Believe. Conquer. Soar.

ANNUAL REPORT 2022/23

softlogic Finance

www.softlogicfinance.lk

At Softlogic Finance, we pave the path to triumph with strategic approaches that revolve around fostering growth and self-sufficiency. With a legacy of unwavering service to the nation spanning over two decades, our steadfast commitment propels us towards an ongoing enhancement of customer satisfaction. Rooted in unwavering determination, we stand firm in the belief that our relentless efforts will navigate us through the intricacies of the current challenging phase. This unwavering resolve propels us toward gradual advancements in our financial standing, laying the foundation for a swift turnaround in the times that await us.

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ABOUT US

ABOUT US

As a distinguished entity within the expansive Softlogic Group, operating seamlessly across the nation and boasting a rich history spanning over 25 years, we have consistently navigated through the currents of macroeconomic uncertainties. These experiences, ingrained in our journey, have cultivated our preparedness to both discern and navigate potential impacts that might reverberate across our enterprise and extend to our valued clientele. The ongoing conflict between Russia and Ukraine, the intricate tapestry of Sri Lanka's external debt sustainability, and the regulatory measures imposed by the central bank shall remain integral facets of the external landscape. Although these dynamics persist, we acknowledge the likelihood of significant alteration remains limited in the near term.

Our stance as a corporate citizen deeply committed to Sri Lanka remains resolute. Armed with a proactive approach, we stand well-equipped to navigate an array of potential scenarios. Our commitment remains steadfast in catering to the diverse needs of our clientele, spanning both the Northern and Southern regions, as well as the myriad points that intertwine between them. Despite the constraints posed by the ongoing economic crisis and the regulatory interventions instituted by the central bank, we have established a robust foothold within the dynamic gold loan market of the NBFI sector. This very sector has acted as a catalytic force behind its remarkable growth trajectory.

Fueling our aspirations to stand as a premier financial partner for the emerging new economy, we are steadfast in our dedication to realign our business strategies in a manner that fosters enduring success for both our clients and the future trajectory of our enterprise. Our core values, etched deeply within us, underscore the essence of unity, adaptability, commitment to fruition, and the unwavering resilience demonstrated by our colleagues. These bedrock principles are instrumental in our pursuit of triumph within the competitive marketplace.

Nurturing our culture of excellence, which radiates a client-centric ethos and thrives on diversity and inclusivity, is pivotal to the realization of our aspiration to attain a truly high-performance standing. As we chart a course forward, we remain vigilant in adapting, innovating, and nurturing an ecosystem that propels us to new pinnacles of achievement.

VISION

To be the preferred non-Banking financial institution in Sri Lanka.

MISSION

To strive to delight our customers through accessible tailor-made financial solutions, served through our well versatile accomplished and highly motivated team, committed to excellence.

To create shareholder value through stability and above- average returns.

To sustain our continued commitment to being a good corporate citizen and make a positive contribution to the community and the environment.

VALUES

PERFORMANCE

We are committed to a result-oriented culture. We place customers at the centre of our activities and we hold ourselves responsible to deliver what we promise in keeping with customer needs.

INNOVATION

We constantly challenge conventional wisdom and develop new solutions and bring simplicity and accessibility for customers.

INTEGRITY

We act fairly and honestly. We believe in ethics and transparency in all our dealings.

HUMAN CAPITAL

We benefit from the diversity of our business and our people by working together to achieve success. We treat all our staff with respect and dignity, provide opportunities for their career enhancement and reward them for good performance.

SUCCESS

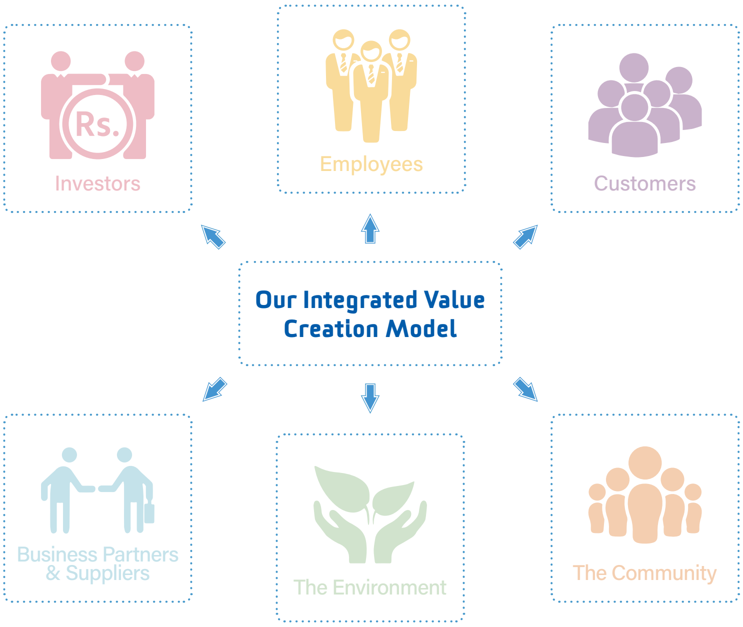
We always strive to be the best in our business and possess a will to win.

CORPORATE RESPONSIBILITY

We care for the community and the environment, taking responsibility to protect them. We are a good corporate citizen and support worthy causes and CSR projects.

OUR SUSTAINABILITY POLICY

Our corporate ethos is to build a sustainable business that can withstand the unpredictability of the industrial and economic environment that we operate in. This aggressive drive to achieve sustained business excellence has been deliberately designed to give primacy to the interests of all our stakeholders. In fact, in this quest, the integrated value creation process that we have cultivated through our Business Model has contributed significantly to ensuring that we are geared towards developing and sustaining a holistic growth drive that positively impacts all our stakeholders.



Investors – Our decision making process and our short term and long term financial objectives have always been aligned with the aspirations of our investors so that they receive sustainable returns for their investments. We are committed to providing them with all relevant information in a timely manner so that they are well informed when making investment decisions.

Employees – Our actions have undoubtedly proven that we regard our employees as the lifeblood of our company. We focus on professionally developing them so that they would continue to add strategic value to our business. Further, as a part of our employee value proposition, we offer our employees a rewarding, safe and challenging work environment for them to professionally and personally excel in.

Customers – The expectations of our customers always take the forefront in our business operations. Our financial solutions have been designed with the demands of our customer segments in mind and we are not afraid to aggressively restructure existing products or introduce new solutions to cater to the evolving aspirations of our clientele. We are committed to continuously reengineering our processes and introducing new platforms to conduct business in order to ensure that the customer service levels we offer are never compromised. In short, the entirety of our business operations is committed to fostering a service culture.

Business Partners & Suppliers – Our commitment to fostering and maintaining long term, mutually beneficial relationships with our suppliers and business partners has been instrumental in developing the overall value proposition that we offer our clientele. Our engagement mechanism with them is collaborative and we have committed ourselves to ethical and transparent business practices.

The Environment – All our business decisions and operational activities have been designed to ensure that we operate in an environmentally sustainable manner and invest in environmental conservation initiatives.

The Community – We actively foster long term partnerships and engagements with the communities that we serve and actively immerse ourselves in community development initiatives so that we have an intimate and resilient bond with the communities around us.

OUR REPORTING PHILOSOPHY

Reporting Context

Welcome to our seventh Integrated Annual Report! As a company that is committed to delivering responsible and transparent financial solutions to its customers, our objective is to present actionable and relevant information to all our stakeholders in order to empower them with the ability to make informed decisions about our company. We have adopted the Integrated Reporting methodology propagated by the Integrated Reporting Council in the context of our operations in order to effectively communicate our value creation story to our stakeholders in a multi-dimensional and cohesive manner.

Our focus is on delivering sustainable value creation to all our stakeholders that could withstand the vagaries of the industry that we operate in. This demands an intrinsic awareness and a penetrative insight into our value creation process, our responsibilities to our stakeholders and the economic, social and environmental impacts that our business produces. To this end, we have reported on the key inputs to our value creation process, which we have identified as our value drivers. These have been presented as input capitals in the form of Financial, Customer, Business Partner, Human, Intellectual and Infrastructure Capital. Further, we have laid out our value generating activities and the immediate outputs that result from our value creation process. Special emphasis has been directed towards the economic, social and environmental impacts that our business yields, considering it is our belief that the value we create should tangibly impact all these three spectrums.

Further, we recognize the responsibility that we have during this value creation process to our diverse set of stakeholders. In this context, we have comprehensively discussed the corporate governance and integrated risk management processes that provide adequate checks, balances and safeguards with regard to the myriad interests of our stakeholders.

Reporting Scope

Driven by our responsibility to our stakeholders and the need to address their needs, we have adopted the Integrated Reporting methodology to shed focus on the long-term sustainability of our value creation process.

In order to do this, we have presented financial and non-financial information that would facilitate the assessment of the financial and operational performance of our business. Further, to this end, we have also provided key comparative performance indicators from the previous financial year and the future outlook for all our value creating activities. This continuous enhancement of transparency is further buttressed by the identification of the factors affecting our identified key stakeholders and the sustainability initiatives championed by us, based on the stakeholder identification and engagement processes carried out by the company.

Reporting Boundaries

This Annual Report covers all activities of Softlogic Finance PLC island-wide, during the financial year 2022/23 ending on 31st March 2023. No restatements of any financial or non-financial information have been effected with regard to the previous financial year, unless otherwise specifically stated.

The reported financial statements as at and up-to 31st March 2023 have been prepared in compliance with the applicable Sri Lanka Accounting Standards. All relevant disclosures have been made as per the applicable laws and regulations. Disclosures on Corporate Governance have been made as per the Code of Best Practice on Corporate Governance (Direction No. 03 of 2008) and its amendments issued for finance companies by the Central Bank of Sri Lanka and also in line with the Finance Companies (Corporate Governance) Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka. Further, disclosures have also been made as per the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 07 of 2007.

External Assurance

External Assurance for the Financial Statements and its accompanying notes has been obtained from Messrs. Ernst and Young and their independent opinion is stated in the Independent Auditor's Report in Pages 131 to 134.

FINANCIAL HIGHLIGHTS

	2022/23	2021/22	Change
Financial Results for the Year Ended 31st March (Rs. Mn)			
Total Gross Income	4,199	3,204	31%
Interest Income	3,925	2,945	33%
Interest Expenses	3,891	1,593	144%
Net Interest Income	34	1,352	-97%
Other Income	274	259	6%
Total Operating Income	308	1,611	-81%
Total Operating Expenses	1,493	1,337	12%
Impairment Charges	1,810	1,210	50%
Profit / (Loss) Before Tax (PBT)	(2,995)	(936)	220%
Taxation (Income Tax & VAT on Financial Services)	-	-	-
Profit / (Loss) After Tax (PAT)	(2,995)	(936)	220%
Financial Position as at 31st March (Rs. Mn)			
Total Assets	22,182	25,379	-13%
Loans and receivables	8,843	9,324	-5%
Lease and hire purchase receivables	7,816	11,263	-31%
Customer Deposits	12,431	15,599	-20%
Total Borrowed Funds	6,916	4,793	44%
Shareholders' Funds	2,236	4,363	-49%
Financial Ratios & Indicators			
Cost to Income Ratio (%)	485.09	82.96	485%
Return on Average Assets (ROA) - before tax (%)	(12.60)	(4.05)	211%
Return on Average Equity (ROE) - after tax (%)	(90.77)	(25.32)	258%
Earnings / (Loss) Per Share (EPS) (Rs.)	(5.66)	(2.33)	143%
Earnings / (Loss) Yield (%)	(72.62)	(24.79)	193%
Net Assets Value Per Share (Rs.)	3.67	8.86	-59%
Market Price Per Share (Closing) (Rs.)	7.80	9.40	-17%
Market Capitalization (Rs.) (Mn.)	4,752	4,632	3%
Price to Earnings / (Loss) (Times)	(1.38)	(4.03)	-66%
Total Available Liquid Assets	2,384	1,810	32%
Required Minimum Amount of Liquid Assets	1,804	1,791	1%
Debt to Equity Ratio (Times)	8.92	4.82	4.10
Interest Cover (Times)	0.23	0.41	(0.18)
Core Capital Ratio (%) (Minimum Requirement 8.5%) (2021/22 - 7.0%)	(1.11)	7.11	-116%
Total Risk Weighted Capital Ratio (%) (Minimum Requirement 12.5%) (2021/22 - 11.0%)	0.60	12.14	-95%

CHAIRMAN'S STATEMENT

It is with great pleasure that I address you in the context of our annual report for the year 2022/23. The events of the previous year have led us through a series of unprecedented challenges, and yet, as we look back at the path we have traversed, there is much to appreciate and acknowledge.

The year 2022/23 began with a world still grappling with the lingering effects of the global pandemic. As the pandemic's impact continued to reverberate across the global economy, we navigated through a landscape marked by a delicate balance between optimism and uncertainty. The ebb and flow of the global economy, intertwined with shifts in the Sri Lankan economic landscape, compelled us to strategically recalibrate our approaches. In addition to the global pandemic, it is imperative to acknowledge the influence of both internal and external financial shocks that have impacted the financial industry. The unprecedented nature of these shocks tested the mettle of our strategic plans, prompting us to respond with agility and innovation. Furthermore, the realm of politics also cast its influence, with political shocks echoing within the economic landscape. These intricacies underscore the multifaceted nature of the challenges we encountered.

As we reflect on the year gone by, we are reminded that resilience and adaptability remain our guiding principles. By navigating through these complexities, we have not only sustained our operations but have also positioned ourselves for future growth. Our commitment to embracing change, harnessing technology, and prioritizing risk management remains steadfast as we chart the course ahead.

The remarkable resilience displayed by our colleagues throughout the challenges of the past year, even in the face of adversity, stands as an exemplar of their dedication. I take immense pride in our collective ability to emerge from the complexities of 2022/23, demonstrating unwavering commitment and fortitude.

Influence of the Global Economy on the Local Economic Landscape

In Sri Lanka, the macroeconomic indicators reflected a mixed picture. The real GDP growth for the country was -7.8% (2022), signaling the pervasive impact of global uncertainties on our local economy. The exchange rate (USD) experienced fluctuations as well, reaching LKR 363.11 in December 2022. These figures underscore the challenges we faced and how they rippled across different sectors, influencing our business operations and strategic decisions. Our commitment to technological advancement, digitization, and strategic agility positioned us favorably amidst this tumultuous environment.

Furthermore, the challenges posed by regulatory requirements, including the capital adequacy ratio, were met head-on. While our present situation may not fully conform to these requirements, I assure you that we are resolutely addressing this matter, aligning our strategies with prudent financial management to ensure long-term sustainability.

In the realm of macroeconomic dynamics, there is a silver lining that augments our outlook for the future. The anticipated involvement of the International Monetary Fund (IMF) and the funding we expect for the stabilization of the country's economy offer promising prospects. It is our belief that as the country's economic landscape stabilizes, it will have a positive ripple effect on the financial domain, reinforcing our strategic direction.

As we peer into the future, the lessons of 2022/23 provide us with valuable insights that will shape our path forward. The interplay of the Sri Lankan economy with global economic fluctuations underscores the importance of vigilance, adaptability, and strategic foresight. We remain steadfast in our commitment to navigate these dynamics, achieve growth, and create enduring value for our stakeholders.

Navigating the Way Forward

As we contemplate the intricate interconnections between the global economy and our local economic landscape, we chart our course forward with strategic insight. The lessons drawn from the challenges and opportunities of the past year serve as our guiding compass.

Our commitment to adaptability remains unwavering. We recognize that the global economic scene is marked by fluidity, and our ability to swiftly adjust our strategies to changing conditions is paramount. Technological resilience also remains central to our approach. In this era of digital transformation, we are steadfast in our pursuit of technological advancement, aiming to stay ahead of emerging trends.

CHAIRMAN'S STATEMENT

In consideration of the prevailing economic circumstances, the Central Bank of Sri Lanka has opted to uphold the existing levels of the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) at 11.00 percent and 12.00 percent, respectively. The decision is aimed at facilitating a swift adjustment of market interest rates, although certain lending products continue to deviate from the current monetary policy stance. Anticipating a gradual alignment of market lending interest rates with the recent monetary policy shifts, we remain confident that our business strategies will adapt and thrive in the evolving landscape.

In navigating the road ahead, we recognize the multifaceted nature of the global-local interplay. Our commitment to adaptability, technological innovation, risk management, stakeholder collaboration, and financial fortitude will guide us. Upheld by our collective dedication and unwavering pursuit of excellence, we continue to navigate the evolving economic landscape.

In conclusion, I extend my deepest gratitude to you, our shareholders, for your unwavering support and trust. I commend our dedicated employees for their commitment, resilience, and adaptability. Together, we navigate the currents of change and collectively forge a path toward a brighter future.

Appreciations

In conclusion, I wish to express my profound gratitude to all my esteemed colleagues for their unwavering commitment and empathy exhibited towards our valued customers and each other throughout the past year. Their exceptional dedication has not only defined our present status but also holds the power to shape our future trajectory. Our collaborative partners in business have been pivotal in enhancing our offerings, and we extend our heartfelt appreciation for the invaluable insights they have shared.

> As we contemplate the intricate interconnections between the global economy and our local economic landscape, we chart our course forward with strategic insight. The lessons drawn from the challenges and opportunities of the past year serve as our guiding compass.

To our esteemed investors, your steadfast support has been an invaluable pillar of strength. As I bring my remarks to a close, I extend my sincere appreciation to the Central Bank of Sri Lanka, the Colombo Stock Exchange, and other regulatory bodies. Their steadfast commitment to fostering prudent practices and forward-thinking regulations ensures the robustness of the non-banking financial institution sector, benefitting all stakeholders involved.

(Sgd.)
Dinesh P. Renganathan
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

A year that has once again showcased the resilience and adaptability of our organization. Amidst a backdrop of unprecedented challenges, we have navigated the complex landscape with unwavering determination, emerging stronger and more strategically positioned than ever before. The year 2022/23 posed formidable tests to our capabilities, demanding swift responses and astute planning. Through meticulous execution of our strategies, we not only weathered the storms but also seized opportunities to enhance our competitive advantage. Our commitment to agile decision-making enabled us to swiftly adapt to the ever-evolving circumstances, reinforcing our ability to create enduring value for our esteemed stakeholders.

Incorporating technological advancements into every operational facet, our company has achieved significant progress. However, the essence of our triumph extends beyond the mere numbers. It is deeply woven into the vibrant corporate culture that defines our identity. What truly distinguishes us is our capacity to derive strength from our core values, which serve as the bedrock of our distinctiveness.

While the assertion that employees are our most valuable asset might be considered a commonplace, the significance of this truth resonates profoundly within our organization. Operating within an industry profoundly shaped by people's business, and anchored in the guiding ethos of Softlogic Finance PLC that emphasizes 'We believe in your belief,' we unequivocally recognize the veracity of this statement.

This acknowledgment is deeply ingrained in the fabric of Softlogic Group's DNA and resonates as a fundamental principle guiding our actions and approach.

In conclusion, the year 2022/23 has illuminated our capacity to thrive in the face of adversity. We stand poised to embrace the future, fortified by our accomplishments, values, and the unyielding spirit that defines us. Together, we shall continue to script a journey of success and significance.

Exemplifying a culture of resilience amidst challenging circumstances

We have not only successfully overcome challenges but have embraced them as opportunities for constructive change and enduring influence. This unique culture has acted as the catalyst for innovation, fostering collaboration and granting our committed teams the empowerment needed to accomplish remarkable feats.

As we reflect on the accomplishments of 2022/23, we recognize that our journey is a collective endeavor. I extend my heartfelt gratitude to our dedicated employees, whose unwavering commitment and hard work have been instrumental in our achievements. My appreciation also extends to our valued shareholders and stakeholders, whose trust and support continue to fuel our pursuit of excellence.

Looking ahead, the horizon brims with promise. We remain resolute in our pursuit of innovation, operational excellence, and sustainable growth. As we embrace the challenges and opportunities that lie ahead, I am confident that our collective efforts will continue to elevate our company's standing and deliver value that transcends expectations.

Envisioning our future aspirations

In retrospect, 2022/23 marked a pivotal year during which we diligently reformulated our strategies, effecting a profound transformation of our business. Notably, we navigated through regulatory constraints that had been imposed upon our company, paving the way for our readiness to confront the challenges that lie ahead in 2023/24. Our optimism is underpinned by the anticipation of an economic resurgence within the nation, affording us the opportunity to attain commendable growth.

In our unyielding commitment to technological evolution, digitalization, and the enhancement of operational excellence, we are aligned with the strategic roadmap outlined by the Central Bank of Sri Lanka.

The year 2022/23 stands as a testament to our proactive approach, not only in overcoming constraints but also in harmonizing our endeavors with the national vision for digital transformation. This steadfast dedication propels us forward, as we continually strengthen our technical capabilities and amplify our digital footprint. Moreover, our commitment to compliance is unwavering. We have established robust systems that rigorously ensure our operations adhere to Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) obligations. This robust framework underscores our dedication to upholding the highest standards of integrity and regulatory adherence.

Reflecting upon 2022/23, it emerges as a pivotal year where strategic recalibration led to a profound business transformation. Navigating through regulatory constraints, we paved the way for our preparedness to tackle the forthcoming challenges of 2023/24.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Anchoring our optimism is the prospect of an economic resurgence within our nation, affording us an auspicious opportunity to achieve noteworthy growth.

As we reflect on our journey thus far, we acknowledge that our paramount objective for the year is to achieve compliance with the capital adequacy ratio as stipulated by regulatory requirements. It is noteworthy to mention that our present situation does not conform to this requirement. This challenge has galvanized our resolve, sparking a concerted effort to ensure our capital adequacy aligns with regulatory standards. Through strategic planning and prudent management, we are committed to achieving this goal and ensuring our company's long-term sustainability.

In a deliberate move to enhance operational efficiency and manage costs prudently, we have undertaken the strategic decision to streamline our branch network. This tactical measure serves as a stepping stone towards elevating organizational efficiency, ensuring our competitive edge remains intact until regulatory constraints are eased. Amidst the prevailing socio-political and socio-economic dynamics, we project a gradual resolution of unrest within our nation in the coming years. This foresight ignites our enthusiasm for the comprehensive strategies we have meticulously outlined for the year 2023/24.

As I conclude, I call upon all stakeholders to sustain their unwavering faith in our journey. With sights set on the future, we persistently pursue our growth trajectory, fortified by our collective commitment to excellence.

Appreciations

With sincere appreciation, I embrace this moment to extend my heartfelt gratitude to our Chairman, the esteemed members of the Board of Directors, and the Key Management Persons. Their visionary leadership and judicious foresight have charted a course that enables Softlogic Finance PLC to steadfastly advance on a trajectory of sustainable growth, even amidst the formidable challenges encountered.

> As we embrace the challenges and opportunities that lie ahead, I am confident that our collective efforts will continue to elevate our company's standing and deliver value that transcends expectations.

My deepest gratitude extends to our dedicated employees whose unwavering commitment and unyielding dedication have shone brilliantly amidst the trials we confronted. It is their resolute contributions that have been pivotal in achieving the noteworthy accomplishments we celebrate today.

I extend my thanks to the officials of the Central Bank of Sri Lanka and the Department of Non-Bank Financial Institutions Supervision. Their guidance and support have been instrumental in our journey, as they have not only comprehended our concerns but also responded positively, fostering an environment conducive to our progress.

In closing, I implore all our stakeholders to maintain their steadfast faith in our enterprise. As we set our sights on the years ahead, we remain resolute in our determination to amplify our growth trajectory

(Sgd.)
Ivon Brohier
Chief Executive Officer

BOARD OF DIRECTORS' PROFILES

Dinesh Renganathan

Independent Non-Executive Director

(Appointed as a Chairman w.e.f 15 August 2022)

Dinesh Renganathan is a senior, career Banker with over 40 years of experience in Corporate Banking and Risk Management – with 8 years at ANZ Grindlays Bank in Sri Lanka and in the UAE with two National banks viz., the National Bank of Umm Al Qaiwain (5 years) and the National Bank of Abu Dhabi – NBAD (30 years)

He has been in a number of senior management positions culminating as SVP and Assistant General Manager – Global Head of International Advances and Credit Risk and as Locum for General Manager – Chief Risk Officer overseeing a portfolio of international/domestic assets of over USD25B, encompassing 14 overseas jurisdictions, the International and Financial Institutional Groups and overseas companies in the U.A.E.

He has been chairman of the Credit Risk Committee and various Regional Credit Committees and a key member of Basel II, Country Risk and other committees.

Currently he serves in a consultative capacity to various institutions in the Singapore, India, United Arab Emirates and Sri Lanka.

Manilka Fernando

Senior Independent Non-Executive Director

(Retired w.e.f 13 August 2023)

Manilka Fernando is a banking and finance professional who has over 40 years of experience, working in financial institutions and other organizations in Sri Lanka and overseas. Since starting his career at KPMG, he has held senior management positions in the financial services sector at Citibank, Mashreq Bank (Dubai, UAE), NDB Bank and Al Rajhi Bank (Riyadh, Saudi Arabia).

In addition, he has carried out consulting/advisory projects in financial management, strategic planning, restructuring, performance management, investment appraisal, acquisitions and organizational development at a range of organizations, including Commercial Banks and Non-Bank Financial Institutions. He has also served on the board of directors of several organizations.

He has an MBA degree from the University of Georgia, USA. He is also a Fellow member of the Institute of Chartered Accountants. His specialized training includes programmes at Harvard University and INSEAD.

Samantha Dabare

Independent Non- Executive Director

(Appointed w.e.f 12 September 2022)

Mr. Dabare is career banker with over 33 years experience at Sampath Bank PLC, retired from service in 2021 as Group Chief Compliance Officer (GCCO) of Sampath bank group. He is an associate member of Institute of Bankers - Sri Lanka since 1997. Apart from commercial banking operations, his major specialization is in retail and SME lending with over 20 years' experience as branch manager, regional manager and chief manager, covering Island wide branch network As KMP of Sampath Bank PLC, he functioned as Head of recoveries and Group Chief Compliance Officer since 2017.

Pasan Thaminda Wanigasekara

Independent Non Executive Director

(Appointed w.e.f 30 June 2022)

Mr. Pasan Wanigasekara is a multi-disciplined corporate leader with broad international exposure in Asia Pacific, Europe and North America, across a wide range of topics including corporate strategy, M&A, strategic marketing & business development, operations optimization, digitization and legal. Until January 2022, he held the post of Director General of the Board of Investment of Sri Lanka. Prior to that, he held the post of Director, Asia Pacific Business at a Moody's Corporation subsidiary. Since his stint at Moody's, he has been practicing as a Consultant to several Fortune 500 companies and Asia based PE Funds on investment analysis, M&A and operations optimization, while practicing as an Attorney-at-Law. Mr. Wanigasekara holds a BSc in Engineering from the University of Moratuwa, Sri Lanka. He is a qualified Chartered Management Accountant, a Chartered Financial Accountant, a Chartered Marketer, as well as an Attorney-at-Law.

BOARD OF DIRECTORS' PROFILES

Aashiq Lafir

Non-Independent Non-Executive Director

(Resigned w.e.f 24 August 2023)

Mr. Aashiq Lafir counts over 30 years of senior managerial experience in companies with diverse interests. And is a proven Finance and Operations specialist. He is the Group Finance Director of Softlogic Holdings PLC, additionally he is also a Director of various other Companies in the Softlogic Group.

Mr. Lafir is a Fellow of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Chartered Institute of Management Accountants (CIMA), UK and is a Chartered Global Management Accountant (CGMA), US. He also holds a Master's Degree in Business Administration from the University of Sri Jayewardenepura. Mr. Lafir is also the Chairman of Skills International (Pvt) Ltd., and is the former Executive Director - Finance of United Motors Lanka PLC. He is a past President of Sri Lanka-Malaysia Business Council.

Ranjan Perera

Independent Non- Executive Director

(Appointed w.e.f 02 June 2023)

Mr. Ranjan Perera is a co-founder and shareholder of Softlogic Group of Companies. Executive Director since inception and also holds many Board Directorships in subsidiaries of the Softlogic Group. He is the CEO of the Groups' Mobile Phone Operations, CEO of Softlogic Retail Sector, Managing Director of Softlogic Pharmaceuticals (Pvt) Ltd, Managing Director – FMCG Channel and Heading the Higher Purchase Division of the Retail Sector.

He is also heading the Service Centre Operations, Supply Chain Management & Logistics, CEO of Softlogic Stockbrokers (Pvt) Ltd and Softlogic Manufacturing (Pvt) Ltd, and Non-Executive Director of Softlogic Capital PLC. He is currently a member of the Board of Study, Sri Lanka Foundation.

CORPORATE MANAGEMENT PROFILES

Ivon Brohier

Chief Executive Officer

Ivon brings with her over 14 years of leadership experience to Softlogic Finance PLC. Her extensive knowledge in business strategy, financial reporting, strategic financial management, process improvements, information systems and the handling of statutory audits has benefited the company immensely in its journey of transformation. Having commenced her career at KPMG Ford Rhodes Thornton & Co. where she last served as a Tax Analyst, Ivon went on to join AMW Capital Leasing and Finance PLC (AMWCL) as its Senior Finance Manager. She served at AMWCL for 11 years before joining Nations Trust Bank PLC as its Senior Manager, Financial Reporting and Control. Thereafter, she joined Abans Finance PLC in the capacity of its Chief Financial Officer and served for more than two years prior to her appointment as its Acting Chief Executive Officer, which was her last appointment before her move to Softlogic Finance PLC. A Fellow member of both, the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka, Ivon holds an MBA from the University of Colombo and a BSc. in Management from the University of Sri Jayewardenepura.

Dayan Ranasinghe

Head of Delivery Channels

Dayan joined Softlogic Finance as the Head of Delivery Channels with an eight-year career in the Softlogic Group covering corporate finance, treasury and asset management services. He oversees all sales distribution channels in addition to the treasury and fund mobilization verticals. Dayan served as the Head of Treasury of Softlogic Life Insurance PLC and the Sector Head of Treasury of Softlogic Capital PLC, which is the Financial Services arm of the Softlogic Group, prior to his new appointment. He is an alumnus of the University of Colombo, and is an Associate Member of the Chartered Institute of Management Accountants (UK).

OUR APPROACH TO VALUE CREATION

STAKEHOLDER IDENTIFICATION AND ENGAGEMENT

The Stakeholder Identification, Engagement & Management Process

Definition of the Business Scope | **Identification of Material External Environmental Factors**

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Identification of Stakeholders

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Profiling of Identified Stakeholders

↓

Identifying Material Stakeholders Needs

↓

Prioritising Stakeholder Needs

↓

Mapping out the Stakeholder Engagement Process

↓

Engaging with & Managing Stakeholders

↓

Reviewing & Improving
the Entire Process based on Stakeholder Responses

The Need for Stakeholder Identification

Our value creation process has been enriched and enhanced by the implementation of a stakeholder identification and engagement process. Such a process has indeed contributed to the espousal of an all-inclusive methodology that helps us to identify and take proactive actions to fulfill stakeholder demands. This process is continuous and is primarily driven by our Executive Committee.

Stakeholders have diverse needs and they face different issues when engaging with us. The purpose of this process that we have adopted is to help us engage actively and responsibly with all our key stakeholders. Therefore, in order to ensure the sustainable growth of our company, it is crucial that we have increased awareness of the external impact that our company makes on all our stakeholders.

What is expected from this process is that we get an all-encompassing idea of all the actors that we deal with operationally and how they can impact our performance. The series of activities that we have adopted ensures that we avoid taking a myopic and purely shareholder-oriented view on value creation. The mechanisms in place help us monitor whether the expected outcomes of the stakeholder engagement process are met, whether we have taken any corrective actions and whether our actions have been sufficient. Overall, this helps us become a responsible corporate citizen.

Stakeholder Identification Mechanism

We have internally developed a stakeholder identification and filtration system that helps us identify our key stakeholders, assess the interest and power that they hold over our value creation process and decide upon the level of impact that they can have on our activities.

Those identified as key stakeholders through our identification and filtration system are regarded as those who need to be regularly engaged with and hence they would be the stakeholders that would get most of our attention. These stakeholders are comprehensively discussed in this Annual Report. The rest of the stakeholders who were not identified as key stakeholders, are anyhow continuously and regularly monitored for any change in their characteristics that would warrant their inclusion as key stakeholders.

Two-tiered Identification and Filtration System

Step 1 - Initial Identification

1. Those who are directly affected by the operational activities and decisions made by Softlogic Finance PLC.
2. Those who can and are likely to directly affect our operational activities and influence our decision-making processes.

Step 2 - Identification of Key Stakeholders

1. The level of interest in the activities of and decisions made by Softlogic Finance PLC
2. The ability of the stakeholder and their power level to impact the activities of and decisions made by Softlogic Finance PLC
3. The extent to which our activities would impact the stakeholder.
4. The legal obligations that the stakeholder has towards us and that we have towards the stakeholder.

The Identified Key Stakeholders
Shareholders & Investors
Customers
Employees
Suppliers & Value Added Service Providers
Regulators
Society and the Environment

Methodology for Stakeholder Issue Identification

We have set in motion a two-dimensional approach to assess the significance of stakeholder issues that arise and prioritize them accordingly. This is a continuous process and we are aware that the significance of different stakeholder issues could change overtime.

A broad criteria is used in this identification process of key stakeholder issues:

- The significance to and the level of impact on the company.
- The significance to and the prioritization by the stakeholder.

These two broad questions are always asked when deciding upon the significance of stakeholder issues and the level of priority that the company should assign to them. In this light, the company regularly monitors and takes action on certain identified issues that qualify as per the laid out criteria.

Stakeholder Engagement Process

As per the results of the stakeholder identification and filtration process, we decide upon the level of engagement, the frequency of engagement and the methods of engagement with the key stakeholders. This process involves the creation of broad stakeholder groupings based on the results of the identification process done before. Moreover, this process also involves the development of specific expected outcomes, in addition to the specific engagement approaches, in order to ensure that the whole engagement process is goal oriented and measurable.

Stakeholder Type	Engagement Approach	Expected Outcomes
Shareholders & Investors	▪ Annual Financial Statements ▪ Quarterly Financial Statements ▪ Annual General Meeting ▪ Extraordinary General Meetings as and when statutorily necessary ▪ Media Releases ▪ CSE Website ▪ Company Website	**From company perspective** ▪ Increased Shareholder confidence in the Board **From stakeholder perspective** ▪ Increase in Share Price ▪ Regulatory Compliance ▪ Declaration of Dividends ▪ Adoption and maintenance of best practices in corporate governance ▪ Adoption of industry best practices
Customers	▪ Personalized interactions ▪ Customer complaint handling process ▪ Customer Satisfaction Surveys ▪ Market Surveys ▪ Communication through multiple media platforms	**From company perspective** ▪ Customer Loyalty ▪ Enhanced Brand Value and Brand Penetration ▪ Increased Customer Satisfaction ▪ Increased Cross Selling **From stakeholder perspective** ▪ Ethical business practices and full disclosure of product information ▪ Competitive Interest Rates on Lending & Deposits ▪ Innovative products and services

STAKEHOLDER IDENTIFICATION AND ENGAGEMENT

Stakeholder Type	Engagement Approach	Expected Outcomes
Employees	• One to one interactions based on our open-door policy • Confidential employee satisfaction survey • Individual performance appraisals • Performance based rewards and recognition • Training and development • Priority given for internal recruitment • Internal communication through company intranet and emails • Fostering a work-life balance	**From company perspective** • Increase employee productivity • Compliance with internal processes • Professional conduct • Reduced turnover • Motivated workforce **From stakeholder perspective** • Objective rewards and recognition system • Opportunities for internal professional growth • Safe working environment • Easily accessible communication channels • Availability of training • Work-life balance • Work environment free of harassment
Suppliers & Value-Added Service Providers	• Dedicated personnel to interact with different types of suppliers and service providers on a continuous basis • Prioritized engagement with local suppliers • Mutually beneficial, long-term relationships being the focus during contractual negotiations	**From company perspective** • Favourable funding facilities • Seamless execution of outsourced services **From stakeholder perspective** • Strategic partnerships to obtain competitive advantages • Long term service contracts
Regulators	• Dedicated personnel for continuous, personalized interaction • Uncompromised level of priority for regulatory compliance • On-time statutory reporting • Ad-hoc information provided as and when requested	**From company perspective** • Compliance with regulatory requirements • Adoption of industry best practices to improve internal core and supporting processes **From stakeholder perspective** • Development of the industry to maintain public confidence • Dissemination of industry best practices • Collection of state revenue
Society and the Environment	• Establishment of a CSR Committee • Implementing projects to benefit the society and the environment • Company website • Media releases	**From company perspective** • Contribution to community development and environmental conservation • Ensuring the long-term sustainability of the business **From stakeholder perspective** • Maintenance of ethical business practices • Employment generation • Avoidance of any negative impacts on the environment

ECONOMIC REVIEW

This crisis unfolds while the global economy was on a mending path but had not yet fully recovered from the COVID-19 pandemic, with a significant divergence between the economic recoveries of advanced economies and emerging market and developing ones. When COVID-19 hit, the combined supply and demand shock was expected to lead to a dramatic collapse in trade.

The war in Ukraine has triggered a costly humanitarian crisis that demands a peaceful resolution. At the same time, economic damage from the conflict will contribute to a significant slowdown in global growth in 2022 and add to inflation. Fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries hardest.

Global growth is projected to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023. This is 0.8 and 0.2 percentage points lower for 2022 and 2023 than projected in January.

Beyond 2023, global growth is forecast to decline to about 3.3 percent over the medium term. War-induced commodity price increases and broadening price pressures have led to 2022 inflation projections of 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies—1.8 and 2.8 percentage points higher than projected last January. Multilateral efforts to respond to the humanitarian crisis, prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change, and end the pandemic are essential.

							IMF Projections		
Real GDP Growth (%)	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2027**
World	3.3	3.8	3.6	2.9	(3.1)	6.1	3.6	3.6	3.3
Emerging and Developing Asia	6.8	6.6	6.4	5.3	(0.8)	7.3	5.4	5.6	5.2

Source: IMF World Economic Outlook April 2022

Latest World Economic Outlook Growth Projections

		Projections	
(Real GDP, Annual % Change)	**2021**	**2022**	**2023**
World Output	6.1	3.6	3.6
Advanced Economies	5.2	3.3	2.4
Emerging Market and Developing Economies	6.8	3.8	4.4
Emerging and Developing Asia	7.3	5.4	5.6

Sri Lankan Economic Outlook Projection

The Sri Lankan economy is currently facing a worrisome build-up of macroeconomic instability, characterized by a multitude of factors that have contributed to its vulnerability. Firstly, there are mounting concerns on both the external and fiscal fronts, amplifying the economic challenges. The country's external vulnerabilities have been exacerbated by various factors such as the slowdown in global trade, fluctuations in exchange rates, and increased dependence on foreign financing.

Moreover, Sri Lanka has been grappling with a surge in social unrest and political instability, further exacerbating the already fragile economic situation. These factors have created an atmosphere of uncertainty and hindered effective policymaking, making it difficult to address the underlying issues and restore confidence in the economy.

Adding to these challenges, the COVID-19 pandemic has taken a toll on Sri Lanka's economy, causing disruptions across various sectors. The restrictions on international travel and trade have severely impacted tourism, a key driver of the country's economy, leading to a significant decline in tourist arrivals and revenue. The pandemic has also disrupted global supply chains, affecting both export-oriented industries and import-dependent sectors.

Furthermore, Sri Lanka is currently facing a domestic energy crisis, which has further strained the economy. The scarcity of reliable and affordable energy sources has hampered industrial production, leading to decreased productivity and potential job losses. This energy shortage has also resulted in increased production costs, impacting the competitiveness of Sri Lankan goods and services in both domestic and international markets.

Additionally, the country has been grappling with elevated commodity prices both globally and domestically. The rising cost of essential commodities, such as fuel and food, has put additional pressure on the economy and burdened households, particularly those belonging to lower-income groups. The increase in commodity prices has also contributed to inflationary pressures, making it challenging for policymakers to strike a balance between economic stability and the cost of living.

							IMF Projections		
Real GDP Growth (%)	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2027**
Sri Lanka	4.5	3.6	3.3	2.3	(3.6)	3.6	2.6	2.7	2.9

Source: IMF World Economic Outlook April 2021 and World Bank

ECONOMIC REVIEW

In 2022, the GDP per capita in Sri Lanka experienced an increase, reaching Rs. 1,088,667 (equivalent to US dollars 3,474). This marked a significant rise compared to the previous year, 2021, when the GDP per capita was Rs. 794,376 (equivalent to US dollars 3,997). However, it is important to note that the increase in GDP per capita in rupee terms was primarily driven by the overall growth in the country's GDP at current prices.

Despite the increase in GDP per capita in rupee terms, the GDP per capita in US dollar terms actually decreased. This occurred due to the substantial depreciation of the Sri Lankan rupee against the US dollar throughout the year. The depreciation of the currency means that the same amount of Sri Lankan rupees translates to a lower value in US dollars, leading to a decrease in GDP per capita when measured in US dollar terms.

This disparity between the GDP per capita in rupee terms and US dollar terms highlights the importance of considering exchange rates and currency fluctuations when analyzing economic indicators. It also emphasizes the impact that exchange rate movements can have on international comparisons and the purchasing power of individuals in a country.

It is worth noting that fluctuations in exchange rates can be influenced by various factors, such as trade imbalances, inflation rates, interest rates, and market sentiment. These factors can affect the value of a country's currency relative to other currencies, ultimately impacting the GDP per capita when measured in foreign currencies like the US dollar.

Year	2018	2019	2020	2021	2022	2023	2027
GDP UDS billion	87.9	94.3	94.7	88.9	84.5	88.5	77.0
Per Capita GDP USD	4,149	4,400	4,372	4,082	3,858	3,997	3,474

Source: IMF World Economic Outlook April 2021 and World Bank

In summary, the increase in Sri Lanka's GDP per capita in 2022, measured in rupee terms, was driven by significant growth in the country's GDP at current prices. However, the depreciation of the Sri Lankan rupee against the US dollar during the year led to a decline in GDP per capita when measured in US dollar terms. Understanding these dynamics is crucial for assessing the economic well-being and standard of living in a country.

Source: CBSL Annual Report 2022

Economic Activity

All sectors of the economy marked growth during 2021 compared to the previous year. Services sector remained the prime contributor with 58.3% share to the country's GDP.

Sector	Sector Contribution to GDP (%)						Sector GDP Growth %					
	2017	2018	2019	2020	2021	2022	2017	2018	2019	2020	2021	2022
Agriculture	6.9	7.0	6.9	7.1	7.3	7.5	-0.4	5.8	1.0	-2.2	0.9	-4.6
Industry	26.8	26.3	26.4	25.5	30.2	27.5	4.7	1.3	2.6	-6.9	5.7	-16.0
Services	56.8	57.7	57.5	58.7	56.9	60.5	3.6	4.6	2.2	-1.5	3.5	-2.0

Source: CBSL Annual Report 2020

Agriculture

Accordingly, Agriculture activities contracted by 4.6 per cent in 2022 in value-added terms, compared to the growth of 0.9 per cent recorded in 2021, mainly with significant contractions in total fishing, growing of rice and animal production. In addition, growing of tea, vegetables, other cereals, and rubber declined during the year.

In 2022, several sub-sectors of the agriculture industry in Sri Lanka experienced contraction. These sub-sectors included rice, fruits, vegetables, other perennial crops, rubber, and other beverage crops such as coffee and cocoa. Although overall agricultural activities showed expansion during the year, certain factors hindered the industry from reaching its full potential, particularly in the second half of the year.

One significant factor that limited the agricultural sector's performance was the lack of relevant nutrients and agrochemicals. These essential inputs play a crucial role in ensuring healthy crop growth, yield, and overall productivity. Insufficient availability or inadequate usage of these nutrients and agrochemicals can negatively impact crop health, leading to lower yields and decreased production.

Industry

The prolonged energy crisis and shortage of key raw materials owing to the lack of foreign exchange liquidity in the banking system, together with the subdued demand conditions prevailed due to the deterioration in purchasing power, hindered industry activities during most parts of 2022. Even though policy intervention helped control supply shortages towards the latter part of the year, Industry activities contracted by 16.0 per cent in 2022, compared to the 5.7 per cent growth recorded in 2021.

The overall contraction in the Industry sector in Sri Lanka was primarily driven by subdued performance in manufacturing and construction activities. Both sub-sectors experienced a decline in their output and contributions to the industry's overall performance. The subdued performance in manufacturing and construction activities led the contraction of Industry activities, while mining and quarrying activities, and electricity, gas, steam, and air conditioning supply activities also significantly contracted, aggravating the overall setback in Industry activities further.

Inflation

Headline inflation accelerated significantly during the nine months ending september 2022, reaching a historically high level, before trending downward. The unprecedented acceleration of headline inflation was mainly due to the notable rise in food prices and other supply side disruptions, the sharp depreciation of the Sri Lanka rupee against the US dollar. the strong policy measures taken by the Central Bank to address the build-up of demand driven inflationary pressures and adverse inflation expectations. Meanwhile, inflation expectations, which remained at elevated levels during the inflation acceleration period up to September 2022, broadly followed a downward trend during the disinflation period.

	Headline Inflation %				*Core Inflation %*			
	2020 Dec	2021 Dec	2022 Mar	2022 Apr	2020 Dec	2021 Dec	2022 Mar	2022 Apr
Colombo Consumer Price Index (CCPI, 2013=100)	4.20	12.20	18.70	29.80	3.50	8.30	13.10	22.00
National Consumer Price Index (NCPI, 2013=100)	4.60	14.00	21.50	33.80	4.70	10.80	17.30	27.90

Source: CBSL Annual Report 2021

The NCPI (2013=100), which recorded 166.0 index points in January 2022, reached 256.3 index points in December 2022. Annual average inflation, based on the CCPI (2013=100), soared to 46.4 per cent in 2022, from 6.0 per cent in 2021. Year-on-year headline inflation, based on the National Consumer Price Index (NCPI, 2013=100), followed a similar trend and peaked at 73.7

Trends in Exchange Rate, Reserves Position and Workers' Remittances

The Sri Lanka rupee was maintained broadly at stable levels during 2021 and in early 2022, partially aided by moral suasion to keep the currency stable around Rs. 200 levels BUT the exchange rate underwent a large overshooting in early March 2022.

The Sri Lanka rupee experienced high volatility and registered the historically largest depreciation against the US dollar during the first half of 2022, before stabilizing around the guidance band introduced in May 2022. The Central Bank's intervention in the domestic foreign exchange market and the continued use of moral suasion helped maintain the Sri Lanka rupee in the range of Rs.200-203 per US dollar during early 2022.

Gross official reserves(GOR) declined to historical lows, with the liquid reserves falling to almost zero levels by April 2022 and the exchange rate underwent a large overshooting in early March 2022. gross official reserves declined to US dollars 1.9 billion as at end 2022, in comparison to US dollars 3.1 billion recorded in the previous year.

workers' remittances improved significantly towards the second half of 2022, while the deficit in the primary income account recorded a marginal moderation compared to that of 2021. Inflows to the financial account remained modest during the year.

Workers' remittances amounted to US dollars 3,789 million in 2022, compared to US dollars 5,491 million in 2021. This was a decline of 31 per cent in 2022, compared to 2021, limiting the surplus in the secondary income account to US dollars 3,496 million in 2022, compared to US dollars 5,228 million in 2021. Workers' remittances to the banking system remained subdued, particularly in the first half of the year, amidst the large differences in exchange rates offered by the banking system and money changers.

Year	2017	2018	2019	2020	2021	2021 End Mar	2021 End Apr	2022 End Dec
Exchange Rate - Annual average - Rs/US$	152.5	162.5	178.8	185.6	198.9	299.0	341.8	363.11
Balance of Payments USD Mn	2,068	-1,103	377	-2,328	-3,967	-	-	2,806

Source: CBSL Annual Report 2021

Fiscal Sector Developments

The Government initiated major fiscal reforms to address fiscal sector vulnerabilities, while taking measures to restructure public debt aimed at ensuring debt sustainability over the medium term. The budgetary estimates presented in the Budget 2022 were proved unachievable, due to low revenue collection during the first half of 2022 and expenditure overruns owing to high domestic interest rates and inflation.

The Government implemented an array of fiscal consolidation measures since April 2022 and obtained Parliamentary approval for an Interim Budget 2022 in September 2022, aimed at strengthening revenue enhancement measures and fiscal consolidation efforts.

Poor fiscal performance and the loss of access to external financing amidst sovereign rating downgrades, necessitated the Government to seek funding mainly from the Central Bank and state owned commercial banks to finance its budget deficit and debt servicing since the onset of the pandemic.

Government revenue is expected to increase in 2023, reflecting the full benefit of measures introduced in late 2022, including the expansion of Value Added Tax (VAT) and personal income tax bases and the increase of personal and corporate income tax rates.

ECONOMIC REVIEW

Government expenditure and net lending increased, in nominal terms, while declining as a percentage of GdP, reflecting the significant growth in nominal GdP in 2022.

On the other hand, government expenditure and net lending, in nominal terms, increased by 27% year-on-year, in 2022, despite the Government's expenditure rationalization measures. However, with the notable nominal GDP growth, government expenditure, as a percentage of GDP, decreased to 18.5 per cent in 2022 from 20.0 per cent in the previous year.

Heightened pressures on domestic sources for deficit financing amidst limited foreign financing also contributed to the rise in government securities yields.

