

ANNUAL REVIEW 2021/22



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About Us

WE AT LOLC AL-FALAAH ARE RELENTLESS IN OUR COMMITMENT TO PROVIDING THE BEST FINANCIAL SOLUTIONS AND STRIVE TO ADD VALUE TO OUR PRODUCTS TO MEET THE NEEDS OF OUR CUSTOMERS. UNITY IN DIVERSITY IS ANOTHER KEY ASPECT THAT IS EMBEDDED IN OUR COMPANY CULTURE. DRIVEN BY THE GOAL OF PLAYING A MORE ACTIVE ROLE IN DEVELOPING THIS SECTOR, WE ESTABLISHED AN ALTERNATE FINANCIAL SERVICES UNIT IN A BID TO ENSURE THAT ALL PRODUCTS AND SERVICES ARE HANDLED IN ACCORDANCE WITH THESE ESTABLISHED CONCEPTS, GUARANTEEING CONSISTENCY AT ALL TIMES.

VISION

To be the most preferred alternate banking & financial services provider.

MISSION

Assist those driven by the spirit of enterprise to reach greater heights, through our innovative, personalised and wide-ranging alternate financial solutions.

VALUES

Al-Falaah strictly concentrates on ensuring that no element of 'Gharar' (Uncertainty) lies in any transaction. Therefore, in order to adopt a clear separation of in-flow and out-flow of funds, LOLC Al-Falaah maintains separate financials, systems, processes and operations in the strictest form. LOLC Al-Falaah has appointed a dedicated Scholar Supervisory Board (SSB) with representation of eminent local and international industry-leading scholars together with a permanent and full-time in-house Scholar Advisor for guidance and advice on the principles of Islamic economic jurisprudence. The SSB also conducts periodic Scholar audits on all transactions done by LOLC Al-Falaah.

Guided by our values, we aspire to:

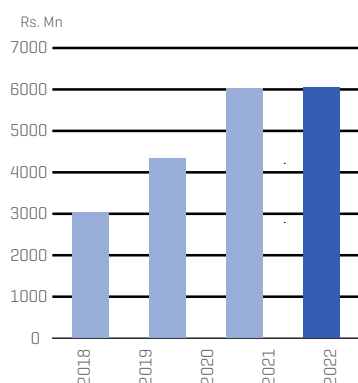
- Make available broad-based alternate financial services islandwide.
- Spread the concept amongst all stakeholders and to champion the process of development of alternate finance in Sri Lanka.
- Create long-term value for all stakeholders and build lasting relationships with them.
- Inculcate a 'Service-First' mindset across the organisation and go the extra mile to provide innovative financial solutions to our customers.
- Nurture an enterprising spirit through the generation and power of ideas.
- Respect diversity in the workplace, provide dignity and purpose, and collectively share talents to attain the corporate vision as well as to achieve departmental and individual goals, objectives and aspirations.
- Be a model corporate citizen by maintaining the highest professional and ethical standards.

THE STRATEGIC MERGER BETWEEN LOLC AL-FALAAH THE ALTERNATE FINANCIAL SERVICES UNIT OF LOLC FINANCE (LOFC-AFSU) AND ISLAMIC BUSINESS DIVISION OF COMMERCIAL LEASING AND FINANCE (CLC-IBD) AND THE RESULTING POWERFUL SYNERGIES ENABLES THE NEW ENTITY TO OFFER ITS 360-DEGREE ALTERNATE FINANCIAL SERVICES TO A WIDER REACH THROUGH ITS 200+ FOOTPRINT ACROSS THE COUNTRY FOR OUR VALUED CLIENTELE. THE MERGER BRINGS IN MASSIVE EFFICIENCIES, WIDE BRANCH NETWORK AND TECHNOLOGY PLATFORMS INCLUDING IPAY, LOLC FINANCE'S DIGITAL PAYMENT PLATFORM, TO BECOME A GAME-CHANGER IN THE ALTERNATE FINANCE INDUSTRY.

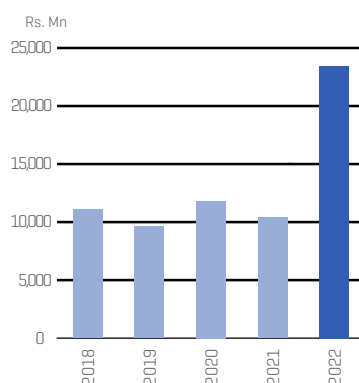
Financial Highlights

Year Ended 31 March	Merged Entity LOLC AI-Falaah Rs. 2022 Mn	LOFC-AFSU Rs. 2021 Mn	CLC -IBD Rs. 2021 Mn
Revenue	2,471	2,403	950
Gross Profit	1,622	1,362	624
Profit Before Tax	564	414	143
Profit After Tax	382	278	104
Retained Earning	4,653	2,883	906
Total Assets	24,302	16,009	5,326
Loans and Advances Portfolio	23,449	10,395	5,105
Non Performing Loans	550	409	200
Total Liabilities	19,648	13,126	4,419
Deposit Base	12,575	11,818	2,261
Profit Paid to Depositors	712	949	317

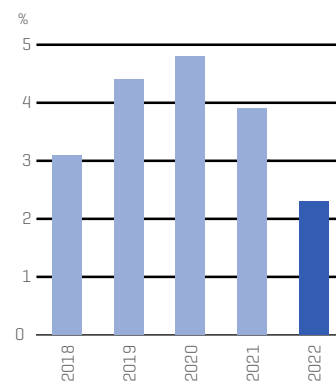
Loans and Advance



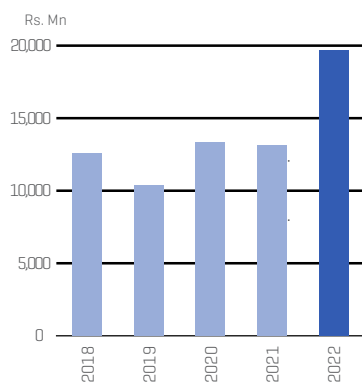
Loans and Advances Portfolio



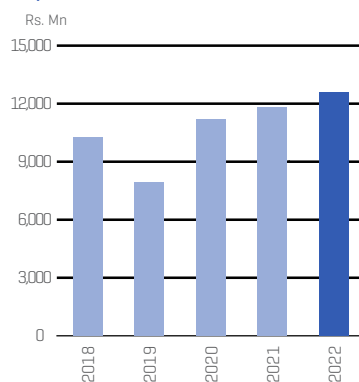
NPL Ratio



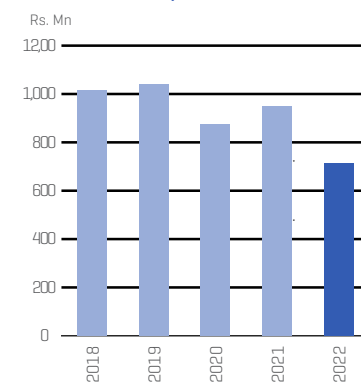
Total Liabilities : Rs. 19,648Mn



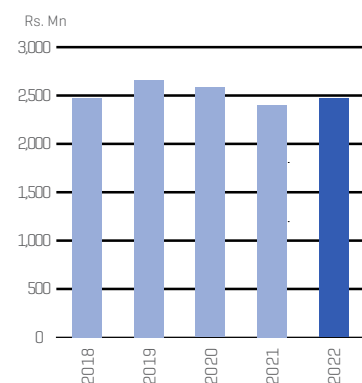
Deposit Base



Profit Paid to Depositors



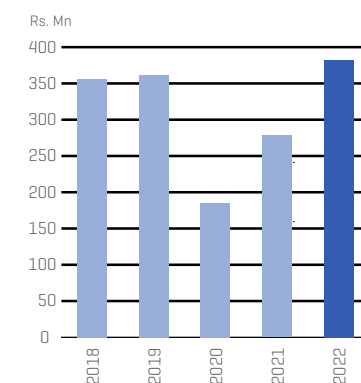
Revenue



PBT



PAT



Awards and Significant Events

OUR CORE VALUES AND OUR STRONG WORK ETHICS HAVE BEEN THE MAJOR INFLUENCING FACTORS BEHIND OUR UNINTERRUPTED AND UNRIVALLED SUCCESS BOTH LOCALLY AND GLOBALLY.

