bp Decrease Rs.	2020 100 bp Increase Rs.	2020 100 bp Decrease Rs.
Sensitivity of projected net interest income	**82,347**	**(82,347)**	69,569	(69,569)
Sensitivity of reported net assets	**82,347**	**(82,347)**	69,569	(69,569)

C.iV Exposure to currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. Intention of managing currency risk is to curtail the currency losses incurred due to foreign currency transactions. CDB oversees the exposure by co-ordinating and being in line with the rates of forex dealing unit. We take initiatives to control the currency stocks in different currencies by exchanging and converting them in the best and a more profitable manner to compose a gain. Future Forex market movements and trends are considered when deciding rates to offer the customers and always intend to maintain in sequence with the Central Bank rate predictions to make the business more competitive.

Foreign currency exposures of the Company is shown below:

As at 31 March	2021			2020			
	Amount	Rate	Value Rs. '000	Amount	Rate LKR	Value Rs. '000	Net exposure Increase/ decrease (%)
USD	**198,467**	**197.62**	**39,221**	176,215	187.36	33,015	19
SGD	**6,415**	**145.62**	**934**	6,312	130.80	826	13
GBP	**6,488**	**269.88**	**1,751**	6,339	230.01	1,458	20
EUR	**54,140**	**229.87**	**12,445**	52,238	205.27	10,723	16
CAD	**14,331**	**155.33**	**2,226**	14,317	131.25	1,879	18
AUD	**39,618**	**149.43**	**5,920**	38,034	114.19	4,343	36

The Company has obtained foreign borrowings from Belgian Investment Company for Developing Countries (BIO), Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), BlueOrchard Microfinance Fund and Triodos IM. However the Company has entered into forward contracts to cover the exchange rate risk exposed from the above borrowings. (Refer Note 32 and 35)

Exchange rate sensitivity

The management of exchange rate risk by monitoring the sensitivity of the Company's financial performance to various standard and non-standard exchange rate scenarios. Standard scenarios that considered are increased and decreased in exchange rate by 1% to 5%. This analysis assumes the exchange reserve position is constant over the remaining financial year as well.

Subsequent sensitivity analysis shows changes in LKR, against foreign currencies which would have increased/(decreased) impact to Company's financial performance.

As at 31 March		2021		2020	
	Shock (%)	Strengthening Rs. '000	Weakening Rs. '000	Strengthening Rs. '000	Weakening Rs. '000
USD	1	**392**	**(392)**	330	(330)
EUR	1	**9**	**(9)**	8	(8)
USD	3	**18**	**(18)**	15	(15)
EUR	3	**124**	**(124)**	107	(107)
USD	5	**22**	**(22)**	19	(19)
EUR	5	**59**	**(59)**	43	(43)

C.V 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 31 March	2021		2020	
	Financial assets measured at FVTPL/ FVOCI Rs. '000	Total Rs. '000	Financial assets measured at FVTPL Rs. '000	Total Rs. '000
Market value of quoted equity instruments as at 31 March	**1,629,966**	**1,629,966**	1,429,503	1,429,503

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 31 March	2021			2020		
Shock Levels	Impact on profit Rs. '000	Impact on OCI Rs. '000	Impact on net assets Rs. '000	Impact on profit Rs. '000	Impact on OCI Rs. '000	Impact on net assets Rs. '000
10% shock (Increase)	**–**	**162,996**	**162,996**	142,950	–	142,950
10% shock (Decrease)	**–**	**(162,996)**	**(162,996)**	(142,950)	–	(142,950)

C.VI Exposure to gold price risk

Gold price risks arises as a result of fluctuations in market gold prices and Management conduct mark-to-market calculation on monthly basis and on a need basis to identify the impact.

As at 31 March	Total net weight of pawning articles (in Grams)	Market price per gram*	Total market value Rs. '000	Gold loan receivable amount Rs. '000	Value excess Rs. '000
2021	**835,309**	**10,758**	**8,986,660**	**6,893,299**	**2,093,361**
2020	755,991	9,810	7,416,622	4,687,708	2,728,914

** Gold prices were extracted from Central Bank of Sri Lanka*

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 31 March	2021		2020	
Shock Levels	Impact on market value Rs. '000	Impact on value excess Rs. '000	Impact on market value Rs. '000	Impact on value excess Rs. '000
10% shock (Increase)	**898,666**	**898,666**	741,662	741,662
10% shock (Decrease)	**(898,666)**	**(898,666)**	(741,662)	(741,662)

C.VII Exposure to Government security price risk

Government Security price risks arises as a result of fluctuations in market prices of Government securities 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 Government Security Price.

As at 31 March	2021			2020		
	Financial Assets measured at (FVTPL) Rs. '000	Other financial assets Rs. '000	Total Rs. '000	Financial Assets measured at (FVTPL) Rs. '000	Other financial assets Rs. '000	Total Rs. '000
Government securities	**160,639**	**113,660**	**274,299**	56,442	583,200	639,642

Government security price sensitivity

The following table exhibits the impact on market value of the Government securities held due to a shock of 10% on market price:

As at 31 March	2021			2020		
Shock Levels	Impact on profit Rs. '000	Impact on OCI Rs. '000	Impact on net assets Rs. '000	Impact on profit Rs. '000	Impact on OCI Rs. '000	Impact on net assets Rs. '000
10% shock (Increase)	**2,359**	**–**	**2,359**	6,114	–	6,114
10% shock (Decrease)	**(2,359)**	**–**	**(2,359)**	(6,114)	–	(6,114)

Rates on Government securities as per Central Bank of Sri Lanka 2020/21 – during the year

Shock Levels	Last traded rate as at 31 March 2021 %	Minimum rate %	Maximum rate %	Last traded rate as at 31 March 2020 %
Treasury Bills				
91 Days	**5.04**	4.51	6.84	7.00
181 Days	**5.08**	3.87	7.10	7.25
364 Days	**5.11**	4.13	7.40	7.50
Treasury Bonds				
5 Years	**7.08**	6.57	8.75	9.27
8 Years	**7.39**	7.07	8.90	9.40

D. Capital management

Central Bank of Sri Lanka (CBSL) has introduce a New Capital Adequacy Framework intended to foster a strong emphasis on risk management and to encourage improvements in LFC's risk assessment capabilities by repealing the earlier Direction No. 02 of 2006.

Under the earlier Direction risk confined only to credit risk and no capital requirements for other risks such as market and operational risk. With the introduction of new capital Adequacy Direction No. 03 of 2018, it provides for maintenance of capital adequacy ratios on a more risk sensitive focus covering credit risk and operational risks under basic approach available in Basel II accord.