The wider fiscal deficit, increased market interest rates, as well as parity losses caused by the depreciation of the Sri Lanka rupee, resulted in an increase in outstanding central government debt.

Accordingly, outstanding central government debt, as a percentage of GDP, increased to 113.8 % by end 2021 from 104.6% registered at the end of the preceding year.

Fiscal Performance	*As a % of GDP*					
	2017	2018	2019	2020	2021	2022
Budget Deficit	7.6	5.4	9.6	11.1	12.2	10.2
Government Debt - Total	77.9	84.2	86.9	100.6	104.6	113.8
Government Debt - Domestic	42.5	42.5	45.5	60.3	66.0	62.3
Government Debt - Foreign	35.4	41.7	41.3	40.3	38.6	51.6

Source: CBSL Annual Report 2021

Deposits continued to be the dominant source of funding, while there was a notable decrease in foreign currency borrowings during 2022 as a result of sovereign rating downgrades and the announcement of standstill on external debt servicing on account of bilateral and commercial loans by the Government.

the Government's previously declared initiatives to reorganize the debt portfolio, coupled with a firm dedication to fiscal consolidation endeavors and responsible liability management strategies, are anticipated to reinstate the sustainability of public debt in the foreseeable future.

Monetary Sector Developments and Interest Rates

The central bank continued the tight monetary policy stance throughout 2022 with a significant increase in policy interest rates of 700 basis points in april 2022. Such large monetary policy tightening was necessitated to contain rising inflationary pressures, address vulnerabilities in the external sector and anchor inflation expectations, thereby preventing possible hyperinflation and prolonged loss of economic activity.

the Central Bank's key policy interest rates, i.e., the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), were raised by 10 percentage points by end 2022.

The unprecedented upward adjustment of policy interest rates by 700 basis points in April 2022 helped arrest the further build-up of demand driven inflationary pressures, thereby preempting the escalation of adverse inflationary expectations, easing the pressure on the external sector, and correcting anomalies observed in the market interest rate structure.

Since late 2022, market interest rates have been gradually easing, rectifying the chaotic surge observed earlier. Nonetheless, in order to proceed with the completion of the IMF-EFF arrangement, it is imperative to fulfill all the required "prior actions." The IMF staff has expressed concerns regarding the necessity of implementing further policy interest rate tightening measures, which has prompted the Central Bank to consider such actions.

central banks in most emerging market and developing economies also adopted restrictive policies in 2022 to fight against rising inflationary pressures.

By considering the significant acceleration of inflation in the country and the large anomaly that existed between policy interest rates and market interest rates amidst external and fiscal sector imbalances, the Central Bank's key policy interest rates, i.e., the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), were raised by 10 percentage points till end 2022, since the monetary tightening cycle that began in August 2021.

Accordingly, the SDFR and SLFR were increased to 14.50% and 15.50%, respectively. The interest caps imposed on selected domestic lending products were also removed.

Trends in Interest Rates	2017	2018	2019	2020	2021 Dec	2022
Treasury Bill Rate (364 days) (%)	8.90	11.20	8.45	5.05	8.24	29.27
Standing Deposit Facility Rate/ Repurchase Rate (%)	7.25	8.00	7.00	4.50	5.00	14.50
Standing Lending Facility Rate (SLFR) (%)	8.75	9.00	8.00	5.50	6.00	15.50
Average Weighted Deposit Rate (AWDR) (%)	9.07	8.81	8.20	5.80	4.94	14.06
Average Weighted Fixed Deposit Rate (AWFDR) (%)	11.48	10.85	10.05	7.14	5.94	18.49
Average Weighted Lending Rate (AWLR) (%)	13.88	14.40	13.59	10.29	9.87	18.70
Average Weighted Prime Lending Rate (AWPLR) (%)	11.33	11.94	10.00	5.74	8.33	27.24

INDUSTRY REVIEW

Analysis of Assets and Liabilities – NBFI Sector

The asset expansion was mainly driven by the growth of loans and advances portfolio followed by increase in investments and liquid assets. Loans and advances accounted for 74.4 per cent of the total assets of the sector.

Year	2017		2018		2019		2020		2021		2022	
	Val (Bn)	Share	Val (Bn)	Share	Val (Bn)	Share	Val (Bn)	Share	Val (Bn)	Share	Val (Bn)	Share
Loans and Advances (net)	1,057	78%	1,137	79%	1,103	77%	1,040	74%	1,143	77%	1199	75%
Investments	118	9%	110	8%	132	9%	159	11%	167	11%	200	12%
Other	180	13%	185	13%	198	14%	203	14%	178	12%	212	13%
Total	1,355		1,431		1,433		1,402		1,488		1611	

Source: CBSL Annual Report 2022

the investment portfolio of the IFcs and Slcs sector comprises investments in equities, corporate debt instruments, government securities and investment properties. The investment portfolio recorded a significant growth of 19.3 per cent reaching Rs. 199.6 billion in 2022 compared to the marginal growth of 5.4 per cent in 2021, mainly due to the increased investments in government securities maturing in less than 12 months consequent to increased interest rates in short term maturities.

Other assets that mainly include cash and balances with banks and financial institutions also recorded a significant growth of 19.4 per cent in 2022 compared to the 12.4 per cent contraction in 2021

Loans and Advances – NBFI Sector

Over all net assets base Loans and Advances contracted by Rs. 56 billion and during the year, mainly attributable to growth in Pawning which recorded a year-on year growth over 78.29%. Loans reversed its declining trend and marked a moderate growth of 0.81% during the year whilst Finance Leasing continued its declining trend for the third consecutive year recoding a 9.70% contradiction in 2022.

The asset base of the sector expanded by rs. 123 billion recording a growth of 8.3 per cent and stood at RS. 1,611.2 billion by end 2022, compared to the 6.1 per cent growth recorded in 2021. The asset expansion was mainly driven by the growth of loans and advances portfolio followed by increase in investments and liquid assets. Loans and advances accounted for 74.4 per cent of the total assets of the sector. Finance leases dominated the loans and advances portfolio of the sector and accounted for 41.6 per cent of total loans and advances by end 2022 compared to that of 48.3 per cent by end 2021.

	Product Assets (Rs. Bn)						*Growth %*					
Year	2017	2018	2019	2020	2021	2022	2017	2018	2019	2020	2021	2022
Finance Leasing	554	636	632	622	608	549	13	14.7	-0.6	-1.6	-2	-9.70
Hire Purchase	27	19	15	12	21	31	-35.6	-29.7	-22.4	-20.6	75	47.61
Loans	490	503	486	451	489	493	10.2	2.8	-3.5	-7.1	8	0.81
Loans against Real Estate	2	3	3	2	13	16	13	17.7	-4.7	-14.9	550	23.07
Pawning Advances	35	44	59	71	129	230	28.9	25.2	35.3	20.1	82	78.29
Loans and Advances (Net)	1,057	1,137	1,103	1,040	1,142	1,199	9.8	7.6	-3	-5.7	10	4.99

Source: CBSL Annual Report 2021

the asset base of the sector expanded by rs. 123 billion recording a growth of 8.3 per cent and stood at rs. 1,611.2 billion by end 2022, compared to the 6.1 per cent growth recorded in 2021. Loans and advances accounted for 74.4 per cent of the total assets of the sector. Finance leases dominated the loans and advances portfolio of the sector and accounted for 41.6 per cent of total loans and advances by end 2022 compared to that of 48.3 per cent by end 2021. Total loans and advances decreased as a result of contraction of the leasing portfolio mainly due to the continuation of restrictions imposed by the Government on the importation of motor vehicles as a measure to restrict foreign currency outflows.

Liabilities – NBFI Sector

The funding mix was dominated by customer deposits accounting for a share of 53.65% as at end 2022. The deposits increased by 10.36% to Rs. 864.5 billion, while borrowings declined by 1.01% to Rs. 322.6 billion during the year.

Customer deposits continued to dominate the liabilities of the IFcs sector accounting for a share of 53.7 per cent of total liabilities. Deposits increased by Rs. 81.1 billion recording a year-on-year growth of 10.4 per cent to Rs. 864.4 billion, while borrowings declined by 1.0 per cent to Rs. 322.6 billion during 2022.

Year	2017	2018	2019	2020	2021	2022
Customer Deposits	686.7	716.8	756.7	748.6	783.3	864.5
Total Borrowings	396.0	463.8	405.6	328.0	325.9	322.6
Capital Base	169.7	183.7	203.2	248.0	304.0	364.1
Other	**102.6**	67.0	67.2	77.0	74.5	60.1
Total Liabilities	**1,355.0**	**1,431.3**	**1,432.7**	**1,401.6**	**1487.7**	**1,611.2**

Source: CBSL Annual Reports 2017-2021

The net interest income of the sector decreased to rs. 115.2 billion by 12.3 per cent in 2022 compared with the growth of 18.2 per cent recorded in 2021. This was due to the significant increase in interest expenses by Rs. 70.9 billion, recording a growth of 82.8 per cent, despite the increase in interest income by Rs. 54.7 billion with a growth of 25.2 per cent due to the substantial increase in interest rate consequent to the prevailing macroeconomic environment. NBFI sector marked its lowest Interest Expense marked its since 2017 during the year.

Performance Indicators	2017	2018	2019	2020	2021	2022
Interest Income (Rs. Bn)	231.5	241.5	259.8	228.5	217.0	271.7
Interest Expense (Rs. Bn)	128.9	132.7	142.4	117.4	85.6	156.5
Net Interest Income (Rs. Bn)	102.7	108.8	117.4	111.1	131.4	115.2

Source: CBSL Annual Reports 2017-2021

The net interest income of the sector decreased to rs. 115.2 billion by 12.3 per cent in 2022 compared with the growth of 18.2 per cent recorded in 2021. This was due to the significant increase in interest expenses by Rs. 70.9 billion, recording a growth of 82.8 per cent, despite the increase in interest income by Rs. 54.7 billion. As a result, the net interest margin of the sector decreased to 6.7 per cent in 2022 from the 8.6 per cent in 2021 contributing to the decline in the profitability of the sector.

The non-interest income significantly decreased by 12.1 per cent while non-interest expenses increased marginally by 0.7 per cent during 2022. The loan loss provisions made against NPLs declined by Rs. 4.5 billion largely due to loan loss provision reversals during first few months of 2022.

Performance Indicators	2017	2018	2019	2020	2021	2022
Non-Interest Income (Rs. Bn)	34	38.1	39.4	32.0	49.5	43.5
Non-Interest Expense (Rs. Bn)	80	81.2	93.8	78.4	87.1	87.7

Source: CBSL Annual Reports 2017-2021

The loan loss provisions made against NPLs declined by Rs. 4.5 billion largely due to loan loss provision reversals during first few months of 2022.

The sector's Profit After Tax (PAT) reduced by 21.0 per cent from Rs. 55.6 billion in 2021 to Rs. 43.9 billion in 2022, mainly due to substantial increase in interest expenses. The cost to income ratio increased to 87.3 per cent in 2022, from 72.6 per cent in 2021, while the efficiency ratio increased to 68.9 per cent during 2022.

Performance Indicators	2017	2018	2019	2020	2021	2022
Loan Loss Provisions (Net)	13.5	25.9	30.2	38.2	11.1	6.6
Profit After Tax (Rs. Bn)	25.8	21.4	14.5	13.7	55.6	43.9

Source: CBSL Annual Reports 2017-2021

The net interest margin increased from 3.5 per cent as at end 2021 to 4.0 per cent as at end 2022. Net interest income increased by Rs. 207.7 billion during 2022. Net interest income increased by Rs. 207.7 billion during 2022, while non-interest income increased by Rs. 124.1 billion, mainly due to higher fees and commission income during 2022.

The decrease in profits was reflected in Return on Assets (ROA) before tax, which depleted from 1.4 per cent as at end 2021 to 1.0 per cent as at end 2022, while Return on Equity (ROE) after tax depleted from 13.4 per cent in 2021 to 10.2 per cent in 2022. Further, the Efficiency Ratio decreased from 38.0 per cent in 2021 to 31.5 per cent in 2022.

Performance Indicators	2017	2018	2019	2020	2021	2022
Net Interest Margin (%)	7.7	7.4	7.5	7.3	8.6	6.7
Return on Assets (%)	3.2	2.7	2.2	1.7	5.4	3.7
Return on Equity (%)	16.1	12.1	7.7	6.1	20.2	22.6

Source: CBSL Annual Reports 2017-2020

Capital – NBFI Sector

The sector showed resilience with capital maintained well above the minimum regulatory requirement on an aggregate level during the year. The capital base improved to Rs. 317.5 billion as at end 2022 compared to Rs. 251.6 billion recorded as at end 2021.

The sector's core capital and total capital ratios increased significantly to 20.6 per cent and 22.0 per cent, respectively, as at end 2022 from the reported levels of 15.5 per cent and 17.0 per cent as at end 2021.

Equity of PDcs increased by 68.3 per cent mainly due to profit earned during the year. The Risk Weighted Capital Adequacy Ratio (RWCAR) of the PDCs was well above the minimum required amount of 10 per cent despite a significant reduction in the RWCAR to 23.2 per cent as at end 2022 from 42.8 per cent reported as at end 2021.

	2017	2018	2019	2020	2021	2022
Total Capital Base (Billion)	145.3	159.9	182.0	218.9	251.6	317.5
Total Risk Weighted Capital Adequacy Ratio (%)	13.1	11.1	12.5	15.7	17.0	22.0
Core Capital Ratio (%)	12.4	9.8	11.1	14.5	15.5	20.6

Source: CBSL Annual Report 2021

Further, CBSL introduced Financial Sector Consolidation Master Plan (FSCMP) to build a strong and stable 25 Non-Bank Financial Institutions complying with prudential requirements with diversified business models. The Masterplan for consolidation of Non-Bank Financial Institutions (the Masterplan) is implemented with the objective of establishing strong and stable LFCs in the medium term.

Progress of implementation of the masterplan

In 2020,the masterplan was introduced to address the weaknesses and risk exposures in the IFcs and Slcs sector. Under Phase I of the Masterplan, 5 transactions were fully completed during 2022 and 3 proposed amalgamations which were approved by the Monetary Board in 2022 are currently in progress.

INDUSTRY REVIEW

Risks in NBFI Sector

Credit risk

the total gross NPLs/Stage 3 loans increased by 66.1 per cent as at end 2022 on a year-on-year basis, compared to the decrease of 13.9 per cent recorded as at end 2021. Although the gross NPL ratio declined by 290 bps (from 13.9% to 11%) by end 2021, still the NPL ratio of the sector remains high.

Although the gross NPL ratio increased from 11.0% to 17.5%) by end 2022, still the NPL ratio of the sector remains high.

	2017	2018	2019	2020	2021	2022
Gross NPL (Bn)	65.9	93	127.6	161.1	138.6	230.3
Gross NPA Ratio	5.9	7.7	10.6	13.9	11.0	17.5

NPI ratio as indicated by Stage 3 loans to total loans (including undrawn amounts) ratio increased from 7.6 per cent as at end 2021 to 11.3 per cent by end 2022.

the Net NPA Ratio increased to 12.3 per cent as at end 2022 from 2.7 per cent reported as at end 2021. The Provision Coverage Ratio was reported at 29.6 per cent as at end 2022. The recent market developments, including interest rate movements, economic contraction, the impact of the moratoria schemes granted, and the introduction of higher taxes, will adversely affect the asset quality of the sector and its NPLs in the future.

	2017	2018	2019	2020	2021	2022
Net NPA Ratio	1.6	2.4	3.4	4.2	2.7	12.3
Provision Coverage Ratio	64.0	57.0	56.6	58.9	66.8	29.6

Source: CBSL Annual Report 2021

During 2022, debt moratoria and concessions on loan repayments were extended to affected individuals and businesses in certain sectors due to persistent unfavorable business conditions. the central bank requested licensed banks to provide broader concessions to borrowers affected by the Covid-19 pandemic and subsequent extraordinary macroeconomic circumstances to unwind the moratoria granted for general and tourism activities.

The growth of loans and advances portfolio was mainly supported by a surge in the pawning/ gold loans which grew by 77.5 per cent at end 2022.

Market risk

the equity risk in the sector was minimal throughout the year 2022. The exposure of the trading portfolio to the equity market declined to 0.3 per cent of total assets in 2022 from 0.8 per cent in 2021.

Interest rate risk

tight monetary policy and concerns over domestic debt restructuring uncertainties resulted in a sharp increase in the treasury bill yields. This led to a substantial increase in maximum interest rates offered by LFCs on deposits and debt instruments and an upward revision in lending rates.

The interest rate sensitivity ratio increased to 96.8 per cent as at end 2022 from 85.6 per cent as at end 2021, indicating a reduction in the exposure to interest rate risk resulted from increased interest rates in 2022 compared to 2021.

Equity risk

Equity risk of the banking sector was minimal throughout 2022. The equities listed under fair value through profit or loss and fair value through other comprehensive income portfolio stood at Rs. 7.4 billion and Rs. 2.2 billion, respectively, as at end 2022.

The equity risk in the sector was minimal throughout the year 2022.

Liquidity risk

On an aggregate basis, the sector maintained liquidity well above the minimum required level during 2022. The overall regulatory liquid assets available in the sector was Rs. 184.9 billion as at end 2022, against the stipulated minimum requirement of Rs. 98.0 billion recording a liquidity surplus of Rs. 86.9 billion as at end 2022, compared to Rs. 66.0 billion recorded as at end 2021.

However, the sector may face increased liquidity risk in the future due to early withdrawals, loan defaults, and non-availability of funding lines due to adverse economic conditions.

The liquidity ratio (liquid assets against deposits and borrowing) increased to 15.6% by end December 2022, compared to 14.1% recorded by end 2021.

Regulatory Liquidity Indicators	2017	2018	2019	2020	2021	2022
Regulatory Liquid Assets (Available)	126.5	113.5	131.4	139.7	155.9	184.9
Regulatory Liquid Assets (Required)	91.0	88.2	89.8	50.7	89.9	98.0
Liquidity Surplus	36.5	25.3	41.6	89	66	86.9
The liquidity ratio	11.7	9.6	11.3	13.0	14.1	15.6

Source: CBSL Annual Report 2021

VALUE CREATION MODEL

VISION

MISSION

VALUE

CORPORATE PLANNING

STRATEGY DEVELOPMENT

FINANCIAL CAPITAL
- Budgeted Profitability & Resource Allocation
- Optimum Product Mix
- Capital Structure & Sources of Finance
- Liquid Asset Maintenance
- Pricing
- Statutory Capital Adequacy Requirements

CUSTOMER CAPITAL
- Product Development
- Service Level Development
- Distribution Channel Development
- Branding
- Customer Relationship Management

BUSINESS PARTNER CAPITAL
- Financing Partners & Investment Advisors
- Insurers
- Outsourced Service Providers
- Regulators, CRIB & Rating Agencies

HUMAN CAPITAL
- Talent Acquisition and Retention
- People Development
- Talent Management
- Rewards and Retention
- Disciplinary Monitoring

INTELLECTUAL CAPITAL
- Industry Expertise
- Organizational Knowledge Base
- Best Practices & Process Excellence

INFRASTRUCTURE CAPITAL
- Branch Network Management
- IT Systems Development
- Pricing
- Statutory Capital Adequacy Requirements

FINANCE AND TREASURY	HUMAN CAPITAL	OPERATIONS
LEGAL	FACILITIES MANAGEMENT	ICT
INTEGRATED RISK MANAGEMENT	INTERNAL AUDIT	COMPLIANCE
MARKETING	CREDIT	COLLECTIONS AND RECOVERIES

FUND MOBILIZATION
- PERSONAL SAVINGS
- FUND RAISING THROUGH BORROWING AND ISSUING
- FINANCIAL INSTRUMENTS

FIXED DEPOSITS
- RETAIL
- INSTITUTIONAL

LENDING PERSONAL FINANCE
VEHICLE FINANCING
- FINANCE LEASES
- VEHICLE LOANS

SPECIALIZED BUSINESS FINANCING
- FACTORING
- GOLD LOANS
- PERSONAL CASH LOANS
- LOANS AGAINST FIXED DEPOSITS

VISION

MISSION

VALUE

CORPORATE PLANNING

STRATEGY DEVELOPMENT

FINANCIAL

- Budgeted Profitability Achievement
- Maintenance of Statutory Capital Adequacy Requirements
- Budgeted Dividend Declaration
- Enhancement of Reserves
- Share Price Increase

CUSTOMER

- Deposit & Lending Portfolio Growth
- Increased Customer Satisfaction
- Increased Repeat Customers
- Enhanced Brand Value
- Increased Cross Selling

BUSINESS PARTNER

- Favourable Funding Facilities
- Seamless Execution of Outsourced Services
- Compliance with Regulatory Requirements
- Favourable Credit Ratings

HUMAN

- Increased Employee Productivity
- Motivated Workforce
- Reduced Turnover
- Increased Internal Recruitment
- Compliance with Internal Processes

INTELLECTUAL

- Enhanced Organizational Know-how
- Development of Best Practices & Process Excellence
- Ability to Predict & Face Industry Challenges

STAKEHOLDER IMPACTS

ECONOMIC

- Contribution to State Revenue
- Returns to Shareholders
- Retention of Profits
- Contribution to Rural Economic Development

SOCIAL

- Employment Generation
- Regulatory Compliance
- Maintenance of Business Ethics
- Engagement in Industry Development

ENVIRONMENTAL

- Favourable Funding
- Management of Natural Resource Utilization
- Management & Proper Disposal of Wastage
- Non-Engagement with Environmentally Hazardous Businesses

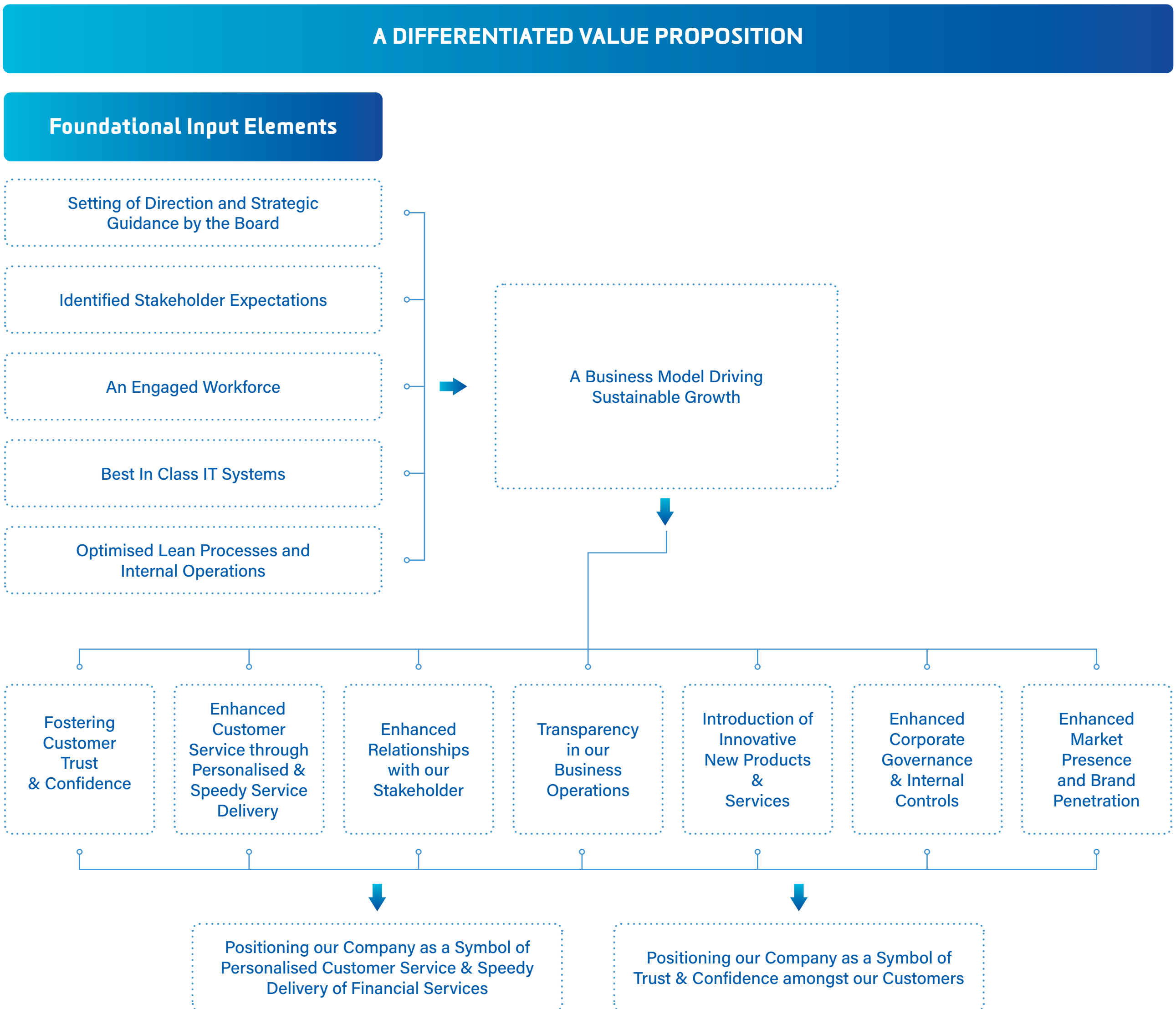
CORPORATE STRATEGY BEHIND VALUE CREATION

Our Business Model and Corporate Strategy Execution

We have been consistently committed to progressing from the traditional notion of a finance company and hence differentiating ourselves and setting ourselves apart from other financial service providers. Our re-engineered business model directs us towards focusing primarily on vehicle financing. Additionally, backed by refined processes and checks and balances, we will be expanding our footprint in the personal financing and factoring spheres in a controlled manner in order to avoid overexposure to those segments. Instrumental to this drive, is our ambition to also be the preferred retail investments partner of our customers in terms of fund mobilization. Foundational to the achievement of these goals, is the ongoing rollout of the planned digitalization of product related processes and the introduction of digital platforms for client interaction that would enhance the customer experience and also curtail wastage.

Critical to this endeavor are the below mentioned key success factors:

- Adopting best-in-class IT systems and driving digitalization
- Building an engaged, innovative and productive workforce
- Constant refinement of our internal processes and controls
- Effective application and management of our monetary resources
- Partnering and maintaining relationships with strategic partners
- Expansion of our geographical footprint
- Continuous innovation and renovation of products and services



Our Value Creation Process

Our value creation process embodied in our business model is the result of strategic fine tuning over time in anticipation of and in response to changes in our operating environment. It has been equipped to ensure that our shareholders receive increasing returns over the medium and long term, whilst actively addressing and responding to concerns and demands of our broader stakeholder base. Regardless of whatever lofty financial goals we have set, our value creation process has been modelled in such a way as to ensure that we always run an ethical business and adhere to the tenets of corporate governance and regulatory compliance.

The Value Drivers

In order to achieve our goal of creating value to all our stakeholders, we have carefully selected and engaged an identified set of input capitals as drivers of our value creation process. They are Financial Capital, Human Capital, Customer Capital, Business Partner Capital, Intellectual Capital and Infrastructure Capital.

FINANCIAL CAPITAL

Financial Capital involves the financial management function which ensures that our financial resources are leveraged and used effectively in the value generation process, whilst complying with statutory capital adequacy requirement.

HUMAN CAPITAL

Human Capital involves the management of our most important resource in our value creation process; that is our team. Functions like internal and external recruitment, training and development, talent management, rewards and retention planning and discipline management contribute to ensuring that this key resource becomes a strategic partner in value generation.

CUSTOMER CAPITAL

Customer Capital involves the effective management and fostering of our customer base through personalised customer relationship management, customer loyalty management, product development, branding and service level development.

BUSINESS PARTNER CAPITAL

Business Partner Capital involves the careful engagement and management of our business partners in order to deliver the desired value to our customers, whilst managing our deployed resources in the most effective manner.

INTELLECTUAL CAPITAL

Intellectual Capital revolves around the industry expertise that we bring into this value generation process. Through our organisational knowledge base, the best practices we have adopted and our continued commitment to process excellence, our intellectual capital brings in that intangible component that helps operationalise our other inputs.

INFRASTRUCTURE CAPITAL

Infrastructure Capital that is brought into the process is the continued management and enhancement of the customer experience offered through our branch network, the substantial investments made in implementing best in class IT systems and the process of digitalisation that is in the process of being implemented.

CORPORATE STRATEGY BEHIND VALUE CREATION

The Value Generation Process

The onus on our value generation process is to manage and effectively utilize the input capitals in order to produce the desired outputs whilst ensuring that the economic, environmental and social impacts of our business are managed as planned. In order to generate the expected value from our fund mobilization, vehicle financing, pawning, personal financing and factoring activities, our internal processes and support services have been strategically deployed and effectively geared to produce optimum returns to our value chain.

Our value creation process is a continuous, evolving process and these input capitals, the value generating activities, the immediate outputs and the impacts are all interdependent and incessantly influence each other. This is how we leverage our core competencies and the competitive advantage that we have in our business domains in order to maximize the value we create for our stakeholders.

In the long term, adherence to the value creation processes in our business model helps us to manage the expectations of all our stakeholders and create win-win situations for all of them.

Value Generation Process

Value Drivers (Input Capitals)

↓

Value Generators

Fund Mobilisation

Vehicle Financing

Personal Financing

Specialised Business Financing

↓

Enhanced Outputs

↓

Outcomes & Impacts

The Immediate Outputs

Our value generating process produces a number of immediate outputs that would be altered and enhanced through the value generators that we put our inputs through. Our immediate value-enhanced outputs have been categorized as:

1. Financial Domain
2. Human Capital Domain
3. Customer Domain
4. Business Partner Domain
5. Intellectual Domain

The Outcomes & Impacts

Our value generation process has a significant and sustained impact on a host of stakeholders with differing and sometimes conflicting interests. Management of these impacts is paramount for our long term survival and is achieved through the setting and execution of an inclusive corporate strategy. These impacts are primarily of medium to long term in nature and influence the overall outlook that all stakeholders have of the company. Further, these outcomes in turn serve as influencing factors, fashioning the Value Drivers (Inputs) in our value creation process in the future. For monitoring efficacy, we have identified these impacts broadly as follows:

1. Economic Impacts
2. Social Impacts
3. Environmental Impacts

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL CAPITAL

Overview

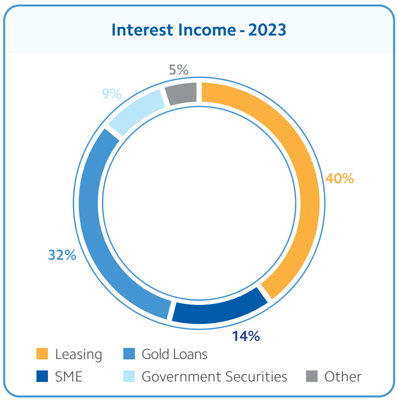
The economic crisis in Sri Lanka had a profound impact on the finance industry, leading to increased non-performing loans, reduced credit availability, decreased profitability, job losses, and increased regulatory scrutiny. The crisis led to a decline in business activities, reduced consumer spending, and increased unemployment. As a result, many individuals and businesses struggled to repay their loans, leading to a rise in non-performing loans. This put significant pressure on the company, affecting the company's profitability and overall stability.

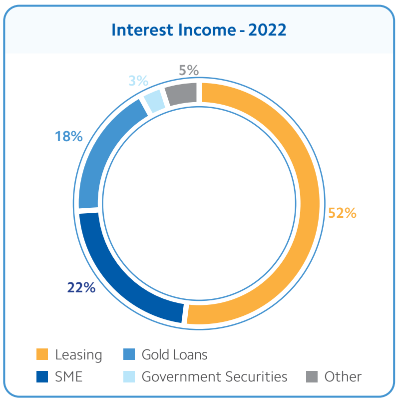
Interest Income

During the year under review, the company witnessed a significant increase in total interest income, rising by Rs.980 million or 33.3% to reach Rs.3.9 billion. This increase can be attributed to two primary factors: expansion in gold loans and interest income from government securities.

The company's decision to expand its gold loan portfolio played a crucial role in driving the growth of total interest income. The expansion in gold loans contributed to a substantial rise in interest income, reflecting the success of the company's strategy in capturing opportunities in the gold loan market. The interest income from gold loans increased by Rs.742.8 million, reaching a total of Rs.1.3 billion. This expansion showcased successful efforts to tap into the potential of the gold loan market and generate additional revenue streams.

The company also experienced a notable increase in interest income from government securities. This income rose by Rs.248 million, reaching Rs.336.7 million. The increase can be attributed to two factors: the rise in interest rates and the utilization of excess liquidity through treasury trading. The increase in interest rates during the period positively impacted the interest income from government securities. As interest rates rose, the company's investment in government securities yielded higher returns, contributing to the overall growth in interest income. The company's effective utilization of excess liquidity through treasury trading further boosted interest income from government securities. By engaging in treasury trading activities, the company was able to leverage its excess funds to generate additional income. This demonstrates a proactive approach to optimizing returns on available resources.





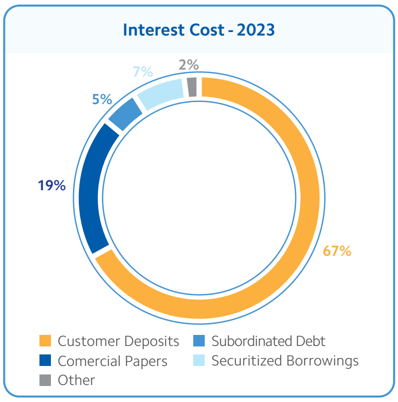
Moving forward, the company will continue to monitor market conditions, especially interest rate movements, to effectively manage its investment portfolio and optimize returns. The successful expansion in gold loans will be sustained through prudent risk management practices and continuous monitoring of asset quality. By capitalizing on these positive factors and implementing appropriate risk management strategies, the company can maintain its growth trajectory and enhance its financial performance in the future.

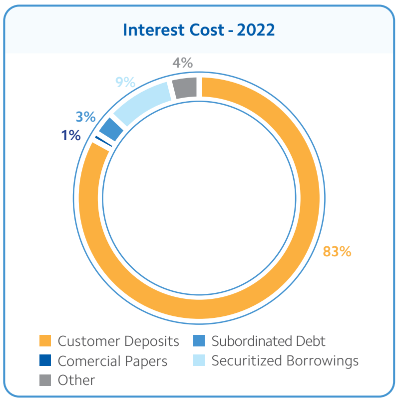
Interest Expense

Due to the Central Bank's deposit caps imposed at regular intervals during the year, the company had to discontinue borrowing through customer deposits, which was its main source of funding. The Central Bank imposed deposits caps on the Company due to non-compliance of the capital adequacy requirements of the Central Bank. As a result, the deposits base dropped by Rs.3.2 billion or 20.3% compared to the previous year. This decrease in the deposits base posed a significant challenge for the company's funding requirements. Despite the decrease in the deposits base, the company experienced an increase in interest expense on deposits. This increase can be attributed to rising interest rates and the repricing impact at renewals. The company had to offer higher interest rates to attract deposits, leading to higher interest expenses on the funds raised through this channel.

With the closure of the avenue to borrow through customer deposits, the company had to explore alternative avenues for borrowing. Consequently, the company increased its borrowing through commercial papers. However, borrowing through commercial papers comes at a relatively higher cost compared to customer deposits, impacting the company's interest expenses. The borrowing through commercial papers increased by Rs.3.6 billion or 183.5%, reaching Rs.5.5 billion by the year end. This shift in borrowing sources reflects the company's efforts to secure funds through alternative channels to meet its funding requirements. However, the higher cost associated with commercial papers led to an increase in interest expense on unsecured borrowings. As a result of the increased borrowing through commercial papers, the interest expense on unsecured borrowings rose by Rs735.04 million, reaching Rs.753.4 million. This increase in interest expense further contributed to the overall rise in the company's total interest expense.

Moving forward, the company will continue to closely monitor market conditions and explore diverse funding sources to mitigate the impact of deposit caps. Effective management of interest rate risk and prudent borrowing strategies will be crucial to optimize funding costs and ensure financial sustainability. Additionally, the company will assess opportunities to diversify its funding mix and explore cost-effective funding options to enhance profitability and mitigate the impact of regulatory restrictions.





Net Interest Income (NII)

While the growth in interest income is positive, it was not sufficient to offset the substantial increase in interest expense. The substantial rise in interest expense outweighed the growth in interest income, negatively impacting the profitability of the company's lending activities. This resulted in a considerable drop in the company's NII. The NII decreased from Rs.1.4 billion in the previous year to Rs.34.1 million, reflecting a substantial decline. As a result, the net interest margin (NIM) experienced a drop, decreasing to 0.1% from the 5.8% recorded in the previous year.

Operating Expenses

The company undertook strategic measures to optimize its branch network and control costs in response to the impact of rising interest rates on profitability. As part of these measures, the branch network was reduced from 33 to 30 branches, resulting in a decrease in the total staff from 494 to 430 employees. This rightsizing of the staff and branch network aimed to streamline operations and mitigate the financial impact of the challenging interest rate environment.

Despite the reduction in staff, the company strategically recruited experienced and talented individuals to fill any gaps that arose, particularly in the areas of recoveries and fund mobilization. Recognizing the importance of improving both recoveries and mobilizing funds, the company focused on building a strong team in these key areas. As a result of these measures, personnel expenses increased by Rs. 62.7 million or 13.6% compared to the previous year. It is worth noting that one-third of this increase was attributed to recovery incentives and fund mobilization expenses incurred in the efforts to enhance recoveries and mobilize funds.

By strategically recruiting in critical areas and incentivizing recovery efforts and fund mobilization, the company aimed to improve its financial performance amidst the challenging interest rate environment. These measures demonstrate a proactive approach to optimizing operations and controlling costs while focusing on key areas for growth and profitability. Moving forward, the company will continue to monitor staffing levels, ensure efficient resource allocation, and assess the impact of these measures on its overall financial performance.

The other operating expenses of the company increased by Rs.93.9Mn or 10.7%. This rise can primarily be attributed to the increase in office admin and establishment expenses, which went up by Rs.109.1Mn or 18.1%. The reason behind this significant increase is that the company strategically decided to refurbish its head office and selected branch network. This decision was made with the aim of creating an improved ambiance and outfit that would enhance brand visibility and increase customer reach. By investing in the refurbishment of office spaces, the company is demonstrating its commitment to providing a positive and appealing environment for both employees and customers. This move is likely to have a positive impact on the overall brand image and help attract more customers to their branches.

The increase in office admin and establishment expenses is indicative of the company's dedication to investing in its infrastructure and ensuring that its physical locations are in line with its brand values. By creating a more inviting and attractive atmosphere, the company aims to create a positive impression on customers and encourage repeat visits. Overall, the decision to refurbish the head office and selected branch network is a strategic move by the company to improve its brand visibility and customer reach. While it has led to an increase in operating expenses, it is expected to have long-term benefits in terms of attracting and retaining customers.

Credit Loss Expense

The credit loss expense on financial and other assets has increased by Rs. 599.5 million or 49.5%, reaching a total of Rs. 1.8 billion. This significant increase can be attributed primarily to individual impairment on term and revolving loans, which accounted for a Rs. 1.2 billion increase in credit loss. Interestingly, over 50% of this increase came from small number of contracts, where the company has already almost provided in full. The fact that most of the increase in credit loss is concentrated in a small number of contracts indicates that this issue may not be widespread or systemic. Additionally, the company's ability to almost fully provide for these contracts suggests that the company is able to manage potential credit losses in coming years effectively.

FINANCIAL CAPITAL

The company has taken other effective measures to address the increase in credit loss. One such measure is the recruitment of new talent, including the Head of Recoveries, which has strengthened the company's recoveries. Additionally, various reforms have been implemented to tighten monitoring and follow-up processes, with the aim of improving recoveries and reducing non-performing loans (NPLs). The company's expectation is that the credit loss will not sharply increase in the coming years as a result of these measures. The company has also taken proactive steps in initiating legal actions on NPLs, which has sped up bringing customers into negotiations and settlements. This approach has yielded positive results, as the legal actions on defaulted customers are now materializing. The company has incentivized recoveries, including legal and NPL recoveries, to motivate and increase productivity.

Overall, while the increase in credit loss expense is significant, the specific nature of the increase and the company's strategic initiatives to strengthen recoveries, implement reforms, and expedite legal actions on NPLs are expected to contribute to the reduction of credit loss and improve the company's financial performance in the future.

Profitability

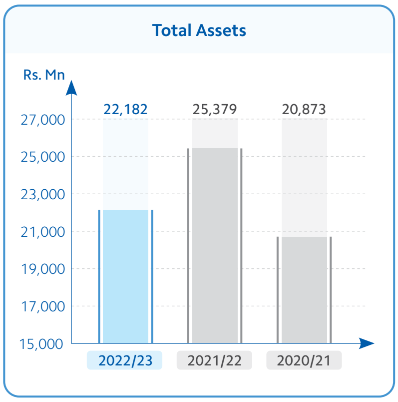
The year under review brought in significant challenges in the company's interest-earning activities and credit quality. The company's reported loss of Rs.2.99 billion, representing a significant increase of Rs.2.1 billion or 220.1% compared to the previous year. This loss is attributed to the substantial drop in NII and the sharp increase in credit loss expense.

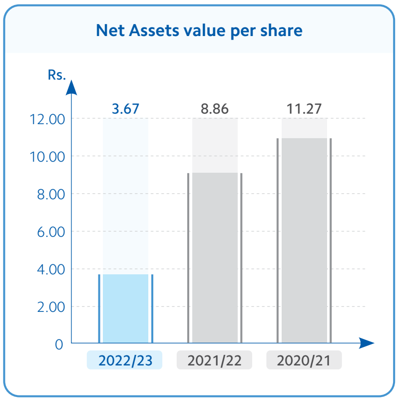
The company will continuously assess its financial position, adapt to market dynamics, and implement appropriate measures including cost optimization, branch rationalization and streamline processes to enhance profitability and mitigate risks. By implementing efficiency measures, reducing unnecessary costs and increasing operational efficiency, the company intends to improve its financial position and minimize losses.

Total Assets

The company experienced a significant decrease in its total assets, with a decline of Rs.3.2 billion or 12.6% to reach a value of Rs.22.2 billion. Consequently, the net assets value per share declined to Rs.3.67 form Rs.8.86 in the previous year. This reduction in assets highlights a notable shift in the company's overall financial position. The company will closely monitor its asset composition and implement strategic measures, to address the challenges posed by this decrease in assets and work towards stabilizing and strengthening the company's financial position.

The factors that contributed to this decline is described below under lease and loan receivable.

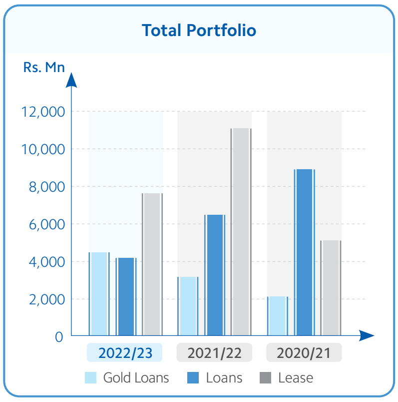




Lease and Loan Receivable

In recent years, the company primarily focused on leasing as its main lending product. However, due to the central bank's imposition of a cap of Rs.18.2 billion in August 2022 on the total lending book, which was then gradually downsized throughout the year, the company was compelled to discontinue this particular product during the year. Despite this change, the company managed to maintain a similar income level from leasing compared to the previous year. The leasing book experienced a sharp decline, decreasing from Rs.11.3 billion to Rs.7.8 billion. Additionally, the loans receivable and factoring books also saw declines of Rs.1.5 billion and Rs.598.0 million, respectively, reaching Rs.4.2 billion and Rs.112.3 million by the end of the year. These adjustments in the company's lending portfolio reflect the impact of the central bank's regulations and necessitated a shift in the company's lending strategy.

The imposed cap did not include gold loans and fixed deposit loans, as these were supported by assets and liabilities that could be readily liquidated if necessary. Consequently, the company made the strategic decision to discontinue its leasing and other loan offerings, and instead focused on expanding its gold loan business. This shift allowed the company to continue growing its gold loan book while operating within the prescribed limits set by the Central Bank. Consequently, the gold loan book of the company grew by Rs.1.6 billion or 57.3% reaching Rs.4.5 billion at the end of the year. This growth in gold loans assisted the company to improve its interest income despite steep drop in its overall lending book.



By the end of the year, the central bank had set a cap on the total lending book of the company, which stood at Rs.15.5 billion. This cap had been progressively reduced throughout the year, with a further downsizing of Rs.2 billion by end September 2023. Despite these limitations, the company successfully complied with the imposed cap by the end of the year. This adherence to the regulatory requirements showcases the company's commitment to maintaining a responsible and compliant lending practice. It also indicates the company's ability to adapt and adjust its lending activities in accordance with the changing regulations enforced by the central bank.

Total Liabilities

The company experienced a decrease in its total liabilities during the year, with a decline of Rs.1.1 billion or 5.1%, resulting in a total liability amount of Rs.19.9 billion. This reduction in liabilities signified a notable shift in the company's financial obligations.

Customer Deposits

In August of 2022, the central bank took regulatory action by placing a limit of Rs.17.0 billion on customer deposits and halting the acceptance of new deposits. This restriction was later tightened, and by the conclusion of that year, the ceiling had been reduced to Rs.12.5 billion. The organization was then obligated to make a further reduction of Rs.3.5 billion in this cap by the end of September 2023. The main source of funding for the company's asset expansion and operational capital requirements had been customer deposits. Nevertheless, due to the enforced restriction, the company found itself incapable of drawing in fresh deposits, being forced to depend solely on deposit renewals, which incurred significant costs due to escalating interest rates.

Consequently, the company's foundation of customer deposits contracted by Rs.3.2 billion, marking a decline of 20.3%, culminating in a year-end figure of Rs.12.4 billion. Despite these substantial constraints, the company managed to conform to the deposit cap by year-end. Given this enforced limitation, the company was compelled to explore alternative avenues for funding and strategically transitioned to raising funds through commercial papers to fulfill its financial commitments.

Other Borrowings

The classification of "other loans" encompasses a spectrum of financial instruments including bank borrowings, commercial papers, securitized facilities, and a subordinated debt totaling Rs. 900 million, procured from our parent company. The expansion of bank borrowings and the utilization of securitized facilities presented formidable obstacles due to persistent losses and the group's collective exposure to banking institutions. This challenge was compounded by central bank restrictions on customer deposits, severely limiting our capacity to secure essential operational funds. Consequently, the company faced the imperative to explore alternative funding avenues to fortify liquidity. This necessity spurred the company to adopt a comprehensive strategy, focusing on generating funds through the issuance of commercial papers.

During the year, the financial terrain of the company underwent significant transformations. Noteworthy among these shifts was the substantial reduction of Rs. 403.0 million in bank borrowings, accompanied by a decrease of Rs. 1.2 billion in securitized loans. However, this downward trajectory was offset by a remarkable upswing in borrowings via commercial papers, reaching an impressive sum of Rs. 5.6 billion. This increase of Rs. 3.6 billion translated to a substantial growth rate of 183.5% compared to the previous year. These dynamic changes in the company's financial framework stand as a testament to the remarkable prowess of our marketing and fund mobilization teams. Their ability to navigate and overcome challenging circumstances is palpably reflected in these outcomes.

Equally notable is the unwavering trust and confidence exhibited by our esteemed customers in the company. This enduring support underscores the resilience of our reputation in their estimation, even in the face of recent financial setbacks.

Amid the notable upsurge in our commercial paper holdings, regulatory measures were introduced by the central bank. These measures entailed the imposition of a ceiling on the company's commercial paper portfolio, capping it at a maximum of Rs. 5.6 billion by the close of the fiscal year. Furthermore, in response to these regulations, the company is required to make a further reduction in this ceiling, scaling it down to Rs. 4.6 billion by 7th July 2023.

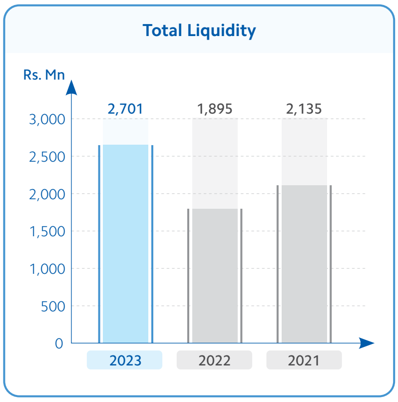
Equity

The stated capital exhibited growth, increasing by Rs. 851.5 million to reach Rs. 7.6 billion. This enhancement was attributed to the funds generated through the right issue conducted in December 2022. Despite this, the company's equity witnessed a steep contraction, plummeting to Rs. 2.24 billion. This decline was primarily driven by a substantial loss of Rs. 2.99 billion incurred during the fiscal year. Additionally, the regulatory loss allowance reverse (RLAR) of Rs. 1.75 billion was established through an appropriation from the company's retained earnings, adhering to the instructions set forth by the Central Bank of Sri Lanka (CBSL) under the Finance Business Act Direction No. 01 of 2020. Consequently, the disclosed equity figure reflects a noteworthy decrease of Rs. 2.1 billion, signifying a decline of 48.8% compared to the previous year. This decline in equity resulted in debt to equity increasing to 8.9 times from 4.8 times in previous year.