LOFC-AFSU



LOLC AI-Falaah was awarded IFN Best Islamic Leasing Provider (Global) 2021 Islamic Financial News



LOLC AI-Falaah was awarded IFFSA Islamic Leasing Company of the year 2021 - Gold Islamic Finance Forum of South Asia



LOLC AI-Falaah was awarded IFFSA Islamic Banking Window of the year 2021 - Gold Islamic Finance Forum of South Asia



LOLC AI-Falaah was awarded IFFSA Islamic Finance Entity of the year 2021 - Silver Islamic Finance Forum of South Asia



LOLC AI-Falaah was awarded SLIBFI Islamic Leasing Company 2021 - Gold Sri Lanka Islamic Banking & Finance Industry



LOLC AI-Falaah was awarded SLIBFI Window of the year 2021 - Gold Sri Lanka Islamic Banking & Finance Industry



LOLC AI-Falaah was awarded SLIBFI Entity of the year 2021 - Silver Sri Lanka Islamic Banking & Finance Industry

CLC-IBD



CLC Islamic Business Division was awarded IFFSA Islamic Leasing Company of the year 2021 - Silver Islamic Finance Forum of South Asia



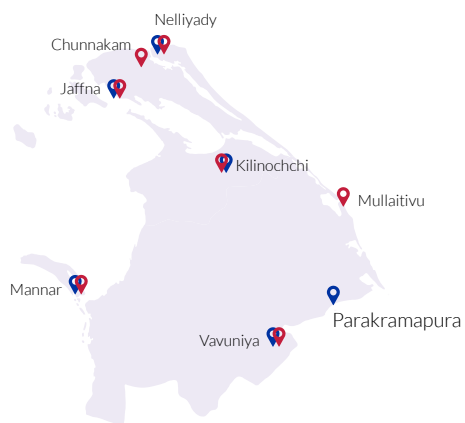
CLC Islamic Business Division was awarded SLIBFI Islamic Leasing Company 2021 - Silver Sri Lanka Islamic Banking & Finance Industry



CLC Islamic Business Division was awarded SLIBFI Window of the year 2021 - Bronze Sri Lanka Islamic Banking & Finance Industry

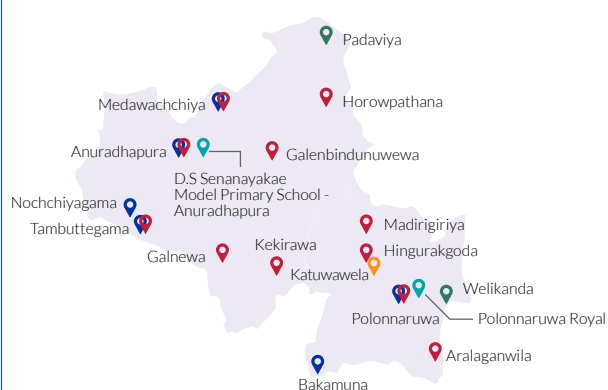
Our Locations

Northern Province



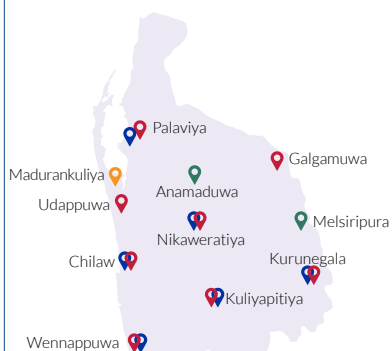
07 06

North-Central Province



11 02 02 06 01

North-Western Province



08 02 01 06

Central Province



09 04 01 01 06

Sabaragamuwa Province



09 01 05

As at 31st March

- LOLC Finance Branches
- LOLC Finance Savings Centres
- LOLC Finance Service Centres
- LOLC Finance, AI-Falaah Branches/LOLC Finance, AI-Falaah Service Centres
- CLC Branches
- CLC IBD Centres

Southern Province



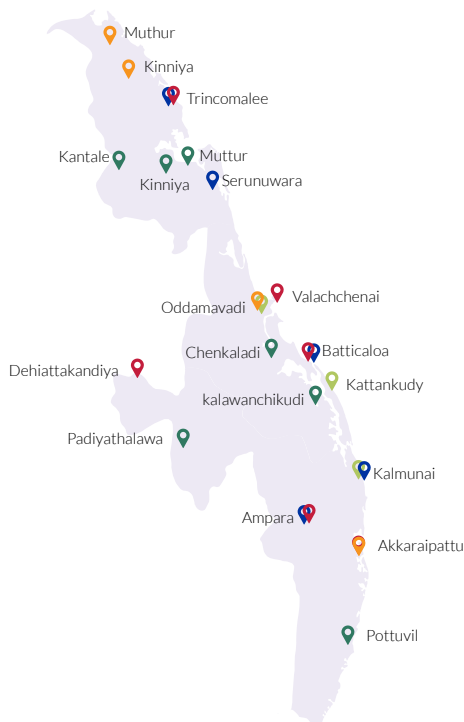
14 02 08

Uva Province



05 01 04

Eastern Province



06 07 03 05 04

Western Province



34 07 03 01 23

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OUR FOCUS IS TO
SUPPORT ALL OUR
STAKEHOLDERS ON A
JOURNEY OF GROWTH,
TO FOSTER THRIVING
ECONOMIES, ENABLING
PEOPLE AND BUSINESSES
TO GROW.

Director/CEO's Review

THE NEWLY-MERGED ENTITY NOT ONLY CREATED THE LARGEST NBFi IN SRI LANKA, BUT ALSO ESTABLISHED AN ENTITY THAT IS RANKED AMONGST TOP BANKS ON MANY FRONTS.

The merger between LOLC Finance PLC and Commercial Leasing & Finance PLC in March 2022 Paved the way to reach many milestones as these entities were positioned as the second and fourth-largest Non-Banking Financial Institutions (NBFIs) respectively, and thus their merger changed the entire landscape of the NBFi industry. As the newly-merged entity, LOLC Finance PLC not only created the largest NBFi in Sri Lanka, but also established an entity that is ranked amongst top banks on many fronts, including an asset base of over Rs. 312 Bn; almost 210 branches and combined profits of Rs. 17 Bn. LOLC Finance now accounts for over 20% of the NBFi industry in assets, deposit base and portfolio in an industry with 38 players.

STRATEGIC DEVELOPMENTS IN 2021/22

The impact on the Islamic Finance industry in Sri Lanka as a result of the merger is equally significant as LOLC AI-Falaah has become the second-largest Islamic Finance provider in Sri Lanka with a total asset base of over Rs. 24 Bn and a base of over 60,000 active clients in the Islamic Finance industry. The Company's distribution of Islamic Finance now happens across 210 branches, under one umbrella. In addition, the client can enjoy financial benefits emanating from the stronger entity such as highest market returns for investors due to a well-managed portfolio, with the high portfolio quality resulting in lower credit costs, and lower finance costs to borrowers due to lower overheads and distribution costs.

LOLC Finance continues to play a leading role in developing Islamic Finance in Sri Lanka. Reflecting its combined strength, the two entities walked away with all the key Islamic Finance awards and recognitions on local and global forums in 2021/2022. Some of the main awards were 'Leasing Company of the Year' [Gold], 'Window/Unit of the Year' [Gold],

'Leasing Company of the Year' [Silver] and 'Entity of the Year' [Silver] at the Islamic Finance Forum of South Asia (IFFSA) awards. LOLC AI-Falaah was also bestowed with the global IFN NBFi award for 'Best Islamic Leasing Provider'. In Sri Lanka, the Company won 'Leasing Company of the Year' [Gold & Silver], 'Window /Unit of the Year' [Gold & Bronze] and 'Entity of the Year' [Silver] at Sri Lanka Islamic Banking and Finance Industry (SLIBFI) awards.

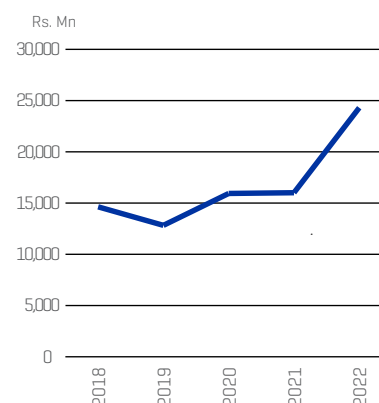
Another significant milestone achieved during the year under review was the introduction of Wadi'ah, for safekeeping of gold which is a dire need and a vacuum in the Islamic Finance industry in Sri Lanka. Wadi'ah, signifies the most Shariah compliant product against the pledge of gold, which is heavily patronized by the company's micro client base in Sri Lanka. Similarly, the extension of the Wakalah Finance product into revolving repayments under Wakalah Speed Draft has proved to be highly useful for the business community during the economic crisis prevailing in the country.