The minimum requirement for core capital adequacy ratio and total capital adequacy ratio are 6.5 % and 10.5% respectively for assets less than 100 Bn. LFCs.

The core capital represents the permanent shareholders equity and reserves created or increased by appropriations of retained earnings or other surpluses and the total capital includes in addition to the core capital the revaluation reserves, general provisions/ impairment allowances and unsecured subordinated debts.

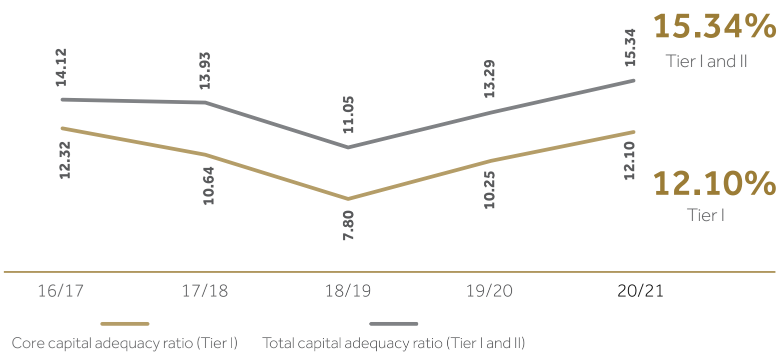
The risk-weighted assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Central Bank of Sri Lanka for credit risk and the basic indicator approach is used for operational risk.

The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company and its individually-regulated operations have complied with all externally imposed capital requirements.

D.I Capital adequacy ratio

			2021 %	2020 %
Core capital adequacy ratio (Tier I)	Core capital	*100%	**12.10**	10.25
	Risk-weighted assets			
Total capital adequacy ratio (Tier I and II)	Capital base	*100%	**15.34**	13.29
	Risk-weighted assets			

CAPITAL ADEQUACY RATIOS %



D.II Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be fixed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Company risk and Company credit and is subject to review by the Company ALCO.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Company to particular operations or activities, it is not the sole basis used for decision-making and also taken account of synergies with other operations and activities, the availability of Management and other resources, and the fit of the activity with the Company's longer-term strategic objectives. The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

6.1 QUARTERLY STATISTICS

	2020/21				2019/20			
	30.06.2020	30.09.2020	31.12.2020	31.03.2021	30.06.2019	30.09.2019	31.12.2019	31.03.2020
Statement of profit or loss								
Revenue	3,921,422	4,379,258	4,147,743	4,211,546	4,183,130	4,234,732	4,485,898	4,459,225
Net interest income	1,665,186	1,738,769	1,865,640	2,342,039	1,526,875	1,592,580	1,733,593	1,785,454
Total operating income	1,888,262	2,410,018	2,339,045	2,724,895	1,782,308	1,946,170	2,283,508	2,352,668
Net operating income	1,657,842	1,877,650	1,869,867	2,523,067	1,321,438	1,707,671	1,803,497	1,979,317
Operating expenses including taxes	978,544	1,144,765	1,109,284	1,231,181	1,048,386	1,196,488	1,241,318	1,053,807
Profit before tax	679,298	732,885	760,583	1,291,886	273,052	511,183	562,179	925,510
Income tax expense	191,416	221,753	225,000	272,644	(26,365)	130,974	141,982	188,282
Profit for the period	487,882	511,132	535,583	1,019,242	299,417	380,209	420,197	737,228
Statement of financial position								
Total assets	96,669,015	94,216,586	95,441,532	94,330,969	92,000,384	92,595,908	91,984,818	93,195,149
Loans and advances to customers	73,694,970	74,778,363	75,085,313	75,058,331	71,567,375	72,785,550	71,450,998	72,422,827
Deposits and borrowings	78,981,160	77,280,915	77,204,882	75,822,308	76,443,190	76,115,139	75,861,056	75,963,447
Shareholder's funds	11,702,083	12,181,335	12,756,909	14,020,133	10,183,041	10,363,788	10,777,985	11,556,360
Key ratios								
Net assets value per share (Rs.)	167.67	174.54	182.78	200.88	150.01	147.7	154.43	165.58
Return on average shareholders' equity (Annualise %) (%)	17.08	17.12	17.10	19.97	11.79	13.23	13.79	17.99
Non-performing loans ratio (Net of IIS and impairment charges) (%)	4.27	2.04	3.72	2.21	4.83	4.85	4.18	4.24
Capital adequacy								
Tier I (%)	10.14	10.79	11.09	12.10	9.35	9.51	9.89	10.25
Tier II (%)	12.87	13.53	13.59	15.34	12.05	12.17	13.84	13.29

6.2 ECONOMIC VALUE ADDED STATEMENT

GRI 201-1

Economic value added aim to provide a value creation and distribution analysis of the Company among its key stakeholders.

	2020/21 Rs. '000	2019/20 Rs. '000	Increase %
Value created			
Interest income	14,877,242	15,636,833	
Fee commission income	406,234	499,996	
Other operating income	1,339,315	1,226,156	
Total direct economic value generated	16,622,791	17,362,985	-4
Value distributed			
Operating costs	3,826,397	3,952,613	
To the employees as salaries wages and other benefits	1,402,328	1,651,422	
To the government as income tax and taxes on financial services	1,532,000	893,982	
To providers of capital as dividend	523,446	–	
To society as corporate social responsibility	22,613	29,587	
To depositors and lenders as interest payments	7,282,499	8,998,331	
Total economic value distributed	14,589,283	15,525,935	-6
Economic value retained	2,033,508	1,837,050	11