Liquidity

Throughout the year, the company navigated an array of unparalleled challenges, culminating in its most substantial loss in history. These difficulties were compounded by the consistent imposition of limits by the central bank on various fronts, including lending, deposits, and commercial paper capacities. Despite these formidable headwinds, it is imperative to commend the unwavering determination and strategic measures undertaken by our treasury division. Their efforts ensured a steady stream of liquidity was maintained throughout the year, while simultaneously adhering to the regulatory liquidity requirements.

The total liquidity, comprising cash reserves, bank balances, investments in unit trusts, and government securities, surged to Rs. 2.7 billion, a significant advance from the previous year's Rs. 1.9 million. This marked an impressive improvement of Rs. 805.3 million, signifying a substantial growth rate of 42.5% over the previous year. Consequently, the ratio of available liquid assets to minimum liquid assets (which are mandated to be at least 100%) improved substantially to 132.2%, compared to the preceding year's 101.1%. Similarly, the ratio of liquid assets to external funds saw an enhancement to 12.8% from the previous year's 9.0%. These metrics underscore the treasury's adeptness in managing resources, even within an environment of exceptionally adverse financial conditions.



Capital Adequacy

Despite securing additional capital through the rights issue, the Tier I and Total Capital ratios experienced significant declines, sinking to -1.1% and 0.6% respectively. This stark reduction can be attributed to the substantial loss of nearly Rs. 3.0 billion incurred over the course of the year. Notably, the reported ratios fall considerably below the minimum thresholds mandated by the central bank's capital adequacy requirements. Under the provisions outlined in the central bank's PCA framework, regulatory restrictions were imposed on the company's lending, deposits, and commercial paper activities due to the non-fulfillment of these capital adequacy prerequisites.

While it is crucial to acknowledge the central bank's regulatory stance aimed at addressing the company's capital inadequacy, it is equally important to recognize the consequential impact of these measures brought to the company. The company's ability to expand its lending portfolio at a sustainable pace and enhance its NII thereby reduced reported loss was curtailed due to the regulatory actions taken in response to the non-compliances with capital adequacy norms.

Way Forward

As the Company dedicates comprehensive efforts to secure a suitable merger partner or new investor, it is equally committed to advancing an Alternative Capital Restoration Plan. The objective behind this strategic initiative is to ensure the company's steadfast alignment with the required regulatory benchmarks. This plan finds its genesis within the budget and three-year roadmap, a pivotal document that received the endorsement of the Board of Directors before being submitted to the Central Bank for evaluation.

The purview of the Alternative Capital Restoration Plan encompasses a spectrum of transformative measures, each devised to bolster the company's fiscal health and regulatory adherence. Among these pivotal reformations, two notable initiatives stand out prominently:

i. Cost Optimization Plan: To enhance operational efficiency and resource allocation, the company will implement a comprehensive cost optimization plan. This strategic move will streamline expenditures while preserving core operational efficacy.

ii. Branch Rationalization Plan: Aiming for optimal geographic coverage, the company will institute a branch rationalization strategy, ensuring that our network is aligned with market dynamics and customer needs.

Furthermore, the cornerstone of the Alternative Capital Restoration Plan is a forthcoming Rights Issue, amounting to Rs. 2.5 billion. This significant endeavor not only injects new capital but also underscores the commitment of the parent company to fortify the financial well-being of the enterprise and ensure the continuity of its operational activities as a viable going concern.

With unwavering determination, the company is committed to consistently enhancing its performance metrics, rendering itself an increasingly appealing prospect for potential new investors or fresh equity. Despite the prevailing challenges, we firmly believe that our resolute efforts will guide us through this arduous phase, gradually enhancing our financial stature and propelling us towards even greater accomplishments in the future. This journey is driven by our unyielding commitment to meet and exceed the expectations of our esteemed customers, and to fulfill their trust in our vision.

CUSTOMER CAPITAL

Management Approach

Our valued customers are placed at the centre of all our activities and we constantly strive to ensure that we deliver an outstanding and uncompromised customer experience. We are committed to adopting a customer centric approach to all our business activities and the service culture that we have fostered within our organization ensures that all our personnel, our internal processes and our entire branch network are geared to providing our valued clientele with a memorable customer experience.

We constantly strive to improve our service quality and service delivery by always giving priority to customer concerns and customer feedback. Based on the feedback we receive from our customers, we constantly reengineer our workflows and redesign our processes to streamline service delivery and bridge any gaps.

Company's Corporate Strategy

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Strategy on Product Portfolio Development & Customer Management

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Product Development

Service Level Development

Brand Development & Communications

Customer Relationship Management

Product Responsibility

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Development of a Loayal & Value Adding Customer Capital

Product Diversity

In line with the customer centric approach that we have embraced, as well as the internal and external data driven product management techniques that we have adopted, we have been able to design and structure our product portfolio so as to cater to diverse customer segments requiring access to financial services and at the same time, sustain and enhance product profitability. From increasing access to formalized sources of financing to providing a stable and safe return on investments, our products are geared to meet the evolving financial needs of our customers.

Our lending and fund mobilization product portfolios include the following product categories that target identified market segments:

Lending Products

- Finance Leasing
- Personal & Consumer Loans
- Gold Loans
- Factoring

Fund Mobilization Products

- Fixed Deposits
- Savings

Achieving Service Excellence

The service culture that we have embodied has ensured that the organization as a whole, collectively drives service quality and service delivery. We constantly look inwards and audit our operational discipline in order to ensure that the service delivery pipeline works seamlessly without any gaps. This drive to achieve customer service excellence is ingrained at the core of our corporate values and represents what drives us towards continuous improvement.

CUSTOMER CAPITAL

Our commitment to achieving customer service excellence is buttressed by the measures we undertake to ensure that we are structurally ready to drive this goal:

An Overview of Measures taken to drive Customer Excellence
Continuous training and evaluation on customer service excellence for all our staff; be it sales staff, support services or client services.
Constant review and re-engineering of our internal processes using Lean Management techniques in the context of the digitalization that we are driving, in order to ensure that our operational workflows are customer centric and are geared to provide optimum service levels to our customers.
Improvements to our integrated IT system and the introduction of digitalization across all our business verticals that will enhance the customer relationship management processes, serve as a platform for the introduction of new products and provide us with an more efficient support service function.

Regular operational housekeeping is undertaken by the management in order to review and ensure that our internal processes and workflows are optimally designed and geared to deliver high quality and memorable customer service without any operational gaps.

The company has implemented an organization-wide integrated IT system specifically geared to support the financial services that we provide, in order to introduce new financial products, enhance the customer relationship management and related frontend functions of our operations and to provide the frontend staff and the management with an more efficient support services function. With the end-to-end digitalization of processes that we are rolling out, we will be able to further refine our customer-centric processes, cut wastage and provide our customers with a state-of-the art service experience.

We also have in place a comprehensive customer complaint handling system to ensure that any issues that our customers face are immediately addressed and constant feedback and solutions are given without any undue delay. As a testament to the commitment we have towards ensuring that our customers always have a pleasant experience when dealing with us, we have developed a customer complaint handling hotline, backed by a dedicated team to address any issues that our customers may face.

Moreover, we believe that the personalised customer experience we offer is further enhanced by the manner in which we have designed our branches. Hence, we have initiated a branch redesigning process and have invested heavily in ensuring that all our branches are designed to offer a pleasing customer experience that will ensure that our customers are able to conduct their business in a conducive and relaxed atmosphere.

Product Responsibility

As a responsible corporate entity, we uphold the "Customer Protection Framework" stipulated by the Central Bank of Sri Lanka. We ensure that all our business transactions with our customers are carried out in an ethical and transparent manner and we give primacy to educating the customer of the features of our products and the conditions that they entail. The personalized customer engagement process that we have adopted in dealing with our customers helps us to directly interact with the customer on a one-on-one basis and explain to them all the relevant financial and legal implications that their financial transactions with us entail.

Fairness and Transparency in Customer Interactions

Throughout the personalized interactions that we undertake with our customers, we ensure that we are fully transparent and forthcoming with our customers with regard to product features and information, financial and legal conditions and the credit evaluations processes that we undertake when granting loans.

We make objective and transparent assessments on the financial capabilities of our clients and advise them on how to manage their potential and current financial obligations with us. Our recovery processes are designed to be fully transparent and our recovery teams ensure that our customers are fully apprised with all relevant information in advance.

Anti-Competition

As a responsible corporate citizen, it is our policy to not engage in any sort of anti-competitive practices and we strictly enforce it. We strictly follow all regulatory pronouncements and continuously educate our staff and enforce the need to carry out our business transactions ethically. Our products have been designed to be in line with the applicable regulatory guidelines and all our pricing has been undertaken to be within the Central Bank policy rates. Our goal is sustainable business growth and our policy is to achieve it ethically.

Anti-Corruption

We have implemented a Code of Ethics across our organization in order to ensure that our employees do not engage in corrupt, illegal or unethical practices that could harm our customers or our company. Our employees are regularly educated and trained in this regard and the internal control and risk management mechanisms that we have in place are geared to prevent and detect any such activities. Further, in order to take action if such improper practices materialize or if we receive any complaints, we have in place, a well-structured investigation and disciplinary mechanism. Moreover, the company has a whistle-blower mechanism in place for employees to confidentially report on any such incidences.

Customer Privacy

As a responsible financial institution, we take the importance of customer privacy and the integrity of their data very seriously. As a policy, we do not share any information of our customers with any external party, unless statutorily stipulated and we have sufficient and continuously assessed IT controls in place to ensure that no data breaches or any data integrity issues arise.

Product Portfolio Compliance

We constantly review and take action with regard to ensuring that our products and associated support services are in compliance with statutory requirements. Regular training is provided to our staff to ensure that they are well versed in the regulatory aspects of the products that they deal with so that accurate information is passed on to the customers. Our internal control systems and the risk management mechanism in place constantly work towards ensuring that there are no breaches of any regulatory requirements in the context of our products and operations.

Future Outlook

In order to spearhead our product portfolio growth and position ourselves as the preferred non-bank financial institution, our plan is to excel in terms of achieving service excellence, product development, brand development and customer relationship management. The structured training, the rollout of the digitalization process, the regular review and reengineering of our processes and the introduction of our integrated IT system will help us to continue the fostering of a service culture that ensures customer centricity and product innovation in all aspects of our business.

The development of this customer centric attitude across the organization has been recognized by our management as the driving force behind future business expansion. With the continuing digitalization process, the rollout of our refined business model and the enhancement of the capabilities of our integrated IT system, we are positioning ourselves to achieve customer loyalty and sustainable business growth in the future, across all product lines.

BUSINESS PARTNER CAPITAL

Management Approach

The mutually beneficial relationships that we have developed with our Business Partners play a pivotal role in shaping the overall quality of service delivery to our customers. Further, these relationships that we have developed are critical to maintaining our competitiveness in the market and in the strategic positioning of our business. In effect, our business partners help us deliver sustainable value to all our stakeholders.

Our approach to Business Partner Capital Management is to foster partnerships that serve as prudent investments, rendering strategic value for the resources that we expend. In line with our formalized procurement practices, there is constant monitoring and assessments of the procurement processes in place and the choice of business partners. The intra-group procurement channels that we maintain with other group companies help us achieve optimum cost and quality advantages. Further, in the context of the evaluation criteria present in our procurement policy, we strive to ensure that we give priority to localized regional suppliers as we strongly believe in adding value to the local economy and generating local employment and entrepreneurship.

Strategic Inputs Required by the Value Generation Process

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Identifying strategic inputs and value generating functions requiring Business Partners

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Internal Requirements, Internal Policies & Assessment Criteria → **Business Partner Assessment** ← Expectations of Business Partners

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Engagement with Identified Business Partners

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Monitoring, Management & Conflict Resolution of Business Partners

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Long Term Mutual Value Creation

Business Partner Engagement

The collaborative approach that we have adopted when engaging with our business partners serves as the basis on which we build win-win partnerships with them. These mutually beneficial partnerships, built on foundations of trust and understanding, help us avail ourselves of reliable and consistent services whilst offering a steady source of revenue to our suppliers. We seek to engage with business partners who complement and are aligned to our mission and values. Thus, in order to ensure that long term relationships are maintained and mutual expectations are met, we constantly engage with all our business partners on an individual and personalized basis.

Value Generating Processes involving Business Partner Engagement
IT Services and Process Digitalization
Market Research & Marketing Communications
Financial Planning & Investment Advisory
Insurance
Training and Talent Development
Collections & Recoveries
Legal Advisory
Lean Management
Outsourced Non-Core Operational Services
Compliance Management

Business Partner Evaluation & Assessment

All major procurements are evaluated and managed centrally, as per our formalized procurement practices. The respective departments and the relevant subject matter experts are charged with the setting up of conformance standards and specifications for procurement of materials and services.

Currently, our procurement practices advocate supplier assessment broadly based on the following criteria:

Quality
Cost
Long Term Strategic Value Generated
Reliability of Consistent Service/ Material Delivery
Regulatory Compliance

Business Partner Classification and Management

Based on the strategic priorities of our business, we have classified and set up processes to manage our business partners. Ultimately, our engagement approach is dictated by the need to ensure that the service levels and outcomes match our strategic requirements that change from time to time.

Classification of Business Partners

General Approved Vendors Our engagement approach to General Approved suppliers is dictated by our procurement policies and supplier assessment policies. In order to achieve operational excellence, seamless service delivery and effective cost management, we undertake continuous negotiations with the chosen suppliers and look to streamline our processes to ensure that the optimum value is received at a competitive price. The focus is on controlling operational costs whilst obtaining the expected service level. Moreover, our attitude towards supplier engagement helps maintain good working relationships, in order to obtain acceptable prices and consistent service levels in the long term.	• Advertising & Creative Partners • Corporate Communication Partners • Infrastructure related Suppliers & Contractors • Courier Services • Outsourced Operational Service Providers
Valued Consultants These partners help us improve our business so that we can deliver enhanced value to our stakeholders. Collectively, they contribute towards the medium- and long-term growth of the company and help achieve operational excellence through their expertise. The focus in this instance is on the medium- and long-term value added to our business and not solely the costs entailed when engaging them.	• Investment Advisors • IT Consultants • Rating Agencies • Branding Consultants • Human Resource Consultants and Trainers • Legal Advisors • Lean Management Consultants • External Auditors
Strategic Partners Our focus is on forming long-term strategic partnerships to facilitate the realization of competitive advantages that set us apart from the rest of the industry. These engagements go beyond short-term cost considerations and instead are based on strategic value addition. Such partnerships are a necessity due to the industry related changes in the external environment that is ever present. Furthermore, certain strategic partners provide specialized services like IT infrastructure development. Moreover, other strategic partners assist in business development by acting as distribution-channel facilitating agents for our products.	• Financing Partners • Insurers • Advertising Agencies • IT Service Providers & Process Digitalization Partners • Partnering Vehicle Agents and Vehicle Dealerships • Group Companies partnering for our Personal Loan product • Banking partners for payment services • ATM Network Service Provider • Credit Information Bureau of Sri Lanka • Specialized Recovery Service Providers

BUSINESS PARTNER CAPITAL

Classification of Business Partners	
Regulatory Partners Being a listed company and a registered Non-Bank Financial Institution entails considerable responsibilities in terms of regulatory compliance. As such, our regulatory partners help us operate efficiently and serve our stakeholders better. We consider regulatory compliance and regulatory reporting as a value adding process which allows us to maintain transparency, achieve operational excellence and provide customers with products that generate value to them. All our regulatory reporting and disclosures are performed in the context of partnership building and not merely limited to regulatory compliance.	• Central Bank of Sri Lanka • Department of Inland Revenue • Securities and Exchange Commission of Sri Lanka • Colombo Stock Exchange

Future Outlook

Our business partners will continue to play a crucial role in achieving the service and process excellence that we continuously strive for. Whether it is with branch expansion, daily operations, service delivery, business channel development or IT services and digitalization, our business partners provide an invaluable service that helps us sustain both our current and future business growth.

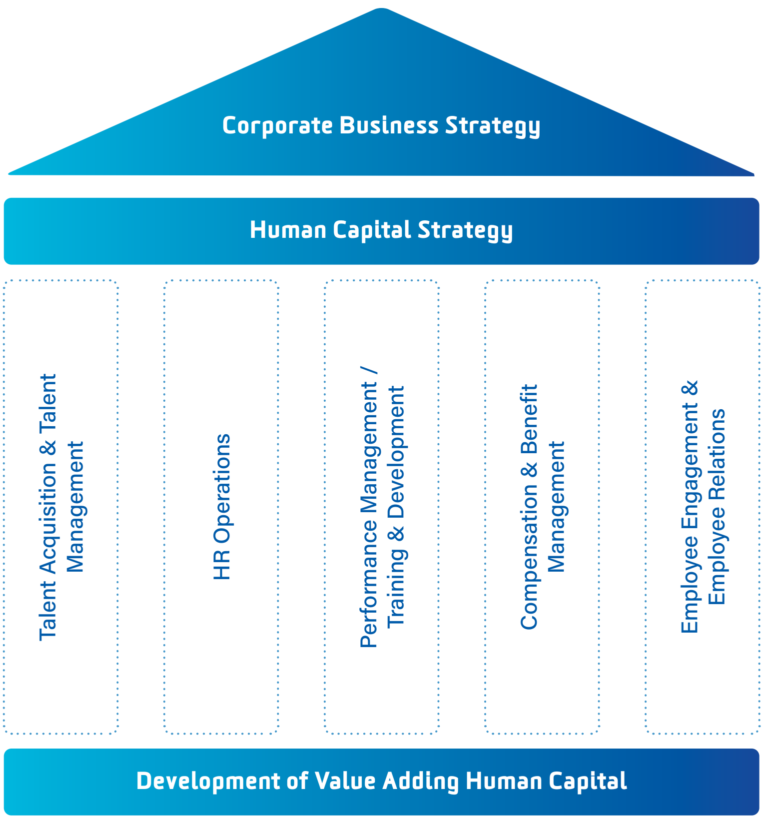
Therefore, in light of the undoubtedly influential role that our business partners play in our value generation process, we will continue to pay special attention to maintain and foster the mutually beneficial relationships we have with them, whilst continuing to form new partnerships that would generate added value in the context of our revamped business model.

HUMAN CAPITAL

Management Approach

At our company, the management approach towards human capital is designed to align with the overall corporate business strategy, focusing on value addition to our workforce and ensuring sustainable growth. We have carefully crafted a human capital strategy that reflects our company's vision, mission, and values, while incorporating industry best practices to strategically enhance our business processes.

Being in the service industry, we understand that our business requirements constantly evolve due to changing customer demands and regulatory changes. Recognizing the pivotal role of human capital in energizing our service delivery, we place great emphasis on improving the quality of our workforce. Given the industry's regulatory landscape, it is crucial to prioritize the development and enhancement of our human capital to meet compliance requirements. To achieve this, our human capital strategy is built upon five key pillars.



Talent Acquisition & Talent Management

We place significant importance on attracting and retaining top talent. Our talent acquisition efforts focus on identifying individuals who align with our company values and possess the skills necessary to drive our business forward. Additionally, we have established robust talent management practices to nurture and develop our employees, ensuring their ongoing growth and success.

HR Operations

The Human Resources Department plays a central role in executing our human capital strategy. They provide vital support to department heads and branch personnel by developing and implementing policies and procedures that maximize workforce effectiveness and efficiency. By adhering to compliance requirements, we uphold transparency in our HR practices and demonstrate our commitment to ethical and legal standards.

Performance Management/ Training & Development

We believe in fostering a high-performance culture through effective performance management. Our performance management system ensures clarity of expectations, regular feedback, and opportunities for growth and development. We invest in comprehensive training and development programs to equip our employees with the skills and knowledge required to excel in their roles and drive the company's success.

Compensation & Benefit Management

Recognizing the importance of fair and competitive compensation, we have implemented a robust compensation and benefits management framework. Our aim is to attract, motivate, and retain talented individuals by offering attractive remuneration packages and a range of benefits that align with industry standards and best practices.

Employee Engagement & Employee Relations

We consider employee engagement and maintaining positive employee relations to be vital for a productive and harmonious work environment. Our HR department takes a proactive approach to enhance employee engagement by fostering a culture of open communication, recognizing and rewarding achievements, and promoting work-life balance. They serve as employee advocates, ensuring high levels of employee satisfaction and motivation.

We understand the importance of staying agile and adaptable in response to changing business requirements. Our HR department remains dedicated to regularly reviewing and refining our policies and procedures to ensure their alignment with evolving business needs. By benchmarking against industry practices and leveraging the expertise within Softlogic Group, we strive to consistently improve our human capital management practices.

HUMAN CAPITAL

Our management approach towards human capital is centered around fostering excellence and maximizing the potential of our workforce. Through strategic talent acquisition, comprehensive HR operations, performance management, competitive compensation, and employee engagement initiatives, we are committed to nurturing a high-performing and motivated workforce. By adhering to compliance requirements and continuously refining our practices, we aim to strengthen our position as a leader in the industry, while ensuring the sustainable growth of our company.

HR Highlights of the Year

Over the past year, our HR department has made remarkable strides in cultivating a culture of growth and engagement within our organization. Through a series of innovative initiatives and strategies, we have significantly contributed to our company's success and laid the groundwork for continued excellence.

One area where our Human Resources Department has excelled is talent acquisition. By implementing forward-thinking strategies, we have attracted top-tier candidates who align with our organization's values and goals. Our emphasis on finding the right fit has resulted in a talented and motivated workforce that drives our company forward.

Furthermore, our comprehensive employee development programs have been instrumental in nurturing the potential of our staff. Through targeted training sessions, mentorship programs, and ongoing professional development opportunities, we have equipped our employees with the skills and knowledge they need to thrive in their roles. This investment in our workforce has not only boosted individual performance but also contributed to the overall growth of our organization.

Central to our HR department's accomplishments is our unwavering commitment to employee engagement and well-being. Recognizing that a happy and fulfilled workforce leads to increased productivity and loyalty, we have implemented various initiatives to support our employees' physical, mental, and emotional well-being. By fostering a supportive and inclusive environment, we have created a sense of belonging that encourages our employees to bring their best selves to work each day.

Additionally, our dedication to diversity, equity, and inclusion (DEI) has been a driving force in shaping our organization's success. We have implemented policies and practices that ensure equal opportunities for all employees, regardless of their background. By celebrating diversity and fostering an inclusive culture, we have not only attracted a diverse talent pool but also created an environment where every individual feels valued and respected.

By prioritizing our employees and creating an environment that fosters their growth and engagement, our HR department has laid a strong foundation for continued success. As we look ahead, we are confident that our focus on talent acquisition, employee development, engagement, well-being, and DEI will drive our organization to new heights of resilience and excellence.

HR highlights of the year revolve around our department's exceptional achievements in fostering a culture of growth and engagement. Through innovative talent acquisition strategies, comprehensive employee development programs, a focus on engagement and well-being, and an unwavering commitment to diversity, equity, and inclusion, we have set the stage for our organization's ongoing success. By prioritizing our employees and creating an environment that nurtures their potential, we are confident in our ability to achieve continued growth, resilience, and excellence.

HR has also introduced a host of initiatives during the year:

Development of execution of Policies

HR department developed and executed the following policies across the company with the approval of the Board of Directors.

- Travelling, Lodging, and Meal Expenses Policy
- Staff Movement Policy
- Sexual Harassment Policy
- Addendum to Remuneration Policy

Continuous Training & Development

Conducted 31 training programs during the year, which were designed to deliver returns in the form of increased productivity, commitment, and loyalty from our team members.

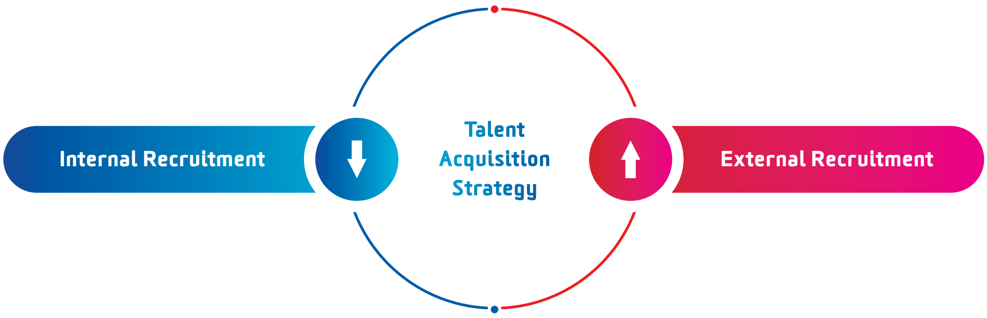
Employee Engagement Activities

Whilst remaining within safety guidelines outlined by authorities, during the year. we conducted seven employee engagement activities to improve employee motivation and satisfaction levels.

Talent Acquisition & Talent Management

Talent Acquisition Strategy

Having an effective recruitment and selection procedure is the key to entering the business competition as it ensures that people with the right competencies enter the company. Most importantly the strategy makes sure the cultural fit of people as it directly impacts on driving a high-performance culture. We implement two different ways of recruiting based on the business requirement and to ensure the best fit for the available vacancies.



Internal Recruitment

At our organization, we prioritize internal candidates during the recruitment process, placing utmost importance on the career development of our existing employees. Internal recruitment is executed within a clearly defined competency and talent framework, guaranteeing a transparent process. All internal job vacancies are advertised exclusively within the company, affording our internal talent the opportunity to pursue new roles and responsibilities. We provide the necessary training and guidance to support these employees in seamlessly transitioning into their new positions.

Internal Recruitments by Employee Category

Employee Category	2022/23	2021/22
Sales & Direct Sales Support	22	21
Recovery	13	1
Support Services	17	9
Total	**52**	**31**

External Recruitment

Our external recruitment strategy is designed to attract top talent from the industry. Recognizing that the quality of our services directly impacts our success in the service industry, we actively seek individuals with exceptional competencies. By bringing in experienced professionals from outside, we aim to expand our business portfolio and maintain a high level of customer satisfaction. While ensuring the best talent acquisition, we also prioritize local and regional candidates for filling branch vacancies, fostering a connection with the communities we serve.

Employee Category	2022/23	2021/22
Sales & Direct Sales Support	55	158
Recovery	17	30
Support Services	71	55
Total	**143**	**243**

Talent Retention

Management Approach

In today's fiercely competitive business landscape, retaining top talent poses a significant challenge. Moreover, the ambitions of young employees, who are driven to advance their careers, add another layer of complexity. To overcome these hurdles, we have meticulously crafted a comprehensive HR strategy that focuses on talent retention and fosters the growth of our employees within the company.

To effectively retain our best talent, we have implemented several initiatives, including.

- **Recognition and Rewards:** We have established attractive reward and recognition programs that acknowledge and celebrate the achievements of our top performers. By providing tangible incentives, we demonstrate our commitment to valuing and appreciating the efforts of our employees.
- **Competitive Compensation and Benefits:** We offer a compensation and benefits package that aligns with industry standards, ensuring external equity in both monetary and non-monetary aspects. This approach enables us to attract and retain top talent by providing fair and competitive remuneration.
- **Ongoing Training and Development:** We believe in the continuous growth and development of our employees. Through a meticulously designed training platform, we provide structured and relevant training opportunities that empower our workforce to enhance their skills and knowledge, thus supporting their career progression within the organization.
- **Clear Career Development Path:** We understand the importance of a well-defined career path in retaining talent. Hence, we have established a robust career development plan that outlines the opportunities for advancement and growth within our company. By mapping out these pathways, we help our employees envision their future with us, fostering a sense of purpose and commitment.
- **Transparent Performance Management:** Our performance management process is characterized by transparency and open communication. We provide regular feedback, set clear goals, and establish meaningful performance metrics, ensuring that our employees understand how their contributions align with organizational objectives. This clarity not only promotes engagement but also enables individuals to gauge their progress and make necessary improvements.

- **Engaging Employee Initiatives:** We have implemented various employee engagement initiatives to create a positive and motivating work environment. These initiatives range from team-building activities to wellness programs, fostering a sense of belonging, camaraderie, and overall well-being among our employees

By implementing these initiatives, we strive to create an environment where our employees feel valued, supported, and empowered to grow both personally and professionally. Through our commitment to talent retention, we aim to build a strong and resilient workforce that drives our company's success in the long run.

Human Resource Operations

HR Operations as the second pillar of HR Department, is carrying out below mentioned functions.

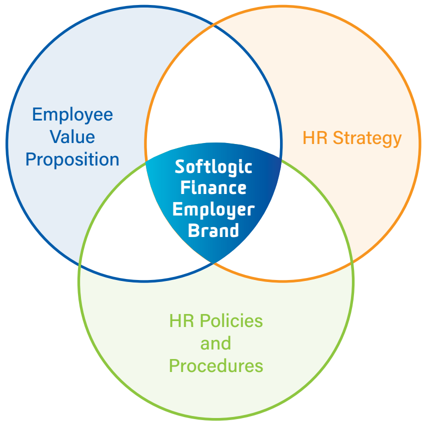
- HR Analytics
- Managing Time & Attendance of People
- Managing Employee Movements – Transfers and Promotions
- Employee Exit Process
- Conducting HR Audits
- Human Resource Administration Functions

Key HR Indicators

Key HR Indicators	2022/23	2021/22
Employee Head Count	430	499
New Recruitments	143	243
Internal Transfers	52	31
Promotions	55	42
No. of Training Programs	31	26
No. of Training Hours	5677.25	2365
Total Income Per Employee (Rs.)	9.6 Mn	6.5 Mn
Staff Costs Per Employee (Rs.)	1.2 Mn	0.9 Mn

Employee Composition Analysis

Management Approach



One of our key strengths lies in our diversified workforce, and we recognize the significance of this diversification in managing our branch operations island-wide. Our HR strategy is designed to accommodate and support this expanded workforce while ensuring equity among all individuals within the company. To enhance the quality of life for our employees, we have developed an Employee Value Proposition (EVP) by addressing their specific needs and concerns. In our commitment to transparency, we treat all employees equally and provide rewards based solely on their performance level, aligning with our HR strategy.

Our Company has built an exemplary Employer Brand within the industry by maintaining a workplace free from discrimination. Our best HR practices, including equal treatment of all individuals, have played a pivotal role in upholding this status.

We promote diversity in our workforce by adhering to non-discriminatory practices during both recruitment and employment processes. We do not differentiate between current and potential employees based on factors such as age, gender, geographical location, or cultural background.

Employee Category-Wise Analysis 2022/23

Sales	Collection & Recovery	Support Services
42%	18%	40%

Sales & Direct Sales Support

2022/23	2021/22	2020/21
182	234	152
42%	47%	33%

Collections & Recovery

2022/23	2021/22	2020/21
77	79	76
18%	16%	16%

Support Services

2022/23	2021/22	2020/21
171	186	235
40%	37%	51%

We have strategically managed the composition of our workforce to optimize their contributions toward accomplishing our corporate goals and objectives. Our primary focus has been on our sales, recovery, and collection staff, recognizing their crucial role in meeting key performance indicators for success. Additionally, we have invested in enhancing the capabilities of our supporting staff to boost productivity in back-office functions and meet customer expectations effectively. Our ultimate aim is to transform into a streamlined organization with a highly efficient and productive support services team that complements and adds significant value to our sales force

EMPLOYEE AGE-WISE ANALYSIS 2022/23

Below 30 Years	31-40 Years	41 Above
44%	35%	21%

Below 30 Years

2022/23	2021/22	2020/21
190	277	190
44%	56%	41%

31-40 Years

2022/23	2021/22	2020/21
150	192	190
35%	38%	41%

41 Above

2022/23	2021/22	2020/21
90	80	83
21%	16%	18%

At Softlogic Finance, we recognize the significance of young, dynamic, and versatile talent in seizing new business opportunities and thriving in a competitive service industry. Our youthful and vibrant sales force has consistently demonstrated its value to the company. However, we also acknowledge the importance of striking a balance by incorporating a diverse mix of young, experienced, and seasoned professionals to address the strategic demands of our business.

We are committed to providing young graduates and professionals with valuable work experience, which is why we are passionate about recruiting fresh talent. Simultaneously, we actively seek out experienced industry professionals to enhance our talent pool with their industry knowledge and strategic expertise.

Geographical Distribution of Employees

WESTERN PROVINCE

New Employment Opportunities

2022/23	2021/22
19	54

Total Employees as at 31st March

2022/23	2021/22
245	293

REST OF THE COUNTRY

New Employment Opportunities

2022/23	2021/22
2	41

Total Employees as at 31st March

2022/23	2021/22
185	206

When filling branch vacancies, our talent acquisition process places increased emphasis on recruiting locally. This approach not only offers opportunities to individuals in rural areas but also aligns with our corporate responsibility goals. By providing employment opportunities to local young talent, we can elevate the level of customer service, as these individuals possess a deep understanding of local customer behavior. Their knowledge of the area and familiarity with customer behavior patterns play a pivotal role in developing our business portfolio in respective regions

Service Period Analysis as at 31st March 2023

No of Years with the company	No of Staff in each category		
	Senior Management	Manager/ Executive Level	Others
15 & Above	7	89	3
10-15	14	195	3
5-10	5	62	0
1-5	5	32	0
Below 1 year	3	12	0
Total	**34**	**390**	**6**

Performance Management/ Training & Development

Performance Management

Management Approach

Effective talent management is essential for achieving organizational goals and objectives. Performance management aims to align individual efforts with organizational priorities. It involves setting individual expectations that are linked to organizational goals, providing coaching and feedback to enhance performance, and measuring and evaluating employee performance to identify talent. To achieve organizational targets, Softlogic Finance adopts a sensible approach to performance management. The approach of Softlogic Finance towards managing the performance of people is given below.

Performance Appraisal System

Annual performance appraisals are conducted for employees across all categories. The appraisal format consists of two sections. The first section evaluates employees' competencies, with different competency sets assessed for different employee categories. Competency evaluation accounts for 20% of the overall rating. The second section focuses on evaluating employees' achievement of key performance indicators, which carries 80% of the weightage.

The final rating is given on a 1-5 Likert scale to ensure active employee participation in the appraisal process. Since we foster a performance-based rewards culture, the rating obtained from performance evaluation serves as the basis for rewards, recognition, promotions, identification of training gaps, and career development.

Promotions by Employee Category

Employee Category	2022/23	2021/22
Sales & Direct Sales Support	28	15
Recovery	6	1
Support Services	21	26
Total	55	42

Reward & Recognition

We are committed to cultivating a culture of appreciation and recognition within our organization. Throughout the financial year, we have implemented comprehensive reward and recognition programs to acknowledge the efforts and achievements of our exceptional employees.

We continued to offer a range of awards and incentives to recognize outstanding achievements and motivate employees to reach their full potential. These programs include:

a) We believe in recognizing and rewarding outstanding performance through merit-based incentives. Our performance-based incentives program offers incentives and opportunities for professional development to employees who consistently exceed expectations and achieve exceptional results.

b) Employee of the Month: Our Employee of the Month program recognizes individuals who consistently demonstrate exceptional performance, embody our company values, and go above and beyond their responsibilities. Recipients are celebrated through a dedicated internal communication campaign.

c) We expanded our recognition channels to encompass a variety of platforms, including social media shout-outs, team celebrations, and personalized emails. This approach ensures that each employee feels valued and appreciated, fostering a sense of belonging within the organization.

Our comprehensive reward and recognition initiatives have yielded several positive outcomes, including:

a) Increased Employee Engagement: By acknowledging and appreciating employees' efforts, we have witnessed a significant increase in overall employee engagement levels. Our employees feel valued, which contributes to a positive work environment and a stronger sense of loyalty.

b) Improved Retention Rates: The implementation of reward and recognition programs has positively impacted our employee retention rates. Recognized employees are more likely to remain committed to the organization, reducing turnover and associated costs.

c) Enhanced Performance and Productivity: The motivation and morale boost resulting from our initiatives have translated into improved performance and productivity across teams and departments. Employees are inspired to exceed expectations and strive for excellence.

Our commitment to reward and recognition has proven instrumental in fostering employee engagement, increasing retention rates, and driving overall success within our organization. As we move forward, we will continue to refine and expand our programs to ensure they align with the ever-evolving needs and aspirations of our employees. Through these efforts, we aim to create an environment where every employee feels valued, appreciated, and motivated to contribute their best to our shared success.

Training & Development

We recognize that developing our employees enables the company to maintain its competitive edge. The training needs of employees are determined based on their individual performance evaluations.

We collaborate closely with various institutions such as the Central Bank of Sri Lanka (CBSL), The Finance Houses Association of Sri Lanka (FHASL), the Institute of Credit Management (ICM), The Employers' Federation of Ceylon (EFC), and the Institute of Bankers of Sri Lanka (IBSL) to build job-specific competencies necessary for achieving operational excellence.

Types of Training Programs Conducted No. of Programs

Type of Training Program	No. of Programs	
	2022/23	2021/22
External	18	14
Internal	13	12
Total	31	26

Gross No. of Employees Trained By Employee Category

Employee Category	No. of Programs	
	2022/23	2021/22
Sales & Direct Sales Support	404	456
Recovery	143	0
Support Services	677	132
Total	1224	588

Succession Planning

Succession planning is vital for our organization's long-term success. By cultivating a robust pipeline of capable leaders and ensuring a smooth transition of leadership, we are well-positioned to sustain our growth and navigate future challenges. Our commitment to talent development and knowledge transfer will continue to drive our succession planning efforts and contribute to the overall success of our organization.

In our organization, we recognize the significance of succession planning as a strategic initiative to ensure a seamless transition of leadership and sustain our growth trajectory.

▪ Identify and nurture potential leaders:

Our primary objective in succession planning is to identify high-potential individuals within our organization and provide them with opportunities for growth, development, and mentoring. By recognizing and nurturing talent from within, we ensure a deep bench of capable leaders who are well-prepared to take on future leadership roles.

During the reporting period, we successfully identified and developed several high-potential individuals for key leadership roles. These individuals underwent targeted development programs and demonstrated significant growth in their capabilities and performance.

▪ Develop leadership capabilities:

To prepare our potential leaders for future responsibilities, we have invested in leadership development programs, both internal and external. These programs focus on enhancing key leadership competencies, such as strategic thinking, decision-making, communication, and change management. By equipping our emerging leaders with the necessary skills, we aim to build a robust leadership pipeline.

We expanded our leadership development initiatives by partnering with external training providers and offering customized programs tailored to our organization's needs. These programs received positive feedback and contributed to the development of well-rounded leaders.

▪ **Knowledge transfer and succession readiness:**

A critical aspect of succession planning is the transfer of knowledge and expertise from incumbent leaders to their successors. We have implemented structured knowledge transfer processes, including job rotations, cross-functional projects, and mentoring programs. These initiatives facilitate the transfer of critical knowledge and enable our future leaders to step into their roles with confidence and competence.

Through structured knowledge transfer processes, we successfully preserved critical organizational knowledge and ensured a smooth transition during leadership changes. This approach minimized disruptions and maintained continuity in our operations.

Compensation & Benefit Management

Management Approach

The formulation of remuneration is carried out based on the job profile, industry practices, and prevailing cost of living in the country. We have developed a Remuneration Policy for the company along with a comprehensive compensation and benefit grid. The grid has been developed to be on par with the market rates in order to ensure competitive packages are offered at the point of recruitment.

We ensured to pay monthly salaries by the 25th of each month without any delay. Performance incentives were also paid along with the monthly payroll.

Statutory Benefits for Employees

All statutory payments have been made in compliance with the labour legislations of the country. We strongly adhere to the ethos of providing our employees with benefits, both pecuniary and non-pecuniary, that are above and beyond the laid out statutory requirements. This includes the contributions under the EPF, ETF, and the provision of Gratuity.

Employee Engagement & Employee Relations

Employee Engagement

Management Approach

At Softlogic Finance, we understand the importance of employee engagement in fostering a motivated and satisfied workforce. Engaged employees not only contribute to the success of the organization but also tend to stay with the company, perform better, and become advocates for the business. Employee engagement has a significant impact on employee attitudes, absenteeism, and turnover levels.

During the last financial year, the following employee engagement activities were conducted:

- Cancer awareness program
- Free corporate eye check-up campaign
- Blood donation campaign
- Christmas spin to win
- Pirith ceremony
- New year celebrations
- Annual get together

Employee Wellbeing/Health & Safety

In our commitment to creating a pleasant, comfortable, and conducive work environment, we made efforts to improve the facilities at our head office and branches. We allocated additional resources to ensure the right infrastructure and operational processes were in place, ensuring a safe and healthy workspace for all our employees across the branch network.

Our Branch Operations Department and Risk Department conducted regular assessments across the branch network to identify and mitigate occupational health and safety risks. As a result, we have implemented a comprehensive fire safety procedure to minimize potential hazards.

Employee Relations

Management Approach

Our organization recognizes the importance of maintaining strong employer-employee relationships. A positive relationship between management and employees drives productivity, efficiency, loyalty, and minimizes conflicts. We have implemented a grievance handling process to ensure that employee concerns are not neglected but addressed in a timely and appropriate manner. Additionally, we maintain an open-door policy to foster accessibility and encourage open communication. We provide all employees with the opportunity to voice their concerns and bring them to the attention of management.

KEY VALUE DRIVERS
INFRASTRUCTURE CAPITAL

Our Strategic Intent and Infrastructure Capital

Our strategic Intent for IT involves leveraging technology to drive operational efficiency, enhance customer experience, data driven decision making or to facilitate digital transformation. This strategic intent will align with the overall company strategy as well.

We believe that our continued investment in our IT systems and infrastructure will help us maintain a competitive advantage and position us for future growth and success in the years ahead. We remain committed to ensuring that our IT investments align with our business strategy and support our overall mission of providing exceptional products and services to our customers.

IT Systems and IT Infrastructure Development

IT Systems and IT Infrastructure Development

Our IT systems and infrastructure are critical components of our business operations, and we need continued investments and improvement in these areas in order to improve performance, security, and efficiency.

However, the uncertain economic condition prevailing in the country has led to a decrease in new business investments. Therefore, this has hindered Capital Expenditure and business expansion. As a result, there is a slowdown in the Technological enhancements or improvements as well.

In spite of this situation, we are constantly seeking ways to improve our processes and operations, to ensure that we are delivering the highest level of quality and service to our customers.

We have implemented a number of new initiatives over the past year to streamline our operations, reduce costs, increase efficiency and to comply with the Regulatory requirements.

Key highlights of some of our IT investments, improvements and compliance include:

- Implementation of the Anti-Money Laundering System to comply with the Regulations of CBSL guidelines.
- Enhancements and improvements made with the Core Application of the company in order to provide more flexibility and greater experiences.
- Improvements made in the Recovery Process of the company in order to align with the current business strategy.
- IT Helpdesk has been in operation in order to provide Operational efficiency to the company by providing on-time responses to incidents or Service Requests.
- Maintenance of a recommended RTO and RPO for the Core Application. By establishing a standard RTO and RPO we are able to minimize the system downtime, prevent data loss, streamline recovery processes, comply with regulations, and earn customer trust.
- By leveraging on SMS technology, we enhance customer satisfaction, streamline communication processes, and improve overall system efficiency.
- E-Statements and other customer-centric enhancements are being carried out to provide enhanced customer satisfaction.
- Implementing regular and comprehensive System & IT Audits. Engaging external professional consultants with regard to the improvement of existing controls.
- Reviewing and updating of the company's IT policy and ensuring that updates are implemented.
- Continuous and regular System Updates and Upgrades.
- Ensuring that IT backup systems are operational and effective.
- Ensuring that the Business Continuity Plan including the Disaster Recovery is updated and Operational

We remain confident that once the economic conditions in the country become positive that we will be committed to delivering value to our customers and stakeholders through innovation, operational excellence, and sustainable growth, and we will continue to invest in the infrastructure and capabilities necessary to achieve these goals. We are confident that our strategic focus and investment in infrastructure capital will continue to drive long-term success for our business and position us well in our industry.

In line with this commitment, we continuously review and re-engineer our internal processes in tandem with the IT system improvements that we undertake. We have embarked on this concurrent development of both the IT systems and the internal processes in order to ensure that our support services run efficiently and effectively without compromising the excellent customer service that we are renowned for.

KEY VALUE DRIVERS
INFRASTRUCTURE CAPITAL

Illustrations & Diagrams

Infrastructure Demands to Drive Company Strategy → Currently Available Infrastructure & Resource Assessments → Identification of Infrastructural Gaps → Planning Available Resource Utilisation & Implementing Infrastructure Development Initiatives

- IT Systems Development
- Branch Network Rationalisation
- IT Infrastructure Development
- Information Security
- Re-Engineering of Internal Processes

Value Adding Inputs for the Value Generation Process

Customer Service Enhancement

- **Internal Process Re-engineering**
- **Training and Development of Staff**
- **Physical Enhancement of Customer Conveniences**

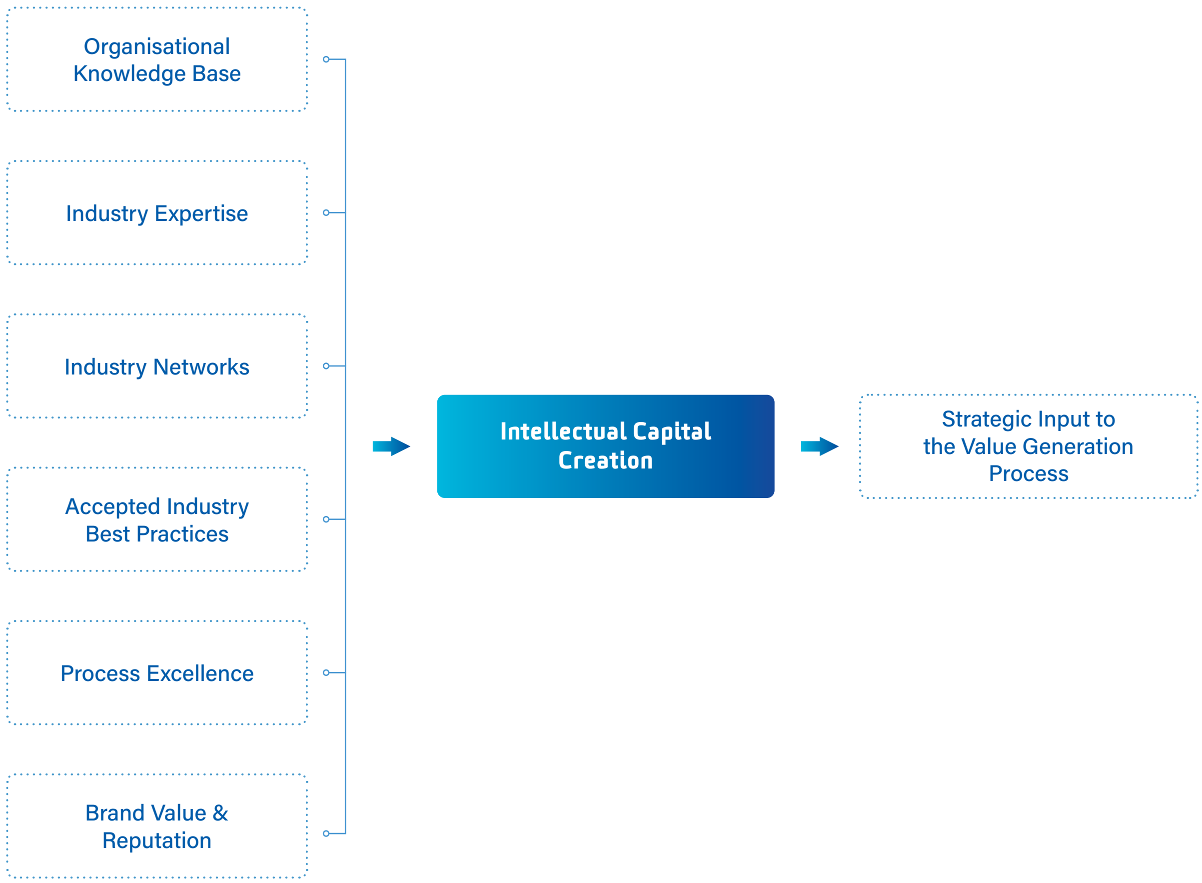
Customer Service Enhancement

Infrastructure Demands to Drive Company Strategy → Currently Available Infrastructure & Resource Assessments → Identification of Infrastructural Gaps → Planning Available Resource Utilisation & Implementing Infrastructure Development Initiatives

- IT Systems Development
- Branch Network Rationalisation
- IT Infrastructure Development
- Information Security
- Re-Engineering of Internal Processes

Value Adding Inputs for the Value Generation Process

KEY VALUE DRIVERS
INTELLECTUAL CAPITAL



Enhancement of the Organizational Knowledge Base

We as a finance company operate in a very competitive environment rife with industry challenges and regulatory pressures. Being a pioneer financial services provider in the industry, our long term operational sustainability very much influences the development and the effective utilization of our organizational knowledge base.

We are well geared to outperform our competition and armed with well versatile accomplished senior management team. With a wealth of industry knowledge, networks, and expertise in their respective fields, this team of industry experts plays a significant role in nurturing our internal knowledge and helps in providing our team with strategic guidance to conquer industry challenges and shape its future form.

We share our industry knowledge and success stories among our team members through in house workshops and training programs that play a dual role. With a bottom up approach, knowledge is gathered from the ground level enabling us to react to industry dynamics ahead of our competition. Such practices serve as a platform for the dissemination of existing industry know-how and the refinement of our knowledge base through the sharing of market information that comes from the ground level.

Adoption of Accepted Industry Practices and Achievement of Process Excellence.