FUTURE PLANS

LOLC AI-Falaah aims to evolve its digital products, services, processes and distribution to reach newer markets through cost-effective mechanisms. Our vision will continue to uplift lifestyles and businesses of micro and SME segments. By enhancing the development of these segments which form the engine of growth, Sri Lanka's economy can be revived.

The success of LOLC AI-Falaah has been extended to other global markets such as Africa, Indonesia, Pakistan and Egypt through LOLC's global reach. The company remains committed to achieving sustainable financial and social impact on its clients.

Total Assets



APPRECIATION

The role of key shareholders, the Scholar Supervisory Board, the Board of Directors and senior management of the business unit ensured a well-coordinated response to challenges which is the prime reason for LOLC AI-Falaah's success. I thank them for their contribution, insightful vision and guidance. We commend our staff for their commitment and dedication for their commitment to ensuring a firm financial footing for LOLC AI-Falaah which now possesses the optimal springboard for the further development and growth of Islamic Finance in Sri Lanka and beyond.

Krishan Thilakarathne
Executive Director/CEO

Message from Head of Alternate Financial Services - LOLC

THE MERGED BUSINESS UNIT IS NOW THE LARGEST ALTERNATE FINANCIAL SERVICES PROVIDER IN SRI LANKA'S NBFI SECTOR.

Resilience has been the abiding strength of LOLC AI-Falaah since inception, and in the year under review, this was proved yet again as it recorded impressive financial results amidst adversity. The highlight of the 2021/22 financial year, however, was the historic merger of LOLC Finance PLC with its sister company, Commercial Leasing & Finance PLC (CLC), to become the largest Non-Banking Financial Institution (NBFI) in Sri Lanka. As a result of this strategic merger, LOLC AI-Falaah and CLC's Islamic Business Unit too merged, making it another first in Sri Lanka that any two alternate financial services units were amalgamated – a unique development in the alternate financial services industry.

Although the merger of the alternate financial services business was simpler since both entities were under the same parent and had the same Scholar Supervisory Board (SSB), they were operating independently and were responsible for their respective transactions. Despite some procedural challenges, the amalgamation process was implemented successfully. The merged business unit is now the largest alternate financial services provider in Sri Lanka's NBFI sector.

OVERALL PERFORMANCE

It is pertinent to note that prior to the merger, both entities were recording strong growth. CLC's Islamic Business Division recorded 55% growth in its portfolio in 2021/22 while LOLC AI-Falaah demonstrated almost 50% portfolio growth. This shows that despite the economy being on the road to recovery from the pandemic, the entities performed well through prudent strategies implemented to navigate the two-year pandemic.

The proforma Income of the merged entity as at 31st March 2022 stands at Rs. 3.6 Bn, which makes a significant contribution to the LOLC Group. Some of the salient

pillars of growth in the year under review were prudent credit evaluation, tailor-made finance solutions, rescheduling and restructuring of portfolio to suit customer repayments capacities and effective management of Assets and Liabilities. By managing these pillars well, the Company was able to record impressive growth. However, the deposit portfolio could not achieve projected growth as customers were focused on resuscitating their businesses amidst high inflation and operational costs.

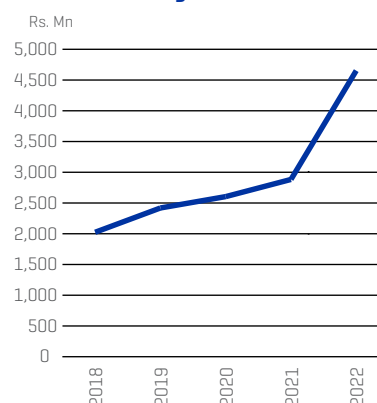
Overall, 2021/22 was a year of recovery for the Company, as the improved macroeconomic conditions in the latter part of the year provided an opportunity to make up for the slowdown in the last two years. The micro management approach adopted by the company in managing the operations of the product portfolio and further helped expand product growth.

Greater attention was diverted to collections and recoveries during the year while extending support to customers for restructuring their debt and giving them the knowhow to revive their business, to support their onward journey. Helping customers revive their businesses was a critical endeavour by the company.

In the face of these challenges, the company recorded NPL ratios of 2.3% for the year, when the industry stood at 10-12%. We were successful in maintaining the quality of the book at the same time because of the inherent features of the products. Portfolio quality meanwhile remained intact which shows the strength, stability and sustainable features of the alternate financial services product portfolio.

The alternate financial services industry grew by 20% in 2021/22 as against 8% in 2020/21 and this was reflected in the increased demand for alternate financial services products as more customers became familiar with its benefits. The competent manner in which the alternate

Retained Earnings



financial services business coped with the prevailing challenges is evident in the product-wise performance.

In terms of LOFC AI-Falaah's pre-merger product-wise portfolio growth, the Company was already on a strong footing, and the merger only served to strengthen the product range and performance. The proforma Profit before Tax of 1.23 Bn reflected a 71% growth while Profit after Tax of the merged entity rose to Rs. 864 Mn marking a growth of 55%. While combined assets climbed by 5%, the Income also showed robust expansion, which reflects the future potential for the entity. As a testimonial to its prudent management, the entity maintained NPL ratio at 2.3% against an industry average of over 10%.

INNOVATION

Continuing with product innovation, LOLC AI-Falaah introduced a new product equivalent to a bank overdraft under the Wakalah concept, which has been branded as 'Wakalah Speed Draft', a first in the alternate financial services industry. This new product has gained instant success since its launch, as it gives customers the flexibility of utilising the funds they take from us for multiple uses in their business.

The Company continues to invest in the area of conducting customer awareness programmes and training budding scholars and providing exposure to the practical side of alternate finance. The programmes were conducted after a two-year hiatus.

The former AI-Falaah was referred to as an entity that always focused on innovative and tailor-made product solutions, educating clients on the concept, and had a global track record of maintaining the highest compliance. AI-Falaah has always been associated with positive sentiments by the public. It was branded as the most awarded alternate financial services provider which was appreciated by the public. CLC's Islamic Finance Business division was launched and positioned as the fastest-growing entity under the expertise of the former AI-Falaah. As the merged entity, LOLC AI-Falaah looks forward to extending tailor-made services and eyes expansion to 200-plus locations island-wide.

In keeping with our reputation for innovation, we will continue to devise tailor-made products based on current market trends. Going forward, the improvement in our technological advancements will become apparent to customers as the time taken to process the facility is vastly reduced through automation, thus enhancing their experience while providing a seamless service.

Further, digital investments and savings products have been introduced for enhanced customer convenience. Customers can now open digital savings accounts via digital platforms 24/7.

AWARDS & ACCOLADES

The expertise in alternate financial services shown by the Company has earned it a bouquet of accolades on local and international platforms. During 2021/22, LOLC AI-Falaah won 3 awards at the Islamic Finance Forum South Asia [IFFSA] Awards, including Leasing Company of the year [Gold], Window/Unit of the year [Gold] and Entity of the Year [Silver]. In addition, the Company shone at the Sri Lanka Islamic Banking & Finance Institutes Awards [SLIBFI], where it walked away with Leasing Company of the Year [Gold], Window/Unit of the Year [Gold] and Entity of the Year [Silver]. Meanwhile

at the Islamic Finance News Magazine [IFN] Non-Bank Financial Institute [NBFI] Awards, LOLC AI-Falaah was bestowed with the Best Islamic Leasing Provider [Global] prestigious award.

CHARITABLE ENDEAVOURS

LOLC AI-Falaah is proud to have placed Sri Lanka firmly on the alternate financial services map for its product innovation, compliant product range, and for demonstrating its social stewardship. Cumulatively from 2009 till date, AI-Falaah has disbursed 186.59 Mn and since 2015 CLC has disbursed 26.7 Mn across its charity initiatives focused on the pillars of education, social upliftment and healthcare. During the year under review both LOLC AI-Falaah and CLC IBD has disbursed Rs. 14.63 Mn and Rs. 11.63 Mn respectively to charity projects with an emphasis on healthcare. Considering the high inflation prevailing through the year, LOLC AI-Falaah will continue to fulfil its duty to uplift society.