6.3 TEN YEAR STATISTICAL SUMMARY

	2020/21 Rs. '000	2019/20 Rs. '000	2018/19 Rs. '000
Operating results			
Revenue	**16,622,791**	17,362,985	16,240,520
Interest income	**14,877,242**	15,636,833	14,174,517
Interest expenses	**7,282,499**	8,998,331	8,949,018
Non-interest income	**1,745,549**	1,726,152	2,066,003
Operating expenses (Including taxes on financial services)	**5,873,339**	6,092,731	5,180,136
Profit before tax	**3,466,953**	2,271,923	2,111,366
Income tax expense	**909,999**	434,873	401,173
Profit after tax	**2,556,954**	1,837,050	1,710,193
Liabilities and equity			
Deposits from customer	**48,999,341**	43,305,775	47,222,578
Interest-bearing borrowings	**26,822,967**	32,657,672	30,817,488
Other liabilities	**4,079,981**	5,066,071	3,732,225
Deferred tax liabilities	**376,460**	609,271	1,336,061
Total equity	**14,052,220**	11,556,360	8,870,269
Total liabilities and equity	**94,330,969**	93,195,149	91,978,621
Assets			
Loans and receivables to customers	**75,058,331**	72,422,827	71,582,081
Cash and short term funds	**11,089,139**	11,889,393	14,150,350
Property, plant and equipment	**3,090,338**	2,950,554	2,384,016
Other assets	**5,093,161**	5,932,375	3,862,174
Total assets	**94,330,969**	93,195,149	91,978,621
Ratios			
Growth in income (%)	**(4)**	7	38
Growth in interest expenses (%)	**(19)**	1	34
Growth in other expenses (%)	**(4)**	(10)	51
Growth in profit after tax (%)	**39.19**	7.42	22
Growth in total assets (%)	**1**	1	22
Earnings per share (Rs.)	**36.64**	26.32	30.05
Return on average assets (%)	**2.73**	1.98	2.04
Dividend per share (Rs.)	**7.50***	-	5.00

** Proposed*

2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000
11,784,862	8,591,218	7,486,004	6,907,077	6,267,086	4,311,850	2,892,653
10,117,149	7,587,180	6,647,024	6,251,533	5,895,604	4,087,387	2,555,433
6,662,828	4,699,482	3,588,413	3,381,455	3,553,403	2,386,570	1,311,936
1,667,713	1,004,038	838,980	655,544	481,482	302,206	337,220
3,435,217	2,664,235	2,643,648	2,574,201	2,093,715	1,378,740	1,048,410
1,686,817	1,227,501	1,253,944	951,420	729,968	624,282	532,307
285,629	220,986	248,790	249,686	168,755	135,118	13,840
1,401,188	1,006,515	1,005,154	701,734	561,213	489,164	518,467
44,709,832	32,601,836	30,887,693	27,079,134	24,518,193	17,771,173	11,699,663
19,195,517	13,032,648	12,345,820	4,824,245	4,314,338	2,763,083	2,155,694
3,583,543	1,429,915	1,861,067	1,526,248	1,213,714	922,665	456,069
860,819	628,721	479,764	282,079	145,383	31,912	–
7,152,399	6,241,165	5,051,968	4,302,003	3,576,914	2,965,098	2,302,503
75,502,110	53,934,285	50,626,312	38,013,709	33,768,542	24,453,931	16,613,929
59,438,349	43,189,010	38,538,920	29,378,799	25,724,945	19,450,587	13,469,076
10,749,272	5,695,608	7,765,844	4,734,541	3,168,727	1,540,598	626,231
2,029,222	1,839,091	1,606,958	1,421,343	1,004,471	657,718	470,980
3,285,267	3,210,576	2,714,590	2,479,026	3,870,400	2,805,028	2,047,642
75,502,110	53,934,285	50,626,312	38,013,709	33,768,542	24,453,931	16,613,929
37	15	8	8	45	52	28
42	31	6	5	49	82	44
29	1	3	23	52	32	39
39	1	43	25	15	(6)	(3)
40	7	33	13	38	47	60
25.80	18.53	18.51	12.92	10.33	9.99	10.28
2.17	1.93	2.27	1.96	1.93	2.38	3.84
5.00	3.50	3.50	3.50	3.00	2.75	2.50

6.4 USD ACCOUNTS

Given below are the set of Financial Statements of the Company and the Group presented using USD denomination as at the reporting date based on the guidelines stated in LKAS 21 – "The effect of changes in foreign exchange rates".

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	2021 USD	2020 USD
Revenue	84,114,923	87,860,465
Interest income	75,282,067	79,125,762
Less: Interest expense	36,851,022	45,533,504
Net interest income	38,431,045	33,592,258
Fee and commission income	2,055,632	2,530,088
Other operating income	6,777,224	6,204,615
Total operating income	47,263,901	42,326,961
Less : Impairment charges and other credit losses on financial assets	7,193,098	7,857,155
Net operating income	40,070,803	34,469,806
Less: Operating expenses		
Personnel expenses	7,096,083	8,356,553
Premises, equipment and establishment expenses	9,597,333	9,495,183
Other expenses	2,686,393	2,798,457
Total operating expenses	19,379,809	20,650,193
Operating profit before taxes on financial services	20,690,994	13,819,613
Less: Taxes on financial services	3,147,460	2,323,191
Profit before tax	17,543,534	11,496,422
Less : Income tax expense	4,604,792	2,200,552
Profit for the year	12,938,742	9,295,870
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Change in deferred tax on revaluation	162,367	–
Equity investments at FVOCI – net change in fair value	344,682	(196,918)
Net actuarial gain/(loss) on defined benefit plan	(378,535)	314,042
Total other comprehensive income	128,514	117,124
Total comprehensive income for the year	13,067,256	9,412,994
Earnings per share		
Basic/Diluted earnings per share	0.19	0.13

Figures in brackets indicate deductions.
** Comparative information for the year ended 31 March 2020 have been restated to reflect the effect of amalgamation.*

Statement of Financial Position

For the year ended 31 March	2021 USD	2020 USD
Assets		
Cash and cash equivalents	10,578,428	7,043,412
Financial assets measured at fair value through profit or loss (FVTPL)	812,868	285,609
Derivative financial assets	1,002,156	–
Loans and receivables to banks	15,012,200	18,679,152
Deposits with financial institutions	15,197,222	22,201,518
Loans and receivables to customers	379,811,411	366,475,190
Other investment securities	13,510,571	11,953,213
Investment property	102,206	102,206
Property, plant and equipment	15,637,780	14,930,442
Intangible assets	589,394	469,775
Goodwill on amalgamation	1,235,604	1,235,604
Right-of-Use Assets	4,032,998	4,254,974
Other assets	19,812,296	23,956,543
Total assets	477,335,134	471,587,638
Liabilities		
Derivative financial liabilities	66,501	305,839
Deposits from customers	247,947,278	219,136,601
Debt securities issued	25,755,688	25,767,109
Other interest-bearing borrowings	109,907,833	139,181,945
Lease liabilities	4,102,226	4,070,388
Current tax liabilities	6,178,484	8,112,266
Deferred tax liabilities	1,904,969	3,083,043
Retirement benefit obligation	46,038	146,397
Other liabilities	10,318,841	13,306,366
Total liabilities	406,227,858	413,109,954
Equity		
Stated capital	11,893,346	11,893,346
Reserves	12,628,180	11,645,162
Retained earnings	46,585,750	34,939,176
Total equity	71,107,276	58,477,684
Total liabilities and equity	477,335,134	471,587,638
Net assets value per share	1.02	0.84
Contingencies and commitments	13,686,788	2,546,923