Having fostered a service culture in our organization, we have recognized the operationalization of best practices and the achievement of process excellence as sources of competitive advantage. This is why a conscious effort is been made to consistently drive the adoption of industry best practices and compliance with documented processes so that process excellence and the transparency of operational functions are commonplace.

Enhancement of our Brand Value & Reputation

As an influential player in the NBFI industry, our aim is to move away from the perception of a traditional finance company and position our brand as a total financial solutions provider. Simplicity and accessibility are key hallmarks of the new digital era we compete in and to cater to this requirement we have positioned ourselves as a total financial solution provider simplifying the lifestyle of our customer base.

CREATING SUSTAINABLE VALUE
OUR SUSTAINABILITY PHILOSOPHY

Our Approach to Sustainability

As an ethically conscious corporation, we wholeheartedly acknowledge and actively prioritize the well-being of all our stakeholders, surpassing mere financial interests of our shareholders. We firmly believe that our existence and operations are intricately woven into the fabric of society. Thus, we have embraced the profound responsibility of managing our impact on both society and the environment.

In our relentless pursuit of sustainable value creation, our company adheres to a meticulous approach that revolves around continuous engagement with stakeholders. Through this dynamic process, we consistently discern their ever-evolving needs and cultivate effective mechanisms to address them. By embracing this proactive stance, we endeavor to meet the ever-changing expectations of our stakeholders, while simultaneously making a meaningful contribution to the collective welfare

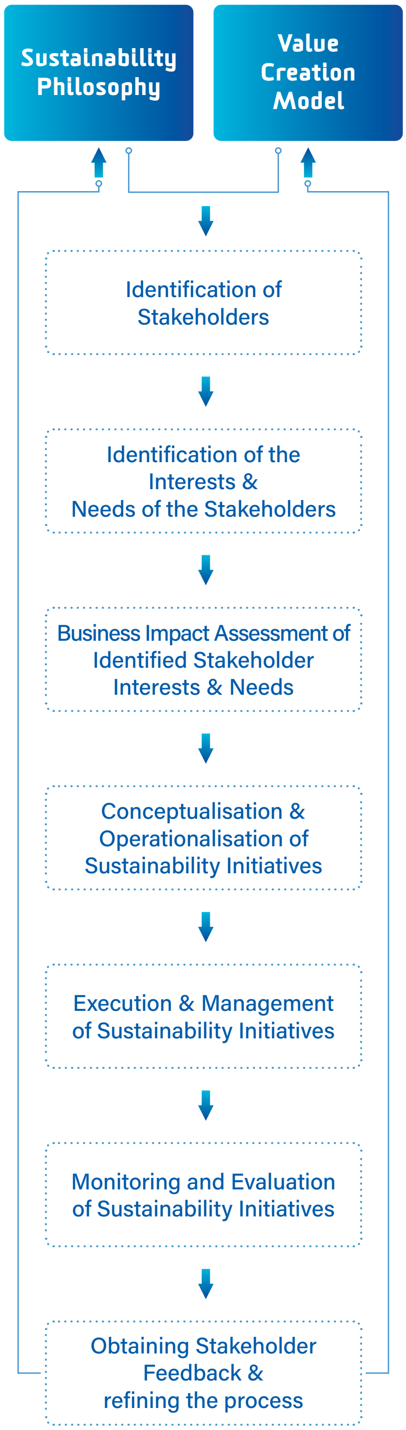
Our Management Approach

By steadfastly implementing and overseeing our business model, we have successfully embraced a comprehensive and all-embracing approach to managing the repercussions of our operations. Consequently, as fruits of our value creation process, we have identified three pivotal realms that necessitate our vigilant stewardship for the enduring sustainability of our enterprise. These domains have been classified as the Economic, Social, and Environmental impacts of our business. In essence, all our sustainability endeavors are executed and governed within the purview of these foundational pillars: Economic, Social, and Environmental.

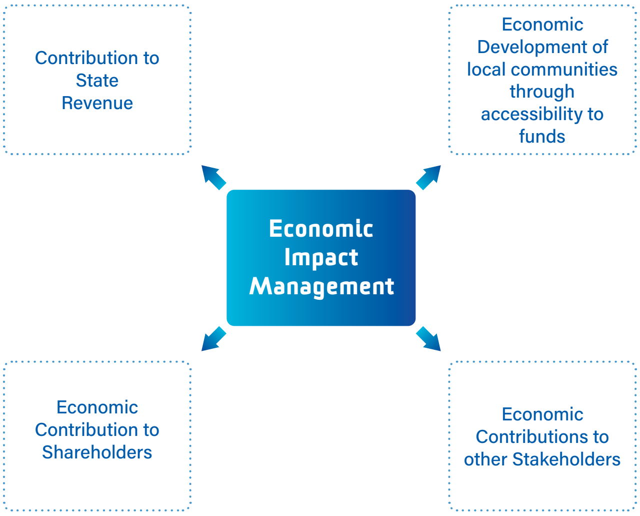
The Sustainability Framework

Our sustainability philosophy takes flight and springs to life through a meticulous and methodical approach, wherein the process initiates with the identification of our valued stakeholders and discerning their diverse needs. Subsequently, we conscientiously evaluate the significance of these stakeholder needs and their impact on our business model. Drawing from this comprehensive evaluation, we devise strategic mechanisms that precisely address these stakeholder needs. Recognizing the criticality of managing the multifaceted impacts our business has on the operating environment, we have embraced a well-structured framework for sustainable value creation. This framework ensures that our sustainability strategy yields tangible Economic, Social, and Environmental value. The conception, implementation, and monitoring of all value creation endeavors related to our sustainability strategy are diligently carried out by our esteemed Management Committee.

Our unwavering dedication to the sustainable advancement of our business is exemplified by our embrace of a structured, high-level approach in identifying, evaluating, and devising robust responses to our sustainability impacts. Essentially integrated into our business model, this process ensures that we keenly identify and cater to the interests of our diverse array of stakeholders.

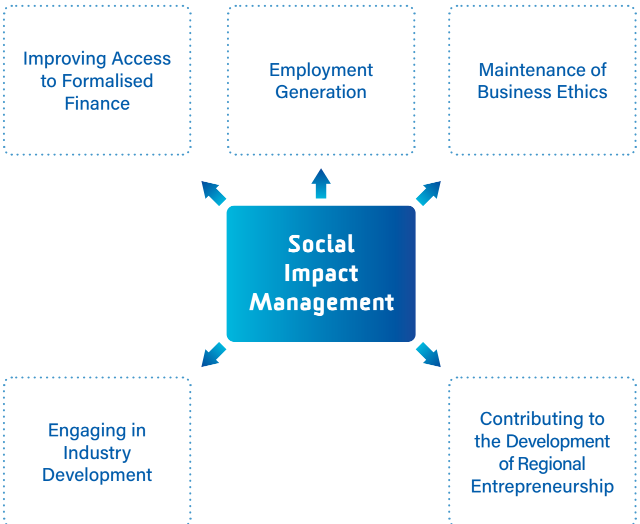


ECONOMIC CONTRIBUTION



The monetized value engendered by our business model not only sustains our very existence but also acts as a potent economic catalyst, enabling us to continually and proactively interact with our stakeholders. Moreover, our business model is thoughtfully crafted to facilitate the equitable sharing of the economic value we create among a myriad of stakeholders. In this regard, substantial economic contributions are made annually, benefiting various entities including government revenue, our esteemed shareholders, valued clients, dependable suppliers and service providers, trusted financing partners, investments in rural areas fostering economic progress, employment opportunities, and the broader community as a whole

SOCIAL CONTRIBUTION



Deeply ingrained in our corporate ethos is an unwavering dedication to serving the communities with whom we interact. We wholeheartedly embrace the responsibility of consistently taking proactive measures to uplift their livelihoods and enhance their economic circumstances. As we fortify our market presence through our extensive network touchpoints, we concurrently position ourselves to more effectively support local communities and empower them to actively partake in economic endeavors.

Improving Access to Finance

Our business model is meticulously crafted to consistently generate sustainable value for all our stakeholders, extending beyond the interests of our shareholders alone. As such, the notion of enhancing access to formalized sources of finance for small businesses and regional entrepreneurs is deeply ingrained in our business framework. In line with this commitment, we provide a diverse range of flexible vehicle financing, personal financing, and factoring products, offering attractive and tailor-made financing solutions. These initiatives aim to unlock the economic potential of rural entrepreneurs, fostering rural development and propelling their growth.

Contributing to the Local Economy

As we embark on expanding our operational reach, we are committed to fostering direct engagement with the local community in all our business and operational endeavors. We prioritize sourcing a significant portion of the products or services required by each branch directly from the immediate community where it is situated, rather than relying on suppliers from larger cities like Colombo. This deliberate approach has a positive ripple effect on employment generation, both directly and indirectly, thereby elevating the quality of life for local communities.

The presence of a branch in the community not only ensures convenience in accessing financial services but also paves the way for greater business opportunities for local entrepreneurs. Their subsequent success, in turn, catalyzes increased employment prospects for the entire community, creating a virtuous cycle of economic growth and empowerment.

CREATING SUSTAINABLE VALUE
OUR SUSTAINABILITY PHILOSOPHY

Engaging in Regional Social Development Causes

Our dedication to continuous community engagement goes far beyond the routine financial transactions we conduct with our valued clientele. Each year, our branches proactively contribute to and actively participate in social development initiatives. We purposefully integrate these activities into our operational philosophy, recognizing their transformative impact and as a means to inspire our team to transcend the conventional bottom line.

By actively participating in social development causes, we embrace our role as a catalyst for positive change. It fuels our team's commitment to think beyond mere financial considerations, fostering a deep sense of purpose and a greater societal impact.

Employment Generation and People Development

As our operational scope and market coverage steadily expand, we consistently generate employment opportunities for the youth, with a particular focus on fostering employment in rural areas. When recruiting personnel for our branch network, we place significant emphasis on selecting talent from the respective regions. This deliberate approach aims to promote localized employment creation and stimulate active participation in the economic development of their respective communities. By prioritizing the recruitment of individuals from these areas, we strive to empower local talent, enhance livelihoods, and contribute to the overall growth and prosperity of the communities we serve.

Ethical Business Practices

We hold ourselves unreservedly accountable to all our stakeholders, with a special focus on our customers and shareholders. Upholding unwavering standards of financial and operational integrity, along with impeccable business ethics, is of paramount importance in every facet of our business activities. To ensure this, we have implemented rigorous processes that are designed to maintain flawless business ethics and operational practices.

Adherence to industry regulations is an integral part of our commitment to integrity. By complying with all applicable regulations, we willingly subject our engagements to scrutiny and demonstrate our dedication to maintaining the highest ethical standards. Additionally, the regulations and assessments enforced by the relevant authorities contribute to enhancing the value of our business.

Transparency is a guiding principle in our operations. Through transparent processes, we instill confidence in our customers and earn their unwavering trust when they avail themselves of the financial services we provide. This unwavering trust is built on a foundation of transparency, ensuring that we operate with honesty and openness at all times.

Engagement in Industry Development

As a prominent participant in the Non-Bank Financial Institution (NBFI) sector, we possess an intrinsic commitment to foster the development of people's trust and confidence in the industry. To this end, we actively engage in collaborative efforts through industry associations. These contributions serve various purposes, including enhancing community access to formalized finance, formulating industry best practices, and generating innovative solutions to address industry challenges.

By actively participating in industry associations, we strive to create an environment that promotes transparency, reliability, and accountability within the NBFI sector. Our overarching goal is to elevate public confidence in the industry, empowering individuals to transact with us and other NBFI entities without hesitation. We believe that by collectively advancing the industry's standards and practices, we can foster a trustworthy and robust financial ecosystem that benefits both stakeholders and the broader community.

ENVIRONMENTAL CONTRIBUTION

Our Business Model has been thoughtfully designed to incorporate a comprehensive approach to address the environmental impacts of our operations, ensuring long-term sustainability. We have taken significant measures to refine our internal policies and practices, aiming to instill a culture of sustainability among our staff and the communities we interact with.

In our pursuit of environmental stewardship, we place specific emphasis on energy and resource conservation. We actively promote practices that minimize our ecological footprint, such as efficient energy management, responsible waste disposal, and judicious use of natural resources. By integrating sustainable habits into our day-to-day operations, we strive to create a positive impact on the environment, both within our organization and the communities we serve.

We are committed to continuously improving and adapting our practices to mitigate environmental impacts and contribute to a greener future. By prioritizing energy and resource conservation, we align our business with sustainable principles, fostering a healthier and more resilient environment for generations to come.

RISK MANAGEMENT

Overview

Due to the complex, volatile and uncertainty in the business environment, FY 2022/23 became a period with extraordinary challenges in terms of the Company's risk management strategy.

We have implemented an Integrated Risk Management Framework which clearly defines our governance structure, policies, procedures, and processes that are in place to manage risks that impact our financial standing. This framework continues to serve the Company in foreseeing the potential risks thereby taking appropriate measures to mitigate risks in the current volatile macroeconomic conditions. At Softlogic Finance PLC (SFP), we recognise that risk taking is an indispensable element of our strategy towards the achievement of the Company's long-term goals.

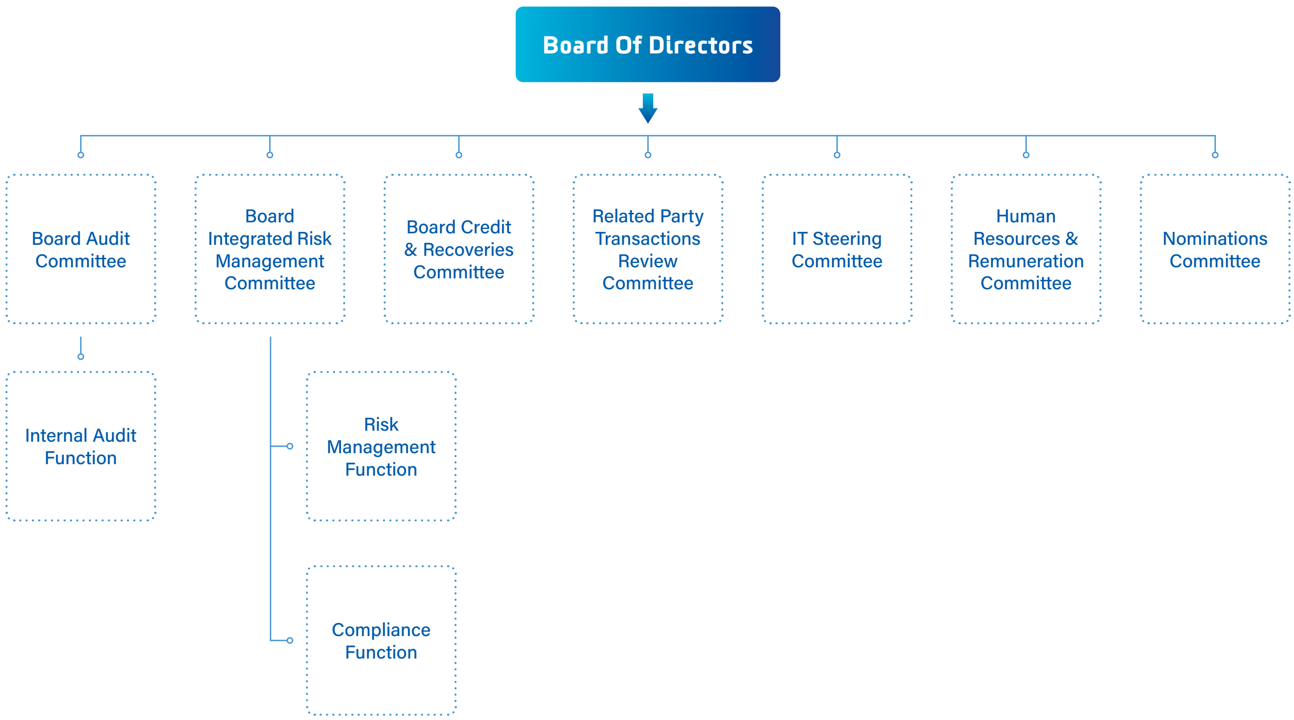
Our success and the sustainability as a financial institution depends on our ability to manage multiple risk factors arising out of the complex and competitive market across multiple locations, product categories, functional departments, customer segments and asset classes. In doing this we take an integrated approach to risk management. SFP believes that a sound risk culture where every employee is fully aware of his or her responsibility regarding risk management, promotes prudent risk taking and paves the way for risks to be detected, assessed, reported, and addressed in a timely manner.

The Board assumes overall responsibility for the management of risk and for reviewing the effectiveness of internal control processes. Risk Appetite is translated and cascaded to different business activities both quantitatively and qualitatively. We thus aim to deliver superior value to all our stakeholders while achieving an appropriate trade-off between risk and returns. Our approach to risk management is designed to provide reasonable, but not absolute, assurance that our assets are safeguarded, the risks facing the business are being addressed and all information to be disclosed is reported to the senior management and the Board as appropriate.

Our risk measures seek to balance regulatory requirements and shareholder expectations for risk adjusted returns. We are committed to carefully manage our capital, liquidity, and funding levels to support business growth, maintain our customer confidence and to create value for our shareholders.

Risk governance structure

A key component of the SFP's Integrated Risk Management Framework is the functional structure for the governance and stewardship of risk across the Company. Accordingly, the overall responsibility for risk governance lies with SFP's Board of Directors. The Board approves SFP's risk strategy and risk appetite boundaries for all key risk categories based on the recommendation by the Integrated Risk Management Committee (IRMC). As the ultimate authority responsible for risk management, the Board determines guidelines for the management and control of the Company's key risks and for ensuring appropriate risk policies and limits are established for all important risk areas. Based on the business model and the strategic objectives of SFP, the Board has approved risk policies for key risk areas. These risk policies are subject to review by the IRMC and approval by the Board.



Further, the day-to-day stewardship of risk is cascaded down to the operational level via the three-lines-of-defense mechanism that reflects the Company's belief that "managing risk is everyone's responsibility".

First Line of Defense	Second Line of Defense	Third Line of Defense
Ownership for the day-to-day management of risk Ensure that risks accepted are within SFP's risk appetite and risk management policies	Direction for Risk Management and Compliance, facilitating high level of risk awareness throughout SFP Independent monitoring of the effective implementation of Risk Management Framework	Providing independent and objective assurance on the Risk Management processes and practices in place.
Business Heads/ Functional Heads	Risk Management function / Compliance function	Internal Audit function/ External Audit

All business heads and branch managers are deemed the first-line-of-defense, and are held accountable for identifying and managing risk and operating within the approved risk policies. The second-line-of defense comprises the Risk Management function and the Compliance function. The Risk Management team monitors all key risks in line with Board approved appetite boundaries and plays a key role in assisting the IRMC and the Board in its routine risk review process. The Company's internal audit teams and external auditors act as the third-line-of-defense in providing independent assurance regarding the overall effectiveness of SFP's risk management framework in meeting its stated objectives.

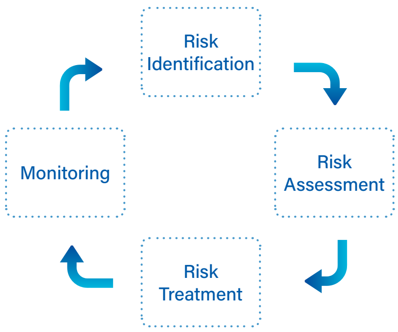
Risk Culture

We at SFP promote risk conscious culture throughout SFP, which provide the guiding principles regarding the expected behaviours of our staff. Accordingly, we encourage the following key behaviours among our staff;

- Everyone is accountable for their decisions and encouraged to use their judgements to make those decisions with the best interest of SFP
- Be proactive and transparent in managing and disclosing all types of risks faced by SFP
- Always encourage and support to improve processes, controls, and documentation
- Risk is considered in all activities, from strategic planning to day-to-day operations, in every part of SFP
- Staff are encouraged to feel comfortable talking openly and honestly about risk using a common risk vocabulary that promotes shared understanding
- Encourage staff to understand, and enthusiastically articulate, the value that effective risk management brings to SFP

Risk Management Process

A comprehensive Risk Management process has been developed and is continuously reviewed by the Board Integrated Risk Management Committee together with the Management.



By promoting a risk conscious culture, the Management encourages staff at all levels to be mindful of all types of risks they face including the emerging risks. When new risks are identified, they are assessed for the likelihood of occurrence and the severity of impact. Risk tolerance levels are set, based on the risk appetite of the company and generally accepted industry norms.

Control measures are formulated to ensure that the identified risks are within the tolerable levels. Exposures, which exceed the tolerable limits are identified; mitigatory action for such risks are decided and implemented. Collective dialogue amongst different department heads at the Integrated Risk Management Committee meetings, ensures comprehensive assessment of potential risks and their impact. Risk assessment report describing key risk areas such as credit risk, deposit risk, liquidity risk, market risk, operational risk, compliance risk, and IT risk implications and mitigatory actions submitted to the "Board" subsequent to the IRMC meeting. The Board of Directors review such reports and make suggestions for further strength the Risk Management process.

The company's overall risk issues including Credit, Deposit, Market, Liquidity, Operational, Compliance, and IT risks are monitored by the Risk Management Department in co-operation with the Heads of the Business Units and the Functional Heads.

Trends in the macroeconomic environment during FY 2022/23

FY 2022/23 marked a period of extraordinary challenges. Although the year began with signs of recovery from the prolonged COVID-19 pandemic, the continued decline of official foreign reserves led to the depreciation of the rupee, followed by interest rate hikes. The scarcity of foreign currency resulted in delays in procuring essential imports, including medicine, gas and fuel. The resultant energy crisis and scarcities coupled with high inflation and increasing cost of living impacted all key sectors of the economy leading to social unrest and severe instability. The harsh economic downturn along with political instability, cast down the potential post-pandemic recovery, giving rise to uncertainty on many fronts. These challenging global and local economic and political implications have significantly impacted Sri Lanka both directly and indirectly; and has resulted in an uncertain and challenging landscape.

Accordingly, more frequent environmental scans were done throughout the year under review to enable appropriate pre-emptive action to be taken.

The major macro-economic challenges experienced during 2022/23 included the following;

- Increased deposit rates and high borrowing costs which reduces the Net Interest Margin
- Due to high tax rates resulted in diminished customer disposable incomes which increases the credit risk
- Artificial asset prices due to restrictions on vehicle imports which increases the credit risk
- Many industries struggling to recover and perform resulted in adverse impact on the credit risk profile
- Recovery challenges leading to higher defaults on existing facilities granted due to reduction in disposable income
- Increased usage of remote working mechanisms and increased use of digital mechanisms
- Multiple moratoriums coming to an end and the high-interest rate environment continue to be a massive challenge for customers and the financial institutions

However, despite these challenges, the prudent and appropriate measures adopted by SFP to ensure customer resilience has enabled the Company mitigate the risk exposure to the best possible level.

The Company responded to those challenges with the following strategies;

- Identified facilities were restructured/ rescheduled in a timely manner
- Existing facilities were closely monitored by evaluating the repayment capacity
- Internal procedures and policies were reviewed and updated in line with amended/ new CBSL guidelines
- Lending rates were reviewed and repriced
- Closely monitored existing portfolios and special monitoring was carried out to mitigate the risk of default among individually significant customers
- Promoting voluntary handovers among the customers with higher arrears.
- Special settlement rebates were provided to settle arrears of customers.
- Transparent tender processes were carried out to dispose of acquired vehicles at maximum value
- Set out clear data classification guidelines to serve as the basis for internal and external communications
- Raising awareness among employees regarding potential cyber attacks

Managing key risks

SFP is exposed to a multitude of financial and non-financial risks, which can be broadly categorised into credit, market, liquidity, operational, reputational, IT, strategic and compliance risks. All these risks taken together determine the risk profile of SFP which is monitored periodically against the company's risk appetite. Due to the complexed and highly dynamic nature of the operating environment, deliberations on risk management were on top of the agenda in all Board, Board Committee and Executive Committee meetings of SFP.

A description of the different types of risks managed by SFP and risk mitigation measures adopted are given below.

RISK MANAGEMENT

Credit Risk

Credit risk is defined as the potential loss arising from the customers' failure to meet contractual obligations as and when they fall due. For SFP, Credit risk occurs primarily due to its lending activities - granting of loans and advances to individuals and corporates. Credit risk consists of two major components; Default Risk and Credit Concentration Risk, which together represent the most material risk for SFP.

The non-performing loans ratio is a salient measure of the asset quality. Non-performing loans ratio is monitored on a regular basis at branch level, regional level and Company-wide level under the different product categories. Company's NPL ratio is also compared with similar sized peers and the industry for benchmarking. Company regularly monitors credit exposures, portfolio performance and external trends which may impact risk management outcomes. Internal management reports are presented to various committees, containing information on key industry and economic trends as well as the Company's performance.

Credit Risk based on concentration or uneven distribution of exposures to its borrowers or uneven distribution of exposures to particular sectors, regions, industries or products also give rise to credit risk. It may arise from product range, industry sectors, asset categories, and geographical areas. Maintaining a satisfactory diversity in the said segments would provide SFP with a safety buffer as it mitigates the concentration risk as any unfavourable impact from one segment may be set off by the positive movement of the other. Concentration risk is monitored through the variations in the KRI along with the set tolerance limits. Concentration is monitored on a regular basis asset wise, sector wise and branch wise.

The Credit Policy plays a central role in managing daily business activities. The policy is reviewed periodically and approved by the Board of Directors ensuring consistency with the Company's business strategy. Board Credit & Recoveries Committee meetings drive policy decisions and implementation plans. Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to credit risk management in terms of analysing customer credit worthiness before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities.

Board Credit & Recoveries Committee is responsible for establish and oversee sound credit risk governance framework within the company. The aim of the committee is to effectively control credit risk, ensuring and advising the head of credit that credit risk is managed in accordance with the delegated powers, policies and procedures and level of risk appetite approved by the board of directors. Centralized credit department were set-up to manage the overall credit function of the company. The Credit Department is responsible for evaluation & verification of the credit proposals forwarded by the branches, Credit approval and recommendation of credit facilities which exceeds prescribed limits to the next approval level. Head of Credit is Responsible for the credit risk when the department approves or recommend the credit facilities to the next level of approvals. Further, facilities over Rs 25 Million are referred to the Board Credit & Recoveries Committee after referring to the Internal Board Credit & Recoveries Committee to ensure proper pre-disbursement analysis to minimize the credit risk has been carried out.

Board Credit & Recoveries Committee has been established as a sub-committee of the Board of Directors to further Strength the credit approval process and to review the credit risk periodically. The Board Credit & Recoveries Committee consists of three non-executive Independent Directors. All the credit facilities which exceeds Rs.25Mn are forwarded to the board of Directors for approval through the Board Credit & Recoveries Committee.

Key actions taken by SFP for the credit risk mitigation during FY 2022/23 are;

- MIS was strengthened, with a series of dashboards introduced on the daily progress of collections
- Stress testing at the total portfolio and sub-portfolio level, to assess the impact of changing economic conditions on SF{P's asset quality, capital adequacy and liquidity.
- Continuous and ongoing monitoring of all portfolios, sectors thresholds to detect the likelihood of higher concentration or overexposure.
- Early warning signal mechanism for more stringent credit monitoring program and stronger risk management controls
- Intensified monitoring of customers identified under risk elevated industries
- Added emphasis was also placed on tightening pre-credit evaluation protocols
- Ongoing training to enhance the capacity of credit officers

Liquidity Risk

Potential risk arising due to the inability to meet obligations in a timely manner as and when they become due, mainly on account of mismatches between the maturities of the Company's Assets and Liabilities. SFP manages liquidity risk through policies and procedures, measurement approaches, mitigation measures, stress testing methodologies and contingency funding arrangements.

Management of mismatches in the timing of cash flows, effective management of liquidity is considered of utmost importance in order to ensure smooth functioning of SFP's operations. Therefore, the Company monitors a number of liquidity risk indicators to assess the efficacy of the comfort provided by its liquid assets. Key focus is given to liquid asset ratio, maturity gap analysis and funding concentration.

Special attention is given to the liquidity of the Company as it provides critical defense against this and several other risks such as reputation, compliance, and financial risks. The Company also ensure that the liquidity ratios required to be maintained by the applicable Central Bank regulations are complied with.

The company maintains well-defined and tested liquidity management policies & procedures to maintain sufficient liquidity at all times to meet financial obligations. The responsibility for Liquidity Risk Management rests with the ALCO where the Treasury department handles the implementation & necessary changes of policy measures in our company. SFP's projected liquidity requirements are assessed on a continuous basis to ensure that they can be met as and when such requirements arise.

Key actions taken by SFP for the liquidity risk mitigation during FY 2022/23 are;

- Liquidity risk was a standing agenda item at the Company's monthly ALCO meetings.
- The pricing of deposits was done in a way to control the maturity mismatches between our lending and borrowing portfolios
- Comprehensive cash flow analysis were carried out to assess the impact on cash flows under stressed conditions. These were discussed in detail at ALCO meetings.
- Liquidity contingency funding plans were prepared in the best possible manner and discussed at ALCO meetings.

Market Risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies, vehicle prices and gold prices. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company. The Company's market risk management is operationalized through ALCO Policy, Treasury procedure and Board-approved Risk appetite limits.

Interest rate risk is managed principally through minimizing interest rate sensitive asset and liability gaps. In order to mitigate the interest rate risk exposure movements in interest rates are closely monitored. Excessive movements in market interest rate could bring severe volatility to Company's net interest income and net interest margin. Therefore, the Company focuses on maintaining an adequate Net Interest Margin so that increases in interest expenses can be absorbed to a certain extent. ALCO closely monitors the interest rate movements, and issues directions to lending and borrowing units on interest rate strategies.

Key actions taken by SFP for the market risk mitigation during FY 2022/23 are;

- Strategically realigning the gold loan product to take advantage of the movement in gold prices.
- Stress tests were carried out for the vehicle portfolio and gold portfolio to ensure that the company has an adequate buffer against a possible price reduction
- At ALCO meetings, interest rate predictions, margins, asset-liability composition, weighted average rates were reviewed and took a decisions on a timely manner

Operational Risk

Operational risk is defined as the loss resulting from inadequate or failed internal processes, people and systems or external events. It includes legal risk which is the risk arising from non-compliance of statutory and/ or regulatory provisions that have the potential to affect SFP's current performance or future prospects, or both.

The Company manages operational risk through policies, risk assessment, risk mitigation including insurance coverage, managing technology risk, a comprehensive Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP), creating a culture of risk awareness across the Company, stress testing and monitoring and reporting. The degree of compliance of staff with such operational policies, processes and controls is regularly reviewed.

Board Integrated Risk Management Committee oversees the management of operational risks at the strategic level. In addition, the Board Audit Committee also receives and reviews the management letter of the external auditor. This formal structure of governance provides the Board with confidence that operational risks are being proactively identified and effectively managed. Further, awareness building and comprehensive training sessions are undertaken to educate staff on the significance of the compliance with operational policies, processes and controls.

Key actions taken by SFP for the operational risk mitigation during FY 2022/23 are;

- Awareness building and comprehensive training sessions were undertaken to educate staff on the significance of the compliance with operational policies, processes and controls.
- BCP and DR tests to ensure the robustness of the business continuity planning strategy

- Risk and Control Self Assessments provided by the branches helped to inculcate an operational risk culture within the company

Reputational Risk

Reputational risk arises due to an event or incident that could adversely impact the corporate image. It can also be identified as negative publicity regarding our own business practices, which may cause a decline in the customer base and also lead to a reduction of revenue in terms of financial dealings.

Mitigation mechanisms are embedded in company policies, which are further strengthened by the training/induction programs conducted continuously by our HR department and through a well-defined customer complaint handling process and a whistleblowing process. Also, an updated code of conduct and ethics is in place and a strong corporate governance culture is promoted.

Information Technology and Information Security Risk

The risk of financial losses arises due to the disruption or damages to routine operational functions and also to the reputation of the company as a result of the failure of information technology systems. Cyber/information security risk is typically associated with the higher dependence on digital technology. Cyber-attacks and/or data breaches can result in substantial financial losses as well as cause significant reputational damage leading to the erosion of customer trust, competitive advantage and future prospects of SFP.

Our company has identified the importance of this area and deployed such technical controls such as Anti-malware solutions, Network separations, vulnerability remediation and system updates to name a few, to mitigate the risk involved. Close relationships are maintained (as a member) with service providers such as TechCERT & FinCERT to ensure IT/Cyber security whilst strengthening server configuration and patch updates by monitoring regular assessments.

SFP implemented a data classification process for storing of physical and digital data. Further the same process was adapted for data sharing within SFP and outside, using emails and physical form. Also, monitoring mechanisms are in place to assess, if the approved procedures are being continuously followed by all team members.

Strategic Risk

Strategic risk is related to strategic decisions and may evident in SFP not being able to keep up with the evolving market dynamics, resulting in loss of market share and failure to achieve strategic goals. Corporate planning and budgeting process and critical evaluation of their alignment with SFP's vision, mission and the risk appetite facilitate management of strategic risk.

The primary means of managing strategic risk is through a Board-approved Strategic Plan prepared annually to outline the future direction of the Company through a set of long-term goals, objectives and priorities alone with the actions needed to achieve them in line with the Company's purpose. It is the key document used by the leadership to prioritize the allocation of resources, to strengthen the Company's competitive position.

Compliance Risk

Compliance and regulatory risk refers to the potential risk to the Company resulting from non-compliance with applicable laws, rules and regulations and codes of conduct and could result in regulatory fines, financial losses, disruptions to business activities and reputational damage. A compliance function reporting directly to the Board Integrated Risk Management Committee is in place to assess SFP's compliance with external and internal regulations on an ongoing basis

All the operational processes and best practices have been documented and communicated to the staff and the Compliance Department is monitoring the same with the assistance of our Internal Audit division.

Risk outlook for FY 2023/24

Our risk management framework will continue to be enhanced and strengthened in line with industry best practices and regulatory requirements. Key initiatives towards the achievement of company goals and objectives in the years ahead will be focused on further improving the risk management capabilities at Softlogic Finance PLC as stated below.

- Increase the company's vigilance on macroeconomic activity as part of a more proactive approach to limit the exposure to risk elevated industries and sectors.
- As a capital management effort, the focus will be on capital-raising exercises
- As the digitalization has been recognized as a key strategic area for growth, the focus on cyber/ information security will feature prominently in SFP's future initiatives
- Focus on having optimum liquidity level to ensure that SFP as the appropriate diversification and tenure of funding and liquidity.
- Continue with the initiated strategies to manage and maintain NPL ratio at an acceptable level.
- To strengthen the cashflow predictions/ liquidity stress testing to be better prepared for unforeseen risks.
- Enhance the IT governance framework with the implementation of the IT risk management framework.
- Continue to align business strategy and risk management strategy to proactively identify risks and to minimize the negative impact on SFP.

ACCOUNTABILITY AND TRANSPARENCY

CORPORATE GOVERNANCE PHILOSOPHY

Governance Framework

The creation of sustainable organisational value has been recognised as our primary, overarching objective. In this context, we are of the firm view that accountability, transparency and ethical, socially conscious corporate conduct serve as the catalysts for the fostering of such organisational value. The corporate governance framework that is in place embeds these principles and serves as the cornerstone to operationalise the internal control and risk management mechanisms in the organisation, considering both the external and internal rules and regulations. The necessary checks and balances in place have been designed specifically to monitor and assess the performance execution and delivery of the value creation activities that we undertake.

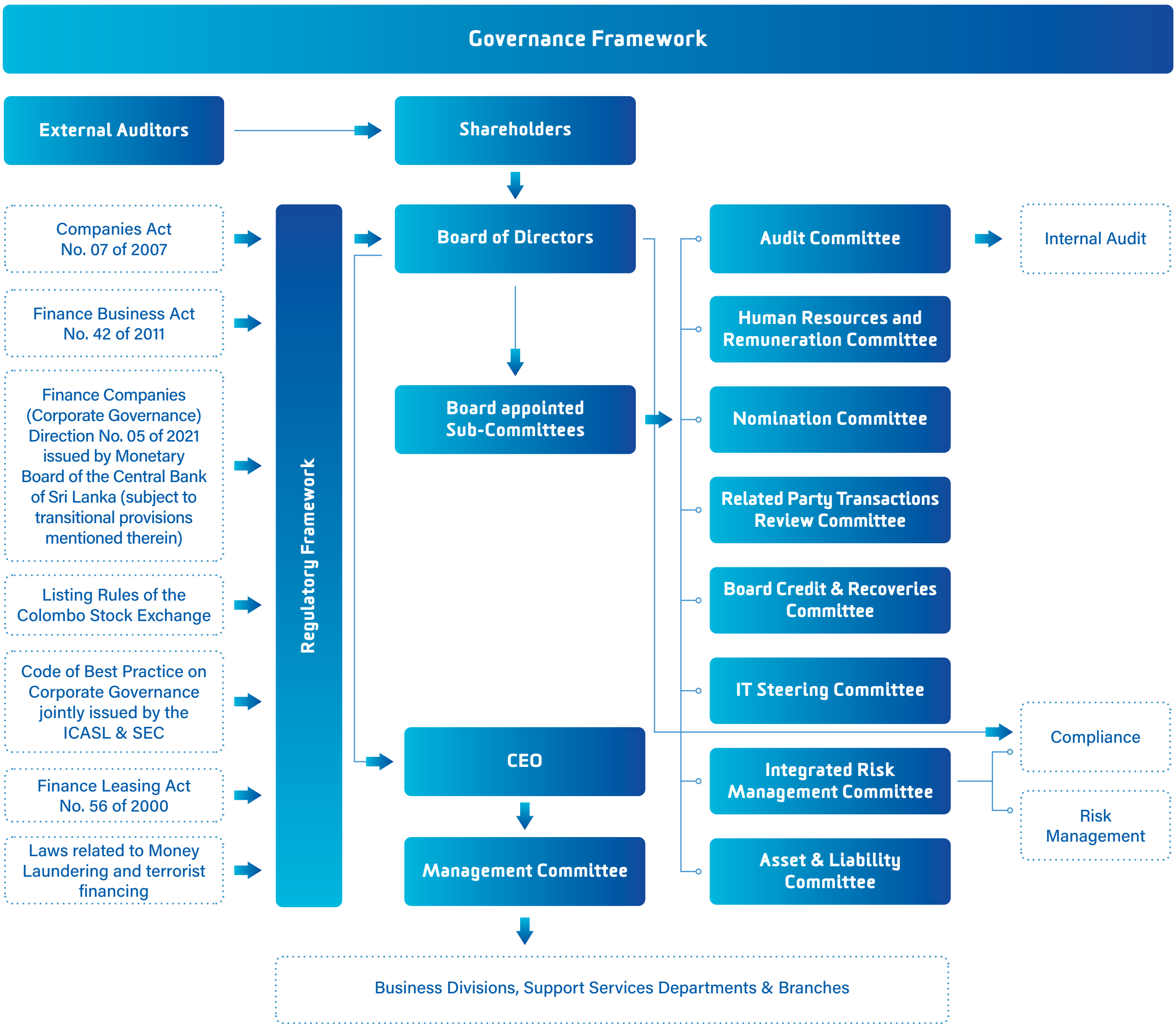
The overall responsibility and oversight on sound corporate governance rests with the Board. The regulatory framework under which the company operates provides the scope for the definition of this governance mandate. The governance framework that is in place highlights the policies, processes and the board appointed committees in place to give effect to this mandate.

Governance Philosophy & Best Practices

At our financial institution, we embrace a philosophical dimension of corporate governance that revolves around the principles of prudence, stewardship, and long-term value creation. The Board plays a vital role in setting the tone and ensuring compliance with regulations,

while providing strategic guidance to create value and achieve corporate objectives. We believe that a strong philosophical foundation is crucial to guide our decision-making processes, ensure ethical conduct, and foster trust among our stakeholders.

Our philosophy is rooted in the recognition of our role as stewards of the financial resources entrusted to us. We approach governance with a sense of responsibility, understanding that our actions have a profound impact on the lives of individuals, businesses,



and the broader economy. We aim to act prudently, employing sound risk management practices and exercising due diligence to safeguard the interests of our customers, shareholders, and the community at large.

Furthermore, we embrace the philosophy of long-term value creation. We are committed to building sustainable growth and resilience by focusing on the needs of our stakeholders beyond short-term financial gains. Our decisions are guided by a deep understanding of the interconnectedness between financial success, environmental sustainability, social well-being, and good governance.

As a financial institution, we recognize that trust is the cornerstone of our industry. Therefore, transparency and accountability are intrinsic to our philosophical approach. We strive to ensure that our actions are transparent, our communication is open, and our accountability is unwavering. By embracing these principles, we aim to cultivate trust and confidence in our institution among our stakeholders.

In summary, our philosophical dimension of corporate governance for our financial institution is based on the principles of prudence, stewardship, and long-term value creation. By adhering to these principles, we seek to instil confidence, promote sustainable growth, and make a positive and lasting impact on the financial well-being of our stakeholders and the communities we serve.

Board of Directors

The highest decision making body of the company is responsible for providing guidance and ensuring that the adequate systems and procedures are in place to achieve the corporate objectives, within an environment where regulatory compliance and good governance are adhered to. Its primary objective is to ensure that the shareholders are rewarded with sustainable and superior returns, whilst maintaining transparency in business and acting responsibly. In order to ensure that its obligations are fulfilled, the Board has set up eight board appointed committees. These committees ensure that performance delivery of our value creation process is monitored and the internal control mechanisms are effective.

The Directors' statement on internal controls is given in page 112 and the statement of Directors' responsibilities is given in page 123.

The table given below provides the attendance details of each director at Board meetings.

Internal Audit Function

The internal audit function of the company is an independent body in place that directly reports to the Board Audit Committee. Its overall mandate is to provide objective risk-based monitoring and assessments of the risk management and internal control mechanisms in place.

The internal audit department carries out continuous testing and evaluation of the effectiveness and adherence to the procedures, internal controls and risk management mechanisms in place. Further, it proposes actionable improvements to the internal control, risk management and governance structure of the company as a whole, in the context of applicable regulations.

Compliance Management

The compliance management function of the company plays an integral role in the internal control mechanisms in place. Broadly, this function is responsible for ensuring that all business operations and internal policies and procedures adhere to the applicable laws and regulations. This involves the adoption of new regulations and driving change into the existing processes so that they are in compliance with the applicable regulations. This extends to constant monitoring and reporting on all regulated activities across the company.

During the year under review, the Board met 13 times and the attendance of each Director at these meetings was as follows:

Name of Director	Nature of the Directorship	Attendance
Mr. A. Russell-Davison (Resigned w.e.f 31st July 2022)	Non - Indpendent Non - Executive Director	5/13
Mr. D.P. Renganathan (Appointed as Chairman w.e.f 15th August 2022)	Independent Non - Executive Director	11/13
Mr. H.K. Kaimal	Non - Indpendent Non - Executive Director	13/13
Mr. M.H.P. Wijesekara (Resigned w.e.f 27th October 2022)	Executive Director / Chief Executive Officer	7/13
Mr. A.C.M. Fernando	Senior Independent Non - Executive Director	13/13
Mr. A.C.M. Lafir (Resigned w.e.f 24th August 2023)	Non - Indpendent Non - Executive Director	13/13
Ms. A. Goonetilleke (Resigned w.e.f 9th March 2023)	Independent Non - Executive Director	12/13
Mr. P.T. Wanigasekara (Appointed w.e.f 30th June 2022)	Independent Non - Executive Director	9/13
Mr. H.S.S. Dabare (Appointed w.e.f 12th September 2022)	Independent Non - Executive Director	7/13

CORPORATE GOVERNANCE DISCLOSURES

Disclosures mandated by the Companies Act No. 07 of 2007

Applicable Section	Disclosure Requirements	Disclosure Reference Page
168 (1)(a)	The nature of the business of the company and any change thereof during the accounting period	Page 124
168 (1)(b)	Signed financial statements of the company for the accounting period completed	Page 135 to 208
168 (1)(c)	Auditor's report on the financial statements of the company	Page 131 to 134
168 (1)(d)	Applicable accounting policies and any changes therein made during the accounting period	Page 140 to 159
168 (1)(e)	Particulars of entries in the interests register made during the accounting period	Page 126
168 (1)(f)	Remuneration and other benefits of directors during the accounting period	Page 200
168 (1)(g)	Total amount of donations made by the company during the accounting period	Page 124
168 (1)(h)	Names of the persons holding office as directors of the company as at the end of the accounting period and the names of any persons who ceased to hold office as directors of the company during the accounting period	Page 125
168 (1)(i)	Amounts paid/ payable to the external auditor as audit fees and fees paid/ payable for other services provided by the external auditor during the accounting period	Page 128
168 (1)(j)	Any relationship (other than being the auditor) that the auditor has with or any interests which the auditor has in the company	Page 128
168 (1)(k)	Acknowledgement of the contents of the Annual Report and signed on behalf of the board by two directors of the company and the secretary of the company	Page 128

Disclosures mandated by the Sections 7.6 and 7.10 of the Listing Rules of the Colombo Stock Exchange

Stated below are the disclosures as per Section 7.6 of the Listing Rules with regard to content on the Annual Report

Section Reference	Disclosure Requirement	Status of Compliance	Disclosure Details
7.6 (i)	Names of persons who during the financial year were directors of the Entity	Compliant	This is stated in pages 125
7.6 (ii)	Principal activities of the Entity during the year and any changes therein	Compliant	This is stated in the Annual Report of the Board of Directors in page 124 and also in page 128
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Compliant	This is stated in the Investor Information section in page 212
7.6 (iv)	The Public Holding percentage	Compliant	This is stated in the Investor Information section in page 212
7.6 (v)	A statement of each director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of the financial year	Compliant	This is stated in the Annual Report of the Board of Directors in page 126
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Compliant	This is stated in the Integrated Risk Management section from page 59 to 64 and in the Integrated Risk Management Committee Report in page 121 to 122
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Compliant	Details relating to employees and employee relations are stated in the Human Capital section from page 45 to 52. There were no material issues relating to industrial relations of the entity.
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Compliant	This is stated in Note No. 27 in page 172
7.6 (ix)	Number of shares representing the Entity's stated capital	Compliant	This is stated in Note No. 35 in page 181
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings as at the end of the year	Compliant	This is stated in the Investor Relations section in page 212
7.6 (xi)	Ratios and market price information on:	Compliant	This is stated in the Investor Relations section in page 213
	Equity: Dividend per share, Dividend payout ratio, Net asset value per share, Market value per share	Compliant	This is stated in the Financial Highlights section in page 8
	Debt: Interest rate of comparable government security, Debt/equity ratio, Interest cover, Quick asset ratio, market prices & yield during the year	Compliant	This is stated in the Investor Relations section in page 214
	Any changes to the credit rating	Compliant	Not applicable
7.6 (xii)	Significant changes in the Entity's fixed assets and the market value of land, if the value differs substantially from the book value	Compliant	This is stated in Note No. 27.5 in page 174
7.6 (xiii)	Details of funds raised by the entity either through a public issue, Rights Issue or a private placement during the year	Compliant	This is stated in Note No. 42.1 in page 197 to 198

CORPORATE GOVERNANCE DISCLOSURES

Section Reference	Disclosure Requirement	Status of Compliance	Disclosure Details
7.6 (xiv)	Information with regard to employee share option or employee share purchase schemes	Not Applicable	The company does not have any employee share option or employee share purchase scheme
7.6 (xv)	Disclosures 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 Listing Rules	Compliant	This is stated from page 70 to 71
7.6 (xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Compliant	During the year under review, the company had no transactions that qualified for this disclosure

Stated below are the disclosures as per Section 7.10 of the Listing Rules with regard to Corporate Governance requirements

Section Reference	Disclosure Requirement	Status of Compliance	Disclosure Details
7.10.1 (a)	The board of directors of a Listed Entity shall include at least two non-executive directors or such number of non-executive directors equivalent to one third of the total number of directors whichever is higher	Compliant	The Board comprises of 6 non-executive directors.
7.10.2 (a)	Two or one-third of Non-Executive Directors appointed to the board of directors, whichever is higher, should be independent	Compliant	The Board comprises of 4 independent non-executive directors.
7.10.2 (b)	Each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria	Compliant	All declarations have been submitted.
7.10.3 (a)	The board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent'	Compliant	Based on the determination carried out by the Board as per the stipulated direction, the names of directors determined to be 'independent' have been stated in page 125 of this report
7.10.3 (b)	In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the board shall specify the criteria not met and the basis for its determination in the annual report	Not Applicable	No such determination was required to be made by the board as the independent directors of the company met the specified criteria
7.10.3 (c)	The board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas	Compliant	Please refer the profiles of the board of directors laid out in pages 13 to 14
7.10.3 (d)	Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public	Compliant	During the period under review, two new Directors were appointed to the Board.
7.10.5	A listed company shall have a Remuneration Committee	Compliant	The composition of this committee is stated in page 127 of this report

Section Reference	Disclosure Requirement	Status of Compliance	Disclosure Details
7.10.5 (a)	Shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher	Compliant	The Remuneration Committee comprises of 2 independent non-executive directors and a non-executive director.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors, to the Board	Compliant	Please refer the Remuneration Committee Report in page 118 of this report
7.10.5 (c)	The annual report shall set out:	Compliant	The composition of this committee is stated in page 118 of this report
	(i) The names of the Directors that comprise the Remuneration Committee		
	(ii) A statement of remuneration policy	Compliant	Please refer the Remuneration Committee Report in page 118 of this report
	(iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer page 200 of this report
7.10.6	A listed company shall have an Audit Committee	Compliant	The composition of the Audit Committee is stated in page 127 of this report
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 contains 2 independent non-executive directors and a senior independent non-executive director.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	Both these officers attend Audit Committee meetings by invitation
	One non-executive director shall be appointed as Chairman of the committee by the board of directors	Compliant	The chairman of the Audit Committee is an independent non-executive director
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Compliant	The chairman of the Audit Committee is a member of a recognized professional accounting body.
7.10.6 (b)	The functions of the Audit Committee shall be as set out in section 7.10.6 of the Listing Rules	Compliant	Please refer the Audit Committee Report from page 116 to 117 in this report
7.10.6 (c)	The names of the directors comprising the audit committee should be disclosed in the annual report	Compliant	Please refer the Audit Committee Report from page 116 to 117 in this report
	The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report	Compliant	Please refer the Audit Committee Report from page 116 to 117 in this report
	The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity, during the period to which the annual report relates	Compliant	Please refer the Audit Committee Report from page 116 to 117 in this report

CORPORATE GOVERNANCE DISCLOSURES

Disclosures as per Finance Companies (Corporate Governance) Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka (subject to transitional provisions mentioned therein).