APPRECIATION

I would like to thank the Scholar Supervisory Board [SSB] for their support and guidance through a challenging year. The Chairman, Board of Directors, senior management and colleagues at LOLC AI-Falaah have demonstrated real commitment to overcome obstacles. I am grateful to our customers for their loyalty and confidence in us. Coupled with the dedication of our team and the Company's positioning as the largest alternate financial services provider in the country, LOLC AI-Falaah is poised to grow from strength to strength in the coming years.



Shiraz Refai
Head of Alternate Financial Services

THE ISLAMIC FINANCE INDUSTRY GLOBALLY IS GROWING AND, IN SRI LANKA, LOLC AL-FALAAH HAS MADE A SIGNIFICANT CONTRIBUTION TO EXPANDING THE REACH AND ADOPTION OF ALTERNATE FINANCIAL SERVICES.

LOLC Al-Falaah, the alternate services market leader in Sri Lanka, has hopefully been strengthened further after the merger with CLC's Islamic Business Division. The combined asset base has rendered LOLC Al-Falaah among the largest alternate financial services providers in Sri Lanka. The company's financial statements indicate a strong performance in 2021/22. The unit offers a comprehensive suite of Shariah compliant alternate financial and investment products. This is appreciated by its customers and investors.

The Islamic finance industry globally is growing and, in Sri Lanka, LOLC Al-Falaah has made a significant contribution to expanding the reach and adoption of alternate financial services. LOLC-Al-Falaah has been a market leader in this regard and continues to be so in terms of innovation and compliance.

The new Wadi'ah gold storage product was launched by the company during the year under review and protects investors from the conventional interest-based pawning product. The SSB will closely monitor the implementation of this product and conduct internal Shariah audits to ensure proper procedures are being adhered to.

Overall, the SSB is satisfied that LOLC Al-Falaah is adhering to SSB guidelines as per our audits. We have found that the company has been cooperative and adhering to requirements, in particular continuous adherence to Islamic principles and internationally recognised Shariah standards and Islamic economic principles.

During the year, SSB continued its training of staff for the development of Shariah compliant products. The SSB's guiding principle to the company remains that our goal should not be to merely increase our business, but rather to increase the concept of Islamic Finance as a whole.

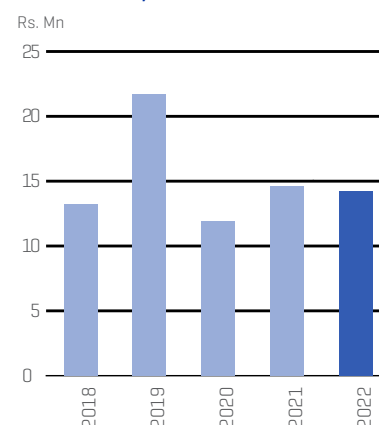
The SSB remains a source of strength for the company – offering guidelines, monitoring compliance and finding alternative solutions to conventional interest-bearing instruments to support the Unit's operations. The key to success for the company is to ensure that proper procedures are followed while enhancing capacity, building knowledge and following correct procedures, when it comes to complying and adhering to investments and financing products.

After two years of travel restrictions due to the pandemic, the SSB was able to finally conduct in-person audits this year. In addition, audits are also carried out by the inhouse team of scholars at LOLC Al-Falaah, Ash-Shaikh Muawwith Mubarak (Mowlavi) and Ash-Shaikh Anas Umar (Mowlavi), who form a young and upcoming vibrant team of scholars in the sphere of Islamic Banking and Finance.

Going ahead, the SSB believes that LOLC Al-Falaah will find new impetus to innovate and expand its offering of Shariah compliant products while expanding the concept of alternate financial services in Sri Lanka and beyond in global markets.

Ash-Shaikh Shafique A. Jakhura [Mufti]
Scholar Supervisory Board - Chairman

Total Charity Fund Distributed



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WE HAVE STRENGTHENED
OUR CAPACITY TO ENSURE
THAT WE DELIVER ON
OUR STRATEGIC GOALS,
BUILDING A ROBUST
FOUNDATION CREATING
LONG-TERM VALUE TO OUR
SHAREHOLDERS.

Product Review

LOLC AL-FALAAH IS CONQUERING NEW PINNACLES WITHIN THE INDUSTRY, WITH ITS INNOVATIVE PRODUCT PORTFOLIO FOR BOTH SME AND MSME SEGMENTS AS WELL AS FOR THE BOTTOM OF THE PYRAMID MICRO SEGMENT ALIKE.

LOLC AL-FALAAH

As a Strategic Business Unit (SBU) of LOLC Finance PLC (LOFC), Sri Lanka's largest Non-Banking Financial Institution (NBFI), LOLC Al-Falaah, dominates the alternate financial services segment. With the strategic merger of LOLC Finance PLC and Commercial Leasing & Finance (CLC) PLC at the financial year-end, portfolios of the Islamic Business Division of CLC were absorbed into LOLC Al-Falaah – making LOLC Al-Falaah the largest alternate financial services provider in Sri Lanka's NBFI segment. LOLC Al-Falaah is conquering new pinnacles within the industry, with its innovative product portfolio for both SME and MSME segments as well as for the bottom of the pyramid MICRO segment alike.

PERFORMANCE OVERVIEW

In the year under review, LOLC Al-Falaah recorded stellar growth of over 48% in its Finance portfolio, reaching Rs. 24.30 Bn in 2021/22 from its previous year's book of Rs. 16.00 Bn, while securing a Deposit portfolio of Rs. 12.5 Bn. The SBU succeeded in effective management of the asset and liability book while growing the assets portfolio and sustaining and drawing in new deposits. Whilst Revenue earnings reached Rs.1.62 Bn, LOLC Al-Falaah achieved a 36% increase in Profit before Tax of Rs. 150 Mn from Rs. 413.92 Mn in the previous year to Rs. 564 Mn in the year under review. At the close of financial year-end, Retained Earnings were Rs. 4.65 Bn, reflecting 61% growth in comparison with the previous year's Rs. 2.88 Bn.

The key strategy pillars for its strong growth amidst challenging external conditions were its prudent credit evaluation and tailor-made finance solutions to suit the evolving needs of customers, including rescheduling and restructuring of portfolios to suit customer

repayments capacities. In addition, the effective management of its Assets and Liabilities portfolio ensured a low Non Performing Loan (NPL) ratio of NPL Ratio 2.34% against an industry average of over 9.11% in the year under review. LOLC Al-Falaah's NPL ratio was markedly lower than the rest of the banking sector during the comparable period.

In the 2021/22 financial year, LOLC Al-Falaah distributed Profits to Depositors amounting to Rs. 712 Mn, demonstrating a strong stature despite the prevailing volatile economic conditions. Return on Equity too showed positive growth amidst volatile economic and industry conditions. Given the profit-sharing methodology of the business model, the Assets and Liability portfolios were suitably managed with an ideal and sustainable balance under the difficult economic circumstances to offer optimum returns to all stakeholders.

Striving to educate a broader section of the potential clientele, awareness programmes were carried out by LOLC Al-Falaah's Operations/Compliance Unit with a focus on developing knowledge amongst the community at large, opinion leaders and the young scholars (senior and student) segment for over 300 participants by the Scholar Supervisory Board (SSB) members and the LOLC Al-Falaah in-house scholar advisors. All financial activities of LOLC Al-Falaah are supervised by a dedicated, independent SSB chaired by a mix of industry leading local and international scholars.

PRODUCT PERFORMANCE

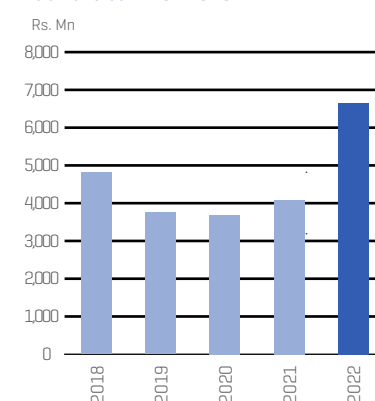
LOLC Al-Falaah's product portfolio offers a superior range of alternate financial services in areas of Profit Sharing investment and Savings Accounts, Leasing, Trade Financing, Import Financing, Property and Project Financing and Working Capital financing. Customers can

conveniently access these products and services via dedicated windows within LOLC Finance's extensive branch network and service centres islandwide. The merged entity increased the Finance portfolio to reach Rs. 23.45 Bn and Deposits portfolio of Rs. 12.57 Bn from Rs. 11.82 Bn in the previous year, making LOLC Al-Falaah the largest alternate financial services provider in Sri Lanka's NBFI segment.