** Comparative information as at 31 March 2020 have been restated to reflect the effect of amalgamation.*

6.5 SUSTAINABILITY ASSURANCE REPORT

GRI 102-56

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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
: +94 - 11 244 6058
Internet : www.kpmg.com/lk

INDEPENDENT ASSURANCE REPORT TO CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

We have been engaged by the Directors of Citizens Development Business Finance PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2021. The Sustainability Indicators are included in the Citizens Development Business Finance PLC's Integrated Annual Report for the year ended 31 March 2021 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	133 - 134

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Non-Financial Highlights	14 - 15
Information provided on following	
Customers	41 - 50
CDB Team	51 - 55
Environment	56 - 63
Society	64 - 66
Regulator	67 - 69
Business Partners	70 - 73
Investors	74 - 81

Our conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2021 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2021, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;

- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

CHARTERED ACCOUNTANTS
Colombo

10th June 2021

6.1
Quarterly statistics

6.2
Economic value added statement

6.3
Ten year statistical summary

6.4
USD accounts

6.5
Sustainability assurance report

6.6
GRI content index

6.7
Branch network

6.6 GRI CONTENT INDEX

GRI 102-55

GRI Standard/ Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
GRI 101: Foundation 2016			
General disclosures			
GRI 102: General Disclosures 2016			
Organisational profile			
Disclosure 102-1	Name of the organisation	4	Reporting period and boundary
Disclosure 102-2	Activities brands, products and services	44	Our product portfolio
Disclosure 102-3	Location of headquarters	5	Queries
Disclosure 102-4	Location of operations	46	Our customer touch point map – Online
Disclosure 102-5	Ownership and legal form	144	Corporate information
Disclosure 102-6	Markets served	46,43	Our customer touch point map – Online, Customer onboarding
Disclosure 102-7	Scale of the organisation	24-29	Chief Financial Officer's Analysis
Disclosure 102-8	Information on employees and other workers	51	CDB Team
Disclosure 102-9	Supply chain	71	Sustainable supply chain – Online
Disclosure 102-10	Significant changes to the organisation and its supply chain	71	sustainable supply chain – Online
Disclosure 102-11	Precautionary principle or approach	5	Precautionary principle
Disclosure 102-12	External initiatives	64	Society
Disclosure 102-13	Membership of associations	73	Memberships and associations – Online
Strategy			
Disclosure 102-14	Statement from senior decision-maker	16-19	Chairman's Letter
Ethics and integrity			
Disclosure 102-16	Values, principles, standards and norms of behaviour	7	Who we are
Governance			
Disclosure 102-18	Governance structure	91	Corporate Governance
Disclosure 102-19	Delegating authority	91	Corporate Governance
Disclosure 102-22	Composition of the highest governance body and its committees	91 -126	Corporate Governance
Disclosure 102-23	Chair of the highest governance body	92	Governance structure
Disclosure 102-24	Nominating and selecting the highest governance body	119	Report of the nomination committee
Disclosure 102-25	Conflicts of interest	122-123	Report of the Board Related Party Transactions Review Committee
Disclosure 102-35	Remuneration policies	120	Remuneration Committee Report

GRI Standard/ Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
Disclosure 102-36	Process for determining remuneration	120	Remuneration Committee Report
Stakeholder engagement			
Disclosure 102-40	List of stakeholder groups	34-35	Engaging with our stakeholders
Disclosure 102-41	Collective bargaining agreements	54	Decent working environment
Disclosure 102-42	Identifying and selecting stakeholders	34-35	Engaging with our stakeholders
Disclosure 102-43	Approach to stakeholder engagement	34-35	Engaging with our stakeholders
Disclosure 102-44	Key topics and concerns raised	34-35	Engaging with our stakeholders
Disclosure 102-45	Entities included in the Consolidated Financial Statements	4	Reporting period and boundary
Reporting practice			
Disclosure 102-46	Define report content and topic boundaries	4	Citizens Development Business Finance PLC Annual Report of the Board of Directors 2020/21
Disclosure 102-47	List of material topics	4, 32-33	Citizens Development Business Finance PLC Annual Report of the Board of Directors 2020/21, Our Management Approach
Disclosure 102-48	Restatements of information	4	Citizens Development Business Finance PLC Annual Report of the Board of Directors 2020/21
Disclosure 102-49	Changes in reporting	4	Citizens Development Business Finance PLC Annual Report of the Board of Directors 2020/21
Disclosure 102-50	Reporting period	4	Reporting period and boundary
Disclosure 102-51	Date of most recent report	4	Reporting period and boundary
Disclosure 102-52	Reporting cycle	4	Reporting period and boundary
Disclosure 102-53	Contact point for questions regarding the report	5	Queries
Disclosure 102-54	Claims of reporting in accordance with GRI Standards	4	Key frameworks and compliance
Disclosure 102-55	GRI Content Index	252	GRI Content Index
Disclosure 102-56	External assurance	254-256	Sustainability Assurance report
Specific disclosures			
GRI 200: Economic			
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	31-33	Materiality
Disclosure 103-2	The management approach and its components	31-33	Materiality
Disclosure 103-3	Evaluation of the management approach	31-33	Materiality
GRI 201: Economic performance 2016			
Disclosure 201-1	Direct economic value generated and distributed	249	Economic value added statement
Disclosure 201-3	Define benefit plan obligations and other retirement plans	158	Personnel expenses
Disclosure 201-4	Financial assistance received from Government	-	No financial assistance received from the Government
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	31-33	Materiality
Disclosure 103-2	The management approach and its components	31-33	Materiality
Disclosure 103-3	Evaluation of the management approach	31-33	Materiality