Paragraph Reference	Guiding Principle	Status & Details of Compliance
1. Board's Overall Responsibilities		
1.1	The Board shall assume overall responsibility and accountability for the operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements.	The Board is responsible for formulating strategy, ensuring the adequacy of the risk management processes, review of the internal control system & defining the responsibility of the Corporate Management. The Company's strategic objectives, corporate values, budgetary objectives and the Company's business plan have been communicated to all relevant line managers of the Company, who implement them in conjunction with their teams. As part of its three year planning process, the Company has formulated its three year comprehensive strategic plan for the 2023-2026 FYs, incorporating strategic objectives, corporate values and measurable goals.
Business Strategy and Governance Framework		
1.2 (a)	Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment.	The board approves and oversees the implementation of Company's overall business strategy, which includes measurable goals for the next three years. The strategy is reviewed and updated annually to incorporate any developments in the business environment.
1.2 (b)	Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements.	The board has officially approved Company's governance framework, ensuring its alignment with the organization's size, complexity, business strategy, and regulatory requirements.
1.2 (c)	Assessing the effectiveness of its governance framework periodically.	The board will be regularly assessing the effectiveness of the governance framework to ensure its ongoing suitability and alignment with the organization's needs and objectives.
1.2 (d)	Appointing the chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.	The Board has appointed a Chairman and a CEO. The Company has established and delegated responsibilities & functions to the CEO and the Chairman.
Corporate Culture and Values		
1.3 (a)	Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.	The board ensures the establishment of a sound corporate culture within Company, promoting ethical, prudent, and professional behavior throughout the organization. This is achieved through various initiatives, policies, and practices that foster a strong ethical framework and encourage a positive work environment.
1.3 (b)	Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	The board plays a lead role in establishing Company's corporate culture and values. This includes developing a comprehensive code of conduct that outlines expected behavior and ethical standards for all employees. The board also takes responsibility for managing conflicts of interest to ensure transparency, integrity, and accountability throughout the organization.
1.3 (c)	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	The board promotes sustainable finance by integrating appropriate environmental, social, and governance (ESG) considerations into Company's business strategies. This ensures that Company takes into account the long-term impact of its operations on the environment, society, and stakeholders, while also aligning with best practices in corporate sustainability and responsible investing. The Company places a significant emphasis on its gold loan portfolio due to its role in meeting the immediate financial needs of society. This focus extends beyond purely commercial and business considerations, as the Company recognizes the social significance of providing timely financial assistance through this service.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
1.3 (d)	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.	The board approves the policy of communication with all stakeholders, including depositors, shareholders, borrowers, and other creditors. This policy ensures that Company maintains a balanced and transparent approach in communicating its performance, position, and prospects to the public and regulatory authorities. The board recognizes the importance of effective stakeholder communication in building trust, maintaining transparency, and promoting a positive image of Company.
Risk Appetite, Risk Management and Internal Controls		
1.4 (a)	Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.	The Risk Appetite Statement (RAS) was approved by the board in June 2022, signifying its endorsement and recognition of the importance of setting clear boundaries for risk-taking in line with Company's business strategy and governance framework.
1.4 (b)	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	The Board ensures the implementation of appropriate systems and controls to identify, mitigate, and manage risks prudently. The BIRMC meeting involves a comprehensive discussion of risk indicators and monitoring, particularly focusing on Credit Risk, Market Risk, Operational Risks money laundering & terrorist financing as well as other residual risks. During the meeting, pertinent strategies for risk mitigation are proposed.
1.4 (c)	Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	The Board adopts and reviews the adequacy and effectiveness of the Company internal control systems and management information systems periodically. This includes review of design and operation of internal controls to ensure that they are robust and capable of identifying and mitigating risks effectively. The Board reviews regular assessments and verification of the internal control framework done by the Internal Audit Department to identify weaknesses or areas for improvement. By maintaining a strong internal control environment, AML & CFT system and monitoring the effectiveness of management information systems, the Board demonstrates its commitment for sound governance practices and ensuring the integrity and reliability of financial and operational information within the Company.
1.4 (d)	Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	The Board approved the disaster recovery plan in November 2022. This approval signifies the Board's commitment to ensuring the Company's ability to effectively respond to and recover from unexpected disruptions or disasters. Regular reviews and updates of the plan are conducted to ensure its continued relevance and effectiveness.
Board Commitment and Competency		
1.5 (a)	All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.	All members of the Board demonstrate a strong commitment to fulfilling their responsibilities by devoting sufficient time to addressing the matters relating to the affairs of the Company. The board meticulously records attendance for all meetings. In the event that any board member is unable to attend a meeting physically, the option of virtual participation is extended to ensure their involvement and contribution.
1.5 (b)	All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.	All members of the Board possess the necessary qualifications, adequate skills, knowledge, and experience required to effectively contribute to the governance of the Company. Their diverse expertise and capabilities enable them to make informed decisions and provide valuable insights in guiding the organization towards its strategic objectives.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
1.5 (c)	The Board shall regularly review and agree the training and development needs of all the members.	The Board consistently undertakes assessments to identify training and development needs for its members. This proactive stance ensures continuous learning opportunities for directors, enhancing their skills and knowledge. This commitment to ongoing development reinforces the Board's collective expertise and keeps it current with emerging trends, regulations, and best governance practices. To facilitate this, directors will receive a dedicated link to suggest or select training requirements aligned with their growth objectives.
1.5 (d)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments.	The Board has implemented a robust scheme of self-assessment, which requires each director to evaluate their individual performance, as well as the performance of the Board as a whole and its committees, on an annual basis and records.
1.5 (e)	The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.	The Board has made a resolution to seek external independent professional advice as and when required to fulfill its duties towards the Company. This demonstrates the Board's commitment to obtaining objective and expert insights to support informed decision-making and ensure effective governance.
Oversight of Senior Management		
1.6 (a)	Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.	The Board has implemented a robust process for identifying and designating senior management who hold key positions of influence and responsibility within the organization. This ensures that individuals who have the ability to significantly shape policies, direct activities, and exercise control over business operations and risk management are appropriately identified and designated. By having a clear delineation of senior management roles, the Board ensures accountability and effective decision-making throughout the organization.
1.6 (b)	Defining the areas of authority and key responsibilities for the senior management.	The Board has established clear guidelines and defined the areas of authority and key responsibilities for the senior management of the Company. The Board formally endorses the job descriptions for Key Responsible Personnel (KRPs), encompassing their designated functions and duties. Moreover, the Delegation Authority (DA) framework, which outlines the scope of the KRPs' jurisdiction and powers, also falls within the purview of this approval process.
1.6 (c)	Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.	The Board ensures that the senior management of the Company possesses the necessary qualifications, skills, experience, and knowledge to effectively fulfill their roles and contribute to the achievement of the Company strategic objectives. This is achieved through a rigorous selection process, ongoing performance evaluations, and continuous professional development programs.
1.6 (d)	Ensuring there is an appropriate oversight of the affairs of the FC by senior management.	The Board ensures that there is appropriate oversight of the affairs of the Company by the senior management team. This oversight is crucial for effective governance and management of the organization. Senior management plays a key role in monitoring and controlling various aspects of the Company's operations, including financial performance, risk management, compliance with regulations, and strategic execution. They are responsible for implementing the policies and decisions set by the Board and providing regular updates on the progress and performance of the Company. By ensuring strong oversight by senior management, the Board ensures that the Company's operations are conducted in a responsible and efficient manner, minimizing risks and maximizing value for stakeholders.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
1.6 (e)	Ensuring the FC has an appropriate succession plan for senior management.	The Board ensures that the Company has an appropriate succession plan for senior management in place. This plan aims to identify and develop potential successors for key leadership positions within the organization.
1.6 (f)	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	The Board meets regularly with the senior management team to fulfill its responsibility of reviewing policies, establishing effective lines of communication, and monitoring progress towards the Company's strategic objectives. These meetings provide a platform for the Board to engage with senior management, assess the implementation of policies and strategic initiatives, and evaluate the overall performance of the organization.
Adherence to the Existing Legal Framework		
1.7 (a)	Ensuring that the FC does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.	The Board ensures that the Company operates in a manner that upholds the interests and obligations to its depositors, shareholders, and other stakeholders. An endorsed Governance Framework and established Communication policies have been implemented by the Board. The Company meticulously adheres to the Governance Framework as well as the regulatory statutes and directives.
1.7 (b)	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	The Board ensures that the Company operates in full adherence to the regulatory environment and complies with all relevant laws, regulations, directions, and ethical standards. This includes actively monitoring changes in the regulatory landscape to ensure that the Company remains compliant and promptly implementing necessary measures to address any regulatory requirements. By fostering a strong ethical foundation, the Board sets the tone for the Company's operations and ensures that all employees, including senior management, understand and adhere to the highest standards of ethical conduct.
1.7 (c)	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	The Board acts with utmost care, prudence, and integrity in fulfilling its duties, recognizing the potential civil and criminal liabilities that may arise from any failure to diligently discharge these responsibilities. Board members exercise their fiduciary duty towards the Company and its stakeholders by making informed decisions based on a thorough understanding of the Company's operations, risks, and legal obligations. They maintain a high level of diligence in overseeing the Company's activities, ensuring that appropriate controls and risk management frameworks are in place. By staying updated on relevant laws, regulations, and industry best practices, the Board effectively manages potential legal and compliance risks.

CORPORATE GOVERNANCE DISCLOSURES

Paragraph Reference	Guiding Principle	Status & Details of Compliance
2. Governance Framework		
2.1	Board shall develop and implement a governance framework in line with these directions and including but not limited to the following. a) role and responsibilities of the Board b) matters assigned for the Board. c) delegation of authority. d) composition of the Board. e) the Board's independence. f) the nomination, election and appointment of directors and appointment of senior management. g) the management of conflicts of interes h) access to information and obtaining independent advice. i) capacity building of Board members. j) the Board's performance evaluation. k) role and responsibilities of the chairperson and the CEO. l) role of the Company secretary. m) Board sub committees and their role; and n) limits on related party transactions.	The Board approved Governance Framework is in place and it is in line with the provided directions, which encompasses various key aspects such as defining roles and responsibilities, assigning matters to the Board, delegating authority, ensuring appropriate composition, maintaining independence, managing conflicts of interest, providing access to information and independent advice, promoting capacity building, conducting performance evaluations, clarifying roles of the chairperson and CEO, outlining the role of the Company secretary, establishing Board subcommittees, and implementing limits on related party transactions.
3. Composition of the Board		
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.	It is imperative to ensure that the composition of the Board reflects a well-balanced mix of skills and experience that aligns with the unique requirements of the Company. This approach takes into consideration factors such as the size, complexity, and risk profile of the organization, ensuring that the Board members possess the necessary expertise to effectively fulfill their roles and responsibilities.
3.2	The number of directors on the Board shall not be less than 5 & not more than 13	Throughout the fiscal year concluding on March 31, 2023, the Company upheld the mandated board composition. The Company has availed the transitional period extended until 1st July, 2024.
3.3	The Company Secretary shall maintain the minutes of Board meetings & such minutes shall be open for inspection by any director	The Board minutes are adequately maintained & open for inspection by any Director.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
3.4	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non- executive directors eligible to exceed 9 years are limited to one-fourth (¼) of the total number of directors of the Board.	Currently, there are no directors exceeding the 9-year service limit.
3.5 Executive Directors		
3.5 (a)	Only an employee of a FC shall be nominated, elected and appointed, as an executive director of the FC, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board.	An executive director was appointed to the Company, and they formally resigned from their position in October 2022.
3.5 (b)	A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3.	Throughout the year 2022/2023, there were no instances or situations of such nature that were reported.
3.5 (c)	In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the FC.	There was no such appointment were made as designated CEO as Managing Director Previously, a CEO was appointed to the Company, and during their tenure, they also served as an executive director. However, the CEO resigned from both positions in November 2022.
3.5 (d)	All Executive directors shall have a functional reporting line in the organization structure of the FC.	No such appointments were made.
3.5 (e)	The executive directors are required to report to the Board through CEO.	No such appointments were made.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
3.5 (f)	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	No such appointments were made.
3.6 Non-Executive Directors		
3.6 (a)	Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.	Non-executive directors appointed to the board are chosen for their substantial expertise and skills. Their credible track records and competencies enable them to provide independent insights on strategy, performance, resource allocation, and ethical business conduct.
3.6 (b)	A non-executive director cannot be appointed or function as the CEO/ executive director of the FC.	No Non-Executive Director holds a position or operates in the capacity of an Executive Director within the Company.
3.7 Independent Directors		
3.7 (a)	The number of independent directors of the Board shall be at least three (03) or one-third (1⁄ 3) of the total number of directors, whichever is higher.	The board has the required number of independent directors as per the specified corporate governance requirement. During the financial year, there were four (4) independent directors in the board.
3.7 (b)	Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.	The appointed independent directors possess the highest caliber, professional qualifications, proven track record, and ample experience to effectively contribute to the Company's governance and strategic decision-making.
3.7 (c)	A non-executive director shall not be considered independent if such:	
	i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC.	During the financial year, there were no instances or circumstances reported of such nature.
	ii. Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position.	During the financial year, there were no instances or circumstances reported of such nature.
	iii. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director.	During the financial year, there were no instances or circumstances reported of such nature.
	iv. Director has been an advisor or consultant or principal consultant/ advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director.	During the financial year, there were no instances or circumstances reported of such nature.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
	v. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC.	During the financial year, there were no instances or circumstances reported of such nature.
	vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC.	During the financial year, there were no instances or circumstances reported of such nature.
	vii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a Company, in which any of the other directors of the FC is employed or is a director.	During the financial year, there were no instances or circumstances reported of such nature.
	viii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a Company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC.	During the financial year, there were no instances or circumstances reported of such nature.
3.7 (d)	The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence.	During the financial year, there were no instances or circumstances reported of such nature.
3.7 (e)	An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.	Affirmations have been acquired from the Directors concerning their independence or non-independence based on the prescribed criteria. Copies of these declarations are held in the safekeeping of the Company Secretary for examination. Notably, during the year, no such situations occurred.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
3.8 Alternate Directors		
3.8 (a)	Representation through an alternate director is allowed only; i. With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and ii. If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad.	There were no Alternate Director appointments.
3.8 (b)	The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.	No such appointments were made.
3.8 (c)	A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board.	No such appointments were made.
3.8 (d)	An alternate director cannot be appointed to represent an executive director.	No such appointments were made.
3.8 (e)	In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to an independent director.	No such appointments were made.
3.9 Cooling off Periods		
3.9 (a)	There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.	No such appointments were made
3.9 (b)	A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent under the provisions of this Direction.	No such appointments were made

Paragraph Reference	Guiding Principle	Status & Details of Compliance
3.10 Common Directorships		
	Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent Company, subsidiary Company or an associate Company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	During the financial year of 2022/2023, neither Directors nor Senior Managers held positions within other finance companies.
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/ societies/bodies, including subsidiaries and associates of the FC	The Board has implemented regulations regarding the number of directorships directors may hold. For those linked to a Company they are restricted from serving as directors or in equivalent roles in more than 20 entities, including the Company's subsidiaries and associates.
4. Assessment of Fitness		
4.1	No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	The Company fully complies with the corporate governance requirement pertaining to the fitness and propriety of directors, as outlined in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.
4.2	A person over the age of 70 years shall not serve as a director of a FC.	All directors are below the age of 70. Hence this requirement has been complied with.
4.3	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the following,	No such appointments were made.
4.3 (a)	Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and	No such appointments were made.
4.3 (b)	Prior approval of the Monetary Board based on the assessment of the Director/ Department of Supervision of Non-Bank Financial Institutions in 4.3(a).	No such appointments were made.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
4.3 (c)	The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors.	No such appointments were made.
4.3 (d)	The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	No such appointments were made.
5. Appointment and resignation of directors and senior management		
5.1	The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	All appointments, resignations, and removals of key responsible persons in the Company are carried out in strict adherence to the provisions stated in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.
6. The Chairperson and the CEO		
6.1	There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.	The respective roles and responsibilities of each positions are clearly defined and documented in writing.
6.2	The chairperson shall be an independent director, subject to 6.3 below.	The chairperson of the Company is an independent Director
6.3	In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non- executive directors including senior director shall assess the chairperson's performance at least annually.	The chairperson of the Company was an Non independent and Senior Independent Director was appointed and Term of Reference was approved by the Board. However, with the resignation of a former chairman, an independent non Executive Director was appointed as a Chairman.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
6.4 Responsibilities of the Chairperson		
6.4 (a)	a. Provide leadership to the Board. b. Maintain and ensure a balance of power between executive and non-executive directors. c. Secure effective participation of both executive and non-executive directors. d. Ensure the Board works effectively and discharges its responsibilities. e. Ensure all key issues are discussed by the Board in a timely manner. f. Implement decisions/directions of the regulator. g. Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary. h. Not engage in activities involving direct supervision of senior management or any other day to day operational activities. i. Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. j. Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.	The Board has endorsed the primary responsibilities and obligations of the Chairman. Compliance with these stipulated obligations is assured through a rigorous self-evaluation process. The formulation of the agenda is a collaborative effort between the Chairman and the Company Secretary. Effective communication with stakeholders, encompassing depositors, creditors, shareholders, and borrowers, is facilitated by the official communication policy as approved by the Board.
6.5 Responsibilities of the CEO		
The CEO shall function as the apex executive-in-charge of the day-to-day- management of the FC's operations and business. The responsibilities of the CEO shall at least include:		
6.5 (a)	Implementing business and risk strategies in order to achieve the FC's strategic objectives.	The functions and responsibilities of the CEO, as approved by the Board, have been established.
6.5 (b)	Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions.	
6.5 (c)	Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.	
6.5 (d)	Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator.	
6.5 (e)	Strengthening the regulatory and supervisory compliance framework.	
6.5 (f)	Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner.	
6.5 (g)	CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another Company, subject to Direction 3.10.	

Paragraph Reference	Guiding Principle	Status & Details of Compliance
7. Meetings of the Board		
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	During the year under review, the Board convened 12 meetings to deliberate on various matters. It's noteworthy that the approach of obtaining the Board's consent through the circulation of papers was diligently avoided whenever possible. The emphasis was placed on conducting in-person or virtual meetings for decision-making and collaborative discussions, underscoring the importance of direct engagement among Board members
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings.	In practice, the Company includes proposals from all Directors pertaining to the promotion of business, risk management, and other relevant areas in the agenda for regular meetings. This inclusive approach is facilitated by the implementation of a Board Charter, specifically outlined in Section 6.2, which allows Directors to contribute matters and proposals to the agenda.
7.3	A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.	Directors receive a minimum notice period of 7 days for regular meetings, while for other meetings, a reasonable notice period is provided. This ensures that Directors have sufficient time to prepare and participate in discussions, promoting effective engagement and informed decision-making.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Adequate notice of at least 7 days is provided for directors to adequately prepare for the meetings, ensuring their full engagement and informed participation.
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth (1/4) of the number of directors that constitute the quorum at such meeting are independent directors	The Company is fully committed to the given direction. The Company ensures compliance with the stipulated regulation by adhering to the necessary quorum requirement for Board meetings.
7.6	The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year.	The Chairperson conducted two (2) meetings with the non-executive directors throughout the financial year.
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	This directive is adhered to, as directors conscientiously abstain from voting on Board resolutions related to matters involving themselves, their relatives, or interests of substantial nature. In line with this, their exclusion from the quorum calculation for relevant agenda items during Board meetings further confirms compliance with this principle.
7.8	A director who has not attended at least two-thirds (2/3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors.	No such instances were recorded.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
7.9 Scheduled Board Meetings and Ad Hoc Board Meetings		
	For the scheduled meetings, participation in person is encouraged and for adhoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable	Attendance in person is strongly encouraged for scheduled meetings, promoting active engagement. For adhoc meetings with limited notice, electronic participation is deemed acceptable, ensuring directors can contribute meaningfully even remotely
8. Company Secretary		
8.1 (a)	The Board shall appoint a Company Secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.	In accordance with section 221 of the Companies Act No. 07 of 2007, the Board has appointed a proficient Company Secretary (Softlogic Corporate Services (Pvt) Ltd) possessing substantial experience. These Company Secretary provides advisory support to the Board and ensures adherence to matters relating to the Companies Act, Board protocols, and relevant rules and regulations.
8.1 (b)	The Board shall appoint its Company Secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a Secretary of a Company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company Secretary, such person shall become an employee of FC and shall not become an employee of any other institution.	The Board has fulfilled its obligation by appointing a Company Secretary who meets the prescribed qualifications under section 222 of the Companies Act, No. 07 of 2007. Upon appointment, the Company Secretary becomes an employee of the Company and is prohibited from being employed by any other institution. The Company has availed the transitional period extended until July 1st, 2024
8.2	All directors shall have acces to advice and services of the Company SSecretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.	The Company fully complies with the requirement of providing all directors with access to the advice and services of the Company Secretary, ensuring adherence to Board procedures, laws, directions, rules, and regulations.
8.3	The Company SSecretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	The responsibilities of preparing the agenda, in case the chairperson has delegated this function, are fulfilled by the Company Secretary.
8.4	The Company Secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	The Company DSecretary is responsible for maintaining the minutes of the Board meetings, including all submissions to the Board, as well as voice recordings or video recordings, for a minimum period of 6 years.
8.5	The Company Secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.	The Company Secretary diligently adheres to the prescribed procedures outlined in the Company's Articles of Association to maintain minutes in an organized and systematic manner.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
8.6	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.	The Company Secretary has diligently recorded the minutes of the board meetings. They will continue to assess and enhance their minute-taking process, incorporating the guidance of the Board, to ensure an appropriate level of detail and accuracy.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	The minutes of the board meetings are accessible for inspection by any director upon reasonable notice and during reasonable hours.
9. Delegation of Functions by the Board		
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	The Board has established a Delegation of Authority (DA) framework and provided explicit guidance to senior management.
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	The Company is fully complied with the direction.
9.3	The Board may establish appropriate senior management level sub- committees with appropriate DA to assist in Board decisions.	The Board has instituted various senior management-level sub-committees with the requisite delegated authority to facilitate informed Board deliberations. These committees encompass the Asset Liability Committee, Goal Auction Committee, Yard Vehicle Auction Committee, Corporate Management Committee, and others.
9.4	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Board operates under the principle of prudent delegation, ensuring that no matters are excessively delegated to board sub-committees, or senior management. This is done to prevent any situation where such delegation might impede or compromise the Board's overall capability to fulfill its functions effectively.
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.	The Board is committed to maintaining effective delegation processes within the organization. To ensure ongoing relevance to the needs of the Company, the Board undertakes regular and systematic reviews of these delegation processes.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10. Board Sub- Committees - The Company has availed the transitional period extended until 1st July, 2024.. During this period "section 8 Board Approved Committee of the finance companies' directions No. 03 of 2008 will be applicable.		
Board appointed Committees		
10.1	Every finance Company shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a Secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the Company.	The company complies with the direction.
10.2 Audit Committee		
10.2 (a)	The Chairman of the committee shall be a non-executive director who possesses qualifications & experience in accountancy &/or audit	The Chairman of the committee, Mr. A C M Fernando, is an independent non–executive director who is a Fellow of the Institute of Chartered Accountants of Sri Lanka.
10.2 (b)	The Board members appointed to the committee shall be non-executive directors	All members of the Audit Committee are non-executive directors.
10.2 (c)	Responsible to make recommendations with regard to the: (i) Appointment of the external auditor (ii) Implementation of CBSL guidelines issued to auditors (iii) Application of relevant accounting standards (iv) Service period, audit fee & resignation/ dismissal of the auditor	During the period under review, the audit committee has monitored & reviewed the external auditor's independence, objectivity & the effectiveness of the audit process taking into account relevant professional & regulatory requirements. i) Committee has made recommendations in the appointment of the external auditor. ii) No such guidelines have been issued by the Central Bank during the year under review. iii)The Audit Committee oversees the application of accounting standards (SLFRS and LKAS) by the Company. Committee monitors and is responsible for the service period, audit fee & resignation/ dismissal of the auditor. In order to ensure that this monitoring mechanism is more efficient and effective, the Committee has implemented a formalized policy in relation to the service period, audit fee, any resignation or dismissal of the auditor and the applicable term limits of the auditor.
10.2 (d)	Reviewing & monitoring the external auditor's independence & objectivity & the effectiveness of the audit processes in accordance with applicable standards & best practices.	The committee regularly reviews & monitors the external auditor's independence, objectivity & the effectiveness of the audit processes as per the applicable guidelines and disclosures made by the External Auditors.
10.2 (e)	Responsibility of the Audit Committee to develop & implement a Board approved policy on the engagement of an external auditor for non-audit services, as per the criteria laid out in this rule.	In the context of the criteria laid out in this rule, the committee has approved the engagement of the external auditor to provide non-audit services. Through its continuous monitoring activities, the committee will continue to evaluate the effectiveness of the independence of the external auditors in the provision of non-audit services. In order to formalize this process, the Committee has implemented a policy addressing the engagement with the external auditor which does not impair the independence and objectivity in relation to the provision of non-audit services.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.2 (f)	Responsibility of the committee to discuss & finalize with the external auditors, the nature & scope of the audit, in line with the requirements under this rule.	The committee has discussed the audit approach & relevant procedures including matters relating to the scope & nature of the audit & the time plan for the audit.
10.2 (g)	Responsibility of the committee to review the financial information in order to monitor the integrity of the financial statements, its annual report, accounts & periodical reports prepared for disclosure,& the significant financial reporting judgments contained therein, as per the criteria in this rule.	The Audit committee has reviewed the Company's annual report including financial statements, accounting standards and policies (and changes therein) & significant adjustments arising from the audit & quarterly financial statements. Further, the committee considers concerns, assumptions & compliance with relevant accounting standards & other legal requirements.
10.2 (h)	The committee shall discuss issues, problems & reservations arising from the interim & final audits & any matters the auditor may wish to discuss.	The committee has met the external auditors twice without the executive management being present to discuss any issues relating to the audit.
10.2 (i)	The committee shall review the external auditor's management letter & the management's response thereto.	The audit committee has reviewed the applicable management letter & the management's responses thereto.
10.2 (j)	The committee is responsible to take the following steps with regard to the internal audit function: (i) Review the adequacy of the scope, functions & resources of the internal audit dept. (ii) Review the internal audit programme & results of the internal audit process (iii) Review any appraisal or assessment of the performance of the head & senior staff members of the internal audit dept. (iv) Recommend any appointment or termination of the head, senior staff members & outsourced service providers to the internal audit function (v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit dept. including the chief internal auditor & any outsourced service providers. (vi) Ensure that the internal audit function is independent of the activities it audits	i) The scope, functions & resources of the internal audit department are set out in the Internal Audit department charter and have been reviewed. Further the structure and Cadre of the Internal Audit Department have been review separately time to time. ii) Based on the presentation made by the Chief Internal Auditor, the committee reviews the internal audit programs, results of the internal audit processes & ensures that appropriate actions are taken on the recommendations of the internal audit. iii) The appraisal or assessment of the performance of the head of the Internal Audit Dept. has been done by the chairman of the Board Audit Committee and it was reviewed at the Board Audit Committee held in the month of May 2023 by its members. iv) There was no appointment or termination of the head, senior staff members & outsourced service providers to the internal audit function during the year. v) No senior staff of the Internal Audit Dept. resigned during the year. The Internal Audit Dept. is independent from the activities it audits.
10.2 (k)	The committee shall consider the major findings of internal investigations & management's responses thereto	Findings of the internal investigations carried out during the year and the management's responses thereto were reviewed by the Audit Committee in its meetings.
10.2 (l)	Statement regarding those who can normally attend meetings and those who can attend by invitation. Once in 6 months, the committee is to meet with the external auditors without the presence of the executive directors.	Criteria regarding those who can normally attend meetings & those who can attend by invitation have been followed. The committee has met the external auditors without the presence of any executive director twice a year.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.2 (m)	The committee shall have: (i) authority to investigate any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; & (iv) authority to obtain external professional advice & to invite outsiders with relevant experience to attend.	The Audit Committee is guided by its terms of reference which sets out authority & responsibility of the said Committee & these requirements have been represented in the terms of reference. The Company will continue to review and update the terms of reference accordingly to be in line with the CBSL requirements.
10.2 (n)	The committee shall meet regularly, with due notice of issues to be discussed & shall record its conclusions in discharging its duties & responsibilities	During the year under review, the committee has met 12 times (additionally 2 Board Audit Committee meetings were held during the year with external auditors without the presence of any executive director). Due notice of issues to be discussed was given & records were kept by the Company Secretary regarding matters discussed & action taken.
10.2 (o)	Annual Report to contain (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; & (iii) details of attendance of each individual member at such meetings.	These details have been disclosed in the annual report in the audit committee report.
10.2 (p)	The Secretary to the committee shall keep detailed minutes of the committee meetings	The Company secretary, who acts as the Secretary of this committee, maintains detailed minutes of all meetings.
10.2 (q)	The committee shall review arrangements by which employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters.	The Company has in place, a formal process for employees, in confidence raise concerns about possible improprieties in financial reporting, internal control or other matters. Further, the audit committee functionally reviews issues relating to matters of misconduct.
10.3 Integrated Risk Management Committee		
10.3 (a)	The committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	The committee consisted of 4 non-Executive directors. Chaired by an Independent Non -Executive Director. CEO, Head of Risk Management and Head of Compliance are permanent invitees to the Committee. Head of Risk Management serves as the secretory to the Committee.
10.3 (b)	The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance Company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance Company basis and group basis.	On a monthly basis, the committee conducts assessments and reviews of liquidity, credit, and operational risks using variance reports. The committee also verifies the implementation of appropriate measures to mitigate anticipated risks. Furthermore, plans are underway to enhance the assessment process by incorporating specific indicators for credit, liquidity, market, and strategic risks.
10.3 (c)	The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	By utilizing standard quantitative and qualitative indicators, the Committee evaluates the efficacy of all management-level committees, such as the Asset and Liability Committee and Board Credit & Recoveries Committee, in relation to their existing Terms of Reference.

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Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.3 (d)	The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance Company's policies and regulatory and supervisory requirements.	The committee has conducted a comprehensive review of the existing risk indicators and identified cases where they have exceeded the predefined quantitative and qualitative parameters. As a result, appropriate corrective actions have been recommended. In order to strengthen the risk mitigation approach, the committee plans to undertake a thorough review and update of risk appetite limits for the identified risk indicators. Additionally, a reassessment of the risk indicators that have surpassed the specified quantitative and qualitative risk limits will be carried out.
10.3 (e)	The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Throughout the reviewed period, the committee convened four times and conducted a comprehensive assessment and review of relevant and detailed Management Information System reports.
10.3 (f)	The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/ or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	The Integrated Risk Management Committee is responsible for conducting risk identification activities, and decisions are made collectively within the committee. In the event of policy breaches or any detrimental actions that impact the organization being committed by an employee, the committee will recommend suitable actions to be taken against the employee.
10.3 (g)	The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Following each meeting, the Committee promptly submits a risk assessment report to the Board within a week's time. This report seeks the Board's perspectives, agreement, and/or specific instructions on the matters discussed.
10.3 (h)	The committee shall establish a compliance function to assess the finance Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	To oversee regulatory and other obligations, a dedicated compliance officer has been appointed. This compliance officer has been designated as a Key Management Personnel (KMP), signifying their crucial role in ensuring adherence to regulatory and compliance requirements.
11. Internal Controls		
11.1	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks	The Company has adopted well-established internal control systems including the organizational structure, segregation of duties, clear management reporting lines, management information system and adequate operating procedures to mitigate operational risks. Regular reviews are carried out in this regard based on the Audit plan and improvements requirements are reported to the Board Audit Committee
11.2	A proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets;	The Company's internal control system is structured to achieve these fundamental objectives: promoting effective and efficient operations, providing reliable financial information, and safeguarding valuable assets. Through its meticulous design and implementation, the Company ensure streamlined processes, accurate financial reporting, and robust protection of our organization's resources.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
	(d) minimize the operating risk of losses from irregularities, fraud and errors;	The Company's internal control system is also geared towards minimizing operating risks arising from irregularities, fraud, and errors. By implementing preventive measures and conducting regular assessments, proactively mitigate the likelihood of losses associated with such risks, safeguarding the integrity and stability of our operations.
	(e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies.	The Company's comprehensive internal control system is designed to achieve multiple critical objectives. Firstly, it promotes effective and efficient operations by optimizing processes and ensuring resource utilization. Secondly, it provides reliable financial information through checks and balances, ensuring accurate reporting to stakeholders. Thirdly, it safeguards assets by mitigating risks and threats. Additionally, the system minimizes operating risks related to irregularities, fraud, and errors by implementing preventive measures and assessments. Furthermore, our internal control system ensures effective risk management by identifying, evaluating, and addressing potential risks proactively. Lastly, it guarantees compliance with relevant laws, regulations, directions, and internal policies through stringent monitoring mechanisms. Overall, these objectives collectively reinforce a culture of transparency, accountability, and sound governance within our organization.
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	The accountability for achieving objectives through internal controls is assigned to all employees, with their specific responsibilities clearly defined in their job descriptions and the contract agreement. This fosters a culture of shared ownership and commitment, ensuring internal controls are integral to daily activities and the organization's success.
12. Related Party Transaction - The Company has availed the transitional period extended until 1st July, 2024.		
12.1 The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction, No. 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 2 of 2007 or such other directions that shall repeal and replace the said directions from time to time.		
12 (2)	The board is responsible to take necessary steps to avoid any conflicts of interest that may arise from any transaction between the Company and a 'related party,' as specified in this rule.	The Board has taken necessary measures in accordance with the specified criteria of this rule to mitigate any potential conflicts of interest that may arise when conducting transactions with related parties, as defined in this directive. Additionally, the Board ensures that no related party receives preferential treatment and that the terms of such transactions align with those typically established between the Company and unrelated customers. To formalize this procedure, a policy on related party transactions (RPT) has been implemented.
12 (3)	The types of transactions with related parties, to which this Direction applies, are laid out in this rule.	To ensure thorough scrutiny of related party transactions in accordance with the provisions outlined in this rule, the Board has instituted a Related Party Transactions Review Committee. This committee is responsible for reviewing and evaluating transactions involving related parties as specified in the rule. Furthermore, the Company has implemented the Related Party Transactions (RPT) policy to formalize and standardize the review process conducted by the committee.

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Paragraph Reference	Guiding Principle	Status & Details of Compliance
12 (4)	The Board shall ensure that the Company does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" (as defined in this rule) than that is accorded to other similar constituents of the Company.	The Company conducts comprehensive reviews of related party loans, advances, borrowings, and deposits to ensure that these transactions do not entail any "more favorable treatment," as outlined in the directive. To reinforce the Company's commitment to avoiding any related party transactions that grant preferential treatment over others engaged in the same business, the RPT charter has been introduced. This charter serves as a guiding document to ensure that all related party transactions are carried out in a fair and equitable manner, consistent with the treatment provided to other parties conducting business with the Company.
13. Group Governance		
13.1 Responsibilities of the FC as a Holding Company – The Company operate as an independent entity.		
13.2 Responsibilities as a Subsidiary		
	If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	The Company operates as an independent entity and is not a subsidiary of any other financial institution. It takes full responsibility for fulfilling its own legal and regulatory obligations in accordance with the governing laws and guidelines.
14. Corporate Culture		
14.1	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	The Company has established a comprehensive Code of Conduct that encompasses a wide spectrum of ethical guidelines. This Code effectively addresses various critical aspects, including defining appropriate conduct, ensuring confidentiality, managing conflicts of interest, upholding the integrity of reporting, safeguarding and responsible utilization of Company assets, as well as prioritizing fair and equitable treatment of customers.
14.2	The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.	The Company is committed to maintaining a strong Corporate Culture by recording instances of Code of Conduct breaches. Such breaches are addressed with the utmost integrity, involving thorough investigations and appropriate corrective actions.
14.3	A FC shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.	The Company has implemented a Whistleblowing policy that establishes clear pathways for addressing legitimate concerns in an objective manner. This policy empowers employees to confidentially report instances of illegal, unethical, or questionable practices, without fearing any reprisals. Moreover, the policy's effectiveness is upheld through periodic reviews by the Board Audit Committee, ensuring its alignment with evolving best practices.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
15. Conflict of Interest		
15.1 (a)	Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	The current corporate governance framework at the Company ensures that the relationships among directors are devoid of any undue influence or coercion. In line with this principle, Company's directors are mandated to abstain from voting on Board resolutions concerning matters in which they, their relatives, or entities with substantial interests are involved.
15.1 (b)	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall,	A Board approved Policy is in place. To upgrade the policy to address managing of potential conflicts of interests.
15.1 (b) i	Identify circumstances which constitute or may give rise to conflicts of interests.	The Company's directors are tasked with the responsibility of actively identifying circumstances that either constitute existing conflicts of interest or could potentially lead to such conflicts. By doing so, Company's directors uphold the highest standards of ethical conduct and ensure that the Company's decision-making processes remain unbiased and focused on the best interests of the organization.
15.1 (b) ii	Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest.	Directors and senior management hold a primary responsibility to diligently steer clear of activities that could potentially generate conflicts of interest, striving to do so to the fullest extent possible.
15.1 (b) iii	Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest.	The established process mandates that directors and senior management promptly inform the Board of any changes in circumstances that could potentially result in a conflict of interest.
15.1 (b) iv	Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest.	A robust review and approval process has been instituted for directors and senior management, requiring them to adhere to a stringent protocol before engaging in specific activities that have the potential to create conflicts of interest. This meticulous procedure aims to ensure that all actions are aligned with the organization's best interests and ethical standards.
15.1 (b) v	Identify those responsible for maintaining updated records on conflicts of interest with related parties, and Articulate how any non-compliance with the policy to be addressed	Company is diligently adhering to the directive by maintaining comprehensive records of conflicts of interest involving related parties. Designated individuals are responsible for regularly updating these records to ensure accuracy and relevancy. Furthermore, in cases of non-compliance with the policy, the Company has articulated a clear procedure for addressing such situations. Any instances of deviation from the policy trigger a well-defined process, including a meticulous investigation and subsequent corrective actions.
15.1 (b) vi	Articulate how any non-compliance with the policy to be addressed	The Company is fully committed to compliance with its established policies. In the case of any non-compliance, the Company ensures a meticulous approach to address the situation. Deviations trigger a thorough investigation by impartial parties, followed by appropriate corrective actions that align with the severity of the issue. This steadfast commitment to addressing non-compliance reflects Company's dedication to ethical conduct, accountability, and effective corporate governance.

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Paragraph Reference	Guiding Principle	Status & Details of Compliance	
16. Disclosures			
16.1	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that at least following disclosures are made in the Annual Report of the FC.	The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) and the formats prescribed by the Supervisory Regulatory Authorities and that such statements are published in the newspapers in all three languages. Interim (unaudited) Financial Statements as well as Audited Financial Statements are submitted to the Colombo Stock Exchange (CSE) and the financials are made available on the website of CSE.	
	Subject	Disclosure	Status
	i. Financial statements	In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include,	
		▪ A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Refer Page 123
		▪ A statement of responsibility of the Board in preparation and presentation of financial statements.	Refer Page 123
	ii. Chairperson, CEO and Board related disclosures	▪ Name, qualification and a brief profile.	Refer Page 13 to 14
		▪ Whether executive, non-executive and/or independent director.	Refer Page 125
		▪ Details of the director who is serving as the senior director, if any.	Refer Page 125
		▪ The nature of expertise in relevant functional areas.	Refer Page 13 to 14
		▪ Relatives and/or any business transaction relationships with other directors of the Company.	Refer Page 200
		▪ Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity.	Refer Page 13 to 14
		▪ Number/percentage of board meetings of the FC attended during the year; and	Refer Page 67
		▪ Names of board committees in which the director serves as the Chairperson or a member.	Refer Page 127 to 128
	iii. Appraisal of board performance	▪ An overview of how the performance Evaluations of the Board and its committees have been conducted.	Refer Page 101 to 102

Paragraph Reference	Guiding Principle	Status & Details of Compliance	
	Subject	Disclosure	Status
	iv. Remuneration	▪ A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)	Refer Page 118
		▪ The aggregate values of remuneration paid by the FC to its directors and senior management.	Rs. 97.3 Mn paid during the year
	v. Related party transactions	▪ The nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.	No relationship
		▪ Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital.	Refer Page 201
		▪ The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.	Refer Page 201
	vi. Board appointed committees	▪ The details of the chairperson and members of the board committees and attendance at such meetings.	Refer Page 111, 127 & 128
	vii. Group Structure	▪ The group structure of the FC within which it operates.	Refer Page 214
		▪ The group governance framework.	Refer Page 66
	viii. Director's report	A report, which shall contain the following declarations by the Board:	
		▪ The FC has not engaged in any activity, which contravenes laws and regulations.	Refer Page 113
		▪ The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested.	Refer Page 120
		▪ The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors.	Refer Page 16 to 18 & 92
		▪ The business is a going concern with supporting assumptions; and	Refer Page 123
		▪ The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.	Refer Page 112 to 115

CORPORATE GOVERNANCE DISCLOSURES

Paragraph Reference	Guiding Principle	Status & Details of Compliance	
	Subject	Disclosure	Status
	ix. Statement on Internal Control	▪ A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Refer Page 112 to 113
		▪ The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published.	Refer Page 114 to 115
		▪ A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. ▪ A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions.	Refer Page 112 to 113
	x. Corporate governance report	▪ Shall disclose the manner and extent to which the Company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.	Refer Page 72 to 96 Assurance report obtained from External Auditor
	xi. Code of Conduct	▪ FC's code of business conduct and ethics for directors, senior management and employees. ▪ The Chairperson shall certify that the Company has no violations of any of the provisions of this code.	Refer Page 92
	xii. Management report	▪ Industry structure and developments ▪ Opportunities and threats ▪ Risks and concerns ▪ Sustainable finance activities carried out by the Company ▪ Prospects for the future	Refer Page 34 to 40
	xiii. Communication with shareholders	▪ The policy and methodology for communication with shareholders.	Refer Page 75
		▪ The contact person for such communication.	Refer Page 216

Level of compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Ref No:	Guiding Principle	Degree of Compliance
Section 1 : The Company		
A) Directors		
A.1. The Board:- Every public company should be headed by an effective Board, which should direct, lead and control the company		
A.1.1.	The Board should meet regularly, at least once every quarter in a financial year	During the year, the Board met 13 times, generally on a monthly basis.
A.1.2.	The Board's role and responsibilities	
	Ensuring the formulation and implementation of a sound business strategy	The Board sets the strategy of the company and drives and constantly monitors the company's 3 year strategic action plan. The various Board committees also play an important role in monitoring the execution of company strategy.
	Appointing the chair and the senior independent director if relevant	In line with the applicable CBSL directions, the Company has appointed the Chairman and also a Senior Independent Director.
	Ensuring that the CEO and the management team possess the skills, experience and knowledge to implement the said strategy	The CEO and the senior management team possess the requisite skills and expertise in the industry and in business to drive the strategy in place.
	Ensuring the adoption of an effective CEO and KMP succession strategy	The Board has implemented a structured approach towards succession planning of the senior management team & has developed a succession plan.
	Approving budgets and major capital expenditure	As part of its 3 year planning cycle, the company prepares its budgets, inclusive of budgets related to capital expenditure and forwards them duly for Board approval.
	Determining the matters expressly reserved to the Board and those delegated to the management including limits of authority and financial delegation.	Matters expressly reserved to the Board has been stated in the company's Articles of Association and the Board has set and approved the relevant matters to be delegated to the internal management, inclusive of limits of authority and financial delegation.
	Ensuring effective systems to secure integrity of information, internal controls, business continuity & risk management.	The Board has in place a set of internal control and risk management policies and techniques to ensure business continuity and integrity. The internal audit, risk management and compliance departments additionally ensure that the requisite CBSL requirements in this regard are also implemented. The Audit Committee and the IRMC constantly monitors the effectiveness of the controls in place.
	Ensuring compliance with laws, regulations & ethical standards	The company's compliance department ensures that the requisite laws, regulations and industry best practices are followed.
	Ensuring all stakeholder interests are considered in corporate decisions	Giving due consideration to various stakeholder interests is a part of the decision making process of the company and how it engages with stakeholders is detailed in the Stakeholder Engagement section from pages 16 to 18.
	Recognising sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting "integrated reporting".	In its decision making process, the Board routinely considers the economic, social and environmental impacts that the business has. The "Creating Sustainable Value" section from pages 56 to 58 discusses this in detail. Further the company has adopted the "integrated reporting" methodology in its reporting.

CORPORATE GOVERNANCE DISCLOSURES

Ref No:	Guiding Principle	Degree of Compliance
	Ensuring that the company's values and standards are set, with emphasis on adopting appropriate accounting policies & fostering compliance with financial regulations	The company's Code of Business Ethics mandates the strict compliance to all laws and regulations. The company's accounting policies are reviewed annually and are in line with the applicable standards. The Independent Auditor's Report in page 97 subscribes to this fact.
	Establishing a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks	The company has established an extensive process of monitoring and evaluating the progress on strategy implementation, budgets, plan and related risks and the Board is apprised of this at every Board meeting.
	Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company.	The company has a well-established process with appropriate checks and balances for its corporate reporting on an annual and quarterly basis.
	Fulfilling such other Board functions as are vital, given the scale, nature & complexity of the business concerned	The Board has expertise in diverse areas of business to more than adequately address any issue that could arise, given the nature of the industry that the company is in.
A.1.3.	The Board collectively and Directors individually must act in accordance with the applicable laws & a procedure agreed by the Board of Directors should be in place, to obtain independent professional advice, at the company's expense.	The Board has collectively and individually acted in accordance with all applicable laws and regulations and a procedure exists for the Directors to obtain independent advice.
A.1.4.	All Directors should have access to the advice and services of the Company Secretary. Any question of the removal of the Company Secretary should be a matter for the Board as a whole.	All Directors have direct access to the Company Secretaries and both the appointment and removal of the Company Secretaries is decided by the Board.
A.1.5.	All Directors should bring independent judgement to bear on issues of strategy, performance, resources & standards of business conduct.	All Directors bring forth independent judgement when assessing matters before it and always act in the best interest of the company.
A.1.6.	Every Director should dedicate adequate time and effort to matters of the Board and the company, to ensure that the duties and responsibilities owed to the company are satisfactorily discharged.	All Directors were given an adequate time and effort to ensure that their obligations pertaining to the functioning of the company are satisfactorily executed. The company ensures that the Directors receive the Board papers well in advance for effective review.
A.1.7.	One third of directors can call for a resolution to be presented to the Board where they feel it is in the best interests of the company to do so.	The Directors have always been able to present their independent judgement and act in the best interests of the company.
A.1.8.	Every Director should receive appropriate training when first appointed to the Board of a company, and subsequently as necessary. The Board should regularly review and agree on the training and development needs of the Directors.	Continuous self-development is decided upon by the Directors and executed. The Board is kept constantly updated on all industry and regulatory changes and their effects on company operations.

Ref No:	Guiding Principle	Degree of Compliance
A.2. Chairman and the CEO:- There are two key tasks at the top of every public company – Conducting of the business of the Board, and facilitating executive responsibility for management of the company's business. There should be a clear division of responsibilities at the head of the company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.		
A.2.1.	A decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report.	The posts of the Chairman and CEO are held by separate persons.
A.3. Chairman's Role: - The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of the Board functions.		
A.3.1.	The Chairman should conduct Board proceedings in a proper manner with the effective participation of all members of the Board	The Chairman ensures that there is effective participation by all members of the Board and encourages and gives the opportunity for all members to be heard. A conducive atmosphere for healthy debate is created.
A.4. Financial Acumen		
	The Board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	The Board has amongst its membership, adequate professionals with the necessary financial acumen to provide guidance on matters of finance to the Board.
A.5. Board Balance: - The Board is to have a balance of Directors such that no individual or small group of individuals can dominate the Board's decision-making.		
A.5.1.	The Board should include Non-Executive Directors of sufficient calibre and number for their views to carry significant weight in the Board's decisions. The Board should include at least three Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of total number of Directors, whichever is higher.	The Board contains 6 Non-Executive Directors as at 31st March 2023, who are highly experienced professionals in their respective fields.
A.5.2.	Where the constitution of the Board of Directors includes only three Non-Executive Directors, all three such Non-Executive Directors should be 'independent.' In all other instances three or two third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent.'	As at 31st March 2023, the Board contained Six Non-Executive Directors.
A.5.3.	For a Director to be deemed independent such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.	The Independent Non-Executive Directors of the company fulfil this criteria and are in a position to exercise unfettered and independent judgement.