MUDHARABAH FIXED DEPOSITS AND SAVINGS

Deposit mobilisation achieved slight growth despite the rising inflation and interest rates that prevailed through the period under review. This product achieved a deposit portfolio of Rs. 12.57 Bn in 2021/22 from Rs. 11.82 Bn recorded in the previous year, which reflects a growth of 5%. The strong brand identity of LOLC Al-Falaah continued to extend confidence to customers when it came to safeguarding their finances.

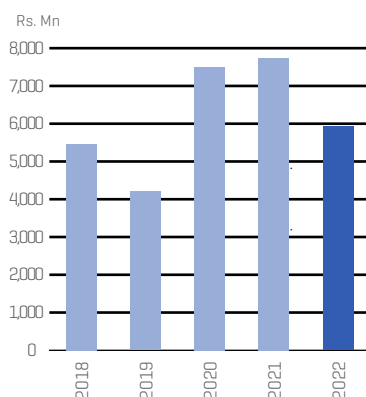
Mudharabah Portfolio



WAKALAH FOR INVESTMENT

The economic crisis further exacerbated the vulnerability of businesses already impacted by the protracted pandemic period. Given its strong brand identity and financial strength, further backed by LOLC Finance PLC, LOLC AI-Falaah was still the preferred alternate financial services provider for customers seeking working capital to support their businesses during challenging times although demand as such was low. The Wakalah Working Capital Finance portfolio contracted by -23% to Rs. 5,923 Mn in the period under review from Rs. 7,738 Mn in the previous year.

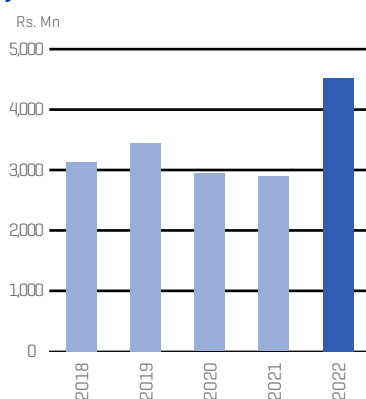
Wakalah Investment



IJARAH FOR LEASING

Across the industry, the leasing portfolio shrank due to the continued vehicle import bans, high interest rates and inflation, nevertheless LOLC AI-Falaah's Ijarah Leasing portfolio grew by an impressive 56% to reach Rs. 4.52 Bn in 2021/22 from Rs. 2,896 Mn in 2020/21, which reflects the uniqueness of the product.

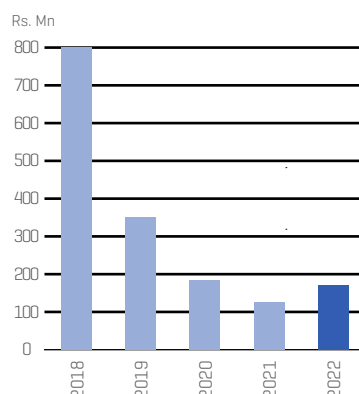
Ijarah Portfolio



MURABAHA FOR TRADE FINANCE

The severe economic challenges including foreign exchange shortage and rising inflation witnessed during the year severely hampered trading activities. Despite this challenge, the Murabaha Trade Finance Portfolio registered 35% year on year growth of Rs. 171 Mn compared to Rs. 127 Mn in the previous financial year. LOLC AI-Falaah supported its customer base through the period by meeting their needs for trade finance.

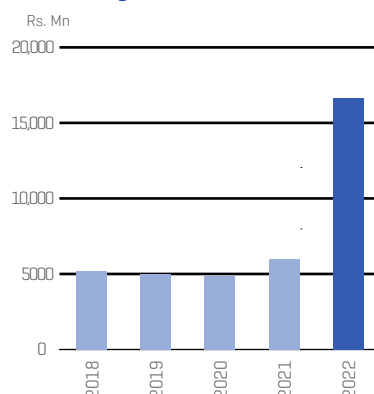
Murabaha Portfolio



DIMINISHING MUSHARAKAH FOR PROPERTY AND PROJECT FINANCE

Sustaining the strategy to provide refinance to offset the weak demand for working capital due to unfavourable market conditions, the Diminishing Musharakah Property & Project Finance portfolio grew to Rs.16.65 Bn as against Rs. 5,963 Mn in the previous year, reflecting a year on year growth of 179%. The key reason for the product's growth was the flexibility it offers to business owners along with other features such as raising funds, restructuring, rescheduling, as well as purchase options.

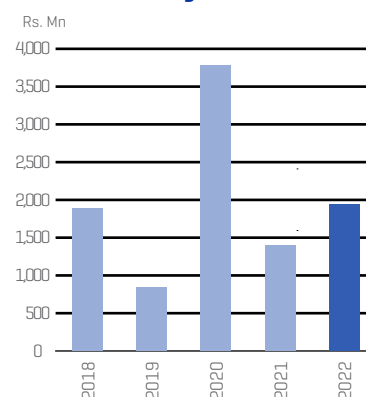
Diminishing Musharakah Portfolio



WAKALAH FOR BUSINESS AND WORKING CAPITAL FINANCE

Considering the weak economic conditions in the market, the demand for working capital was low, as many businesses scaled back operations and delayed expansion and business development plans until such time that the economy showed signs of stability. Nevertheless, LOLC AI-Falaah still managed to achieve a growth of 39% over the previous year to record Rs. 1,942 Mn as against Rs. 1,399 Mn in 2020/21. As the economic situation eases, we expect a release of pent-up demand for this product.

Wakalah Financing



WAKALAH SPEED DRAFT

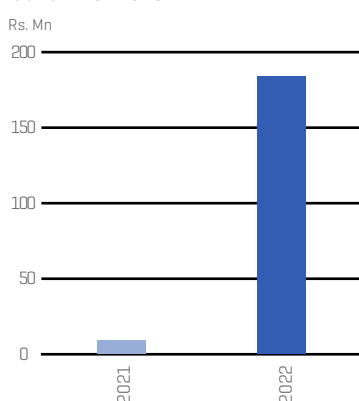
The prospects for this product are bright, as customers can now obtain a speedy cash advance conveniently with the 'Wakalah Speed Draft' service from any of the LOLC Finance branches located countrywide. It is most suitable for businesses that are engaged in trading and manufacturing that require short to mid-term working capital.

Product Review

WADI'AH GOLD STORAGE

The Wadi'ah Gold Storage Facility is an alternate option for conventional Gold Loans and the Pawning cash-advance portfolio and grew to Rs. 183.73 Mn within a year since it was launched by LOLC AI-Falaah. The main aim of this facility is to give financial access to grassroots-level clients who do not have direct access to banking and finance, but require small cash advances to develop daily businesses and self-employment.

Wadi'ah Portfolio



CORPORATE SOCIAL RESPONSIBILITY

Ensuring sustainable communities is a priority for LOLC AI-Falaah and CLC Islamic Business Division, and their disbursed funding across health, education and social upliftment projects during the year under review. LOLC AI-Falaah has distributed Rs. 14.63 Mn approximately amongst beneficiaries, exceeding 1,300 from its Charity Fund for new and on-going CSR projects as compared to Rs. 12.46 Mn. in previous year. Where as CLC Islamic Business Division has distributed 11.63 Mn to CSR projects amongst 725 beneficiaries, compared to 4.8 Mn disbursement in 2020/21.

AWARDS & ACCOLADES

As Sri Lanka's most awarded and trusted Alternate Financial services brand, LOLC AI-Falaah was bestowed with more recognition in the year under review. During 2021/22, LOLC AI-Falaah was awarded the Best Islamic Leasing Provider [Global] for the 3rd Year consecutively by Islamic Finance News [IFN] Global Awards, Dubai. LOLC AI-Falaah was recognised yet again at the 2021 Islamic Finance Forum South Asia [IFFSA] Awards, where

it was bestowed with the Islamic Leasing Company of the year 2021 – Gold; Islamic Banking Window of the Year 2021 – Gold; and Islamic Entity of the Year 2021 – Silver. At the Sri Lanka Islamic Banking & Finance Industry [SLIBFI Awards], LOLC AI-Falaah was awarded Islamic Leasing Company of the year 2021 – Gold; Islamic Banking Window of the Year 2021 – Gold; and Islamic Entity of the Year 2021 – Silver.