GRI Standard/ Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
GRI 202: Market presence 2016			
Disclosure 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	–	No minimum wage levels
Disclosure 202-2	Proportion of senior management hired form the local community	53	Talent acquisition
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	31-33	Materiality
Disclosure 103-2	The management approach and its components	31-33	Materiality
Disclosure 103-3	Evaluation of the management approach	31-33	Materiality
GRI 205: Anti corruption 2016			
Disclosure 205-1	Operations assessed for risks related to corruption	90	Compliance Risk
Disclosure 205-2	Communication and training about anti-corruption policies and procedures	90	Compliance Risk
Disclosure 205-3	Confirmed incidents of corruption and actions taken	90	Compliance Risk
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	51, 66	CDB Team, Society
Disclosure 103-2	The management approach and its components	51, 66	CDB Team, Society
Disclosure 103-3	Evaluation of the management approach	51, 66	CDB Team, Society
GRI 206: Anti-competitive behaviour 2016			
Disclosure 206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	46, 50	Compliance
GRI 300: Environmental			
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	56	Environment
Disclosure 103-2	The management approach and its components	56	Environment
Disclosure 103-3	Evaluation of the management approach	56	Environment
GRI 302 - Energy 2016			
Disclosure 302-1	Energy consumption within the organisation	61	Energy management
Disclosure 302-4	Reduction of energy consumption	61	Energy management
Disclosure 302-5	Reductions in energy requirements of products and services	61	Energy management
GRI 303 - Water and effluents 2018			
Disclosure 303-5	Water consumption	62	Water management
GRI 304 - Bio diversity 2016			
Disclosure 304-3	Habitat protected or restored	63	Conservation of biodiversity
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	56	Environment
Disclosure 103-2	The management approach and its components	56	Environment
Disclosure 103-3	Evaluation of the management approach	56	Environment

GRI Standard/ Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
GRI 305: Emissions 2016			
Disclosure 305-1	Direct (Scope 1) GHG Emissions	60	Direct emissions
Disclosure 305-2	Energy (Indirect) GHG emissions	61	Indirect emissions
Disclosure 305-3	Other indirect (Scope 3) emissions	61	Indirect emissions
Disclosure 305-4	GHG emission intensity	60	Carbon management at CDB
Disclosure 305-5	Reduction of GHG emissions	60	Carbon management at CDB
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	56	Environment
Disclosure 103-2	The management approach and its components	56	Environment
Disclosure 103-3	Evaluation of the management approach	56	Environment
GRI 306: Waste 2020			
Disclosure 306 - 1	Waste generated	62	Waste management
Disclosure 306 - 2	Waste by type and disposal method	62	Waste management
Disclosure 306 - 5	Water bodies affected by water discharge and/ or run off	62	Waste management
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	56	Environment
Disclosure 103-2	The management approach and its components	56	Environment
Disclosure 103-3	Evaluation of the management approach	56	Environment
GRI 307: Environmental compliance 2016			
Disclosure 307-1	Non-compliance with environmental laws and regulations	57	Responsible and sustainable financing
GRI 308: Supplier environmental assessment 2016			
Disclosure 308-1	New suppliers that were screened using environmental criteria	71	Sustainable supply chain - Online
GRI 400: Social			
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	51	CDB Team
Disclosure 103-2	The management approach and its components	51	CDB Team
Disclosure 103-3	Evaluation of the management approach	51	CDB Team
GRI 401: Employment 2016			
Disclosure 401-1	New employee hires	53	Talent acquisition
Disclosure 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	54	Rewards and recognition
Disclosure 401-3	Parental leave	52	Diversity and inclusivity
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	51	CDB Team
Disclosure 103-2	The management approach and its components	51	CDB Team
Disclosure 103-3	Evaluation of the management approach	51	CDB Team
GRI 402: Labour/management relations 2016			
Disclosure 402-1	Minimum notice periods regarding operational changes	53	Employee engagement

GRI Standard/ Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
GRI 403: Occupational health and safety 2018			
Disclosure 403-2	Occupational diseases, lost days and absenteeism and number of work related facilities	54	Decent working environment
Disclosure 403-9	Work related injuries	54	Decent working environment
Disclosure 403-10	Work related ill health	54	Decent working environment
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	51	CDB Team
Disclosure 103-2	The management approach and its components	51	CDB Team
Disclosure 103-3	Evaluation of the management approach	51	CDB Team
GRI 404: Training and education 2016			
Disclosure 404-1	Average hours of training per year per employee	53	Learning and development
Disclosure 404-2	Programmes for upgrading employee skills and transition assistance programmes	53	Learning and development
Disclosure 404-3	Percentage of employees receiving regular performance and career development reviews	54	Performance management and succession planning
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	51, 66	CDB Team, Society
Disclosure 103-2	The management approach and its components	51, 66	CDB Team, Society
Disclosure 103-3	Evaluation of the management approach	51, 66	CDB Team, Society
GRI 405: Diversity and equal opportunity 2016			
Disclosure 405-1	Diversity of governance bodies and employees	52	Diversity and inclusivity
Disclosure 405-2	Ratio of basic salary and remuneration of women to men	53	View our employee profile - Online
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	51, 66	CDB Team, Society
Disclosure 103-2	The management approach and its components	51, 66	CDB Team, Society
Disclosure 103-3	Evaluation of the management approach	51, 66	CDB Team, Society
GRI 406: Non-discrimination 2016			
Disclosure 406-1	Incidents of discrimination and corrective actions taken	52	Diversity and inclusivity
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	51, 66	CDB Team, Society
Disclosure 103-2	The management approach and its components	51, 66	CDB Team, Society
Disclosure 103-3	Evaluation of the management approach	51, 66	CDB Team, Society
GRI 407: Freedom of Association and collective bargaining - 2016			
Disclosure 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	54	Decent working environment
GRI 408: Child labour 2016			
Disclosure 408-1	Operations and suppliers at significant risk for incidents of child labour	54	Decent working environment

GRI Standard/ Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	51, 66	CDB Team, Society
Disclosure 103-2	The management approach and its components	51, 66	CDB Team, Society
Disclosure 103-3	Evaluation of the management approach	51, 66	CDB Team, Society
GRI 409: Forced or compulsory labour 2016			
Disclosure 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	54, 69	Decent working environment, A sustainable organisation
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	51, 66	CDB Team, Society
Disclosure 103-2	The management approach and its components	51, 66	CDB Team, Society
Disclosure 103-3	Evaluation of the management approach	51, 66	CDB Team, Society
GRI 413: Local communities 2016			
Disclosure 413-1	Operations with local community engagement, impact assessments, and development programmes	64-66	Society
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	51, 66	CDB Team, Society
Disclosure 103-2	The management approach and its components	51, 66	CDB Team, Society
Disclosure 103-3	Evaluation of the management approach	51, 66	CDB Team, Society
GRI 416: Customer health and safety 2016			
Disclosure 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	50	Customers – Compliance
GRI 417: Marketing and labelling 2016			
Disclosure 417-2	Incidents of non-compliance concerning product and service information and labelling	50	Customers – Compliance
Disclosure 417-3	Incidents of non-compliance concerning marketing communications	50	Customers – Compliance
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	41	Customers
Disclosure 103-2	The management approach and its components	41	Customers
Disclosure 103-3	Evaluation of the management approach	41	Customers
GRI 418: Customer privacy 2016			
Disclosure 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	46,	Customer privacy
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	51, 66	CDB Team, Society
Disclosure 103-2	The management approach and its components	51, 66	CDB Team, Society
Disclosure 103-3	Evaluation of the management approach	51, 66	CDB Team, Society
GRI 419: Socio-economic compliance 2016			
Disclosure 419-1	Non-compliance with laws and regulations in the social and economic area	97	Corporate governance disclosures