Ref No:	Guiding Principle	Degree of Compliance
A.5.4.	Each Non-Executive Director should submit a signed and dated declaration annually of his independence or non-independence	The requisite declarations have been submitted.
A.5.5.	The Board should make a determination annually as to the independence or non-independence of each Non-Executive Director based on such a declaration made and other information available to the Board and should set out in the Annual Report the names of Directors determined to be 'independent.'	The requisite determination has been made by the Board based on the declarations submitted and as per the applicable regulatory criteria. The names of the Independent Non-Executive Directors are set out in page 125 of the Annual Report.
A.5.6.	Appointment of an alternate director by a non-executive independent director.	No alternative Directors were appointed during the year under review.
A.5.7.	In the event the Chairman and CEO is the same person, the Board should appoint one of the independent Non-Executive Directors to be the 'Senior Independent Director' (SID) and disclose this appointment in the Annual Report.	The Chairman and the CEO are separate persons. The Company does have a separate Senior Independent Director appointed as per the Finance Companies (Corporate Governance) Directions.
A.5.8.	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.	The Senior Independent Director is available for confidential discussions as necessary.
A.5.9.	The Chairman should hold meetings with the Non- Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	The Chairman consults the Non-Executive Directors to obtain their assessments on matters of importance as and when the need arises.
A.5.10.	Where Directors have concerns about the matters of the company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes.	The Directors always exercise independent, unfettered judgement when expressing their views during meetings and their concerns when matters cannot be unanimously resolved, are recorded in the Board minutes.
A.6. Supply of Information: - The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.		
A.6.1.	Management has an obligation to provide the Board with appropriate and timely information. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.	The management ensures that the Board is provided with Board papers well in advance of the meetings and the Chairman ensures that all Directors are adequately briefed in all arising issues.
A.6.2.	The minutes, agenda and papers required for a Board meeting should ordinarily be provided to Directors at least seven (7) days before the meeting.	All necessary material for a Board meeting is normally provided to the Board, at least seven days before the meeting.

Ref No:	Guiding Principle	Degree of Compliance
A.7. Appointments to the Board:- There should be a formal and transparent procedure for the appointment of new Directors to the Board.		
A.7.1.	A Nomination Committee should be established to make recommendations to the Board on all new Board appointments.	The company has instituted a Nomination Committee tasked with providing recommendations to the Board regarding all prospective appointments to the Board.
A.7.2.	The Nomination Committee should annually assess board composition to ascertain whether the knowledge & experience of the Board matches the strategic demands facing the company.	The Nomination Committee does an annual self-assessment of its performance and knowledge and decides upon whether it is strategically geared to face future challenges.
A.7.3.	Upon the appointment of a new Director to the Board, the company should disclose such appointment and the relevant details of the Director to shareholders.	All new appointments are immediately disclosed to the shareholders through the disclosures to the Colombo Stock Exchange.
A.8. Re-election:- All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.		
A.8.1.	Non-Executive Directors should be appointed for specified terms subject to re-election and their reappointment should not be automatic.	The Board makes appointments of Non-Executive Directors in line with the Finance Companies (Corporate Governance) Directions and all Directors are subject to re-election as per the Articles of Association.
A.8.2.	All Directors including the Chairman of the Board should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years.	The Articles of Association which specifies the timing and procedure for election and re-election of all Directors is in line with this principle.
A.8.3.	Resignation - In the event of a resignation of a director prior to the completion of his appointed term, the director should provide a written communication to the board of his reasons for resignation.	If and when such a resignation arises, the relevant director takes steps to adequately apprise the board with the relevant information as to his resignation.
A.9. Appraisal of Board Performance: - Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.		
A.9.1.	The Board should annually appraise itself on its performance	The Board has in place a system of self-assessment and appraisal.
A.9.2.	The Board should also undertake an annual self-evaluation of its own performance and that of its committees.	The Board undertakes annual self-evaluations of its own performance and that of its committees.
A.9.3.	The Board should have a process to review the participation, contribution and engagement of each director at the time of re-election.	The Board has appropriate processes in place to appraise the participation, contribution and engagement of directors.

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Ref No:	Guiding Principle	Degree of Compliance
A.9.4.	The Board should state how such performance evaluations have been conducted, in the Annual Report.	The Board has a system of performance evaluation that has been developed as per the Finance Companies (Corporate Governance) Directions.
A.10. Disclosure of Information in respect of Directors: - Shareholders should be kept advised of relevant details in respect of Directors.		
A.10.1.	Details with regard to each Director to be disclosed in the Annual Report.	The Directors' profiles are stated in pages 13 to 14
A.11. Appraisal of the CEO:- The Board should be required, at least annually, to assess the performance of the CEO.		
A.11.1	The Board in consultation with the CEO should set out the short, medium & long-term objectives of the company and reasonable financial and nonfinancial targets that should be met by the CEO.	The Board has set out financial and non-financial targets and short, medium and long term objectives that need to be achieved by the CEO.
A.11.2.	The performance of the CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.	This is an ongoing process and performance at the end of the financial year is assessed by comparing company performance with budgeted targets.
B. Directors' Remuneration		
B.1. Remuneration Procedure:- Companies should establish a formal and transparent procedure for developing a policy on executive remuneration		
B.1.1.	To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the company's framework of remunerating Executive Directors.	A Remuneration Committee has been set up and its report is in page 118 of the Annual Report.
B.1.2.	Remuneration Committees should consist exclusively of Non-Executive Directors & should have a Chairman, who should be appointed by the Board.	The Remuneration Committee consists entirely of Non-Executive Directors and two out of the three Non-Executive Directors are Independent. Further, the Chairman is an Independent Non-Executive Director.
B.1.3.	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	The members of the Remuneration Committee and its Chairman are listed in page 118 of the Annual Report.
B.1.4.	The Board as a whole, should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association.	The Board decides upon the remuneration of the Non-Executive Directors do not play a part in the determination of their own remuneration. This process is conducted as per the Articles of Association of the company.

Ref No:	Guiding Principle	Degree of Compliance
B.1.5.	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice	As per the terms of reference of the Remuneration Committee, it has access to professional advice and is free to consult the Chairman and/ or CEO as it feels fit.
B.2. The level & make-up of remuneration: - Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully.		
B.2.1.	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required but should avoid paying more than is necessary for this purpose.	An Executive Director was appointed to the Company and he formally resigned from the position in October 2022.
B.2.2.	Executive directors' remuneration should be designed to promote the long-term success of the company.	An Executive Director was appointed to the Company and he formally resigned from the position in October 2022.
B.2.3.	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies.	Industry standards and trends are taken into consideration by the Remuneration Committee when deciding upon levels of remuneration and links are made between remuneration levels and performance.
B.2.4.	The Remuneration Committee should be sensitive to remuneration & employment conditions elsewhere in the company or group of which it is a part, especially when determining annual salary increases.	The Remuneration Committee takes into consideration the remuneration levels elsewhere in the group when determining remuneration levels and increments.
B.2.5.	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the company.	The performance related elements of remuneration have been designed in a way that individual performance and increases in company performance are positively linked.
B.2.6.	Executive share options should not be offered at a discount save as permitted by the Listing Rules of the CSE.	No executive share options exist in this company.
B.2.7.	In designing schemes of performance related remuneration, Remuneration Committees should follow the provisions set out in Schedule E of this code.	The Remuneration Policy of the company encapsulates and is in line with the guidelines provided in Schedule E of the code.
B.2.8.	Remuneration Committee should consider what compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination.	These have been adequately considered when determining remuneration.

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Ref No:	Guiding Principle	Degree of Compliance
B.2.9.	Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committee should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances.	The Remuneration Policy of the company has been designed to be in line with all applicable legal requirements.
B.2.10.	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration for Non-Executive Directors should not normally include share options.	The time, commitment and the responsibilities that the role entails are taken into consideration when determining the remuneration of Non-Executive Directors. Remuneration for Non-Executive Directors does not include share options.
B.3. Disclosure of remuneration:- The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole and a specimen of a remuneration committee report followed by schedule D		
B.3.1.	The Annual Report should set out the names of Directors comprising the Remuneration Committee, contain a Statement of Remuneration Policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	The names of the Directors comprising the Remuneration Committee have been set out in page 125. The remuneration policy has been set out in page 118. The aggregate remuneration has been set out in page 200.
C. Relations with shareholders		
C.1. Constructive use of the AGM & conduct of general meetings:- Boards should use the AGM to communicate with shareholders and should encourage their participation		
C.1.1.	Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	The notice of the AGM and the Annual Report are dispatched to shareholders in compliance with the applicable regulations.
C.1.2.	Companies should propose a separate resolution at the AGM on each substantially separate issue & should in particular propose a resolution at the AGM relating to the adoption of the report and accounts.	A separate resolution is proposed for each separate resolution at the AGM and this applies to the adoption of the Annual Report of the Board of Directors and the accounts.
C.1.3.	The Company should ensure that all valid proxy appointments received for general meetings are properly recorded and counted.	The company has a mechanism in place to count all proxy votes and indicate the level of proxies lodged on each resolution, the balance for and against and withheld for each resolution.
C.1.4.	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees and the Senior Independent Director to be available to answer questions at the AGM if so requested by the Chairman.	All the chairmen of the respective committees are available to answer any questions at the AGM.
C.1.5.	Companies should circulate with every Notice of General Meeting, a summary of the procedures governing voting at General Meetings.	A summary of the procedures governing the voting at the AGM are given in the Notice of the AGM itself and circulated to all shareholders.

Ref No:	Guiding Principle	Degree of Compliance
C.2. Communication with Shareholders:- The Board should implement effective communication with Shareholders		
C.2.1.	There should be a channel to reach all shareholders of the Company in order to disseminate timely information	The channels the company uses to reach all shareholders are the AGM, the Annual Report, Quarterly Financial Statements, Disclosures to the Colombo Stock Exchange, notices in newspapers and the company website.
C.2.2.	The company should disclose the policy and methodology for communication with shareholders	The company's policy with regard to the communication with shareholders is as per applicable statutory requirements and adopted best practices. This involves the utilisation of a variety of effective and formal channels to ensure that accurate information is given in a timely manner.
C.2.3.	The company should disclose how they implement the above policy and methodology	The implementation of this policy is done as through the utilisation of a variety of channels mentioned in C.2.1.
C.2.4.	The company should disclose the contact person for such communication	The contact person for shareholder communication is the Company Secretary.
C.2.5.	There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the company	All major shareholder issues and concerns are discussed at Board Meetings. During the period under review, there were no such concerns raised that required such discussion.
C.2.6.	The company should decide the person to contact in relation to Shareholder's matters. The relevant person with statutory responsibilities to contact in relation to Shareholder's matters is the company secretary.	The contact person for shareholder communication is the Company Secretary.
C.2.7.	The process for responding to shareholder matters should be formulated by the Board & disclosed.	Appropriate responses and action, if any, are decided upon by the Board and then the company secretary communicates this to the shareholders in the most appropriate manner depending on the circumstances.
C.3. Major & material transactions: - Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the company's net assets base.		
C.3.1.	Directors' responsibility to disclose the details of major & material transactions to shareholders for their approval, prior to entering into them.	There were no major or material transactions during the year that required shareholder approval, as prescribed by this Code.
C.3.2.	Public listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the Securities Exchange Commission and by the Colombo Stock Exchange.	The company has complied with all such disclosure requirements.
D. Accountability and Audit		
D.1. Financial Reporting: - The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.		
D.1.1.	The Board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	The annual report presented by the Board contains financial statements that are true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation have been clearly explained.

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Ref No:	Guiding Principle	Degree of Compliance
D.1.2.	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	The company has prepared and published quarterly, interim and annual financial statements as per the applicable financial standards and within the statutorily prescribed time periods. The company has complied with all applicable statutory disclosures and financial reporting.
D.1.3.	The Board should, before it approves the Company's financial statements for a financial period, obtain from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the system of risk management and internal control was operating effectively.	The Board has made the necessary consultations with the Chief Executive Officer and Chief Financial Officer with regard to the fact that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the system of risk management and internal control was operating effectively.
D.1.4.	The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors on the areas covered by the code.	Refer page 124 to 128 for the Annual Report of the Board of Directors and page 112 for the Directors' Statement on Internal Controls.
D.1.5.	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements, together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a Statement on Internal Controls.	Refer the Annual Report of the Board of Directors from page 124 to 128 The statement issued by the Auditors is in page 131. The Statement of Directors Responsibilities is in page 123. The Statement on Internal Controls is in page 112.
D.1.6.	Annual Report should contain a Management Discussion & Analysis	The Management Discussion & Analysis is from page 34 to 59.
D.1.7.	Requirement to summon an EGM in the event the net assets of the company fall below 50% of the value of the company's shareholders' funds.	The relevant disclosure set out in page 141 and 197.
D.1.8.	The Board should adequately and accurately disclose the related party transactions in its Annual Report	The related party transactions are reported in page 119 to 120.
D.2. Internal Controls: - The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the company's assets.		
D.2.1.	The Directors should, at least annually, conduct a review of the risks facing the company and the effectiveness of the system of internal controls.	The company has in place a system of Board approved internal control and risk management mechanisms. Continuous monitoring is done in this regard by the internal audit and risk management departments. Refer to the Audit Committee report in page 116 to 117 and the Integrated Risk Management Committee report in page 121 to 122.

Ref No:	Guiding Principle	Degree of Compliance
D.2.2.	The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.	Refer the Annual Report of the Board of Directors from page 124 to 128. The Statement of Directors Responsibilities is in page 121. The Statement on Internal Controls is in page 112.
D.2.3.	The company should have an Internal Audit function	The company has a separate Internal Audit department that reports directly to the Audit Committee
D.2.4.	The Board should require the Audit Committee to carry out reviews of the process & effectiveness of risk management & internal controls & to document to the Board.	The Audit Committee carries out regular reviews of the processes and internal controls in place, through the Internal Audit department and reports to the Board of its assessments.
D.2.5.	Responsibilities of Directors in maintaining a sound system of internal control & the contents of the Statement of Internal Control	Refer the Annual Report of the Board of Directors, page 124 and the Statement of Internal Control in page 112.
D.3. Audit Committee: - The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the company's Auditors.		
D.3.1.	The board should establish an audit committee exclusively of non-executive directors with a minimum of three non-executive directors of whom at least two should be independent. If there are more non-executive directors, the majority should be independent. The Committee should be chaired by an independent non-executive director. The board should satisfy itself that at least one member of the audit committee has recent and relevant experience in financial reporting and control.	The Audit Committee contains only Non-Executive Directors and there are three of them. 2 out of the 3 members are Independent Non-Executive Members and the committee chairman is also an Independent Non-Executive Director.
D.3.2.	The Audit Committee should have a written Terms of Reference, dealing clearly with its authority and duties. The duties of the Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors, amongst other matters.	These duties are encapsulated in the written terms of reference of the Audit Committee.
D.3.3.	A separate section of the annual report should describe the work of the committee in discharging its responsibilities.	Refer the Audit Committee report in page 116 to 117.

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Ref No:	Guiding Principle	Degree of Compliance
D.4. Related Party Transactions Review Committee: - The Board should establish a procedure to ensure that the Company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.		
D.4.1.	A related party and related party transactions will be as defined in LKAS 24.	The company has adopted these definitions as per LKAS 24 with regard to related parties and related party transactions.
D.4.2.	The Board should establish a Related Party Transactions (RPT) Review Committee consisting exclusively of Non-Executive Directors with a minimum of three Non- Executive Directors of whom the majority should be independent. Executive Directors may attend by invitation. The Chairman should be an Independent Non-Executive Director appointed by the Board.	The company's Related Party Transactions (RPT) Review Committee consists of two Independent Non-Executive Directors and a Non - Independent Non - Executive Director. The Chairman of the committee is an Independent Non-Executive Director.
D.4.3.	RPT Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors.	The company has a formal RPT Policy and a separate Board approved Terms of Reference in place.
D.5. Code of Business Conduct & Ethics: - Companies must adopt a Code of Business Conduct and Ethics for Directors & KMPs and must promptly disclose any waivers of the Code for Directors or others.		
D.5.1.	Requirement to make disclosures on the availability of a Code of Business Conduct & Ethics.	The company has in place a Code of Business Conduct and Ethics.
D.5.2.	The Company should have a process in placed to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	The company ensures that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.
D.5.3.	The Company should establish a policy, process for monitoring, and disclosure of shares purchased by any director, Key Management Personnel or any other employee involved in financial reporting.	The company ensures that it monitors and discloses as per any applicable statute or regulation, any purchase of shares by any Director or any Key Management Personnel.
D.5.4.	The Chairman must affirm in the Company's Annual Report that a code of conduct and ethics has been introduced company wide and the procedure for disseminating, monitoring and compliance with that code. He must also disclose that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics.	Refer the Annual Report of the Board of Directors from page 124 to 128.

Ref No:	Guiding Principle	Degree of Compliance
D.6. Corporate Governance Disclosures: - Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.		
D.6.1.	The Directors should include in the Company's Annual Report a Corporate Governance Report, setting out the manner and extent to which the Company has complied with the principles and provisions of this Code.	This report demonstrates the way in which the company has adopted this Code.
Section 2 : Shareholders		
E. Institutional Investors		
E.1. Shareholder Voting: - Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.		
E.1.1.	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives.	The Annual General Meeting serves as the forum for the shareholders to express their views. Further, they can raise any issues to the Board through the Company Secretary.
E.2.	Evaluation of governance disclosures: - When evaluating the company's governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	The Annual Report contains all the necessary governance disclosures applicable to this company. Institutional investors are at liberty to give due weight to the relevant resolutions when exercising their voting rights.
F. Other Investors		
F.1.	Investing/divesting decision: - Individual shareholders, investing directly in shares of the company should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Individual investors are at liberty to carry out adequate analysis or seek independent advice with regard to their investing/ divesting decisions.
F.2.	Shareholder voting:- Individual shareholders should be encouraged to participate in General Meetings of the company and exercise their voting rights.	Individual shareholders are encouraged to participate in General Meetings and exercise their voting rights. The relevant notice of meeting is dispatched to all shareholders as per the statutory requirements.
G. Internet of things and Cyber Security		
G.1.	The Board should have a process to identify how in the organization's business model that IT devices within and outside the organization can connect to the organization's network to send and receive information and the consequent cyber security risks that may affect the business.	Based on the business requirements of the company and the scope of application and extent of usage of its IT resources, the company will look into introducing an appropriate policy.
G.2.	The Board should appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cyber-security risk management policy which should be approved by the Board.	The company's current Head of IT oversees and handles the management of cyber-security risk. Based on the business requirements of the company and the scope of application and extent of usage of its IT resources, the company will look into introducing an appropriate policy.

CORPORATE GOVERNANCE DISCLOSURES

Ref No:	Guiding Principle	Degree of Compliance
G.3.	The Board should allocate regular and adequate time on the board meeting agenda for discussions about cyber risk management.	Based on the cyber security risk management related requirements of the company's operations, the Board will allocate appropriate time for such discussions.
G.4.	The Board should ensure the effectiveness of the cyber security risk management through independent periodic review and assurance.	As per the business requirements of the company & the scope of application of its IT resources, the Board will consider the usage of independent periodic reviews & assurance with regard to its cyber security risk management.
G.5.	The Board should disclose in the annual report, the process to identify and manage cyber security risks.	Refer the Risk Management Section in page 59 to 64.
H. Environment, Society and Governance (ESG)		
H.1. ESG Reporting:- The Company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed, measured and reported.		
H.1.1	Company should provide information in relation to relevance of environmental, social and governance factors to their business models and strategy, how ESG issues may affect their business and how risks and opportunities pertaining to ESG are recognized, managed, measured and reported.	In the "Our Approach to Value Creation", "Management Discussion & Analysis" and "Accountability & Transparency" sections in its annual report, the referred material is adequately covered.
H.1.2. Environmental Factors		
H.1.2.1	Environmental governance of an organization should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities	Refer the Environmental Contribution section from page 58.
H.1.3. Social Factors		
H.1.3.1	Social governance of an organization should include its relationship with the community, customers, employees, suppliers, outsourced providers and any other party that can influence or be influenced by the organization's business model.	Refer the Social Contribution section from page 57.
H.1.4. Governance		
H.1.4.1	Companies should establish a governance structure to support its ability to create value and manage risks in the short, medium and long term, recognizing managing and reporting on all pertinent aspects of ESG.	Refer the Corporate Governance Philosophy section from page 66 to 67.
H.1.5. Board's Role on ESG Factors		
H.1.5.1	ESG reporting is a Board's responsibility and it is designed to add value by providing a credible account of the Company's economic, social and environmental impact.	The Board has taken appropriate cognizance of these requirements and the relevant reporting has been made in the "Our Approach to Value Creation", "Management Discussion & Analysis" and "Accountability & Transparency" sections in the annual report.

GOVERNANCE REPORTS

DIRECTORS ATTENDANCE - BOARD & SUB COMMITTEES IN A SNAPSHOT

ATTENDANCE OF DIRECTORS AT BOARD & SUB-COMMITTEE MEETINGS FROM APRIL TO MARCH 2022/23

Directors	Executive	Non-Executive	Independent	Non-Independent	Attendence (Board Meetings)	Attendence (BAC) Regular Meetings	Attendence (IRMC)	Attendence (RPT)	Attendence (RCM)	Attendence (NCM)
Mr. D. Renganathan (1)		√	√		11/13	10/12	4/4	2/4	2/2	5/5
Mr. A. Russell-Davison (2)		√		√	5/13	03/12				2/5
Mr. P. Wijesekera (3)	√				7/13		2/2			
Mr. A. C. M. Fernando (4)		√	√		13/13	12/12		4/4	2/2	4/5
Mr. A. C. M. Lafir (5)		√		√	13/13					
Mr. H. K. Kaimal		√		√	13/13		2/2	4/4		
Ms. A. Goonetilleka (6)		√	√		12/13				2/2	5/5
Mr. H.S. Samantha Dabare (7)		√	√		7/13	07/12				
Mr. P.T. Wanigasekara (8)		√	√		9/13		2/2	2/4		

** Committee Chairman/Chairperson*

(1) Mr. Dinesh P. Renganathan (Appointed as Chairman w.e.f 15 August 2022)

(2) Mr. A. Russell - Davison (Resigned w.e.f 31 July 2022)

(3) Mr. M.H Priyantha Wijesekera (Resigned w.e.f 27 October 2022)

(4) Mr. A. C. Manilka Fernando (Retired w.e.f 13 August 2023)

(5) Mr. A. C. M. Lafir (Resigned w.e.f 24 August 2023)

(6) Ms. Aruni Goonetilleke (Resigned w.e.f 09 March 2023)

(7) Mr. H.S. Samantha Dabare (Appointed w.e.f 12 September 2022)

(8) Mr. P.T. Wanigasekara (Appointed w.e.f 30 June 2022)

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

DIRECTORS STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Responsibility

In compliance with Section 16 (1) (ix) of the Finance Business Act Direction No.05 of 2021 -Corporate Governance, the Board of Directors presents this statement on Internal Control over financial reporting.

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

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

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

The management assists the Board in the implementation of the 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.

Summary of the Process Adopted in Reviewing the Design and Operating Effectiveness of the Internal Control System

The Board has adopted key processes in reviewing the design and operating effectiveness of the system of internal controls with regard to financial reporting including the following:

- Various appointed Committees are established by the Board to assist the Board in ensuring the effectiveness of Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Unit of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any noncompliance. Audits are carried out on branches and other centers, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Audit Committee. Findings of the internal audits are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee of the Company review internal control issues identified by the Internal Audit Department, regulatory authorities and management, and evaluate the adequacy and effectiveness of the internal control system over financial reporting. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. Further details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report on page 116.
- In assessing the internal control system, identified officers of the Company collated 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 Unit for suitability of design and effectiveness on an ongoing basis.
- Comments made by the External Auditors in connection with further improvements to the internal control system had been adequately addressed in a written response from the Management. The improvements pointed out by the External Auditors will be implemented during the ensuing year.
- The processes and procedures adopted by the Company are being further strengthened based on feedback received from External Auditors, Internal Audit Department, Regulators and the Board Audit Committee. The Company will continue to further develop the processes such as financial statement closure process including disclosures with regard to financial risk management, related party identification and disclosure, impairment assessment process, management information system and the overall IT control environment including controls over changes and access to systems and data.
- Since the adoption of Sri Lanka Accounting Standards comprising SLFRSs and LKASs, continuous monitoring is in progress and steps are being taken for improvements where required.

Confirmation

Based on the above processes, the Board of Directors confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement By External Auditor

The External Auditor has reviewed the above Directors' Statement on Internal Control Over Financial Reporting for the year ended 31 March 2023 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 system of Internal Control of the Company.

Statement on Prudential Requirements, Regulations and Laws

There are no material non-compliance to prudential requirements regulations, laws and internal controls affecting the Company.

There were no lapses which caused supervisory concern on the Company's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non-compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.

By order of the Board,

(Sgd.)
D. P. Renganathan
Chairman

(Sgd.)
A.C.M Fernando
Chairman - Board Audit Committee

11 August 2023

INDEPENDENT ASSURANCE REPORT

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APAG/WDPL/IP

TO THE BOARD OF DIRECTORS OF SOFTLOGIC FINANCE PLC

Report on the Statement on Internal Control Over Financial Reporting included in the Director's Statement on Internal Control

We were engaged by the Board of Directors of Softlogic Finance PLC (the "Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Director Statement on Internal Control for the year ended 31 March 2023 (the "Statement") included in the annual report.

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/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the section 16 (1) (ix) of the Finance Companies Corporate Governance Direction no. 05 of 2021, 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 behavior.

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.

Our responsibilities and compliance with SLSAE 3051

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 Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company/ Finance Leasing Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose 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

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of the Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

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 our judgement, having regard to our 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.

Our 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 has adopted in the review of the design and effectiveness of internal control over financial reporting of the Company.

11 August 2023

Colombo

REPORT OF THE AUDIT COMMITTEE

Composition

The Board Audit Committee comprised of the following Non-Executive Directors of the Company during the financial year.

- Mr. A C M Fernando (Chairman from November 2019) - Independent Non-Executive Director (Appointed on 15th November 2019)Mr. A Russell-Davison - Non-Executive Director - (Vacated his committee membership w.e.f. 31st July 2022)
- Mr. D P Renganathan - Independent Non-Executive Director (Appointed on 10th June 2020)
- Mr. H.S.S. Dabare - Independent Non-Executive Director (Appointed on 28th September 2022)

Role of the Board Audit Committee

The Board Audit Committee assists the Board of Directors in fulfilling effectively its responsibilities relating to financial and other related affairs of the Company. The committee is empowered to oversee:

- Preparation, presentation and adequacy of disclosures in the financial statements, in accordance with the Sri Lanka Accounting Standards.
- Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- Processes to ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Accounting Standards and regulatory requirements.
- Assessing the Company's ability to continue as a going concern in the foreseeable future.
- Make determination on the Independence and performance of the Company's external auditors.
- The rationale and basis for the significant estimates and judgments underlying the financial statements.

The Board Audit Committee uses the Audit Committee Charter as a guide in taking appropriate measures in order to safeguard the interests of all stakeholders of the Company.

Financial Reporting

Acting with other Board members the committee reviewed the Company's Interim and Annual Financial Statements and other financial information prior to publication.

The Committee reviewed the operations with respect to risk assessment and monitored the effectiveness of risk management to provide reasonable assurance to the Board that the assets of the Company are safeguarded and that the financial position is maintained according to information made available.

The committee established a mechanism for the confidential receipt, retention and treatment of complaints (if any) alleging fraud or malpractice which may be received from internal/external sources pertaining to accounting, internal controls or other such matters.

External Audits

The Committee assists the Board of Directors in engaging External Auditors for Audit and Non-Audit services in compliance with the statutes.

The Committee discusses the audit plan, key audit issues and their resolutions, management response and proposed remuneration pertaining to the External Auditors. The reappointment of the external auditor Messrs Ernst & Young for the next financial year is recommended subject to the approval of the Shareholders at the AGM.

Internal Audits

During the year the audit committee reviewed the performance of the internal audit function, the findings of internal audits completed, corrective action taken by the management and their evaluation of the Company's internal control system. The committee also reviewed and approved the adequacy and coverage of the risk based internal audit programme. It also assessed the resource requirement and independence of the department.

Meetings

The Board Audit Committee met twelve times (excluding two Board Audit Committee meetings held during the year with external auditors without the presence of any executive director) during the year 2022/23. The attendance of the members at Audit Committee meetings was as follows:

Member	Status	No. of Meetings
Mr. A C M Fernando (Chairman)	Independent Non- Executive Director	12/12
Mr. A Russell-Davison (Resigned w.e.f 31 July 2022)	Non- Executive Director	3/4
Mr. D P Renganathan	Independent Non- Executive Director	10/12
Mr. H.S.S. Dabare	Independent Non-Executive Director	7/7

On the invitation of the Committee, the Chief Executive Officer, the Chief Financial Officer, the Chief Internal Auditor, other officers and the external auditors may attend the meetings. Softlogic Corporate Services (Pvt) Ltd acted as Secretaries to the Audit Committee. The proceedings of the audit committee meetings are recorded in adequate detail and reported to the Board.

During the financial year, the committee made determination on the Independence of the Company's external auditors as per the applicable guidelines and disclosures made by them to the committee.

(Sgd.)
A C M Fernando
Chairman
Board Audit Committee

11 August 2023

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee is appointed by the Board of Directors of the Company. The members of the Remuneration Committee are:

- Mr. D P Renganathan – Independent Non-Executive Chairman (Chairman of the Committee)
- Mr. A C M Fernando – Independent Non-Executive Director (Member)
- Mr. H Kaimal – Non-Independent Non-Executive Director (Member)

The Committee meets at least once a year.

Terms Of Reference

a) The Committee operates within Board approved terms of reference and assists the Board of Directors in ensuring that remuneration arrangements in the Company align with the Remuneration Policy.

b) The Committee is empowered by its terms of reference to review the structure, size, and composition of the Company and make recommendations to the Board with regard to any changes that need to be introduced.

c) Terms of reference of the Committee preclude its members from participating in decisions relating to his/her own appointment.

Authority Of The Committee

The Committee has the authority to discuss issues under its purview and report back to the Board with recommendations, enabling the Board to take a final decision on the matter. The Committee is authorized by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary.

Remuneration Policy

The Remuneration Policy of Softlogic Finance determines the formulation of all remuneration based on the job profile, industry remuneration levels and practices and the country's cost of living situation. The Remuneration Policy of the company is developed with a comprehensive compensation and benefit grid. The grid has been developed in par with the industry rates in order to ensure competitive packages at the point of recruiting people to the company.

The Company's reward strategies and remuneration structure is designed to attract, motivate and retain high caliber people at all levels of the organization, in a highly competitive environment.

Accordingly, the salaries and other benefits are reviewed periodically taking into account the performance of the individual, comparisons with peer group companies, institutional guidelines and reports from specialist consultants. The skills, experience of the individual and his/her level of responsibility are also taken into account in deciding on the remuneration.

The Company's Remuneration Strategy

- Remuneration is commensurate with each employee's expertise and contribution and is aligned with the business' performance and long term shareholder returns.
- Industry rates were considered with the aim of attracting, motivating and retaining high calibre people
- There is no discrimination against employees based on diversity or physical differences.
- Remuneration structures encourage a focus on achieving agreed deliverables and behaviours.
- Individual performance appraisals identify talent at all levels in the organisation, enabling fair and competitive remuneration.

(Sgd.)
Mr. D P Renganathan
Chairman - Board Remuneration Committee

11 August 2023

GOVERNANCE REPORTS
RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Introduction

Pursuant to the requirements of the Code of Best Practices on Related Party Transactions 2013 and thereafter as per Section 9 of the Listing Rules of the Colombo Stock Exchange, this Committee was formed as a Board Committee by the Board of Directors of Softlogic Finance PLC.

Composition Of The Committee

As per the requirements of Section 9.2.2 of the Listing Rules, the Board has appointed the following Directors to this Board Committee:

Name of Director	Nature of the Directorship	Status in the Committee
Mr. A. C. M. Fernando	Senior Independent Non - Executive Director	Chairman of the Committee
Mr. P. T. Wanigasekera	Independent Non - Executive Director	Member
Mr. H K Kaimal	Non - Indpendent Non - Executive Director	Member

Softlogic Corporate Services (Pvt) Ltd, the secretaries of the company, function as the Secretary to the Related Party Transactions Review Committee.

Terms Of Reference

The terms of reference of this committee lays out its purpose, scope, authority and operating guidelines. These terms of reference comprehensively cover all the relevant aspects stated in the Listing Rules. The Board has approved the Terms of Reference of the Related Party Transactions Review Committee.

The Terms of Reference of this Committee are as follows:

- The broad purpose is to ensure that the interests of shareholders as a whole are taken into consideration by the company when entering into related party transactions. Further, this committee is mandated with providing safeguards to prevent directors or substantial shareholders from taking advantage of their positions.
- This committee should review in advance, all proposed related party transactions, with the exception of those that specifically fall within the ambit of the exceptions stated in Section 9.5 of the Listing Rules. Any review should be done prior to that transaction, or if it is conditional on such review, prior to the completion of that transaction.
- Any director who is a related party to a proposed related party transaction is not to participate in any related discussion and not vote on that matter. Such a director is to only participate, only to provide information regarding the related party transaction to the committee at the request of the committee.
- The Committee is to decide whether the related party transactions reviewed by them, require the approval of the Board or the Shareholders of the company.
- During committee meetings, the management is to update the committee on any prospective material changes to any previously reviewed related party transactions and seek committee approval for such changes before those transactions are completed.
- This committee can recommend the creation of a Special Committee to review and approve any related party transaction, if the Committee deems it necessary due to potential conflicts. If it is deemed necessary, approval for a particular related party transaction can be obtained from the Board itself and such approval is to be obtained before that transaction is entered into
- Directors of the committee should ensure that they have or have access to enough knowledge or expertise to asses all aspects of proposed related party transactions and where necessary, they should obtain appropriate professional and expert advice from an appropriately qualified person.
- The Committee shall meet at least once a quarter.
- For ongoing related party transactions, the Committee has a Board approved Related Party Policy in place, for the senior management to follow in continuing transactions with the related parties. In this regard, the committee is to annually review and assess the continuous dealings with related parties to decide on compliance with the set guidelines and whether these continuing related party transactions are appropriate.

Policies And Procedures

The company identifies all persons and entities who are to be recognized as "related parties", as per the respective definitions set out in Section 9 of the Listing Rules. Self-declarations are obtained from each of the key management personnel, in order to identify parties related to them. Further, a Board approved Related Party Policy is in place in respect of the related party transactions and the applicable procedures.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Thereafter, based on these self-declarations, the Company identifies potential related party transactions, as per the guidelines set out in Section 9 of the Listing Rules and forwards them to be reviewed by this committee.

Meetings Of The Committee

The Committee met on four (04) occasions during the year. The attendance at the meeting held is as follows:

Directors	Attendance				Summary
	28th June 2022*	19th September 2022*	14th December 2022*	27th March 2023*	
Mr. A. C. M. Fernando Senior Independent Non - Executive Director Chairman	√	√	√	√	4/4
Mr. D. Renganathan Independent Non - Executive Director (Resigned w.e.f 28th September 2022)	√	√	-	-	2/4
Mr. H. K. Kaimal Non - Indpendent Non - Executive Director	√	√	√	√	4/4
Mr. P.T. Wanigasekara Independent Non - Executive Director (Appointed w.e.f 28th September 2022)	-	-	√	√	2/4

* Virtual Meeting

Mr. D. Renganathan, an Independent Non-Executive Director, tendered his resignation from the committee on the 28th of September 2022. Likewise, Mr. P.T. Wanigasekara, also an Independent Non-Executive Director, relinquished his position on the same committee on the 28th of September 2022.

Compliance With Related Party Transaction Rules

Transactions of related parties (as defined in LKAS 24- Related Parties Disclosure) with the Company are set out in Note 46 to the Financial Statements. There are no related party transactions which exceed the threshold of 10% of the equity or 5% of the total assets, whichever is lower in relation to non - recurrent related party transactions or 10% of the gross revenue in relation to recurrent related party transactions. The Company had complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party.

The related party transactions of the Company for the financial year ended 31st March, 2023 have been reviewed by the Committee and the activities and comments of the Committee have been communicated to the Board of Directors of the Company.

(Sgd.)
Mr. A. C. M. Fernando
Chairman - Related Party Transactions Review Committee

11 August 2023

GOVERNANCE REPORTS

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Integrated Risk Management Committee (IRMC) assists the Board of Directors of Softlogic Finance PLC in fulfilling its responsibilities for overseeing the Company's risk management framework and activities, including the review of major risk exposures and the steps taken to monitor and control those exposures pertaining to the myriad of risks faced by the Company in its business operations. The Committee is a Board appointed committee chaired by an Independent Non-Executive Director in compliance with the Finance Business Act Direction No. 5 of 2021 (Corporate Governance) issued by the Monetary Board of the Central Bank of Sri Lanka.

The Committee's composition during the year under review was as follows;

Mr. Pasan Wanigasekara*

Chairman of the Committee/ Independent Non-Executive Director

Mr. Dinesh P. Renganathan

Member/ Independent Non-Executive Director

Mr. Sisira Dabare**

Member/ Independent Non-Executive Director

Mr. Haresh Kaimal

Member/ Non-Independent Non-Executive Director

* Appointed as the Chairman to the committee w.e.f. 29.03.2023

** Appointed to the committee w.e.f. 29.03.2023

Meetings

During the year under review, four (04) Committee meetings were held. The attendance of the members at each of these meetings is given on page 111 of this Report.

Chief Executive Officer and the other Key Management Personnel in charge of Finance, Information Technology, Credit, Liquidity, Legal, Operations, Human Resources, Compliance and Internal Audit also attended meetings of the Committee, by invitation to assist in the Committee's deliberations.

The Head of Risk Management functioned as the Secretary to the Committee during the year under review.

Duties and responsibilities of the committee

The IRMC charter clearly sets out authority/delegations vested with the Committee, composition, responsibilities, meeting frequency and quorum, reporting and other procedures of the Committee.

The duties and responsibilities of the Integrated Risk Management Committee as mandated by the Board of Directors are as follows:

- assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to SFP through appropriate risk indicators and management information, thereby make recommendations on the risk strategies and the risk appetite to the BOD.
- Develop a Risk Appetite Statement (RAS) for SFP which articulates the individual and aggregate level and types of risks that SFP will accept, or avoid, in order to achieve its strategic business objectives
- Review SFP's risk policies including RAS, at least annually
- Review the adequacy and effectiveness of senior management level committee (such as credit, liquidity, technology) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.
- Assess all aspects of risk management including updated business continuity and disaster recovery plans.
- Establish an independent compliance function to assess SFP's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on business operations
- Establish an independent risk management function responsible for managing risk-taking activities across SFP

Committee activities during the financial year 2022/23

The Committee discharged its responsibilities in compliance with its charter and to enable this, the Committee received regular risk assessed reports on the Company's performance from the Risk Management Department. The reports and the relevant background information have been reviewed in depth and necessary risk mitigation measures have been initiated where necessary, in order to maintain the Company's exposure to risk within its risk appetite limits and to facilitate compliance with regulatory requirements.

The Committee reviewed significant risks comprising strategic, operational, credit, market, information technology and other emerging risk categories during the year. The activities carried out by the Committee are given below;

- Main focus was on the deteriorated credit quality level of many industries due to the weekend operating environment. Affected sectors and risk factors were carefully evaluated, and those drivers within the control of the Company were carefully monitored and directed towards risk mitigation.
- The Company's business strategy was reviewed by the Committee given the macro-economic changes taken place in the country as well as the global macro-economic conditions. Committee steered the Management to focus on business strategies to maintain asset quality and manage portfolio credit risks, to optimise the profitability through expense management and identify growth segments.
- Company's performance was reviewed closely by the Committee and the impact on performance and capital was stress-tested. Mitigatory measures were proposed accordingly to curtail the impact.
- Reviewed the adequacy of the business continuity and disaster recovery plans of the Company, in line with the statutory requirements.
- Reviewed periodic reports from the Management on the metrics used to measure, monitor and manage risks, including acceptable and appropriate levels of risk exposures.
- Approval of parameters and limits set by the Management against various categories of risk upon ascertaining that they are in accordance with the relevant laws and regulations as well as internal guidelines of the Company.
- Improvements were recommended to the Company's risk management framework and related policies and procedures as deemed suitable, by considering the anticipated changes in the economic and business environment.
- Regular reviews of compliance risk, particularly in the context of AML concerns

Reporting to the Board

The Minutes of the Committee meetings were tabled at Board meetings thereby providing the Board members with access to the deliberations of the Committee. The risk assessments were submitted to the Board within an adequate time period from each Board Integrated Risk Management Committee meeting.

Outlook for the financial year 2023/24

Looking ahead, we anticipate the continued decline in the disposable income which will exert an immense pressure specially on SFP's liquidity positions and its credit risk profile. Accordingly, SFP will have to maintain a cautious approach to new lending opportunities in 2023/24. The rapid technological development to drive business innovations will be a prominent factor.

These developments necessitate further improvement in risk governance and risk assessment, and management. Proactive approach towards risk anticipation and implementing forward-looking measures to mitigate any adverse impact will be critical in such an environment. The IRMC will continue to review and oversee SFP's risk profile and its control environment with a special focus on credit and liquidity risk. Further, the Committee will continually review various risks that could be encountered by the company and strive to promote a robust risk governance framework and explicit risk appetite for SFP. The Committee continues to be cautious and recognises that its focus must be further improved to fine tune its risk management strategy with the improvement of technology, increased vulnerability with macroeconomic shocks and volatility that poses a greater challenge in business continuity.

(Sgd.)
Pasan Wanigasekara
Chairman
Integrated Risk Management Committee

11 August 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of the Directors, in relation to the financial statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on pages 131 to 134.

The Companies Act No. 07 of 2007 stipulates that the Directors are responsible for preparing the Annual Report and the financial statements. Company law requires the Directors to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company at the end of the financial year, and of the statement of comprehensive income of the Company for the financial year, which comply with the requirements of the Companies Act.

The Directors consider that, in preparing the financial statements set out in pages 135 to 208 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and in compliance with the Sri Lanka Accounting Standards (SLFRSs / LKASs), Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Finance Business Act No. 42 of 2011 and the Directions issued thereunder. The Directors confirm that they have justified in adopting the going concern basis in preparing the financial statements since adequate resources are available to continue operations in the foreseeable future.

The Directors are responsible for keeping proper accounting records, which disclose reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act No. 07 of 2007.

They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal control.

The Directors are required to prepare the financial statements and to provide the external auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent audit opinion.

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

Compliance Report

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

For and on behalf of the Board of

(Sgd.)
Softlogic Corporate Services (Pvt) Ltd
Secretaries

11 August 2023
Colombo

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Softlogic Finance PLC have pleasure in presenting to the members of their report together with the Audited Financial Statements of the Company for the year ended 31 March 2023.

General

Softlogic Finance PLC is a public limited liability Company which was incorporated on 24 August 1999 under the Companies Act No. 17 of 1982 as "Vanik Leasing Limited".

On 14 July 2005 the name of the Company was changed to "Capital Reach Leasing Limited". The Company was reregistered under the Companies Act No. 07 of 2007 on 29 September 2008 under Registration No. PB 641 PQ.

The Ordinary Shares of the Company were listed on the Dirisavi Board of the Colombo Stock Exchange on 22 January 2009.

The name of the Company was changed to Softlogic Finance PLC on 12 November 2010.

Softlogic Finance PLC is a licensed Finance Company in terms of the Finance Business Act No.42 of 2011 and a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No. 56 of 2000.

Principal Activities Of The Company And Review Of Performance During The Year

The principal activities of the Company during the year were granting lease facilities, vehicle loans, group personal loans, personal loans, business loans, small business loans, SME loans, gold loans, mortgage loans, other credit facilities, vehicle hiring, factoring, acceptance of deposits and the operation of savings accounts.

Future Developments

A review of the business of the Company and its performance during the year with comments on the financial results, future strategies and prospects are contained in the Chairman's & CEO's Messages.

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

Financial Statements

The complete financial statements of the Company prepared in accordance with Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 inclusive of specific disclosures, duly signed by two Directors on behalf of the Board and the Auditors are given on pages 133 to 206.

Auditor's Report

The Report of the Auditors on the Financial Statements of the Company is given on pages 131 to 134.

Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards and the policies adopted thereof are given on pages 140 to 159 Figures pertaining to the previous periods have been re-stated where necessary to conform to the presentation for the year under review.

Directors' Responsibility For Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

Property, Plant & Equipment

The details and movement of property, plant and equipment during the year under review is set out in Note No 27 to the Financial Statements on pages 172 to 174.

Land Holdings

The Company owns freehold land worth of Rs.240,000,000/- with the value of the total freehold land and building coming to Rs.350,500,000/- The freehold land extent is 12.62 perches and is located at No: 13, De Fonseka Place, Colombo 04. This land was valued by Mr. G. W. G. Abeygunawardene, who is a Chartered Valuation Surveyor, on 31st March 2023.

Investments

Details of quoted and unquoted investments made by the Company as at 31st March 2023 are given in Note No 26 to the Financial Statements on page 172.

Donations

The Company did not make any donations during the year under review.

Reserves

The movement of reserves during the year are given under the Statement of Changes in Equity on page 138.

Stated Capital

The stated capital of the Company as at 31 March 2023 was Rs. 7,597,925,039 represented by 609,210,803 ordinary shares.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that 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 date of the Statement of Financial Position, have been paid or, where relevant, provided for.

Related Party Transactions

Transactions of the related parties (as defined in LKAS 24 – Related Parties Disclosure) with the Company are set out in Note No. 46 to the Financial Statements. There are no related party transaction which exceed the threshold of 10% of the equity or 5% of the total assets, whichever is lower than in relation to non-recurrent related party transactions or 10% of the gross revenue in relation to recurrent related party transactions. The Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transaction.

Directorate

The following Directors held Office during the year under review and the existing Board of Directors biographical details are set out on pages 13 to 14.

Executive Director

- **Mr. M.H.P. Wijesekara**
  Director/CEO
  (Resigned w.e.f 27th October 2022)

Non-Executive Directors

- **Mr. A. Russell-Davison**
  (Resigned with effect from 31st July 2022) (a) Non-Executive Chairman

- **Mr. D. P. Renganathan**
  Non – Executive Independent Director – (Appointed as a Chairman w.e.f. 15th August 2022) (b)

- **Mr. H. K. Kaimal**
  Non – Executive Non – Independent Director

- **Mr. A. C. M. Fernando**
  Non – Executive Senior Independent Director
  (Retired w.e.f. 13th August 2023)

- **Ms. A. Goonetilleke**
  Independent Non – Executive Director
  (Resigned w.e.f 9th March 2023) (c)

- **Mr. Aashiq Cader Mohamed Lafir**
  Non – Independent, Non – Executive Director
  (Resigned w.e.f 24th August 2023) (d)

- **Mr. Pasan Thaminda Wanigasekara**
  Independent Non – Executive Director – (Appointed w.e.f 30th June 2022) (e)

- **Mr. H.S. Samantha Dabare**
  Independent Non – Executive Director
  (Appointed w.e.f 12th September 2022) (f)

- **Mr. Ranjan Janaka Perera**
  Non-Independent, Non-Executive Director
  (Appointed w.e.f.02nd June 2023)(g)

(a) The approval has been granted by the Central Bank of Sri Lanka for the aforesaid resignation in terms of Section 8 of the Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible persons) No. 06 of 2021.

(b) The approval has been granted by the Central Bank of Sri Lanka to change the designation as Chairman of the Board of Directors of the Company, in terms of Section 3 of the Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible persons) No. 06 of 2021.

(c) The approval has been granted by the Central Bank of Sri Lanka for the aforesaid resignation in terms of Section 8 of the Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible persons) No. 06 of 2021.

(d) The approval has been granted by the Central Bank of Sri Lanka for the aforesaid resignation in terms of Section 8 of the Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible persons) No. 06 of 2021.

(e) The approval has been granted by the Central Bank of Sri Lanka for the aforesaid appointment in terms of Section 3 of the Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible persons) No. 06 of 2021.

(f) The approval has been granted by the Central Bank of Sri Lanka for the aforesaid appointment in terms of Section 3 of the Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible persons) No. 06 of 2021.

(g) The approval has been granted by the Central Bank of Sri Lanka for the aforesaid appointment in terms of Section 3 of the Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible persons) No. 06 of 2021.