A part of LOLC AI-Falaah hereon, CLC Islamic Finance too received the following accolades at the 2021 Islamic Finance Forum South Asia [IFFSA] Awards Sri Lanka: Islamic Leasing Company of the year 2021 – Silver; another Silver at the 2021 Sri Lanka Islamic Banking & Finance Industry [SLIBFI Awards] for Islamic Leasing Company of the year; and a Bronze for Islamic Banking Window of the Year 2021.

FUTURE PLANS

LOLC AI-Falaah has demonstrated its resilience in challenging times and ability to perform strongly in rigid conditions as it earned a sound financial performance in the year under review. Going ahead, LOLC AI-Falaah will remain focused on offering solutions to customers to address their urgent financial needs. Processes will be fully automated for end-to-end digitalisation at customers' doorsteps with the backing of parent LOLC Finance's fintech capabilities.

There is clearly a growing demand for alternate financial services provided by LOLC AI-Falaah as a trusted brand in the market. Consumers are gaining more knowledge about alternate financial solutions which is driving demand for these products as evidenced by the strong performance by the company. It is expected that with the economic crisis being brought under control by authorities, the alternate financial services segment will witness higher demand in the coming year.

Scholar Supervisory Board Members

ASH-SHAikh SHAFIQUE

A. Jakhura [Mufti]
Chairman

Mufti Shafique is a Registered, Certified Shari'ah Advisor and Auditor by the Accounting and Auditing Organisation for Islamic Financial Institutions of Bahrain [AAOIFI]. He serves in the Fatwa Department preparing and issuing Islamic Juristic Rulings at the Darul Ihsan Centre in Durban, South Africa. He is also a founding member of the Centre of Islamic Economics and Finance South Africa [CIEFSA]. He completed the Aalimiyah Course at Madrasah Taleemuddeen in 2002 in Durban and completed a three-year specialisation course in Islamic jurisprudence [Fiqh and Fatwa] from the Jami'ah Darul Uloom, Karachi, Pakistan in 2005, under the guidance of Mufti Taqi Usmani, which culminated in the submission of a thesis on the topic of Shirkat and Mudharabah. He also has an Advanced Diploma in Islamic Banking and Finance from the Centre for Islamic Economics based in Karachi, Pakistan. A leading International Consultant in Islamic Finance, Mufti Shafique Jakhura is the Chairman of the Scholar Supervisory Board of Al-Falaah, the Islamic Business Unit of LOLC Finance PLC.

ASH-SHAikh FAZIL

M. Farook
Member

Ash-Shaikh Fazil is a graduate of Islamic Shari'ah and completed Dharuthul Hadith from The Darul Uloom, Newcastle, South Africa. A qualified scholar in Islamic Banking and Finance from the Islamic University, Malaysia, he is also a lecturer at The Al-Ain Islamic Institute and The Darul Uloom Islamiya, Colombo and a leading Islamic Banking and Finance consultant in Sri Lanka. Ash-Shaikh Fazil Farook is a Member of the Scholar Supervisory Board of Al-Falaah, the Islamic Business Unit of LOLC Finance PLC.

ASH-SHAikh MURSHID

M. Mulaffar
Member

Ash-Shaikh Murshid is a graduate of the Darul Uloom Al-Humaidhiya in Islamic Shari'ah, Colombo and a qualified scholar in Islamic Banking and Finance from the Centre for Islamic Economics, Karachi, Pakistan. Certified Shari'ah Advisor and Auditor by the Accounting and Auditing Organisation for Islamic Financial Institutions of Bahrain [AAOIFI] He is a leading Islamic Finance consultant in Sri Lanka and also the Assistant General Secretary of the All Ceylon Jamiyyathul Ulama [ACJU]. Ash-Shaikh Murshid Mulaffar and is a Member of the Scholar Supervisory Board of Al-Falaah, the Islamic Business Unit of LOLC Finance PLC.

Strategic Business Unit/AFSU Team

SHIRAZ REFAI

MABE [UK], FCMI [UK], MBA [UK]
**Head of Alternate Financial Services
Unit of LOLC Finance**

Joined LOLC Group in 2006 and counts over 21 years of experience in the Banking and Financial Services sectors in both local and overseas establishments. A key member of the Operational Management Team of LOLC, has played a pivotal role in spearheading the formation and implementation of Alternate Financial Services projects under LOLC Group financial services subsidiaries.

SHAFIN IQBAL

MBA [UK], MCIM
**Manager, Institutional Marketing –
Al-Falaah, Alternate Financial Services
Unit of LOLC Finance**

Joined LOLC group in 2014 and counts over 20 years of experience in Marketing services in the areas of Strategic marketing, new business development, branding and communication and network marketing.

IMRAN ZAROOK

ADCM [SLICM], ADICM [SLICM]
**Manager, Recoveries Supervision –
Al-Falaah, Alternate Financial Services
Unit of LOLC Finance**

Joined LOLC Group in 2015. Counts over 19 years of experience in the field of customer operations/finance including credit control, collection, recovery, legal, risk and relationship management.

ASH-SHAikh MUAWWITH MUBARAK

Certified Shari'ah Advisor & Auditor [AAOIFI], BA, Islamic Law [Madina]
**In-House Scholar Advisor – Al-Falaah,
Alternate Financial Services Unit of
LOLC Finance**

Graduated from Islamic University of Madina. Possesses a wide knowledge in Islamic law and commercial transaction.

ASH-SHAikh ILHAM MUFARIS

BA in Usoolul Deen [NALEEMI], BA [University of Paradeniya]
**Executive, Business Operations –
Al-Falaah, Alternate Financial Services
Unit of LOLC Finance**

Joined LOLC Group in 2015. Counts over 7 years of experience in Alternate Banking and Financial Services in Operational areas.

BUDDHIKA WEERATUNGE

FCA [SL], MBA [ACS], ACMA [SL]
Head of Finance, LOLC Finance

Buddhika Weeratunge is Fellow member of the Institute of Chartered Accountants in Sri Lanka. He possesses a Master's Degree from University of Southern Queensland, Australia and Associated Member of Institute of Certified Management Accountants of Sri Lanka [CMA Sri Lanka].

HIKAM HUSSAIN

PG Dip. in Islamic Banking, Dip. in Mgt Development [PIM], Dip. in Structuring Islamic Legal Documentation [Malaysia]
**Manager, Channel Marketing, Al-Falaah,
Alternate Financial Services Unit of
LOLC Finance**

Joined the group in 2021. Counts over 15 years experience in Islamic Banking and Finance.

MOHAMED WAFIQ

MBA [UK]
**Deputy Manager – Recoveries
Supervision, Al-Falaah Alternate
Financial Services Unit**

Has 13 years experience in Telecommunication sector, including Customer care, Recoveries, Inbound and Outbound call handling, Back Office functions and Corporate support service. Joined LOLC on 7th of January 2019. He currently overlooks the Alternate facilities recoveries.

ASH-SHAikh UMAR ANAS (ISLAMI)

CIBF [FGA]
**In-House Scholar Advisor – Al-Falaah,
Alternate Financial Services Unit of
LOLC Finance**

Graduated from Darul Uloom Islamiyyah Colombo. Holder of Certificate in Alternate Banking and Finance.

ASH-SHAikh SEYYED SAABIQ

BA in Usoolul Fiqh [FATHIH], EDIBF [FGA]
**Officer, Business Operations –
Al-Falaah, Alternate Financial Services
Unit of LOLC Finance**

Joined LOLC group in 2018. Graduated from the Fathih Institute of Sri Lanka in Thihariya and a holder of Executive Diploma in Alternate Banking and Finance.

ILSAM AWFER

MSLIM, AFIIBI [UK], MBA [MANIPAL]
**Chief Manager – Al-Falaah, Alternate
Financial Services Unit of LOLC Finance**

Joined the group in 2008. Counts over 15 years experience in Islamic Banking and Finance operations, marketing, research and finance.

IFTHAZ NAZIR

Msc. in Strategic Marketing
**Deputy Manager, Channel Marketing,
Al-Falaah, Alternate Financial Services
Unit of LOLC Finance**

Joined LOLC Group in 2010 and count over 19 years of experience in marketing of Financial service sector. Played a pivotal role in developing metro region Alternate Finance businesses.

SILMY SALLY

PG Dip. in Marketing [UG]
**Deputy Manager – Recoveries
Supervision, Al-Falaah, Alternate
Financial Services Unit of LOLC Finance**

Joined the group in 2014. Counts over 13 years experience in Recoveries, administration and marketing.