6.7 BRANCH NETWORK

No.	Branch	Branch Locations	Contact No.
1	Aluthgama	No. 377, Galle Road, Aluthgama	034-2291136
2	Ambalangoda	No. 61, New Road, Amabalangoda	091-2254271
3	Ampara	No. 66, D.S. Sennanayaka Street, Ampara	063-2222150
4	Anuradhapura	No. 521/20, Maithripala Senenayake Mawatha, New Town, Anuradhapura	025-2234000/025-2226609
5	Avissawella	No. 23, Colombo Road, Avissawela	036-2235220
6	Badulla	No. 22, Bank Road, Badulla	055-2225533
7	Bandarawela	No. 344, Badulla Road, Bandarawela	057-2221484
8	Battaramulla	No. 97/1, Main Street, Battaramulla	011-2869944/011-2869949
9	Batticaloa	No. 96,98,100, Bar Road, Batticaloa	065-2228490
10	Boralesgamuwa	No. 35/1 and 35, Dehiwala Road, Boralesgamuwa	011-2509306
11	Chilaw	No. 80, Colombo Road, Chilaw	032-2220646
12	Colombo (H/O)	No. 123, Orabipasha Mawatha, Colombo 10	011-2429800/011-7388388
13	Dambulla	No. 687, Anuradapura Road, Dambulla	066-2284088/066-2284188
14	Dehiwala	No.119, Galle Road, Dehiwela	011-2761443/011-2761442
15	Eheilyagoda	No. 114, Main Road, Eheilyagoda	036-2259951
16	Elakanda	No. 30, Hendala Road, Ela Kanda	011-2930986
17	Embilipitiya	No. 21, Main Street, Embilipitiya	047-2261961/047-2261962
18	Galle	No. 99, Sea Street, Galle	091-2227501/091-2227502
19	Gampaha	No. 114, Colombo Road, Gampaha	033-2233774/033-2223637
20	Giriulla	No. 52, Negombo Road, Giriulla	037-2288183
21	Horana	No. 119/A, Panadura Road, Horana	034-2266188/034-2266177
22	Ja-Ela	No. 195/A, Negombo Road, Ja-Ela	011-2228228
23	Jaffna	No. 208, Stanly Road, Jaffna	021-2221585/021-2221586
24	Kaduruwela	No. 660, Main street, Kaduruwela	027-2226710/027-2226720
25	Kaduwela	No. 102, Colombo Road, Kaduwela	011-2538888
26	Kalutara	No. 296, Main Street, Kalutara	034-2224400
27	Kandana	No. 37/1, Negombo Road, Kandana	011-2237645
28	Kandy	No. 32, Cross Street, Kandy	081-2204600/081-2204246
29	Katugastota	No. 468, Katugastota Road, Katugastota	081-2212517/081-2212516
30	Kegalle	No. 227, Kandy Road, Kegalle	035-2222442/035-2222599
31	Kelaniya	No. 159, Kandy Road, Kiribathgoda	011-2910202/011-2913501-502
32	Kochchikade	No. 176, Chilaw Road, Kochchikade	031-2278695
33	Kotahena	No. 30, Sri Ramanandhan Mawatha, Kotahena	011-2422465/011-2422466
34	Kuliyapitiya	No. 259, Madampe Road, Kuliyapitiya	037-2281825
35	Kurunegala	No. 54, Colombo Road, Kurunegala	037-2234444
36	Kuruwita	No. 85, Colombo Road, Kuruwita	045-2263371

No.	Branch	Branch Locations	Contact No.
37	Mahara	No. 337/2, Mahara, Kadawatha	011-2925000
38	Maharagama	No. 181, High Level Road, Maharagama	011-2845945
39	Mahiyanganaya	No. 1, Padiayatalawa Road, Mahiyanganaya	0552258322
40	Malabe	No. 838/04, New Kandy Road, Malabe	011-2078651/011-2078652
41	Marawila	No. 69, Horagolla, Marawila	032-2250930
42	Matale	No.115/117, Trincomalee Road, Matale	066-2226545
43	Matara	No. 6, Station Road, Matara	041-2226655/041-2229955
44	Mathugama	No. 190, Aluththgama Road, Mathugama	034-2248888
45	Mawathagama	No. 58, Kandy Road, Mawathagama	037-2296470
46	Minuwangoda	No. 18/A, Siriwardena Mw, Minuwangoda	011-2298864
47	Moratuwa	No. 760, Galle Road, Moratuwa	011-2642309/011-2642310
48	Narammala	No. 95, Kurunegala Road, Narammala	037-2249525
49	Negombo	129, St Joseph Street, Negombo	031-2224040
50	Nikaweratiya	No.113,Puttalam Road, Nikaweratiya	037-2260387
51	Nittambuwa	No. 2/1, Colombo Road, Nittabuwa	033-2296969
52	Nugegoda	No. 70/A, Stanley Thilakarathna Mawatha, Nugegoda	011-2828312/011-2828313
53	Nuwara Eliya	No. 120, Kandy Road, Nuwara Eliya	052-2224728
54	Panadura	No. 383, Galle Road, Panadura	038-2237327
55	Pelmadulla	No. 11, Main Street, Palmadulla	045-2274428
56	Piliyandala	No. 92, Moratuwa Road, Piliyandala	011-2614425
57	Premier Centre	No. 101, Dharmapala Mawatha, Colombo 7	011-2332150
58	Ragama	No. 26/05 & 26/06, Kadawatha Road, Ragama	011-2952492
59	Rajagiriya	No. 340, 340 1/1 & 340 2/1, Kotte Road, Welikada, Rajagiriya	011-2078216/0112078218
60	Ratmalana	No. 105, Galle Road, Mount Lavinia	011-2710056
61	Rathnapura	No. 89, Bandaranayaka Mawatha, Rathnapura	045-2226636
62	Thalawatugoda	No. 706, Madiwela Road, Thalawatugoda	011-2773718
63	Tissamaharama	No. 47, Hambanthota Road, Thissamaharama	047-2239655
64	Trincomalee	No. 266, 268 Central Road,Trincomalee	026-2226945/026-2226946
65	Vavuniya	No. 11, Horowpathana Road, Vavuniya	024-2225862
66	Warakapola	No. 9, Main Street, Warakapola	035-2268281
67	Wariyapola	No. 77, Puttalam Road, Wariyapola	0372057708
68	Wattala	No. 237, Negambo Road, Wattala	011-2981133
69	Wellawatta	No. 288, Galle Road, Wellawatta	011-2364699
70	Wennappuwa	Sterling Building, Chilaw Road, Wennappuwa	031-2245245
Service Centre Locations			
71	Kottawa	No. 35/1, High Level Road, Kottawa	011-2782706