In terms of Article 91 and 92 of the Articles of Association of the Company Mr.H.K. Kaimal retire and being eligible, offer himself for re-election

In terms of Article 97 of the Article of Association of the Company Mr. H.S. Samantha Dabare and Mr. Ranjan Janaka Perera retire and being eligible offer themself for election.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2023 and 31 March 2022 are as follows:

Name of Director	No. of Shares as at 31/03/2023	No. of Shares as at 31/03/2022
Mr. A. Russell – Davison (Resigned w.e.f. 31st July 2022)	Nil	Nil
Mr. H.K. Kaimal	Nil	Nil
Mr. A.C.M.Fernando	Nil	Nil
Mr. D.P. Renganathan	Nil	Nil
Mr. M.H.P. Wijesekera (Resigned w.e.f 27th October 2022)	Nil	Nil
Ms. A. Goonetilleke (Resigned w.e.f 9th March 2023)	Nil	Nil
Mr. Aashiq Lafir (Resigned w.e.f 24th August 2023)	Nil	Nil
Mr. Pasan T Wanigasekara (Appointed w.e.f. 30th June 2022)	Nil	Nil
Mr. H.S. Samantha Dabare (Appointed w.e.f 12th September 2022)	Nil	Nil
Mr. Ranjan Janaka Perera (Appointed w.e.f. 02nd June 2023)	9,600	Nil

Mr. A Russell-Davison is a Director of Softlogic Capital PLC, which held 565,354,947 shares (92.80%) in Softlogic Finance PLC as at 31 March 2023. Messrs. A Russell-Davison and H K Kaimal are Directors of Softlogic Holdings PLC which held 5,657,598 shares (0.93%) in Softlogic Finance PLC as at 31 March 2023.

Directors' Remuneration

Directors' remuneration in respect of the Company for the financial year ended 31 March 2023 Is disclosed under the transactions with key managerial personnel in Note No. 46.1 to the Financial Statements on page 200.

Interests Register

The Company maintains an Interest Register in terms of the Companies Act No. 07 of 2007 which is deemed to form part and parcel of this Annual Report and available for inspection upon request. All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interest Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

Shareholders' Information

The distribution of shareholders, information on the twenty (20) largest shareholders of the Company, percentage of shares held by the public, market values per share as per the requirements of the Listing Rules of the Colombo Stock Exchange are given on the page 212 to 213 under the Investor Information section.

Compliance

The Company has established a permanent and effective compliance function. A Compliance Officer appointed by the Board independently monitors adherence with all applicable laws, regulations and statutory requirements and reports to the Board and the Integrated Risk Management Committee. Monthly and quarterly compliance reports are submitted confirming compliance with laws and regulations as applicable to the Company.

The Compliance Officer also ensures that compliance reports are submitted to the Central Bank of Sri Lanka confirming Company's compliance with the directions, rules, determinations, notices and guidelines issued under the Finance Business Act No. 42 of 2011.

Internal Control

The Directors are responsible for the governance of the Company including the establishment and maintenance of the Company's system of internal control. Internal control systems are designed to cover financial, operational and compliance controls. The Internal Auditors are responsible to review and report on the efficacy of the internal control system and other regulations and the Company's accounting and operational policies, which are subject to further review by the Audit Committee as elaborated in the report of Audit Committee on page 116 to 117.

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee and the Integrated Risk Management Committee

The Risk Management section on page 59 to 64 sets out the processes currently practiced by the Company to identify and manage the risks.

Contingent Liabilities

Except as disclosed in Note No. 43 to the Financial Statements, there were no material contingent liabilities as at the date of the Financial Position of the Company.

Corporate Governance

Corporate Governance is the system of rules, practices and processes by which a Company is managed. Good Corporate Governance helps in driving the Company towards performance excellence while complying with external and internal regulations, guidelines and ethical standards. Sound internal controls and procedures play an integral part in maintaining high standards of transparency, disclosure, financial controls and accountability in good Corporate Governance.

The Company is committed to high standards of Corporate Governance and we are constantly seeking ways of improving our Governance practices. We believe that the emphasis the Company consistently instills among all members of the Softlogic Finance team of the Company's Shared Values play a critical role in this regard. The systems are designed and developed to influence the behavior of everyone assigned with the responsibility of managing the affairs of the Company ensuring that the interests of all stake holders are effectively served on a consistent basis.

The Company's Corporate Governance model has been built and enhanced based on the following requirements and guidelines, within the legal framework of the Companies Act No. 07 of 2007.

1. The Listing Rules of the CSE.
2. Finance Companies (Corporate Governance) Direction No.03 of 2008 issued by the Central Bank of Sri Lanka.
3. Finance Companies (Corporate Governance-Amendments) Direction No.04 of 2008 issued by the Central Bank of Sri Lanka.
4. Finance Companies (Corporate Governance-Amendments) Direction No.06 of 2013 issued by the Central Bank of Sri Lanka.
5. Finance Business Act Direction (Corporate Governance) No. 05 of 2021 issued by the Central Bank of Sri Lanka.
6. Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible persons) No. 06 of 2021 issued by the Central Bank of Sri Lanka.

The Company's compliance with the voluntary Code of Best Practice in Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and Securities & Exchange Commission of Sri Lanka (SEC), is subordinate to the prevalent CBSL Directions and the applicable Listing Rules issued by the Colombo Stock Exchange.

The Board of Directors confirm that the Company is complied with Section 7.10 of the Listing Rules of the CSE on Corporate Governance and the said Direction issued by the Monetary Board of the Central Bank of Sri Lanka save and except in respect of the matters referred to in the Annual Corporate Governance Report on page 66 to 110.

An Audit Committee, Human Resource and Remuneration Committee, Related Party Transaction Review Committee, Board Credit & Recoveries Committee, IT Security and Steering Committee, Nomination Committee and Integrated Risk Management Committee function as Board Sub Committees with Directors who possess the requisite qualifications and experience. In addition to Directors, certain key management personnel also serve on the Integrated Risk Management Committee and the IT Steering Committee.

The compositions of the committees are as follows:

Audit Committee

- Mr. A. C. M. Fernando (Chairman) - Retired w.e.f. 13/08/2023
- Mr. D. P. Renganathan
- Mr. A. Russell-Davison - Resigned w.e.f. 31/07/2022
- Mr. H.S Sisira Dabare – Appointed w.e.f 28/09/2022

Human Resource and Remuneration Committee

- Ms. Aruni Goonetileke – Chair Person-Resigned w.e.f 9th March 2023
- Mr. Dinesh Renganathan – Member and appointed as the Chairman of the Committee w.e.f 30/03/2023
- Mr. Aaron Russell-Davison – Member-Resigned w.e.f. 31/07/2022
- Mr. Manilka Fernando – Member – Retired from the Board w.e.f 13/08/2023
- Mr. H.K. Kaimal – Appointed w.e.f. 29/03/2023
- Mr. H.S. Sisira Dabare – Appointed w.e.f. 22/08/2023

Board Credit & Recoveries Committee

- Ms. Aruni Goonetileke – Chair Person-Resigned w.e.f 9th March 2023
- Mr. H.S. Sisira Dabare – Chairman - Appointed w.e.f.29/03/2023
- Mr. Dinesh Renganathan – Member
- Mr. Pasan T Wanigasekara – Member - Appointed w.e.f 29/03/2023
- Mr. Namal Sumanaratne – Member / Secretary to the committee - Resigned w.e.f. 26/05/2023

Integrated Risk Management Committee

- Mr. Pasan T. Wanigasekara – Chairman – Appointed w.e.f. 29/03/2023
- Mr. Dinesh Renganathan – Member
- Mr. Priyantha Wijesekera – Member-Resigned w.e.f 27/10/2022
- Mr. Haresh Kaimal – Member-Appointed w.e.f. 29/03/2023
- Mr. H.S. Sisira Dabare – Appointed w.e.f.29/03/2023

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

IT Steering Committee

- Mr. Haresh Kaimal – Chairman
- Mr. Pasan T. Wanigasekara – Member
- Mr. H.S. Sisira Dabare – Member
- Mr. Channa De Silva – Member / Secretary to the committee- Resigned w.e.f 14/01/2023
- Ms. A. Thilakeratne – Secretary appointed w.e.f. 25/01/2023

Nomination Committee

- Mr. A. C. M. Fernando (Chairman) – Retired from the Board w.e.f. 13/08/2023
- Mr. H.S.Sisira Dabare - Chairman (Appointed w.e.f 22/08/2023)
- Mr. Dinesh P. Renganathan - Member
- Mr. Haresh Kaimal - Member

Related Party Transaction Review Committee

- Mr. A. C. M. Fernando - Chairman - Retired w.e.f. 13/08/2023
- Mr. H.K. Kaimal - Member
- Mr. D.P. Renganathan - Member - Changed the membership on 29/09/2023
- Mr. Pasan T. Wanigasekara – Member – Appointed w.e.f 28/09/2022

Capital Adequacy Requirement

Over the year, the Central Bank closely monitored a company, addressing its capital inadequacies through guidance and gradually imposing regulatory limits on lending, customer deposits, and commercial paper holdings. These limits were reduced to Rs. 15.5 billion, Rs. 12.5 billion, and Rs. 5.6 billion respectively by year-end.

These restrictions stemmed from the company's inability to meet central bank capital requirements, leading to a need for a capital restoration plan. The company's board devised a comprehensive strategy, aiming to align with central bank requisites and submitted it for approval. The strategy involves reducing exposure to lending, customer deposits portfolios to Rs. 13.5 billion, Rs. 9.0 billion by September 2023 and commercial paper portfolio to Rs. 4.6 billion by 7th July 2023 as mandated by the Central Bank. The goal is to eventually lift the limitations, fostering the company's financial rejuvenation.

Serious Loss of Capital

In the year under review, the company's net asset position regrettably dipped below half of the company's Stated Capital creating a serious loss of capital position in the company. Responding promptly to this situation, the board of directors convened an Extraordinary General Meeting on July 12th, 2023, as mandated by Section 220 of the Companies Act No. 07 of 2007. During this assembly, the Directors' Report was presented, effectively elucidating to the shareholders the nature and extent of the company's incurred losses. Furthermore, the report expounded on the root causes behind these losses and outlined the strategic measures being undertaken by the board to prevent any future occurrences of similar losses and to recover from the losses sustained.

The Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided non-audit/tax compliance services. As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Company.

A total amount of Rs.4,214,719 is payable by the Company to the Auditors for the year under review as audit fees.

A resolution to reappoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held by electronic means on 27th September 2023 at 10.00 a.m. The Notice of the Annual General Meeting is on page 217 of the Annual Report.

Acknowledgement of the Contents of the Report

As required by Section 168(1)(k) of the Companies Act No. 07 of 2007, this report is signed on behalf of the Board of the Company by two Directors and the Secretaries of the Company. Signed for and on behalf of the Board of Directors by

(Sgd.)
Mr. D.P. Renganathan
Chairman

(Sgd.)
Mr. H.K. Kaimal
Director

(Sgd.)
Softlogic Corporate Services (Pvt) Ltd
Secretaries

28 August 2023
Colombo

FINANCIAL STATEMENTS

FINANCIAL CALENDAR

2022/23

Publication of Audited Financial Statements for the year ended 31 March 2022	30th June 2022
14th Annual General Meeting held on	29th September 2022
Publication of half yearly Financial Statements (1st half of year 2022/23) (Unaudited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Languages	15th November 2022
Publication of half yearly Financial Statements (2nd half of year 2022/23) (Audited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Languages	15th August 2023

PUBLICATION OF INTERIM FINANCIAL STATEMENTS IN TERMS OF LISTING RULES 7.4 OF THE COLOMBO STOCK EXCHANGE

1st Quarter ended 30 June 2022	04th August 2022
2nd Quarter ended 30 September 2022	15th November 2022
3rd Quarter ended 31 December 2022	14th February 2023
4th Quarter ended 31 March 2023	31st May 2023

PROPOSED FINANCIAL CALENDAR 2023/2024

Publication of Audited Financial Statements for the year ended 31 March 2023	15th August 2023
15th Annual General Meeting to be held on	27th September 2023
Publication of half yearly Financial Statements (1st half of year 2023/24) (Unaudited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	On or before 30th November 2023
Publication of half yearly Financial Statements (2nd half of year 2023/24) (Audited)) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	On or before 30th June 2024

PUBLICATION OF INTERIM FINANCIAL STATEMENTS IN TERMS OF LISTING RULES 7.4 OF THE COLOMBO STOCK EXCHANGE

1st Quarter ended 30 June 2023	15th August 2023
2nd Quarter ended 30 September 2023	On or before 15th November 2023
3rd Quarter ended 31 December 2023	On or before 15th February 2024
4th Quarter ended 31 March 2024	On or before 31st May 2024

INDEPENDENT AUDITORS' REPORT

Building a better working world

Ernst & Young
Chartered Accountants
201, De Saram Place
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ey.com

APAG/WDPL/IP/AD

TO THE SHAREHOLDERS OF SOFTLOGIC FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Softlogic Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Emphasis of Matter relating compliance with regulatory requirements

We draw attention to Notes 41.5 and 44 to the financial statements which discusses compliance with regulatory requirements and corrective action taken by the Company. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on financial assets carried at amortized cost As at 31 March 2023, allowance for expected credit losses on financial assets carried at amortized cost net of impairment allowances amounted to LKR 16.6 Bn as disclosed in notes 21, 22, 23, & 24 to the financial statements. This was a key audit matter due to the materiality of the reported allowance for expected credit losses which involved complex calculations; degree of significant judgements and assumptions and level of estimation uncertainty associated with estimating future cashflows management expects to receive from such financial assets. Key areas of significant judgments, estimates and assumptions used by management in the assessment of the allowance for expected credit losses included the following; • Management overlays to incorporate the current economic contraction. • The Incorporation of forward-looking information such that expected cashflows reflect current and anticipated future external factors evaluated under different economic scenarios and the probability weighting determined for each of these scenarios.	In addressing the adequacy of the allowance for expected credit losses on financial assets carried at amortized cost, our audit procedures included the following key procedures. • We assessed the alignment of the Company's allowance for expected credit losses computations and underlying methodology including responses to market economic volatility with its accounting policies, based on the best available information up to the date of our report. • We evaluated the Internal controls over estimation of credit impairment, which included assessing the level of oversight, review and approval of allowance for expected credit losses policies and procedures by the Board and management • We checked the completeness, accuracy and classification of the underlying data used in the computation of credit impairment by agreeing details to relevant source documents and accounting records of the Company • In addition to the above, following procedures were performed. **For Loan, Lease and Hire Purchase receivables assessed on an individual basis for impairment:** • We evaluated the reasonableness of credit quality assessment. • We checked the arithmetical accuracy of the underlying individual impairment calculations. • We evaluated the reasonableness of key inputs used in provision for credit impairment made with particular focus on current economic contraction. Such evaluations were carried out considering the customer exposure to elevated risk industries, debt moratoriums, status of recovery actions of collaterals in forecasting the value and timing of cashflows. **For Loan, Lease and Hire Purchase receivables assessed on a collective basis for impairment:** • We tested key inputs as disclosed in note 24 and the calculations used in the allowance for expected credit losses. • We assessed whether judgements used in assumptions and estimates made by the management when estimating future cashflows, in the underlying methodology and management overlays were reasonable. Our assessment included portfolio segmentation, elevated risk industries, evaluating the reasonableness of forward-looking information, different economic scenarios and probability weighting assigned to each scenario. We assessed the adequacy of the related financial statement disclosures set out in notes 21, 22, 23 & 24 of the financial statements

Key audit matter	How our audit addressed the key audit matter
Information Technology (IT) systems and internal controls over financial reporting Company's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems and related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following, • We obtained an understanding of the Internal control environment of the processes and checked relevant controls relating to financial reporting and related disclosures. • We involved our internal specialized resources to check and evaluate the design and operating effectiveness of IT systems and relevant controls, including those related to user access and change management. • We also obtained a high-level understanding, primarily through inquiry, of the cybersecurity risks affecting the company and the actions taken to address these risks. • We checked source data of the reports used to generate disclosures for accuracy and completeness, including review of general ledger reconciliations.

Other information included in the 2023 Annual Report

Other information consists of the information included in the Company's 2023 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2023 Annual Report is expected to be made available to us after the date of this auditor's report.

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

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

1. 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.
2. 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 controls.

INDEPENDENT AUDITORS' REPORT

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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.
5. 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 1697.

11 August 2023

Colombo

INCOME STATEMENT

For the year ended 31 March	Note	2023 Rs.	2022 Rs.
Interest income		3,925,424,279	2,945,415,506
Less: Interest expenses		(3,891,334,065)	(1,593,117,271)
Net interest income	7	**34,090,214**	**1,352,298,236**
Fee and commission income	8	99,060,164	149,649,072
Other operating income	9	174,683,598	109,212,883
Total operating income		**307,833,976**	**1,611,160,190**
Less:Credit loss expense on financial assets and other losses	10	(1,809,774,888)	(1,210,260,696)
Net operating income		**(1,501,940,912)**	**400,899,494**
Less: Operating expenses			
Personnel expenses	11	(523,128,866)	(460,384,590)
Other operating expenses	12	(970,133,657)	(876,260,476)
Operating profit / (Loss) before taxes on financial services		**(2,995,203,435)**	**(935,745,572)**
Less: Taxes on financial services	13	-	-
Profit / (Loss) before income tax		**(2,995,203,435)**	**(935,745,572)**
Less: Income tax expense	14	-	-
Profit / (Loss) for the year		**(2,995,203,435)**	**(935,745,572)**
Basic / Diluted earnings / (loss) per share (Rs.)	15	(5.66)	(2.33)
Dividend per share (Rs.)	16	-	-

The Accounting policies and Notes to the Financial Statements from pages 140 to 208 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Note	2023 Rs.	2022 Rs.
Profit / (Loss) for the year		(2,995,203,435)	(935,745,572)
Other comprehensive income / (expenses)			
Other comprehensive income to be reclassified to profit or loss:			
Gain / (Loss) arising on remeasuring available for sale financial investments		-	3,209,272
Other comprehensive income that will not to be reclassified to profit or loss:			
Actuarial gain / (loss) on defined benefit plan	34.2	7,618,825	8,897,926
Deferred tax effect on actuarial gain / (loss)	33	(2,285,648)	(2,135,502)
		5,333,178	**6,762,424**
Surplus from revaluation of property, plant & equipment		18,065,000	28,470,000
Deferred tax effect on revaluation surplus		(5,419,500)	(6,832,800)
	37	**12,645,500**	**21,637,200**
Other comprehensive income / (Expenses) for the year, net of tax		**17,978,678**	**31,608,896**
Total comprehensive income / (Loss) for the year, net of tax		**(2,977,224,758)**	**(904,136,676)**

The Accounting policies and Notes to the Financial Statements from pages 140 to 208 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

For the year ended 31 March	Note	2023 Rs.	2022 Rs.
Assets			
Cash and bank balances	18	493,667,734	438,009,460
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	19.2	316,466,799	-
Securities purchased under repurchase agreements	20	1,890,681,971	1,457,460,165
Financial Assets at Amortised Cost - Factoring receivables	21	112,275,125	710,253,049
Financial Assets at Amortised Cost - Gold loan receivables	22	4,549,369,028	2,891,741,116
Financial Assets at Amortised Cost - Loan receivables	23	4,181,144,329	5,721,832,163
Financial Assets at Amortised Cost - Lease and hire purchase receivables	24	7,816,461,877	11,262,883,980
Other assets	25	1,648,170,954	1,605,723,051
Equity Instruments at fair value through other comprehensive income	26	30,600	30,600
Property, plant & equipment	27	419,853,994	485,845,674
Intangible assets	27.8	90,193,197	123,430,339
Investment Property	28	103,237,000	103,237,000
Right of Use Assets	29	131,450,719	141,979,786
Deferred Tax	33	428,669,724	436,374,872
Total Assets		**22,181,673,051**	**25,378,801,253**
Liabilities			
Bank overdraft		35,260,310	51,911,762
Financial Liabilities at Amortised Cost - Due to other customers	30	12,430,946,956	15,599,352,518
Financial Liabilities at Amortised Cost - Other borrowed funds	31	6,916,179,291	4,792,533,847
Other payables	32	521,406,563	525,122,930
Retirement benefit obligations	34	41,832,849	46,459,268
Total Liabilities		**19,945,625,968**	**21,015,380,325**
Equity			
Stated capital	35	7,597,925,039	6,746,427,723
Statutory reserve fund	36	260,448,732	260,448,732
Revaluation reserve	37	172,788,382	160,142,882
Non-Distributable Regulatory Loss Allowance Reserve	38	1,748,974,244	-
Retained earnings	39	(7,544,089,315)	(2,803,598,409)
Total Equity		**2,236,047,083**	**4,363,420,928**
Total Liabilities and Equity		**22,181,673,051**	**25,378,801,253**
Net asset value per share (Rs.)		3.67	8.86
Commitments and contingencies	43	388,741,450	759,541,937

We certify that these Financial Statements are presented in compliance with the requirements of the Companies Act No.7 of 2007.

(Sgd.)
Deshantha de Alwis
Head of Finance

(Sgd.)
Ms. Ivon Brohier
Chief Executive Officer

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

(Sgd.)
H.S.S. Dabare
Director

(Sgd.)
H.K. Kaimal
Director

The Accounting policies and Notes to the Financial Statements from pages 140 to 208 form an integral part of these Financial Statements.

11 August 2023
Colombo

STATEMENT OF CHANGES IN EQUITY

	Note	Stated Capital Rs.	Statutory Reserve Fund Rs.	Non-Distributable Regulatory Loss Allowance Reserve Rs.	Revaluation Reserve Rs.	Available for Sale Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 April 2021		4,506,759,983	260,448,732	-	138,505,682	(2,588,523)	(1,875,236,009)	3,027,889,866
Profit for the year		-	-	-	-	-	(935,745,572)	(935,745,572)
Other comprehensive income, net of tax		-	-	-	21,637,200	2,588,523	6,762,424	30,988,147
Rights Issue of shares		2,239,667,740	-	-	-	-	-	2,239,667,740
Gain / (Loss) on share disposal		-	-	-	-	-	620,749	620,749
Transfer to Statutory Reserve Fund	36	-	-	-	-	-	-	-
Balance as at 31 March 2022		**6,746,427,723**	**260,448,732**	**-**	**160,142,882**	**-**	**(2,803,598,408)**	**4,363,420,930**
Balance as at 01 April 2022		6,746,427,723	260,448,732	-	160,142,882	-	(2,803,598,408)	4,363,420,930
Profit for the year		-	-	-	-	-	(2,995,203,435)	(2,995,203,435)
Other comprehensive income, net of tax		-	-	-	12,645,500	-	5,333,178	17,978,678
Rights Issue of shares		851,497,316	-	-	-	-	-	851,497,316
Expenses related to share issue		-	-	-	-	-	(1,646,405)	(1,646,405)
Transfer to Non-Distributable Regulatory Loss Allowance Reserve	38	-	-	1,748,974,244	-	-	(1,748,974,244)	-
Transfer to Statutory Reserve Fund	36	-	-	-	-	-	-	-
Balance as at 31 March 2023		**7,597,925,039**	**260,448,732**	**1,748,974,244**	**172,788,382**	**-**	**(7,544,089,315)**	**2,236,047,083**

The Accounting policies and Notes to the Financial Statements from pages 140 to 208 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	2023 Rs.	2022 Rs.
Cash flows from operating activities			
Profit before taxation		(2,995,203,435)	(935,745,572)
Depreciation	27	33,967,615	44,777,797
Amortization	27.8	33,237,142	33,237,142
Profit on disposal of property, plant & equipment		(28,884,815)	(2,089,326)
(Profit) / Loss on sale of real estate		-	(28,720,501)
Impairment charge	10.1	1,809,774,888	1,210,260,696
(Gain) / loss from disposal of available for sale investments		-	620,749
Provision for defined benefit plans	34.1	6,091,233	1,089,850
Amortisation expenses on right-of-use assets	12.1	64,494,661	62,628,952
Interest Expenses	7.2	3,891,334,065	1,593,117,271
		5,810,014,789	**2,914,922,628**
Operating profit before working capital changes		**2,814,811,354**	**1,979,177,056**
(Increase)/Decrease in Financial Assets at Amortised Cost - lease and hire purchase receivables		3,135,096,590	(6,131,945,356)
(Increase)/Decrease in Financial Assets at Amortised Cost - factoring receivables		584,914,349	(151,392,255)
(Increase)/Decrease in Financial Assets at Amortised Cost - gold loan receivables		(1,662,221,955)	(637,944,031)
(Increase)/Decrease in Financial Assets at Amortised Cost - loan receivables		207,103,968	1,652,689,102
(Increase)/Decrease in Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)		(316,466,799)	300,809,707
(Increase)/Decrease in Placements with banks, Other Financial companies, Repo investments		(433,221,806)	(251,149,716)
(Increase)/Decrease in Equity Instruments at fair value through other comprehensive income		-	40,018,290
(Increase)/Decrease in right of use assets		(53,965,594)	(93,596,002)
(Increase)/Decrease in other assets		(182,028,824)	(581,695,488)
Increase/(Decrease) in due to other customers		(3,168,405,562)	1,001,208,982
Increase/(Decrease) in other payables		72,494,068	54,219,947
		(1,816,701,564)	**(4,798,776,820)**
Cash generated from operating activities		**998,109,790**	**(2,819,599,764)**
Interest expense paid		(3,891,334,065)	(1,593,117,271)
Taxes Paid		-	-
Gratuity paid	34.1	(10,717,653)	(12,038,533)
Net cash outflow from operating activities		**(2,903,941,928)**	**(4,424,755,568)**
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets	27	22,096,003	(25,456,351)
Purchase of investment property	28	-	(103,237,000)
Proceeds from sale of property, plant and equipment		56,869,732	(2,027,419)
Net cash inflow/(outflow) from investing activities		**78,965,735**	**(130,720,770)**
Net cash outflow before financing activities		(2,824,976,193)	(4,555,476,338)
Cash flow from financing activities			
Dividends Paid		-	-
Rights issue of shares	35	851,497,316	2,239,667,740
Expenses related to share issue		(1,646,405)	-
Proceeds from bank loans and securitizations loans	31.1	650,000,000	2,245,514,789
Repayments of bank loans and securitizations loans	31.1	(1,985,327,133)	(2,694,012,933)
Proceeds from subordinated debt	31.1	109,640,262	900,000,000
Proceeds from commercial papers	31.1	22,666,462,890	2,256,149,865
Repayment of commercial papers	31.1	(19,317,130,576)	(508,151,976)
Repayment of principal portion of lease liabilities	32.2	(76,210,435)	(79,695,738)
Net cash inflow from financing activities		**2,897,285,919**	**4,359,471,747**
Net increase/(decrease) in cash and cash equivalents		**72,309,726**	**(196,004,591)**
Cash & cash equivalents as at the beginning of the year		**386,097,698**	**582,102,287**
Cash and cash equivalents as at end of the year		**458,407,424**	**386,097,698**
Analysis of the cash and cash equivalents at the end of the year			
Cash and bank balances	18	493,667,734	438,009,460
Bank overdraft		(35,260,310)	(51,911,762)
		458,407,424	**386,097,698**

The Accounting policies and Notes to the Financial Statements from pages 140 to 208 form an integral part of these Financial Statements.

SIGNIFICANT ACCOUNTING POLICIES

1. CORPORATE INFORMATION

1.1 General

Softlogic Finance PLC ("The Company"), is a public limited liability company incorporated and domiciled in Sri Lanka under the Companies Act No. 17 of 1982. The Company was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No.7 of 2007 and it is a Licensed Finance Company under the Finance Business Act No.42 of 2011 and amendments thereto and has listed in the Colombo Stock Exchange on 22 January 2009. The registered office of the Company is located at No.13, De Fonseka Place, Colombo 4.

The staff strength of the Company as at 31 March 2023 was 430 (494 as at 31 March 2022).

1.2 Principal Activities and Nature of Operations

The Company provides a comprehensive range of financial services encompassing accepting deposits, providing finance lease, hire purchase, vehicle loan facilities, mortgage loans, gold loan, debt factoring, revolving loans and business/personal loans.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking / ultimate parent and the controlling party is Softlogic Capital PLC (formerly known as Capital Holdings Ltd). In the opinion of the Directors, the company's ultimate parent undertaking and controlling party is Softlogic Holdings PLC, which is incorporated in Sri Lanka.

2. BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of these annual financial statements are noted below.

2.1 Statement of Compliance

The Financial Statements of the Company, which comprise Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007. The presentation of these Financial Statements is also in compliance with the requirements of Finance Business Act No 42 of 2011, Listing Rules of the Colombo Stock Exchange and the CBSL guidelines.

2.2 Responsibility for Financial Statements

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

2.3 Approval of Financial Statements by Directors

The Financial Statements of the Company as at and for the year ended 31 March 2023 were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 11 August 2023.

2.4 Basis of Measurement

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

- Financial Assets at fair value through other comprehensive income at fair value (Note 26)
- Freehold land, which is measured at cost at the time of acquisition subsequently, measured at revalued amounts, which are the fair values at the date of revaluation (Note 27)
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets (Note 34)

2.5 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (Rs.), which is the currency of the primary economic environment in which Softlogic Finance PLC operates. The Financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee unless indicated otherwise. There was no change in the Company's presentation and functional currency during the year under review.

2.6 Presentation of Financial Statements

The assets and liabilities of the Company presented in the 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. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Note 48.

2.7 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard - LKAS 01(Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

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 income statement unless required or permitted by an Accounting Standard.

2.8 Comparative Information

The comparative information is re-classified whenever necessary to conform to the current year's classification in order to provide a better presentation.

2.9 Statement of Cash Flow

The cash flow statement has been prepared by using the indirect method in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby operating, investing and financial activities have been separately recognised. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents include cash in hand, balances with banks, placements with banks (less than 3 months), net of unfavourable bank balances and securities purchased under repurchase agreement (less than three months).

2.10 Events After the Reporting Date

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the financial statements, other than those disclosed in Note 44 to the Financial Statements.

2.11 Going Concern

The Company has incurred a net loss of Rs. 2,995,203,435 (2022: 935,745,572) during the year ended 31 March 2023. Accumulated losses of the Company amounted to Rs. 7,544,089,315 (2022: 2,803,598,409) as of that date.

During the year, the Company increased its issued share capital by Rs. 851,497,316 by issuing 116,483,901 ordinary voting shares by way of a Rights Issue to existing shareholders. The purpose of the Issue was to enable the Company to be compliant with the Capital Adequacy requirements stipulated by The Finance Business Act Direction No 03 of 2018 of the Central Bank of Sri Lanka. Accordingly, 100 new Ordinary Shares were issued for every 423 Ordinary Shares held by a shareholder at a price of Rs. 7.31 per share.

The status of compliance with regulatory Capital Adequacy requirements as of the reporting date is as stated below:

Capital Adequacy Ratios	31 March 2023 Rs.	31 March 2022 Rs.
Tier 1 Ratio - (Minimum Requirement - 8.5%, 7% in FY 2021/22)	-1.11%	7.1%
Total Capital ratio - (Minimum Requirement - 12.5%, 11% in FY 2021/22)	0.60%	12.1%

By its letter dated 12 January 2023, Central Bank of Sri Lanka imposed caps on Total Deposits (with Accrued interest payable) and Total Lending Portfolio have been downsized to Rs.12.5Bn and Rs.15.5Bn respectively by 31st March 2023. However, the Company was permitted to grant cash back loans, pawning advances, gold loans and other related claims secured by gold.

The Company's net assets have fallen below fifty percent of the stated capital as of 31 March 2023 representing 43% of stated capital which is a serious loss of capital as per Section 220 of the Companies Act No. 07 of 2007. Accordingly, the Board of Directors has called for an EGM to inform the shareholders of the nature and extent of losses incurred by the Company, the causes of such losses and the remedial actions that would be taken by the Company. The EGM was held on 12th July 2023.

The Company has informed the following corrective measures to be taken to its shareholders through an announcement made to the Colombo Stock Exchange (CSE) on 23rd June 2023.

An additional Capital requirement of LKR 2.5Bn to-comply with CAR is expected by December 2023. The final figure would vary depending on the proceeds from sale of the lease portfolio and disposal of other assets like the Head Office building and other high valued properties available for sale. The Company has received a commitment from the Group to infuse the required LKR 2.5 Bn capital by end of December 2023, of which LKR 1.8 Bn of Group funds that are currently with the Company will be converted into Equity through a Rights Issue and utilized to fulfil the CAR requirement and the serious loss of capital situation of the Company.

The Company has written to the Central Bank requesting approval to shrink its branch network to a maximum of 5 branches that will cover key geographical regions of the country by 31 December 2023. This will enable the Company to rationalize costs and improve profitability.

Further, the Company is actively seeking to execute the following measures.

- Divest parts or entirety of the leasing and gold loan portfolios.
- Reduce Depositor obligations.
- Seek a merger partner.
- Seek a new Investor

These events or conditions, together with status of compliance with regulatory capital adequacy requirements disclosed above, may indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Management has assessed the actions to be taken to overcome the issues and the Company's ability to continue as a going concern, and is satisfied that it has the resources to continue in business for the foreseeable future.

Accordingly, the financial statements continue to be prepared on the going concern basis of accounting and no material uncertainty exists related to the events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

2.12 Significant Accounting Judgements, Estimates and Assumptions

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets and liabilities and the accompanying disclosures as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with in next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond Company's control and are reflected in the assumptions if and when they occur.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

2.12.1 Impairment losses on loans and receivables

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates driven by a number of factors, changes in which can result in different levels of allowances.

The Company reviews its individually significant loans and advances at each financial reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates were based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively by categorizing them, into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered accounting judgements and estimates include.

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECLs, models, including the various formulas and the choice of inputs Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PDs), Exposure at default (EADs) and loss given default (LGDs).
- Selection of forward - looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It is the Company's policy to regularly review its models in the context of actual loss experience and adjust whenever necessary. The above assumptions and judgements are discussed in detail under Note 3.1.9 to the Financial Statements.

2.12.2 Fair Value of Financial Instruments

The determination of fair value 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 valuation of financial instrument is described in Note 41 to the Financial Statements. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The determination of the fair value of the financial instruments of the Company were not materially affected by the significant volatility in financial markets created by the COVID – 19 pandemics. The fair value hierarchy is also given in Note 40 to the Financial Statements.

2.12.3 Financial Assets and Financial Liabilities Classification

The Company's accounting policies provide scope for assets and liabilities to be classified, at inception in to different accounting categories. The classification of financial instruments is given in Note 15 "Analysis of Financial Instruments by Measurement Basis". The COVID-19 pandemic has resulted in significant volatility in the financial markets. However, the Company did not require to reclassify any of its financial assets as a result of the significant volatility created by the pandemic. The classification of financial instrument is given in Note 40 "Analysis of Financial Instruments by Measurement Basis".

2.12.4 Taxation

The Company is subject to income tax and judgement is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements.

The details of deferred tax computation is given in Note 33 to the Financial Statements.

2.12.5 Defined Benefit Plans

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

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate for the Company. The sensitivity of assumptions used in actuarial valuations are set out in Note 34 to the Financial Statements.

2.12.6 Fair value of Property, plant & Equipment

The free hold land of the Company is reflected at fair value at the date of revaluation less any accumulated impairment losses. The Company engages independent valuation specialists to determine fair value of free hold land in terms of Sri Lanka Accounting Standard –SLFRS 13, (Fair Value Measurement). The details of freehold land including methods of valuation are given in Note 27 to the Financial Statements.

2.12.7 Useful Life-time of the Property, Plant, Equipment and Intangible Assets

The Company reviews the residual values, useful lives and methods of depreciation and amortization of property, plant, equipment and intangible assets at each reporting date. The judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.12.8 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in Note 43 to the Financial Statements.

3. GENERAL ACCOUTING POLICIES

In these financial statements, the Company has applied Sri Lanka Accounting Standard - Amendments to SLFRS 16: Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 and Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2 which became effective for the annual reporting periods beginning on or after 1 January 2021, for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not effective mentioned in Note 5 to the Financial Statements.

Amendments to SLFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021.

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2

IBOR reform Phase 1

In 15 January 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform (Phase 1). A summary of Phase 1 amendments are as follows:

Highly Probable Requirement: when determining whether a forecast transaction is highly probable to be designated as a hedged item, an entity shall assume that the interest rate benchmark on which the hedged cashflows are based is not altered as a result of the reform.

Prospective assessments: when performing prospective assessments to evaluate whether a hedging relationship qualifies for hedge accounting, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

LKAS 39 retrospective assessment: an entity is not required to undertake the 'LKAS 39 retrospective assessment' for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assessment.

Separately identifiable risk components: For hedges of noncontractually specified benchmark component of interest rate risk, an entity shall apply the requirement of risk component (or a portion) to be separately identifiable to be eligible for hedge accounting, only at the inception of such hedging relationships.

IBOR reform Phase 2

In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to Interest Rate Benchmark Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include several practical expedients.

The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 1 January 2021 in the Sri Lankan context.

3.1 Financial Instruments-Initial Recognition, Classification and Subsequent Measurement

3.1.1 Date of Recognition

All financial assets and liabilities are initially recognised on the trade date. i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes "regular way trades". Regular way trade means purchases or sales of financial assets with in the time frame generally established by regulation or convention in the market place.

3.1.2 Initial measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for "Day 1 profit or loss", as described below.

3.1.3 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the Income Statement over the tenor of the financial instrument using effective interest rate method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Income Statement when the inputs become observable, or when the instrument is derecognised.

3.1.4 Measurement categories of Financial Assets and Financial Liabilities

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

- Amortised cost,
- fair value through other comprehensive income (FVOCI) or
- Fair value through profit or loss. (FVPL)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

(i) Financial Assets at Amortised cost:

The Company only measures loans, receivables, and other financial investments, at amortised cost if both of the following conditions are met:

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

Loans and Receivables consist of cash and bank balances, securities purchased under repurchase agreements, factoring receivables, lease receivables, hire purchase receivables, loan receivables, gold loan receivables and other assets.

The details of the above conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflect how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed

- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms of that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

(ii) Equity instruments at FVOCI

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

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

Currently, the Company has recorded its non- quoted equity investments FVOCI at cost less ECL if any. The details of equity instruments at FVOCI are given in Note 26 to the Financial Statements.

(iii) Debt issued and other borrowed funds

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

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortised Cost in the form of term loans, short term loans, debentures, commercial papers and securitizations.

3.1.5 Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities, other than loan commitments and financial guarantees, are classified as,

(i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)
   a. Financial liabilities held for trading
   b. Financial liabilities designated at fair value through profit or loss

(ii) Financial liabilities at amortized cost, when they are held for trading and derivative instruments or the fair value designation is applied.

The subsequent measurement of financial liabilities depends on their classification.

i. Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)

Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are fair value, and changes therein recognized in Income Statement.

ii. Financial Liabilities at Amortized Cost

Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortized cost under "bank overdraft", "due to other customers", debt issued and other borrowed funds" and "other payables" as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of own equity shares at amortized cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are integral part of the EIR. The EIR amortization is included in, interest expenses in the Income Statement. Gains and losses are recognized in the Income Statement when the liabilities are derecognized as well as through the EIR amortization process.

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortized Cost in the form of term loans, short term loans and debentures.

3.1.6 Reclassifications of Financial assets and Financial Liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2021.

3.1.7 Derecognition of Financial Assets and Financial Liabilities

3.1.7.1 Derecognition due to substantial modification of terms and conditions

The Company derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired at the date of inception.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Company considers the following factors.

Change in counterparty

If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

3.1.7.2 Derecognition other than for substantial modification

(a) Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Company also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset, if and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the "original asset"), but assumes a contractual obligation to pay those cash flows to one or more entities (the "eventual recipients"), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset

Or

- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

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 derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Company's continuing involvement, in which case, the Company also recognizes as associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(b) Derecognition - Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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

3.1.8 Determination of Fair Value

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The disclosure of fair value of financial instruments is disclosed in Note 40 to the Financial Statements.

3.1.9 Impairment of Financial Assets

3.1.9.1 Overview of the expected credit loss (ECL) principles

The Company recognises expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 41.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company established a policy to perform as assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below.

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

POCI : Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

3.1.9.2 The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR.A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

PD : The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD : The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.

LGD : The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanism of the ECL method is summarised below.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that represent the ECLs that result from default events on a financial instrument that are possible with in the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Loan Commitments:

When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For factoring receivables and revolving loans that include both a loan and an undrawn commitment. ECLs are calculated and presented with the loan.

Financial Guarantee contracts:

The Company's liability under each guarantee is measured at the higher of the initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability –weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

3.1.9.3 Calculation of ECLs for individually significant loans

The Company first assesses ECLs individually for financial assets that are individually significant to the Company. In the event the Company determines that such assets are not impaired, moves in to a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment on individually significant accounts is reviewed more regularly when circumstances require. This normally encompasses reassessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
- The amount and timing of expected receipts and recoveries
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realizable value of security (or other credit mitigants) and likelihood of successful repossession;
- The likely deduction of any costs involved in recovery of amounts outstanding;
- The likely dividend available on liquidation or bankruptcy

3.1.9.4 Debt instruments measured at fair value through OCI

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

3.1.9.5 Debt factoring and revolving loans

The Company's product offering includes debt factoring and revolving loan facilities, in which the Company has the right to cancel and/or reduce the facilities within a short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects the Company's expectations of the customer behaviour, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Company's expectations, the period over which the Company calculates ECLs for these products, is limited to 12 months.

The ongoing assessment of whether a significant increase in credit risk has occurred for debt factoring and revolving loan facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in utilization.

3.1.9.6 Forward looking information

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rate
- Interest Rate
- Inflation
- Exchange Rate

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary completeness and accuracy; the company obtained the above data from third party sources (primarily from the Central Bank of Sri Lanka, World Bank and International Monetary Fund etc.)

3.1.9.7 Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

3.1.9.8 Renegotiated Loans

The Company sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan renegotiated when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Renegotiated loans may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of the terms. It is the Company's policy to monitor renegotiated loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 renegotiated asset until it collected or written off.

When the loan has been renegotiated or modified but not derecognized, the Company also reassesses whether there has been a significant increase in credit risk, as set out in Note 41. The Company also considers whether the assets should be classified as Stage 3.

If modifications are substantial, the loan is derecognised.

3.1.9.9 Definition of default and cure

The Company consider a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether an individually significant customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

Such events include:

- Internal rating of the borrower indicating default or near-default.
- The borrower requesting emergency funding.
- The borrower having past due liabilities to public creditors or employees.
- The borrower is deceased.
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral.
- A material decrease in the borrower's turnover or the loss of a major customer.
- A covenant breach not waived by the Company.
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/ protection.
- Debtor's listed debt or equity suspended at the primary exchange because of rumors or facts about the financial difficulties.

It is the Company's policy to consider a financial instrument as "cured" and therefore re-classified out of Stage 3 when none of the default criteria has been present. Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

3.1.9.10 Relief Measures to assist COVID-19 affected businesses and individuals by the Central Bank of Sri Lanka (CBSL)

The COVID-19 pandemic has significantly impacted the local economy as the government had to impose travel bans and lockdowns on millions of people. Many people in many locations are still subjected to quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. As a result of the disruption to businesses, some people lost their jobs and many businesses have been adversely affected. The Central Bank of Sri Lanka has provided financial assistance to disrupted industry sectors and the affected businesses /individuals in the form of a debt moratorium through licensed banks/ financial institutions in the country.

(a) Extension of concessions for COVID-19 affected businesses and individuals: Circular No. 9 of 2021

The Central Bank of Sri Lanka issued Circular no: 09 of 2021 instructing Licensed Finance Companies and Specialised Leasing Companies (thereinafter referred to as Non-Bank Financial Institutions (NBFIs)) to extend the concessions for COVID-19 affected businesses and individuals under different qualifying criteria. The eligible borrowers of transportation and tourism sectors, who have availed the concessions under the Circular No. 04 and No. 05 2021, were also eligible to obtain concessions under this scheme. Eligible borrowers for concessions under this scheme shall entitle one of the three options given below.

Option I: Restructuring of credit facilities

NBFIs shall restructure the existing credit facilities (performing and non performing as at 01 October 2021) over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan agreed by both parties. The NBFIs were allowed to charge interest at the original contractual interest rate minus 3% per annum. Further, a minimum of 3 months grace period shall be granted to commence repaying original portion of the instalment as per the restructured terms. In addition, any interest charged on inability to repay the instalment as per agreed terms, shall not exceed 2% per annum and charged only on the amount in arrears.

Option II: Facilitating early settlement

If any eligible borrower is willing to settle the existing credit facilities on or before 31 March 2022, NBFIs shall fully waive off future interest, fees, and applicable charges.

Option III: Extending the moratorium for performing credit facilities as at 01 October 2021

The NBFIs shall convert the capital and interest falling due during the moratorium period from 01 October 2021 to 31 March 2022 into a term loan of which repayment shall commence from July 2022 with a minimum repayment period of 12 months. However, the borrower shall commence the repayment of the original loan instalment from 01 April 2022. The NBFIs were allowed to charge an interest of the new loan, not exceeding 11.5% per annum.

The finance companies were also allowed to recover interest at the original EIR during the moratorium period and therefore did not recognize any modification loss on account of the COVID-19 moratorium.

The granting of the moratorium is directly related to the cash flow difficulties generated by the occurrence of the COVID-19 pandemic. However, it did not lead to an automatic transfer of these credit facilities into stage 2 or stage 3. A case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been moved to stage 2 and stage 3. Further, the real impact of the pandemic on ECL allowance is expected to be realised upon the cessation of the moratorium.

3.1.9.11 Write-off of Financial Assets at Amortised Cost

Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. If the amount to be written off is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the Income Statement. Where financial assets are secured, this is generally after receipt of any proceeds from the realization of security.

3.1.9.12 Collateral Valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, letter of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers, Audited Financial Statements and other independent sources.

3.1.9.13 Collateral repossessed

The Company's accounting policy under SLFRS 9 remains same as it was under LKAS 39. The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

3.1.9.14 Offsetting Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

Income and expenses are presented on a net basis only when permitted under LKAS/ SLFRS, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

3.1.9.15 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.2 Leases

3.2.1 Policy applicable as of 1 January 2019

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

a. The Company as lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

b. The Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented in Note 29 and are subject to impairment in line with the Company's policy as described in Note 3.5 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

3.3 Property, Plant & Equipment and right -of- use assets

3.3.1 Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period.

The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured. Right- of -use assets are presented separately in the Statement of Financial Position.

3.3.2 Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. 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. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.3.3 Cost Model

The Company applies the cost model to property, plant &equipment except for freehold land and buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

3.3.4 Revaluation Model

The Company applies the revaluation model to the entire class of freehold land and Building. Such properties are carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses. Freehold land and Building of the Company are revalued every three years or more frequently if the fair values are substantially different from carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date. The Company has revalued its freehold land and Building during the financial year 2023 and details of the revaluation are given in Note 27 to the Financial Statements.

On revaluation of an asset, any increase in the carrying amount is recognised in 'Other comprehensive income 'and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Income Statement. In these circumstances, 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 Income Statement or debited to 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 revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

3.3.5 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 costs of the day-to-day servicing of property, plant and equipment are charged to the Income Statement as incurred.

3.3.6 Repairs and Maintenance

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

3.3.7 Capital Work -in -Progress
Capital work in progress is stated at cost. It 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. Capital work in progress is stated at cost less any accumulated impairment losses.

3.3.8 Borrowing Costs
As per Sri Lanka Accounting Standard-LKAS 23 on 'Borrowing Costs,' the company capitalizes the borrowing costs that are directly attributable to acquisition, construction or production of qualifying assets as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

3.3.9 De-recognition
Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the income statement in the year the asset is derecognised.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.3.10 Depreciation
Depreciation is recognized in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant &equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The company has changed the usable period of motor vehicle from 4 years to 5 years considering the sale & repurchase agreement of its majority of motor vehicle assets.

The rates of depreciations based on the estimated useful lives are as follows:

	2023	2022
Buildings	5.00 % p.a.	5.00 % p.a.
Office Equipment	20.00 % p.a.	20.00 % p.a.
Furniture and fittings	15.00% p.a.	15.00% p.a.
Office Partitioning	15.00% p.a.	15.00% p.a.
Motor Vehicles	20.00% p.a.	20.00% p.a.

Right-of-use assets are depreciated on a straight-line method from the commencement date to the earlier of the end of the useful life of the right of use assets or the end of the lease term.

3.3.11 Change in Estimates
The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

3.3.12 Classification of Investment Properties
Management requires using its judgment to determine whether a property qualifies as an investment property. The Company has developed criteria so it can exercise its judgment consistently. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Company are accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash flows as a standalone asset are accounted for as property, plant and equipment. The Company assesses on an annual basis, the accounting classification of its properties taking into consideration the current use of such properties. The Company has one Investment property during the financial year 2023 and details of the Investment property is given in Note 28 to the Financial Statements.

3.4 Intangible Assets
The Company's intangible assets include the value of computer software.

3.4.1 Basis of Recognition
An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company in accordance with the Sri Lanka Accounting Standard LKAS 38 on Intangible assets.

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses if any.

3.4.2 Subsequent Expenditure
Subsequent expenditure on Intangible Asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.4.3 Useful Economic life, Amortization and Impairment
The useful lives of intangible assets are assessed to be either finite or indefinite.

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

3.4.4 Amortization

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual value over their estimated useful life as follows:

The Class of Intangible Assets	Useful Life	Amortisation Method
Computer software	5 Years	Straight line method
Core Computer Software	10 Years	Straight line method

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

3.4.5 Derecognition

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

3.5 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement.

3.6 Dividend Payable

Dividends on ordinary shares are recognised as a liability and deducted in equity when they are recommended and declared by the Board of Directors and approved by the shareholders.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard – LKAS 10 on 'Events after the reporting period.'