ASH-SHAikh FAZIL MOHIDEEN

Msc. In Islamic and Accounting, BA in Usoolul Deen [NALEEMI], DIB [IBSL]
**Associate Manager, Business
Operations – Al-Falaah, Alternate
Financial Services Unit of LOLC Finance**

Joined LOLC Group in 2014. Counts over 8 years of experience in Alternate Banking and Financial Services in both Marketing and Operational areas.

Regional Coordinators - Al-Falaah, Alternate Financial Services Unit of LOLC Finance

RAMSHAD MOHAMED

MBA [OUSL]

Senior Manager - Al-Falaah, Alternate Financial Services Unit of LOLC Finance

Central I & II, Northern I & II, Sabragamuwa Regions

DHILFOWZY MOHAMED

IBSL-Intermediate

Currently pursuing an MBA in business management from Cardiff Metropolitan University

Senior Manager - Al-Falaah, Alternate Financial Services Unit of LOLC Finance

Liability Marketing

Central I & II, Sabragamuwa, Eastern, Uva, North Central I & II, North Western II Regions

MOHAMED FAIZ

BBA, MCIM, AM SLIM

Senior Manager - Al-Falaah, Alternate Financial Services Unit of LOLC Finance

Eastern, Uva Regions

JAMEEL AHAMED

Deputy Manager - Al-Falaah, Alternate Financial Services Unit of LOLC Finance

Southern I, II & III, Western III Regions

IMRAN HAMEED

IFA-UK [Associate Member of Institute of Financial Accountant]

Deputy Manager - Al-Falaah, Alternate Financial Services Unit of LOLC Finance

North Western I, Western I & II Regions

AHSAN MUNAF

B.A [Hons] in Business Management Northumbria University-UK

Islamic Finance Qualification CISI-UK

Deputy Manager - Al-Falaah, Alternate Financial Services Unit of LOLC Finance

Metro I & II Regions

AHAMED NUSKY

CIMA Passed Finalists

Deputy Manager - Al-Falaah, Alternate Financial Services Unit of LOLC Finance

North Central I & II, North Western II Regions

Board of Directors

MR. F K C P N DIAS

Chairman/ Non-Executive Director

Mr. Conrad Dias was appointed to the Board on 01st March 2020. He holds Masters in Business Administration [MBA] from University of Leicester UK, Fellow Member of Chartered Management Accountants UK [FCMA], Chartered Global Management Accountant [CGMA -USA]. He is also a Fellow of Certified Management Accountant of Sri Lanka [FCMA] and British Computer Society [FBCS].

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

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

His thought leadership on technology and contribution in the field of ICT to the industry, society and in LOLC Group was recognised by many local and international awards including prestige's Computer Society of Sri Lanka CIO of the year 2016. He was also award and Chartered Management Institute of Sri Lanka Professional Excellence Award 2017. Further he was inducted to Global CIO Hall of Fame 2020 of IDG CIO100 and only Sri Lankan to get this accolade.

MR. D M D K THILAKARATNE

Executive Director/ CEO

Mr. Krishan Thilakaratne was the Director/CEO of Commercial Leasing and Finance PLC and a Member of the Senior Management Team of LOLC PLC.

Mr. Thilakaratne is a Board member of Seylan Bank PLC and Commercial Insurance Brokers. Mr. Thilakaratne further serves in the boards of LOLC Myanmar Micro Finance Company Ltd and Faso S Micro Deposit Organisation in Tajikistan. He is also the Director of LOLC Central Asia covering the markets and investments in Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan.

He was a board member of Credit Information Bureau of Sri Lanka [CRIB], Prasac Micro Finance Institution Ltd Cambodia and the past Chairman of the Finance Houses Association of Sri Lanka [FHASL], the Apex body for Non-Bank Financial Institutions [NBFIs] in Sri Lanka.

He is a member of Chartered institute of Management Accountants [CIMA] UK and a Member of the Associateship of Institute of Bankers of Sri Lanka [AIB]. He has followed Strategic Leadership training programme in Micro Finance at Harvard Business school USA and counts over 25 years of experience in Management, Credit, Channel Management, Marketing, Factoring, Portfolio Management and Islamic Finance. He conceptualised and Introduced Islamic Finance to LOLC Group in 2007 and is a Guest Speaker at International Islamic Finance Forums.

MRS. K U AMARASINGHE

Executive Director

Mrs. Kalsha Amarasinghe holds an Honours Degree in Economics and has an outstanding vision for investments. She serves on the Boards of subsidiaries of Browns Group of Companies and LOLC Holdings PLC.

Key appointments: Director – LOLC Holdings PLC, LOLC Finance PLC, LOLC Life Assurance Limited, LOLC Serendib [Pvt] Ltd, Palm Garden Hotels PLC, Eden Hotel Lanka PLC, Brown & Co. PLC, Browns Investments PLC, Riverina Resorts [Pvt] Ltd, Browns Holdings Ltd, Green Paradise [Pvt] Ltd, Danya Capital [Pvt] Ltd, Sanctuary Resorts Lanka [Private] Limited, Serendib Hotels PLC, Hotel Sigiriya PLC, Serendib Leisure Management Limited, Dolphin Hotels PLC, Frontier Capital Lanka [Pvt] Ltd, Ultimate Sports [Pvt] Ltd and Kammala Hoteliers [Pvt] Ltd.

MR. B C G DE ZYLVA

Non-Executive Director

Mr. Brindley de Zylva serves as Non-Executive Director of LOLC Finance PLC and Chairman of LOLC [Cambodia] PLC, Managing Director of LOLC Myanmar Micro-Finance Company Limited and

Director of both Serendib Microinsurance PLC and Browns Machinery in Cambodia. He joined the LOLC Group in 2003 and counts over 37 years' experience in the Non-Bank Financial Services Industry [NBFIs] covering Licensed Finance Companies, Specialised Leasing Companies and Micro Finance in Sri Lanka, Myanmar and Cambodia.

MR. P A WIJERATNE

Senior Independent Director

Mr. P A Wijeratne has over twenty years of experience in Accounting, Financial reporting, Investment of internal funds, Foreign loan disbursements and repayments, Auditing, Public debt management and Administration as an ex Officio of the Central Bank of Sri Lanka. He has joined CBSL in 1991 and has worked in the Finance, Public Debt Management and Internal Audit departments till his retirement in year 2016.

He holds a BA degree in Economics [Special Field – Commerce] from University of Kelaniya and a postgraduate Diploma in Accounting and Financial Economics. He has read for his MSc in Accounting and Financial Economics at the University of Essex, UK.

MR. K SUNDARARAJ

Independent Director

Mr. Kandiah Sundararaj counts over 28 years experience in Accounting, Auditing and Tax consulting. He started his career as a Chartered Accountant in 1998 and is currently serving as the Tax Partner in M/s Amerasekera and Company, Chartered Accountants.

Mr. Sundararaj is a fellow member of the Institute of Chartered Accountants of Sri Lanka and holds a Master of Business Administration in Finance from the University of Colombo.

Directorships Held by the Directors

DIRECTORS' DECLARATIONS

Name of the Director	Directorates as at 31.03.2022
Mr F K C P N Dias	Sanasa Development Bank PLC LOLC Technology Services Ltd LOLC Technologies Ltd Digital Mobility Solutions Lanka (Pvt) Ltd oDoc (Private) Limited LOLC Finance Zambia Limited LOLC Holdings PLC LOLC Finance PLC I Pay Global FZC Fusion X Global FZC LOLC ASKI Finance Inc. LOLC Private Ltd LOLC Inter Asia Development Bank LOLC Myanmar Microfinance Company Limited Fina Trust Microfinance Bank Limited – Nigeria LOLC Cambodia PLC
Mr D M D K Thilakaratne	Seylan Bank PLC LOLC Finance PLC Commercial Factors (Private) Limited Commercial Insurance Brokers (Pvt) Ltd LOLC Myanmar Micro Finance Company Limited LOLC Central Asia Private Limited
Mrs K U Amarasinghe	LOLC Holdings PLC LOLC Finance PLC LOLC Life Assurance Limited LOLC Serendib (Pvt) Ltd Palm Garden Hotels PLC Eden Hotel Lanka PLC Brown & Co. PLC Browns Investments PLC Riverina Resorts (Pvt) Ltd Browns Holdings Ltd Green Paradise (Pvt) Ltd Danya Capital (Pvt) Ltd Sanctuary Resorts Lanka (Private) Limited Serendib Hotels PLC Hotel Sigiriya PLC Serendib Leisure Management Limited Dolphin Hotels PLC Frontier Capital Lanka (Pvt) Ltd Ultimate Sports (Pvt) Ltd Kammala Hoteliers (Pvt) Ltd
Mr B C G De Zylva	LOLC Myanmar Micro-Finance Company Limited LOLC (Cambodia) PLC Browns Machinery (Cambodia) Co. Ltd LOLC Finance PLC Serendib Microinsurance PLC
Mr P A Wijeratne	LOLC Finance PLC
Mr K Sundararaj	LOLC Finance PLC

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WE STRIVE TO TAKE
ALTERNATE FINANCING TO
GREATER HEIGHTS, AND
EXTEND OUR PORTFOLIO
OF SOLUTIONS TO ALL
OUR STAKEHOLDERS.