NOTICE OF MEETING

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC – P B 232 PQ

NOTICE IS HEREBY GIVEN THAT THE TWENTY FIFTH ANNUAL GENERAL MEETING OF CITIZENS DEVELOPMENT BUSINESS FINANCE PLC WILL BE HELD AS A VIRTUAL MEETING AT THE CDB CORPORATE OFFICE, NO. 123, ORABI PASHA MAWATHA, COLOMBO 10 ON FRIDAY, 30 JULY 2021 AT 10.00 A.M.

AGENDA

1. To receive the Annual Report of the Board of Directors on the Affairs of the Company and the Audited Financial Statements for the year ended 31 March 2021 with the Report of the Auditors thereon.
2. To declare a Final Dividend of Rs. 7.50 per share for the financial year ended 31 March 2021 as recommended by the Directors.
3. To re-elect Mr J R A Corera, who in terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.
4. To re-elect Mrs P R W Perera, who in terms of Article 24 (2) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
5. To re-elect Mr S Kumarapperuma, who in terms of Article 24 (2) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
6. To re-elect Mr E R S G S Hemachandra, who in terms of Article 24 (2) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
7. To re-elect Prof Prasadani N Gamage, who in terms of Article 24 (2) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
8. To authorise the Directors to determine Contributions to Charities and other donations for the ensuing year.
9. To re-appoint Messrs KPMG, Chartered Accountants as Auditors and authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD OF DIRECTORS OF
CITIZENS DEVELOPMENT BUSINESS FINANCE PLC
S S P CORPORATE SERVICES (PRIVATE) LIMITED

sgd.
SECRETARIES
Date: 5 July 2021

Note:

- A member is entitled to appoint a proxy to attend and vote instead of himself/herself and a Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office of the Secretaries, No. 101, Inner Flower Road, Colombo 03 not less than 48 hours before the time fixed for the holding of the AGM.
- Please refer the “Circular to Shareholders” dated 5 July 2021 and follow the instructions to join the meeting virtually.

FORM OF PROXY (VOTING SHAREHOLDERS)

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC- P B 232 PQ

I/We,..(NIC No...) of ....

.... being a member/members of Citizens Development Business Finance PLC

hereby appoint Mr/Mrs/Ms.. (NIC No. ....)

of.. whom failing,

Mr Joseph Rene Alastair Corera	whom failing
Mr Weligama Palliyaguruge Claud Mahesh Nanayakkara	whom failing
Mr Tennakoon Mudiyanselage Damith Prasanna Tennakoon	whom failing
Mr Roshan Hasantha Abeygoonewardena	whom failing
Mr Sasindra Virajith Munasinghe	whom failing
Mr Dave Anthony De Silva	whom failing
Snr Prof Sampath Priyantha Perera Amaratunge	whom failing
Mr Jagath Priyantha Abhayaratne	whom failing
Mr Elangovan Karthik	whom failing
Mrs Pandithasundara Rajitha Wajirangani Perera	whom failing
Mr Sujeewa Kumarapperuma	whom failing
Mr Elabadagama Ralalage Samitha Gomie Sudheera Hemachandra	whom failing
Prof Prasadani Naganika Gamage	

as my /our proxy to represent me/us and vote for me/us on my/our behalf at the Twenty Fifth Annual General Meeting of the Company to be held as a virtual meeting on the 30 July 2021 and at any adjournment thereof.

	For	Against
1. To receive the Annual Report of the Board of Directors on the Affairs of the Company and the Audited Financial Statements for the year ended 31 March 2021 with the Report of the Auditors thereon.		
2. To declare a Final Dividend of Rs. 7.50 per share for the financial year Ended 31 March 2021 as recommended by the Directors.		
3. To re-elect Mr J R A Corera, who in terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.		
4. To re-elect Mrs P R W Perera, who in terms of Article 24 (2) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.		
5. To re-elect Mr S Kumarapperuma, who in terms of Article 24 (2) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.		
6. To re-elect Mr E R S G S Hemachandra, who in terms of Article 24 (2) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.		
7. To re-elect Prof Prasadani N Gamage, who in terms of Article 24 (2) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.		
8. To authorise the Directors to determine Contributions to Charities and other donations for the ensuing year.		
9. To re-appoint Messrs KPMG, Chartered Accountants as Auditors and authorise the Directors to determine their remuneration.		

FORM OF PROXY (VOTING SHAREHOLDERS)

Signed this..day of .... Two Thousand and Twenty One.

....
Signature/s of Shareholder/s

Please provide the following details

Name of the Shareholder	:..
Email address of the Shareholder	:..
CDS A/C No/NIC No/Company Registration No.	:..
Folio No/No. of shares held	:..
Name of the Proxy holder	:..
Email address of the Proxy holder	:..
Proxy holder's NIC No.(if not a director)	:..

INSTRUCTIONS AS TO COMPLETION:

1. The Full name, address and the NIC No of the Proxyholder and the Shareholder appointing the Proxyholder should be entered legibly in the Form of Proxy.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the proxy in his/her discretion may vote as he/she thinks fit.
3. Every alteration or addition to the Proxy Form must be duly authenticated by the full signature of the shareholder signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.
4. The completed Form of Proxy should be deposited at the Registered Office of the Secretaries, No.101, Inner Flower Road, Colombo 03 not less than 48 hours before the time fixed for the holding of the AGM.
5. If the Form of Proxy is signed by an Attorney, the respective Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the company.
6. If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal (if any), or signed by its Attorney or by an officer on behalf of the company/corporate body in accordance with its Articles of Association/statute.
7. In case of Margin Trading Accounts (Slash Accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

FORM OF PROXY (NON-VOTING SHAREHOLDERS)

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC- P B 232 PQ

I/We,...(NIC No..) of ....

.... being a member/members of Citizens Development Business Finance PLC

hereby appoint Mr/Mrs/Ms.. (NIC No. ....)

of.. whom failing,

Mr Joseph Rene Alastair Corera	whom failing
Mr Weligama Palliyaguruge Claud Mahesh Nanayakkara	whom failing
Mr Tennakoon Mudiyanselage Damith Prasanna Tennakoon	whom failing
Mr Roshan Hasantha Abeygoonewardena	whom failing
Mr Sasindra Virajith Munasinghe	whom failing
Mr Dave Anthony De Silva	whom failing
Snr Prof Sampath Priyantha Perera Amaratunge	whom failing
Mr Jagath Priyantha Abhayaratne	whom failing
Mr Elangovan Karthik	whom failing
Mrs Pandithasundara Rajitha Wajirangani Perera	whom failing
Mr Sujeewa Kumarapperuma	whom failing
Mr Elabadagama Ralalage Samitha Gomie Sudheera Hemachandra	whom failing
Prof Prasadani Naganika Gamage	

as my /our proxy to represent me/us and vote for me/us on my/our behalf at the Twenty Fifth Annual General Meeting of the Company to be held as a virtual meeting on the 30 July 2021 and at any adjournment thereof.

Signed this..day of .... Two Thousand and Twenty One.

....

Signature/s of Shareholder/s

FORM OF PROXY (NON-VOTING SHAREHOLDERS)

Please provide the following details

Name of the Shareholder :...

Email address of the Shareholder :...

CDS A/C No/NIC No/Company Registration No. :...

Folio No/No. of shares held :...

Name of the Proxy holder :...

Email address of the Proxy holder :...

Proxy holder's NIC No.(if not a director) :...

INSTRUCTIONS AS TO COMPLETION:

1. The Full name, address and the NIC No of the Proxyholder and the Shareholder appointing the Proxyholder should be entered legibly in the Form of Proxy.
2. Every alteration or addition to the Proxy Form must be duly authenticated by the full signature of the shareholder signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.
3. The completed Form of Proxy should be deposited at the Registered Office of the Secretaries, No.101, Inner Flower Road, Colombo 03 not less than 48 hours before the time fixed for the holding of the AGM.
4. If the Form of Proxy is signed by an Attorney, the respective Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the company.
5. If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal (if any), or signed by its Attorney or by an officer on behalf of the company/corporate body in accordance with its Articles of Association/statute.
6. In case of Margin Trading Accounts (Slash Accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

CORPORATE INFORMATION

Name of the Company

Citizens Development Business Finance PLC

Legal Form

A public quoted company incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007.

The Company is licensed under the Finance Business Act No. 42 of 2011. The Company is registered under the Finance Leasing Act No. 56 of 2000 and CDB is an approved credit agency under mortgage Act No. 06 of 1949 and Trust Receipt Ordinance No. 12 of 1947.

Date of Incorporation

7 September 1995

Registration No

PB 232 PQ

Accounting Year

31 March

Board of Directors

J R A Corera
CFA (USA), FCMA (UK)
Chairman/Independent Non-Executive Director

W P C M Nanayakkara
BSc (Mgt.), FCMA (UK), MBA (Sri J)
Managing Director/Chief Executive Officer/Executive Director

T M D P Tennakoon
FCMA(UK), CGMA
Deputy CEO/Chief Financial Officer/Executive Director

R H Abeygoonewardena
FCMA (UK), ACMA (Sri), MCPM, CGMA
Executive Director/Director – Corporate Finance

J P Abhayaratne
MBA, BSc (Admin)
Non-Executive Director

Prof S P P Amaratunge
BA Econ (Sp) (Sri J); MA Econ (Colombo);
MSc Econ. of Rural Dev. (Saga. Japan); PhD (Kagoshima, Japan)
Non-Executive Independent Director

E R S G S Hemachandra
MBA (Australia), Dip M (UK), FCIM(UK)
Non-Executive Director

D A De Silva
BSc (Hons), ACMA, CGMA
Executive Director/Director – Business operations

Elangovan Karthik
FCIM, FSLIM, BSc (Mgt.), MBA (PIM), CGMA
Executive Director – Chief Emergent Business Officer

S Kumarapperuma
B.Sc (Science), MBA(Colombo), PG Dip (Acturial Science)
Non-Executive Director

S V Munasinghe
MBA (Fed. Uni. Aus)
Executive Director – Sales and Business Development

Mrs P R W Perera
FCA, ACMA
Independent Non-Executive Director

Prof P N Gamage
B.Sc (Admin), PhD (HRM), M.Sc (Management), Attorney-at-Law
Independent Non-Executive Director

Registered Address of Head Office

No. 123, Orabipasha Mawatha,
Colombo 10, Sri Lanka.
Phone : +94 11 738 8388
Fax : +94 11 242 9888
Email : cdb@cdb.lk
Web : www.cdb.lk

Company Secretary

SSP Corporate Services (Pvt) Limited
101, Inner Flower Road,
Colombo 03,
Sri Lanka
Phone : +94 11 257 3894,
+94 11 257 6871
Fax : +94 11 257 3609
Email : sspec@sltnet.lk

External Auditors

KPMG
Chartered Accountants
32 A, Sir Mohamed Macan Marker Mawatha, Colombo 03,
Sri Lanka
Phone: +9411 542 6426

Lawyer

Nithya Partners
No. 97 A, Galle Road,
Colombo 03,
Sri Lanka

Credit Rating Agency

ICRA Lanka Limited

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
Deutsche Bank
DFCC Bank PLC
Hatton National Bank PLC
National Development Bank PLC
Nations Trust Bank PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Union Bank PLC

★

This Integrated Annual Report is GHG-neutral

Produced by Smart Media (Pvt) Limited, a GHG-neutral company that reduces and offsets its direct and indirect greenhouse gas emissions through certified sources.

Net-zero GHG since 2011

GSARN© www.gsarn.org
Global Standard Annual Report Number©
LKA8773CDBXX0200210E107

SMART MEDIA The ANNUAL REPORT Company
www.SmartAnnualReport.com

PARTNER Carbonfree Carbonfund.org
www.carbonfund.org

CDB

Your Friend