Scholar Supervisory Board Audit Report 2021/22

IN THE NAME OF ALMIGHTY ALLAH, ALL GRACIOUS, THE VERY MERCIFUL.

TO THE SHAREHOLDERS OF LOLC FINANCE PLC

The year under review was the Fifteenth year of Al-Falaah, the Alternate Financial Services Unit of LOLC Finance PLC [LOLC Al-Falaah].

During the year, The Scholars Supervisory Board [SSB] of the LOLC Al-Falaah and the Management of LOLC Finance PLC held several meetings to review various products, concepts, transactions, processes and their compliance with Islamic economic jurisprudence.

We have reviewed the principles and the contracts relating to the transactions applied by LOLC Al-Falaah, as well as audited directly or indirectly through the In-House Scholar Advisor [ISA], the transactions concluded by LOLC Al-Falaah during the financial year under review from April 2021 to March 2022.

We have also conducted our review to form an opinion as to whether LOLC Al-Falaah, complied with the rules and Islamic economic & commercial principles in accordance with international benchmark standards set out by the Accounting and Auditing Organization for Islamic Financial Institutions of Bahrain [AAOIFI] and the guidelines of the SSB.

The Management of LOLC Finance PLC [LOFC], is responsible for ensuring that LOLC Al-Falaah, conducts its business in accordance with the rules and Islamic economic & commercial principles. It is the SSB's responsibility to form an independent opinion based on its review of the operation of LOLC Al-Falaah, and report to you.

THE FOLLOWING WERE THE MAJOR DEVELOPMENTS THAT TOOK PLACE DURING THE YEAR UNDER REVIEW

1. Training & Development: During the year, the In-House Scholars Advisor and AFSU operations Department held training programs for staff online & Physically.
2. Launching of new products: Wadiah Gold Storage facility, & Wakalah Speed-Draft.
3. The In-House Scholars Advisor was not able to visit the branch due to crisis in the country. However, virtual meetings

were held to enhance knowledge, related to products and processes.

4. SSB meetings were held both physically as well as online
5. Al-Falaah Alternate Financial Services Unit of LOLC Finance PLC was recognized and accolades were received in Islamic Banking & Finance Industry Awards both locally and internationally.

SSB Audit and Compliance Review

The scope of the audit included examining on a test basis:

1. Mudharabah Fixed Deposits & Savings Transactions
2. Wakalah Term Investment Transactions
3. Ijarah Lease Financing Transactions
4. Murabaha Trade Financing Transactions
5. Diminishing Musharakah Project & Property Financing Transactions
6. Wakalah Business & Working Capital Financing Transactions
7. Wadi'ah Gold Storage Transactions
8. Benevolent Loan againsts Wadi'ah Gold Storage Certificates
9. Profit Distribution for Depositors
10. Excess-Fund Investments
11. Bank Statements
12. Expenditure Apportionment
13. Review of Audited Financial Statements
14. Marketing and Advertising material review
15. Reconciliation of Administrative Charges on Delayed Penalties against actual Expenses incurred for recoveries
16. Accrual and Disposal of Impermissible Income
17. Charity Fund

We planned and performed our review to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that LOLC Al-Falaah, has adhered to Islamic commercial principles.

In our opinion;

1. The overall structure of the contracts offered by LOLC Al-Falaah and their implementation during the year under review are generally in compliance with the rules and Islamic economic & commercial principles.
2. The allocation of profits relating to investment accounts and profit equalization reserve [PER] allocation appears to conform to the rules and Islamic economic principles.
3. The expense allocation appears to be based on a reasonable formula. Management is requested to review this methodology annually to ensure accurate allocation of expenses.
4. The reconciliation of administrative costs recovered vs actual costs incurred for recovery of delayed payments appears to indicate that Administrative charges recovered are less than costs incurred in recovering delayed payments. Hence, this is in accordance with the guidelines issued by the SSB. Management is required to carry out periodic reviews on this to ensure that administrative charges recovered does not exceed costs of actual recoveries costs incurred.

We beseech the Almighty Allah to bless us with the guidance to accomplish His cherished tasks, make us successful in this world and in the hereafter, and to forgive our mistakes.

[Mufti] Shafique A. Jakhura
Chairman – SSB

[Ash-Shaikh] Fazil A. Farook
Member – SSB

[Ash-Shaikh] Murshid M. Mulaaffar
Member – SSB

Statement of Financial Position

As at 31 March 2022	Merged Entity LOLC AI-Falaah 2022 Rs.	LOFC-AFSU 2021 Rs.	CLC -IBD 2021 Rs.
ASSETS			
Cash and bank balances	603,738,364	439,517,795	114,286,598
Deposits with banks and other financial institutions	177,334	4,985,752,552	
Murabaha / Musawamah /Wakalah receivables	2,113,506,060	1,526,282,560	59,720,835
Diminishing Musharakah receivables	16,634,052,515	5,963,482,689	3,536,409,795
Ijarah rent receivables	4,518,046,048	2,896,107,664	1,508,665,137
Wadiah Gold Loan Advances	183,735,776	8,749,465	-
Investment securities	19,080,384	105,652,837	-
Investment Properties	122,800,000	-	105,800,000
Other receivables	66,312,057	83,015,121	730,583
Amount due from related companies	40,074,387		
Total assets	24,301,522,926	16,008,560,682	5,325,612,948
LIABILITIES			
Deposits from customers	12,575,052,969	11,818,275,889	2,261,299,224
Income tax payable	321,257,538	135,608,003	9,951,848
Accruals and other payables	418,746,808	293,205,058	165,687,243
Amount due to related companies	6,333,220,775	878,846,433	1,982,481,883
Total liabilities	19,648,278,089	13,125,935,383	4,419,420,198
OWNER'S FUND			
Retained earnings	4,653,244,837	2,882,625,299	906,192,750
Total owners fund	4,653,244,837	2,882,625,299	906,192,750
Total liabilities & owners fund	24,301,522,926	16,008,560,682	5,325,612,948

I certify that these financial statements have been prepared in accordance with the basis of preparation and notes.



Buddhika Weeratunga
Head of Finance

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2022	Merged Entity LOLC AI-Falaah 2022 Rs.	LOFC-AFSU 2021 Rs.	CLC -IBD 2021 Rs.
Revenue	2,471,160,641	2,403,173,325	950,930,117
Profit paid to Mudharabah/Wakalah investors	[712,269,078]	[948,525,678]	[317,465,628]
Profit paid on other funding arrangement	[23,193,453]	[18,001,852]	
Other direct expenses	[113,811,902]	[74,875,232]	[9,803,065]
	1,621,886,209	1,361,770,563	623,661,424
Non distributable other income / [expenses]	226,991,481	171,914,251	56,588,761
Total operating income	1,848,877,690	1,533,684,814	680,250,185
Employee benefits	[354,952,353]	[290,730,620]	[95,539,762]
[Provision]/reversal for credit losses	[123,594,901]	[224,442,013]	[271,742,426]
Other operating expenses	[666,635,004]	[507,829,860]	[135,418,441]
Profit from operations	703,695,433	510,682,321	177,549,556
Value added tax on financial services	[139,444,100]	[96,757,780]	[34,896,636]
Profit before taxation	564,251,333	413,924,541	142,652,920
Income tax expense	[181,991,622]	[135,608,003]	[38,696,626]
Profit for the year	382,259,711	278,316,538	103,956,294
Other comprehensive income	-	-	-
Total comprehensive income	382,259,711	278,316,538	103,956,294

Notes

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