3.7 Retirement Benefit Obligations

3.7.1 Defined Benefit Plan - Gratuity

All the employees of the company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the Gross Salary applicable to the last month of the financial year in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 5 years.

The Company measures the present value of the promised retirement benefits for gratuity which is a defined benefit plan with the advice of an independent professional actuary using projected unit credit actuarial cost method as required by Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits."

The item is stated under other liabilities in the Statement of Financial Position.

Recognition of Actuarial Gains and Losses

The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in Other Comprehensive Income during the period in which it occurs.

Interest Cost

Interest cost is the expected increase due to interest at the end of the year. (The benefits are one year closer to settlement).

Funding Arrangements

The Gratuity liability is not externally funded.

3.7.2 Defined Contribution Plans

The Company also contributes defined contribution plans. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses.' Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

Employees' Provident Fund

The Company and employees contribute 12% and 8% respectively of the employee's total earnings (as defined in the Employees' Provident Fund) to the Employees' Provident Fund.

Employees' Trust Fund

The Company contributes 3% of the employee's total earnings (as defined in the Employees' Trust Fund) to the Employees' Trust Fund.

3.8 Statutory Reserve Fund

The reserves recorded in the equity on the Company's Statement of Financial Position includes the 'Statutory reserve fund' which has been created in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka.

Accordingly, 20% of the net profit for the period is transferred to the Statutory reserve fund during the financial year.

3.9 Provisions

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

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligations at that date.

The expense relating to any provision is presented in the income statement net of any reimbursement.

3.10 Segment Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment.

For management purposes, the Company has identified three operating segments based on products and services, as follows.

- Leasing and Hire purchase
- Vehicle Loans
- Gold Loans
- Other Loans & Receivables
- Other

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses, which in certain respects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on collective basis and not allocated to operating segments.

Revenue from transactions with a single external customer or counterparty did not exceed 10% or more of the Company's total revenue in 2023 & 2022.

The income profit total assets and total liabilities of the Company's operating segments are presented in Note 47 to the Financial Statements.

3.11 Recognition of Interest Income Interest Expense

3.11.1 Interest Income / Expense

Interest income and interest expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9 is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The EIR (and therefore, the amortised cost of the asset/liability) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income/expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset/liability are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in interest income/ interest expense. The adjustment is subsequently amortised through Interest income/Interest expense in the income statement.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate under net interest income.

3.11.2 Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted for on cash received basis.

3.12 Fee and Commission Income and Expenses

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of SLFRS 9 and partially in the scope of SLFRS

15. If this is the case, then 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.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

The Company earns a fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided in to two categories.

a) Fee Income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period.

b) Fee Income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party.

3.13 Other operating income

(a) Dividend Income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

(b) Recovery of Bad Debts Written Off

Recovery of amounts written off as bad and doubtful debts is recognised when received.

(c) Other Income

Other income is recognised on an accrual basis.

3.14 Personnel Expenses

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay all employee benefits relating to employee services in the current and prior periods and the obligation can be estimated reliably.

3.15 Taxes

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

3.15.1 Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, using the tax rates and tax laws enacted or substantially enacted on the reporting date and any adjustment to the tax payable in respect of prior years.

Accordingly, provision for taxation is based on the profit for the year 2018 adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017(Inland Revenue Act No.10 of 2006 and amendments thereto up to 31 March 2023) and the amendment thereto, at the rate specified in Note 14 to the Financial Statements.

3.15.2 Deferred tax

Deferred tax is recognised using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilised.

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

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

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 intentions to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction. Details of current tax liabilities and deferred tax liabilities / (assets) are given in Note 33 to the Financial Statements respectively.

3.15.3 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 value added tax on financial services is the accounting profit before VAT and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non-cash benefits and provisions relating to terminal benefits.

3.15.4 Value Added Tax on Financial Services (VAT FS)

The value addition attributable to the supply of financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits. The amount of VAT FS charged in determining the profit or loss for the period is given. VAT FS rate was revised from 15% to 18% effective from 01, January 2022.

3.15.5 Withholding Tax (WHT) on Dividends

Withholding Tax arises from the distribution of dividends by the Company and is recognised at the time the liability to pay the related dividend is recognised. As per Notice dated 18 February 2020 published by the Department of Inland Revenue, requirement to deduct WHT on dividends has been removed effective 1 January 2020.

With the implementation of Inland Revenue (Amendment) Act No 45 of 2022, WHT on dividends has been introduced effective from 01 January 2023, on residents as well as non-residents at the rate of 15%. Dividend paid by the Company will be exempt in the hands of shareholders to the extent that such dividend payment is attributable to, or derived from dividend received by the Company subjected to WHT.

3.15.6 Social Security Contribution Levy (SSCL)

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, effective from 01 October 2022, Group is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services. Further Non-Financial Services are made liable on the turnover at the rate of 2.5%.

3.16 Regulatory provisions

3.16.1 Deposit Insurance and Liquidity Support Scheme

In terms of the Finance Companies Direction No.2 of 2010 "Insurance of Deposit Liabilities" issued on 27 September 2010 and subsequent amendments thereto, all Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No.1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1 October 2010.The said Scheme was renamed as the "Sri Lanka Deposit Insurance and Liquidity Support Scheme" as per the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulation No. 1 of 2013.

The deposits to be insured shall include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to the Government of Sri Lanka
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act (Corporate Governance) Direction No.3 of 2008 for Registered Finance Companies
- Deposit liabilities held as collateral against any accommodation granted
- Deposits falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.

Registered Finance Companies are required to pay a premium of 0.15% on total amount of eligible deposits as at end of the month with in a period of 15 days from the end of the respective month.

3.16.2 Crop Insurance Levy (CIL)

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No.30 of 1988, Finance Business Act No.42 of 2011 and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 01 April 2013.

3.17 Earnings per Share (EPS)

Basic EPS is calculated by dividing the net profit or loss attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares if any.

3.18 Commitments and Contingencies

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on 'Provisions, Contingent liabilities and Contingent assets.'

Financial guarantees and undrawn loan commitments

The Company issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the Financial Statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and ECL Provision under SLFRS 9.

The premium received is recognised in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. From These contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments are disclosed in Note 43.

4. SRI LANKA ACCOUNTING STANDARDS NOT YET EFFECTIVE AS AT 31 MARCH 2023

4.1 Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

4.1.1 SLFRS 17 Insurance Contracts

On 8 January 2020, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, issued on 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by.

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025, with comparative figures required. Early application is permitted; provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

The Financial Statements of the Company is not expected to have a material impact from SLFRS 17 - Insurance Contracts.

4.1.2 Definition of Accounting Estimates - Amendments to LKAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

4.1.3 Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

4.1.4 Definition of Accounting Estimates - Amendments to LKAS 8

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by.

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

4.1.5 Classification of Liabilities as Current or Non-current - Amendments to LKAS 1

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify -

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

7. NET INTEREST INCOME

7.1 Interest Income

For the year ended 31 March	2023 Rs.	2022 Rs.
Interest income on lease receivables	1,556,327,365	1,538,029,477
Interest income on hire purchase receivables	168,954	284,843
Interest income on factoring receivables	132,089,210	90,485,998
Interest income on SME and other loan receivables	565,139,153	635,476,550
Interest income on personal loan receivables	53,467,194	35,817,766
Interest income on gold loan receivables	1,278,622,832	535,796,246
Interest income on revolving loan receivables	2,892,959	17,523,908
Interest income on government securities	336,716,612	88,743,147
Interest income on placements with banks	-	3,257,573
Total interest income	**3,925,424,279**	**2,945,415,506**

7.2 Interest Expenses

For the year ended 31 March	2023 Rs.	2022 Rs.
Due to customers		
Interest expenses on time deposits	2,604,286,454	1,318,445,213
Interest expenses on savings deposits	5,955,227	6,009,073
Due to banks		
Interest expenses on bank borrowings	74,761,882	59,050,653
Other borrowed funds		
Interest expenses on securitised borrowings	1,010,848,035	164,692,469
Interest expenses on subordinated debt	195,482,466	44,919,863
Total interest expenses	**3,891,334,065**	**1,593,117,271**
Net interest income	**34,090,214**	**1,352,298,236**

8. NET FEE AND COMMISSION INCOME

For the year ended 31 March	2023 Rs.	2022 Rs.
Documentation and processing fees	63,590,919	106,302,606
Sundry Income	35,469,245	43,346,466
Total fee and commission income	**99,060,164**	**149,649,072**

9. OTHER OPERATING INCOME

For the year ended 31 March	2023 Rs.	2022 Rs.
Profit on disposal of property, plant and equipment	28,884,815	2,089,326
Profit from sale of real estates	-	28,720,501
Recovery of bad debts written off	41,876,565	28,733,736
Income from hiring vehicles & properties	5,968,812	35,860,000
Income on Money market investment / unit trust/ T bond	97,713,406	12,395,053
Dividend income	240,000	1,414,267
Total other operating income	174,683,598	109,212,883

10. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES

10.1 The table below shows the expected credit loss (ECL) charges for financial instruments for the year ended 31.03.2023 recorded in the income statement.

For the year ended 31 March	2023 Rs. Stage 1	2023 Rs. Stage 2	2023 Rs. Stage 3	2023 Rs. Total
Lease & Hire Purchase receivables	(17,476,409)	(56,117,941)	362,744,219	289,149,869
Gold Loans	3,743,520	2,294,887	(1,444,365)	4,594,043
Factoring	(7,821,277)	(4,994,915)	25,879,766	13,063,574
Loan receivables	(14,115,341)	(51,351,193)	822,367,901	756,901,367
Other Receivable	-	-	147,207,893	147,207,893
Write offs	-	-	598,858,142	598,858,142
	(35,669,507)	(110,169,162)	1,955,613,557	1,809,774,888

10.2 The table below shows the expected credit loss (ECL) charges for financial instruments for the year ended 31.03.2022 recorded in the income statement.

For the year ended 31 March	2022 Rs. Stage 1	2022 Rs. Stage 2	2022 Rs. Stage 3	2022 Rs. Total
Lease & Hire Purchase receivables	13,412,787	95,545,212	35,801,735	144,759,733
Gold Loans	1,244,144	667,079	(5,634,286)	(3,723,062)
Factoring	2,486,702	5,328,204	(1,684,887)	6,130,019
Loan receivables	(11,190,636)	(34,267,981)	947,904,358	902,445,741
Other Receivable	-	-	(118,419,651)	(118,419,651)
Write offs	-	-	279,067,917	279,067,917
	5,952,996	67,272,514	1,137,035,185	1,210,260,696

11. PERSONNEL EXPENSES

For the year ended 31 March	2023 Rs.	2022 Rs.
Salaries and bonus	388,799,036	365,767,306
Contribution to defined contribution plan	57,279,975	52,700,109
Gratuity charge for the year	13,710,058	9,987,776
Recovery incentives & staff development cost	32,318,747	16,088,136
Others	31,021,050	15,841,263
	523,128,866	460,384,590

12. OTHER OPERATING EXPENSES

For the year ended 31 March	2023 Rs.	2022 Rs.
Directors' emoluments	8,731,106	10,423,232
Auditors' remuneration	4,214,719	3,500,000
Non Auditors' remuneration	1,441,309	775,000
Professional & legal expenses	14,226,318	1,437,366
Deposit insurance premium	21,116,554	21,671,115
Secretarial Fee	3,820,668	3,163,407
Office administration & establishment expenses	712,593,261	603,496,862
Depreciation & amortization expenses	131,699,418	140,643,891
Advertising expenses	45,938,947	56,237,017
Share issue expenses *	-	729,212
Other expenses	26,351,357	34,183,374
	970,133,657	**876,260,476**

* Share issue expense related to FY 22.23 was reclassified to Changes in Equity

12.1 Depreciation & Amortization Expenses

For the year ended 31 March	2023 Rs.	2022 Rs.
Depreciation on property, plant and equipment	33,967,615	44,777,797
Amortization of intangible assets	33,237,142	33,237,142
Amortisation expenses on right-of-use assets	64,494,661	62,628,952
	131,699,418	**140,643,891**

13. TAXES ON FINANCIAL SERVICES

For the year ended 31 March	2023 Rs.	2022 Rs.
Value added tax on financial services	-	-
	-	-

14. INCOME TAX EXPENSE

14.1 The major components of income tax expense for the year ended 31st March are as follows.

For the year ended 31 March	2023 Rs.	2022 Rs.
Income statement		
Current tax expense		
Income tax for the year	-	-
Under / (Over) provision of current taxes in respect of previous years	-	-
	-	-
Deferred tax expense		
Effect of changes in income tax rates	-	-
Deferred taxation charge (refer note 33)	-	-
	-	-

14.2 A reconciliation of the Accounting Profit to Current Tax Expense is as follows.

For the year ended 31 March	2023 Rs.	2022 Rs.
Accounting profit before income taxation	-	-
At the statutory income tax rate	-	-
Tax effect of non deductible expenses	-	-
Tax effect of other allowable credits	-	-
Tax effect of lease capital generation	-	-
Tax effect of losses claimed	-	-
Under / (Over) provision of current taxes in respect of previous years	-	-
Effect of changes in income tax rates	-	-
Deferred tax expense	-	-
	-	-

The Company's income is taxed at the rate of 30% in year 2023.

15. EARNINGS / (LOSS) PER ORDINARY SHARE - BASIC/DILUTED (Rs.)

For the year ended 31 March	2023	2022
Profit attributable to ordinary shareholders (Rs.)	(2,995,203,435)	(935,745,572)
Weighted Average Number of Ordinary Shares (basic) (15.1)	528,789,041	401,912,977
Basic/Diluted earnings/(Loss) per ordinary share (Rs.)	(5.66)	(2.33)

15.1 Weighted Average Number of Ordinary Shares (basic)

	Outstanding No: of Shares		Weighted Average No: of Shares	
For the year ended 31 March	2023	2022	2023	2022
Number of shares in issue as at 1 April	492,726,902	268,760,128	492,726,902	268,760,128
Add: New shares from Rights Issue	116,483,901	223,966,774	36,062,139	133,152,849
Number of shares in issue / weighted average number of ordinary shares at 31st March	609,210,803	492,726,902	528,789,041	401,912,977

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements, which would require the restatement of EPS.

16. DIVIDEND PAID

For the year ended 31 March	2023	2022
Paid during the year	-	-
Number of Ordinary Shares	609,210,803	492,726,902
Dividends per Ordinary Share (Rs.)	-	-

17. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial Instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised.The following table provides a reconciliation between line items in the Statement of Financial Position and categories of financial instruments.

17.1 Analysis of Financial Instruments by Measurement Basis

As at 31 March 2023	Financial Assets Recognized through Profit or Loss Rs.	Financial Assets Recognized through OCI Rs.	Amortised Cost Rs.	Total Rs.
Financial Assets				
Cash and bank balances	-	-	493,667,734	493,667,734
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	316,466,799	-	-	316,466,799
Securities purchased under repurchase agreements	-	-	1,890,681,971	1,890,681,971
Financial Assets at Amortised Cost - Factoring receivables	-	-	112,275,125	112,275,125
Financial Assets at Amortised Cost - Gold loan receivables	-	-	4,549,369,028	4,549,369,028
Financial Assets at Amortised Cost - Loan Receivables	-	-	4,181,144,329	4,181,144,329
Lease & hire purchase receivables	-	-	7,816,461,877	7,816,461,877
Equity instruments at fair value through OCI	-	30,600	-	30,600
Other Assets	-	-	980,860,481	980,860,481
Total Financial Assets	**316,466,799**	**30,600**	**20,024,460,545**	**20,340,957,944**
Financial Liabilities				
Bank overdraft	-	-	35,260,310	35,260,310
Financial Liabilities at Amortised Cost - Due to other customers	-	-	12,430,946,956	12,430,946,956
Financial Liabilities at Amortised Cost - Other borrowed funds	-	-	6,916,179,291	6,916,179,291
Other payables	-	-	521,406,563	521,406,563
Total Financial Liabilities	**-**	**-**	**19,903,793,119**	**19,903,793,119**

As at 31 March 2022	Financial Assets Recognized through Profit or Loss Rs.	Financial Assets Recognized through OCI Rs.	Amortised Cost Rs.	Total Rs.
Financial Assets				
Cash and bank balances	-	-	438,009,460	438,009,460
Securities purchased under repurchase agreements	-	-	1,457,460,165	1,457,460,165
Financial Assets at Amortised Cost - Factoring receivables	-	-	710,253,049	710,253,049
Financial Assets at Amortised Cost - Gold loan receivables	-	-	2,891,741,116	2,891,741,116
Financial Assets at Amortised Cost - Loan Receivables	-	-	5,721,832,163	5,721,832,163
Lease & hire purchase receivables		-	11,262,883,980	11,262,883,980
Equity instruments at fair value through OCI	-	30,600	-	30,600
Other Assets	-	-	1,041,889,119	1,041,889,119
Total Financial Assets	**-**	**30,600**	**23,524,069,051**	**23,524,099,651**
	-			
Financial Liabilities				
Bank overdraft	-	-	51,911,762	51,911,762
Financial Liabilities at Amortised Cost - Due to other customers	-	-	15,599,352,518	15,599,352,518
Financial Liabilities at Amortised Cost - Other borrowed funds	-	-	4,792,533,847	4,792,533,847
Other payables	-	-	525,122,930	525,122,930
Total Financial Liabilities	**-**	**-**	**20,968,921,057**	**20,968,921,057**

18. CASH AND BANK BALANCES

As at 31 March	2023 Rs.	2022 Rs.
Cash in hand	143,008,400	82,668,814
Balances with local banks	350,659,334	355,340,646
	493,667,734	**438,009,460**

19. PLACEMENTS WITH BANKS & OTHER FINANCE COMPANIES

As at 31 March	2023 Rs.	2022 Rs.
Placements with banks	-	-

19.1 The movement in provision for expected credit losses are as follows.

As at 31 March	2023 Rs.	2022 Rs.
Balance as at 01st April	-	450,692
Charge / (Reversal) for the year	-	(450,692)
Balance as at 31st March	-	-
Net of Placements with banks & other finance companies	-	-

19.2 Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)

As at 31 March	2023 Rs.	2022 Rs.
Unquoted unit investment in unit trusts	316,466,799	-
	316,466,799	-

20. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENTS

As at 31 March	2023 Rs.	2022 Rs.
Securities purchased under repurchase agreements	1,890,681,971	1,457,460,165
	1,890,681,971	**1,457,460,165**

21. FINANCIAL ASSETS AT AMORTISED COST - FACTORING RECEIVABLES

As at 31 March	2023 Rs.	2022 Rs.
Gross factoring receivable	149,004,295	733,918,644
Less : Allowance for expected credit losses	(36,729,169)	(23,665,595)
	112,275,125	**710,253,049**

21.1 Analysis of Factoring Receivables on Maximum Exposure to Credit Risk

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross factoring receivable	84,649,725	11,657,072	52,697,497	149,004,295
Allowance for expected credit losses (ECL)	(2,756,796)	(3,818,301)	(30,154,073)	(36,729,169)
	81,892,930	**7,838,771**	**22,543,425**	**112,275,125**

21.2 Analysis of Factoring Receivables on Maximum Exposure to Credit Risk

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross factoring receivable	504,055,664	69,881,140	159,981,840	733,918,644
Allowance for expected credit losses (ECL)	(10,578,073)	(8,813,216)	(4,274,307)	(23,665,595)
	493,477,591	**61,067,923**	**155,707,534**	**710,253,049**

21.3 Allowance for Expected Credit Losses/Impairment Provision

subject to collective impairment

As at 31 March	2023 Rs.	2022 Rs.
Balance as at 01st April	23,665,595	17,535,577
Charge / (Reversal) to income statement	13,063,574	6,130,019
Balance as at 31st March	**36,729,169**	**23,665,595**

21.4 Movement in Allowance for Expected Credit Losses

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2022	10,578,073	8,813,216	4,274,307	23,665,595
Charge / (Reversal) to income statement (Note 10.1)	(7,821,277)	(4,994,915)	25,879,766	13,063,574
Balance as at 31st March 2023	**2,756,796**	**3,818,301**	**30,154,073**	**36,729,169**

21.5 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2021	8,091,371	3,485,012	5,959,194	17,535,577
Charge / (Reversal) to income statement (Note 10.2)	2,486,702	5,328,204	(1,684,887)	6,130,019
Balance as at 31st March 2022	**10,578,073**	**8,813,216**	**4,274,307**	**23,665,595**

22. FINANCIAL ASSETS AT AMORTISED COST - GOLD LOAN RECEIVABLES

As at 31 March	2023 Rs.	2022 Rs.
Gold loan receivables	4,565,628,450	2,903,406,495
Less : Allowance for expected credit losses/ collective impairment (Note 22.1)	(16,259,422)	(11,665,379)
	4,549,369,028	**2,891,741,116**

22.1 Analysis of Gold Loan Receivables on Maximum Exposure to Credit Risk

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Gold loan receivable subject to collective impairment	2,981,733,255	952,691,998	631,203,197	4,565,628,450
Allowance for expected credit losses(ECL)	(6,343,867)	(3,971,932)	(5,943,623)	(16,259,422)
	2,975,389,388	**948,720,066**	**625,259,574**	**4,549,369,028**

22.2 Analysis of Gold Loan Receivables on Maximum Exposure to Credit Risks

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Gold loan receivable subject to collective impairment	1,653,000,689	623,405,302	627,000,504	2,903,406,495
Allowance for expected credit losses(ECL)	(2,600,347)	(1,677,044)	(7,387,987)	(11,665,379)
	1,650,400,342	**621,728,257**	**619,612,517**	**2,891,741,116**

22.3 Allowance for Expected Credit Losses/Impairment Provision

subject to collective impairment

As at 31 March	2023 Rs.	2022 Rs.
Balance as at 01st April	11,665,379	15,388,441
Charge / (Reversal) to income statement	4,594,043	(3,723,062)
Balance as at 31st March	**16,259,422**	**11,665,379**

22.4 Movement in Allowance for Expected Credit Losses

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2022	2,600,347	1,677,044	7,387,987	11,665,379
Charge / (Reversal) to income statement (Note 10.1)	3,743,520	2,294,887	(1,444,365)	4,594,043
Balance as at 31st March 2023	**6,343,867**	**3,971,932**	**5,943,623**	**16,259,422**

22.5 Movement in Allowance for Expected Credit Losses

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2021	1,356,203	1,009,965	13,022,273	15,388,441
Charge / (Reversal) to income statement (Note 10.2)	1,244,144	667,079	(5,634,286)	(3,723,062)
Balance as at 31st March 2022	**2,600,347**	**1,677,044**	**7,387,987**	**11,665,379**

23. FINANCIAL ASSETS AT AMORTISED COST - LOAN RECEIVABLES

As at 31 March	2023 Rs.	2022 Rs.
Revolving loan receivables	698,773,244	654,423,235
Vehicle loan receivables	267,376,124	679,110,404
Personal/Business loan receivables	6,613,610,038	7,030,012,235
Gross loan receivables	7,579,759,406	8,363,545,874
Less : Allowance for expected credit losses / individual impairment (Note 23.3)	(1,650,704,319)	(1,273,207,117)
Less : Allowance for expected credit losses / collective impairment (Note 23.4)	(1,747,910,759)	(1,368,506,594)
	4,181,144,329	**5,721,832,163**

23.1 Analysis of Loan Receivables on Maximum Exposure to Credit Risk

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross loan receivables-subject to collective impairment	1,197,064,411	62,300,664	6,320,394,331	7,579,759,406
Allowance for expected credit losses (ECL)	(6,384,453)	(11,891,615)	(3,380,339,009)	(3,398,615,077)
	1,190,679,958	**50,409,049**	**2,940,055,322**	**4,181,144,329**

23.2 Analysis of Loan Receivables on Maximum Exposure to Credit Risk

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross loan receivables-subject to collective impairment	1,128,393,858	534,615,313	6,700,536,703	8,363,545,874
Allowance for expected credit losses (ECL)	(20,499,793)	(63,242,808)	(2,557,971,109)	(2,641,713,710)
	1,107,894,065	**471,372,505**	**4,142,565,594**	**5,721,832,164**

23.3 Allowance for Expected Credit Losses/Impairment

Individually impaired loans

	2023 Rs.	2022 Rs.
Balance as at 01st April	1,273,207,116	532,593,003
Charge/ (Reversal) to income statement	954,179,701	972,747,671
Write off during the year	(576,682,499)	(144,636,318)
Transfers / Movements	-	(87,497,240)
Balance as at 31st March	**1,650,704,318**	**1,273,207,116**

23.4 Allowance for Expected Credit Losses/Impairment

Loans subject to collective impairment

	2023 Rs.	2022 Rs.
Balance as at 01st April	1,368,506,594	1,294,172,207
Charge / (Reversal) to income statement	379,404,165	74,334,388
Balance as at 31st March	**1,747,910,759**	**1,368,506,594**

23.5 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2022	20,499,793	63,242,808	2,557,971,109	2,641,713,710
Charge / (Reversal) to income statement (Note 10.1)	(14,115,341)	(51,351,193)	822,367,901	756,901,367
Transfers / Movements	-	-	-	-
Balance as at 31st March 2023	**6,384,453**	**11,891,615**	**3,380,339,009**	**3,398,615,077**

23.6 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2021	31,690,430	97,510,789	1,697,563,991	1,826,765,210
Charge / (Reversal) to income statement (Note 10.2)	(11,190,636)	(34,267,981)	947,904,358	902,445,741
Transfers / Movements	-	-	(87,497,240)	(87,497,240)
Balance as at 31st March 2022	**20,499,793**	**63,242,808**	**2,557,971,109**	**2,641,713,710**

24. FINANCIAL ASSETS AT AMORTISED COST - LEASE & HIRE PURCHASE RECEIVABLES

At Amortized cost

	2023 Rs.	2022 Rs.
Total lease & hire purchase rentals receivable	10,939,448,031	15,705,438,095
Less: Unearned interest income	(2,479,278,210)	(4,087,996,041)
Gross lease & hire purchase receivable	8,460,169,821	11,617,442,055
Less: Allowance for expected credit losses / collective impairment (Note 24.3 & 24.4)	(643,707,944)	(354,558,075)
Net lease receivable (Note 24.1 & 24.2)	**7,816,461,877**	**11,262,883,980**

24.1 Maturity Analysis of net Lease & Hire Purchase Receivable

	1 Year Rs.	1- 5 Year Rs.	Over 5 Years Rs.	Total Rs.
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	922,688,404	10,006,405,329	10,354,298	10,939,448,031
Less: Unearned lease interest income	(34,298,750)	(2,440,626,131)	(4,353,329)	(2,479,278,210)
Gross lease receivable	**888,389,654**	**7,565,779,197**	**6,000,970**	**8,460,169,821**
Less: Allowance for expected credit losses				(643,707,944)
Net lease receivable				**7,816,461,877**

24.2 Maturity Analysis of net Lease & Hire Purchase Receivable

As at 31 March 2022	1 Year Rs.	1- 5 Year Rs.	Over 5 Years Rs.	Total Rs.
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	1,272,722,459	14,297,115,903	135,599,733	15,705,438,095
Less: Unearned lease interest income	(80,232,038)	(3,957,154,449)	(50,609,553)	(4,087,996,041)
Gross lease receivable	**1,192,490,420**	**10,339,961,454**	**84,990,180**	**11,617,442,055**
Less: Provision for collective impairment				(354,558,075)
Net lease receivable				**11,262,883,980**

24.3 Analysis of Lease & Hire purchase Receivables on Maximum Exposure to Credit Risk

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross receivables-subject to collective impairment	3,013,038,360	2,078,716,914	3,368,414,548	8,460,169,821
Allowance for expected credit losses (ECL)	(19,568,513)	(75,555,152)	(548,584,280)	(643,707,944)
	2,993,469,847	**2,003,161,761**	**2,819,830,268**	**7,816,461,877**

24.4 Analysis of Lease & Hire purchase Receivables on Maximum Exposure to Credit Risk

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross receivables-subject to collective impairment	6,487,353,697	3,762,231,523	1,367,856,835	11,617,442,055
Allowance for expected credit losses (ECL)	(37,044,922)	(131,673,093)	(185,840,060)	(354,558,075)
	6,450,308,776	**3,630,558,429**	**1,182,016,775**	**11,262,883,980**

24.5 Allowance for Expected Credit Losses/Impairment

Loans subject to collective impairment

As at 31 March	2023 Rs.	2022 Rs.
Collective Impairment		
Balance as at 01st April	256,299,836	156,521,582
Charge/ (Reversal) to income statement	154,097,132	99,778,254
Balance as at 31st March	**410,396,968**	**256,299,836**
Individual Impairment		
Balance as at 01st April	98,258,239	49,079,698
Charge/ (Reversal) to income statement	157,228,381	65,107,793
Write off during the year	(22,175,643)	(20,126,314)
Transfers / Movements	-	4,197,062
Balance as at 31st March	**233,310,976**	**98,258,239**

24.6 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 31st March 2022	37,044,922	131,673,093	185,840,060	354,558,075
Charge/ (Reversal) to income statement (Note 10.1)	(17,476,409)	(56,117,941)	362,744,219	289,149,869
Transfers / Movements	-	-	-	-
Balance as at 31st March 2023	**19,568,513**	**75,555,152**	**548,584,280**	**643,707,944**

24.7 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 31st March 2021	23,632,135	36,127,882	145,841,263	205,601,280
Charge/ (Reversal) to income statement (Note 10.2)	13,412,787	95,545,212	35,801,735	144,759,733
Transfers / Movements	-	-	**4,197,062**	**4,197,062**
Balance as at 31st March 2022	**37,044,922**	**131,673,093**	**185,840,060**	**354,558,075**

25. OTHER ASSETS

As at 31 March		2023 Rs.	2022 Rs.
Financial Assets			
Repossessed vehicle stock		142,330,013	26,944,566
Less: Provision for repossessed stock	(Note 25.1)	(142,091,485)	(26,944,566)
Real Estate stock		885,698,983	829,599,483
Less: Impairment for Real state stock	(Note 25.2)	(49,060,822)	(16,999,847)
Trading Vehicle Stock		21,449,968	-
Amount due from Related Companies	(Note 25.3)	1,549,303	1,497,484
Other receivables		120,984,520	227,791,999
		980,860,481	**1,041,889,119**
Non Financial Assets			
Deposits & Prepayments		212,568,030	125,463,714
Inventories		4,128,773	2,596,211
Income tax receivable		254,052,137	254,052,137
Taxes receivable		196,561,532	181,721,868
		667,310,473	**563,833,931**
		1,648,170,954	**1,605,723,051**

25.1 Provision for Repossessed Stock

	2023 Rs.	2022 Rs.
Balance as at 01st April	26,944,566	38,414,074
Charge / (Reversal) to income statement	115,146,919	8,712,208
Write off during the year	-	(20,181,716)
Balance as at 31st March	**142,091,485**	**26,944,566**

25.2 Impairment for Real State Stock

	2023 Rs.	2022 Rs.
Balance as at 01st April	16,999,847	16,999,847
Charge / (Reversal) to income statement	32,060,974	(12,375,882)
Write off during the year	-	(94,123,569)
Transfers / Movements	-	106,499,451
Balance as at 31st March	**49,060,822**	**16,999,847**

25.3 Amount due from Related Companies

	2023 Rs.	2022 Rs.
Softlogic Retail (Pvt) Ltd	-	597,484
Softlogic Life PLC	1,549,303	900,000
	1,549,303	**1,497,484**

26. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		2023 Rs.	2022 Rs.
Equity instruments at fair value through OCI - Unquoted	Note 26.1	30,600	30,600
		30,600	**30,600**

26.1 Financial Instruments -Un.Quoted

	2023		
	No of Shares	Cost Rs.	Market Value Rs.
Credit Information Bureau of Sri Lanka	100	30,600	30,600

As at 31 March	2022		
	No of Shares	Cost Rs.	Market Value Rs.
Credit Information Bureau of Sri Lanka	100	30,600	30,600

In financial year 2022/2023, the Company received dividends of Rs.240,000/- (Financial year 2021/2022 - Rs. 1,414,267/-) from these quoted & unquoted equity investments, and recorded as other operating income.

27. PROPERTY, PLANT AND EQUIPMENT

27.1 Cost/Valuation

As at 31 March 2023	Balance as at 31.03.2022 Rs.	Additions / Reclassifications Rs.	Revaluation surplus / Transfers Rs.	Disposals Rs.	Balance as at 31.03.2023 Rs.
Owned Assets					
Freehold Land	234,300,000	-	5,700,000	-	240,000,000
Freehold Building	103,300,000	-	7,200,000	-	110,500,000
Officer Partitioning	172,048,883	5,931,231	-	-	177,980,114
Furniture & Fittings	86,748,481	490,550		(1,901,943)	85,337,088
Office equipment	312,366,940	12,397,216		(266,072)	324,498,085
Motor vehicles	11,320,006	-	7,150,000	-	18,470,006
Motor Vehicles (Hiring)	121,550,000	-	(42,900,000)	(78,650,000)	-
Sub Total	**1,041,634,311**	**18,818,997**	**(22,850,000)**	**(80,818,015)**	**956,785,293**
Total Assets	**1,041,634,311**	**18,818,997**	**(22,850,000)**	**(80,818,015)**	**956,785,293**

27.2 Accumulated Depreciation

	Balance as at 31.03.2022 Rs.	Charge for the year Rs.	Disposals /Transfers Rs.	Balance as at 31.03.2023 Rs.
Owned Assets				
Freehold Building	-	5,165,000	(5,165,000)	-
Officer Partitioning	140,381,751	10,953,756	-	151,335,507
Furniture & Fittings	80,507,149	2,060,168	(1,642,371)	80,924,947
Office equipment	274,959,730	14,938,836	(265,727)	289,632,839
Motor vehicles	11,320,006	858,000	2,860,000	15,038,006
Motor Vehicles (Hiring)	48,620,000	-	(48,620,000)	-
Total Cost/ Valuation	**555,788,637**	**33,975,760**	**(52,833,098)**	**536,931,299**
Total Depreciation	**555,788,637**	**33,975,760**	**(52,833,098)**	**536,931,299**

The Company has obtained a valuation for its freehold land located at 13, De Fonseka Place, Colombo 04 from a professionally qualified independent valuer on 31.03.2023.

27.3 Net Book Values

	2023 Rs.	2022 Rs.
Freehold Land	240,000,000	234,300,000
Freehold Building	110,500,000	103,300,000
Officer Partitioning	26,644,607	31,667,132
Furniture & Fittings	4,412,141	6,241,331
Office equipment	34,865,246	37,407,210
Motor vehicles	3,432,000	-
Motor Vehicles (Hiring)	-	72,930,000
Total carrying amount of Owned Assets	**419,853,994**	**485,845,674**
Total carrying amount of Assets	**419,853,994**	**485,845,674**

27.4 During the financial year, the Company acquired property, plant & equipment to the aggregate value of Rs. 18.82 Mn (2022 Rs.32.11 Mn).

Cost of fully depreciated assets of the Company which are still in use as at 31 March 2023 is Rs. 582.65 Million (2022 - Rs. 576.32 Mn).

27.5 Fair Value Related Disclosures of freehold Land & Building

Freehold land & building located at No13, De Fonseka Place, Colombo 04 is carried at the revalued amount, the independent valuers provide the fair value of land and buildings one year from carrying amounts according to the Company policy. Therefore the fair value exist in the recent valuation (31 March 2023) which was carried out by G.W.G. Abeygunawardene FRICS (Chartered Valuation Surveyor) professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard-SLFRS 13 (Fair Value Measurement).

Fair value hierarchy

The fair value of the Company's freehold land & building is categorised into Level 3 of the fair value hierarchy.

Level 3 fair value

The following table shows a reconciliation from the beginning balances to the closing balances for the fair value measurements to the Company's freehold land & building.

	Freehold land	Freehold building
Balance at 31 March 2022	234,300,000	103,300,000
Acquisition	-	-
Changes in fair value	5,700,000	7,200,000
Balance at 31 March 2023	**240,000,000**	**110,500,000**

27.6 Valuation Techniques and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of freehold land, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Range (weighted average) 2023	Range (weighted average) 2022
Market Comparable Method	Estimated price per perch (Land extent: 12 perches)	Rs. 18 Million - Rs. 25 Million	Rs. 18 Million - Rs. 30 Million
	Price per sq. ft for building	Between Rs. 7,500/= to Rs. 13,750/=	Between Rs. 7,250/= to Rs. 8,000/=

The following table demonstrates the sensitivity of the Other Comprehensive income on Income statement to reasonably possible changes in perches price & sqft price by 500 basis points, with all other variables held constant. The sensitivity of the OCI statement is the effect of the assumed changes in perches price & sqft price for one year.

	Changes in basis points	Effect on OCI Rs.
2023		
Movement in land price	+500 b.p	12,000,000
	-500 b.p	**(12,000,000)**
2022		
Movement in price of sqft	+500 b.p	5,525,000
	-500 b.p	**(5,525,000)**

27.7 The Carrying Value of Company's Revalued Freehold Land, If It Was Carried at Cost, Would be as Follows.

As at 31 March	2023		2022	
	Cost Rs.	Carrying value Rs.	Cost Rs.	Carrying value Rs.
Freehold land	62,181,178	62,181,178	62,181,178	62,181,178
Freehold building	92,480,006	56,373,398	92,480,006	56,373,398

27.8 Intangible Assets

	2023 Rs.	2022 Rs.
Cost as at 01 April	271,781,313	271,781,313
Additions, improvements & Transfers	-	-
Cost as at 31 March	**271,781,313**	**271,781,313**
Amortisation as at 01 April	148,350,974	115,113,832
Amortisation for the year	33,237,142	33,237,142
Accumulated amortisation as at 31 March	**181,588,117**	**148,350,974**
Net book value as at 31 March	**90,193,197**	**123,430,339**

28. INVSTMENT PROPERTY

	2023 Rs.	2022 Rs.
Balance as at the Beginning of the Year	103,237,000	103,237,000
Additions Resulting from Acquisitions	-	-
Balance as at the End of the Year	**103,237,000**	**103,237,000**

28.1 Information on Investment Properties of the Company – Extents and Locations

Location	No of Buildings	Extent	Buildings SQFT	Fair Value of the Investment Property Rs.
Udawela Village, within the Rambukwella East Grama Niladari Division in Palispatthuwa East of Medadumbara Korale in Kandy District Central Province	8 Buildings	22A, 1R, 25.4P	23,765 sqft	129,000,000

29. RIGHT OF USE ASSETS

	2023 Rs.	2022 Rs.
Cost as at 01 April	283,140,030	189,544,028
Additions and improvements	53,965,594	93,596,002
Cost as at 31 March	**337,105,624**	**283,140,030**
Accumulated Amortisation as at 01 April	141,160,244	78,531,292
Amortisation expenses for the year	64,494,661	62,628,952
Accumulated amortisation as at 31 March	**205,654,905**	**141,160,244**
Net book value as at 31 March	**131,450,719**	**141,979,786**

30. FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO OTHER CUSTOMERS

	2023 Rs.	2022 Rs.
Fixed deposits	12,345,052,709	15,472,161,334
Saving deposits	85,894,247	127,191,184
	12,430,946,956	**15,599,352,518**

31. FINANCIAL LIABILITIES AT AMORTISED COST - OTHER BORROWED FUNDS

	2023 Rs.	2022 Rs.
Bank Loans	149,951,658	552,913,326
Securitizations	193,025,517	1,376,938,838
Commercial Papers	5,563,472,312	1,962,681,682
Loans received from parent company - Subordinated Debt	1,009,729,804	900,000,000
	6,916,179,291	**4,792,533,847**

The company has not had any default of principal, interest or other breaches with regard to any liability during 2022 & 2023.

31.1 Movement in other Borrowed Funds

	2022 Rs.	Grantings / Accrual Rs.	Repayments Rs.	2023 Rs.
Long-term borrowings (Note 31.2)	99,960,000	-	99,960,000	-
Short-term borrowings (Note 31.2)	450,000,000	650,000,000	950,000,000	150,000,000
Commercial Papers	1,954,075,190	22,666,462,890	19,317,130,576	5,303,407,504
Subordinated debt	900,000,000	109,640,262		1,009,640,262
Securitizations	1,289,514,789		1,120,719,697	168,795,092
Capital outstanding of debt issued and other borrowed funds	4,693,549,980	23,426,103,152	21,487,810,273	6,631,842,859
Interest Payable	98,983,867			284,336,432
Total Borrowings	**4,792,533,847**			**6,916,179,291**

31.2 Institutional wise

	Tenor	Amortised cost	
		2023 Rs.	2022 Rs.
Short term loans			
Commercial Bank	6 months	-	250,000,000
Seylan Bank PLC	3 months	150,000,000	200,000,000
		150,000,000	**450,000,000**
Long term loans			
Hatton National Bank PLC	36 Months	-	99,960,000
		-	**99,960,000**
		150,000,000	**549,960,000**

The above short term loans and long term loans were institution wise aggregated value.

31.2.1 Loans - on maturity

Detail analysis of loans obtained as follows.

Lending Institution	Nature of Facility	Interest rate	Repayment Term	2023 Rs.000	2022 Rs.000	Carrying value of Collaterals Rs. Mn	Security
HNB Trust 6	Securitisation	10.25%	24 monthly installments commencing after grace period of 5 months starting from December 2020	-	179,753	-	Mortgage over Gold Loan receivables of Softlogic Finance PLC
HNB Trust 7	Securitisation	10.00%	18 monthly installments commencing after grace period of 6 months starting from March 2021	-	486,005	-	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC
HNB Trust 8	Securitisation	10.48%	24 monthly installments commencing after grace period of 7 months starting from July 2021	23,359	143,487	33	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC
HNB Trust 9	Securitisation	10.09%	24 monthly installments commencing after grace period of 7 months starting from September 2021	46,256	208,421	60	Mortgage over Lease receivables of Softlogic Finance PLC
HNB Trust 10	Securitisation	10.78%	24 monthly installments commencing after grace period of 7 months starting from November 2021	59,230	207,378	80	Mortgage over Lease receivables of Softlogic Finance PLC
HNB Trust 11	Securitisation	14.94%	15 monthly installments commencing after grace period of 12 months starting from February 2022	64,181	151,894	83	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC
HNB	Term Loan	AWPLR+2.00%	36 monthly installments commencing from March 2020	-	100,709	-	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC
Commercial Bank of Ceylon PLC	Revolving Loan	AWPLR+3.00%	monthly interest payment & capital payment every 6 months	-	251,831	-	-
Seylan Bank PLC	Revolving Loan	AWPLR+2.50%	monthly interest payment & capital payment every 3 months	152,434	200,373	191	Mortgage over Lease receivables for Rs. 375 Mn
Softlogic Capital PLC	Subordinated Loan	WAYR of 364 days T-Bill Rate + 4.25%(Subject to annual review)	Quarterly interest payment upto 5 years commencing from October 2021	900,000	900,000	-	-

32. OTHER PAYABLES

	2023 Rs.	2022 Rs.
Non Financial Liabilities		
Accrued expenses	122,419,650	105,148,802
Related Party Payables (Note 32.1)	25,990,692	24,488,875
Deposit insurance premium	1,424,960	1,882,399
Dividend Payable	598,465	598,465
Lease Liability (Note 32.2 & 32.3)	129,509,241	134,712,424
Other payables	241,463,555	258,291,960
	521,406,563	**525,122,924**

32.1 Related Party Payables

	2023 Rs.	2022 Rs.
Softlogic BPO Services (Pvt) Ltd	-	2,344,140
Softlogic Information Technologies (Pvt) Ltd	-	429,250
Softlogic Life PLC	24,829,981	18,939,735
Softlogic Capital Ltd	300,000	894,526
Softlogic Retail (Pvt) Ltd	860,711	-
Softlogic Holdings PLC	-	1,881,223
	25,990,692	**24,488,875**

32.2 Movement of Lease Liabilities During the Year is as Follows.

	2023 Rs.	2022 Rs.
Balance as at 01 April	134,712,424	121,564,040
Additions	43,410,079	74,554,266
Accretion of interest	27,597,172	18,289,857
Payments during the year	(76,210,435)	(79,695,738)
Balance as at 31 March	**129,509,240**	**134,712,424**

32.3 Gross Maturity Analysis of Lease Liabilities

	2023 Rs.	2022 Rs.
Less than one year	59,575,979	54,962,230
One to five years	106,575,854	125,110,976
More than five years	-	-
Total lease liabilities as at 31 March	**166,151,832**	**180,073,206**

33. DEFERRED TAX LIABILITIES / (ASSETS)

	2023 Rs.	2022 Rs.
Deferred tax assets	468,139,750	496,448,813
Deferred tax liabilities	(39,470,027)	(60,073,941)
Total net deferred tax	428,669,724	436,374,872

Summary of Net Deferred Tax Liability

	2023		2022	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Deferred tax assets on:				
Gratuity Provision As At 31.03.2023	41,832,849	12,549,854.70	46,459,268	11,150,224
Impairment with CBSL provision	1,459,300,999	437,790,300	1,188,019,045	285,124,571
Unutilised Tax Losses	75,213,384	22,564,015	821,819,829	197,236,759
Right of use assets	(15,881,398)	(4,764,419)	12,238,578	2,937,259
	1,560,465,833	**468,139,750**	**2,068,536,721**	**496,448,813**
Deferred tax liabilities on:				
Accelerated depreciation for tax purpose - Own assets	113,501,755	34,050,527	221,838,087	53,241,141
Revaluation of land & building	18,065,000	5,419,500	28,470,000	6,832,800
Accelerated depreciation for tax purpose - Lease assets	-	-	-	-
	131,566,755	39,470,027	250,308,087	60,073,941
Net Deferred tax liabilities / assets	1,428,899,078	428,669,724	1,818,228,633	436,374,872

34. RETIREMENT BENEFIT OBLIGATIONS

An actuarial valuation of the gratuity fund of the Company was carried out as at 31 March 2023 by Messrs. Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Actuarial Cost Method", recommended by Sri Lanka Accounting Standard-LKAS 19 (Employee Benefits).

34.1 Defined Benefit Obligation Reconciliation

		2023 Rs.	2022 Rs.
Balance as at 01st April		46,459,268	57,407,951
Amount recognised in the income statement	34.2	13,710,058	9,987,776
Amounts recognised in other comprehensive income	34.3	(7,618,824)	(8,897,926)
Benefits paid by the plan		(10,717,653)	(12,038,533)
Balance as at 31st March		**41,832,849**	**46,459,268**

34.2 Amount Recognised in the Income Statement

	2023 Rs.	2022 Rs.
Current service cost for the year	7,205,760	6,709,932
Interest on the defined benefit liability	6,504,298	3,277,844
	13,710,058	**9,987,776**

34.3 Amounts Recognised In Other Comprehensive Income (OCI)

	2023 Rs.	2022 Rs.
Actuarial (gain)/loss due to changes in assumptions		
- Experience adjustment (Financial and Demographic)	(761,892)	(3,350,000)
- Financial Assumptions	(7,136,339)	(5,405,521)
- Demographic Assumptions	279,407	(142,405)
Liability experience (gain) losses arising during the year	-	-
Total amount recognized in OCI	**(7,618,824)**	**(8,897,926)**

34.4 Assumptions

	2023	2022
Discount rate *	23.00%	14.00%
Future salary increment rate *	6.00%	10.00%
Mortality	A 1967/70	A 1967/70
	Mortality Table	Mortality Table
Retirement age **	60	60
Expected average future working life of the active participants (in years)	3.2	3.7
The weighted average duration of the defined benefit obligation	3.0	3.53

* Discount rate used for the actuarial valuation was revised during the year due to changes in market interest rates. Future salary increment rate too was revised to fall in line with the change in market interest rates.

** The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

34.5 Distribution of Present Value of Defined Benefit Obligation In Future Years

	2023 Rs.	2022 Rs.
Within the next 12 months	11,393,221	10,759,078
between 1 to 2 years	15,609,387	15,547,575
between 3 to 5 years	9,463,995	11,992,619
between 6 to 10 years	4,622,737	6,329,784
beyond 10 years	743,509	1,830,212
Total	**41,832,849**	**46,459,268**

34.6 Sensitivity assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Income Statement and Gratuity liability is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

		2023		2022	
Variable	Rate Change	Sensitivity Effect on gratuity liability-Increase/(Decrease) in the Liability (Rs. Mn.)	Sensitivity Effect on Comprehensive Income-(Charged)/ Reversal (Rs. Mn.)	Sensitivity Effect on gratuity liability-Increase/(Decrease) in the Liability (Rs. Mn.)	Sensitivity Effect on Comprehensive Income-(Charged)/ Reversal (Rs. Mn.)
Discount rate	1.00%	(0.99 Million)	(0.99 Million)	(1.39 Million)	(1.39 Million)
Discount rate	-1.00%	1.03 Million	1.03 Million	1.49 Million	1.49 Million
Salary Increment rate	1.00%	1.31 Million	1.31 Million	1.74 Million	1.74 Million
Salary Increment rate	-1.00%	(1.26 Million)	(1.26 Million)	(1.65 Million)	(1.65 Million)

35. STATED CAPITAL

	2023		2022	
	No. of shares	Rs.	No. of shares	Rs.
Issued and Fully Paid-Ordinary shares				
Ordinary shares as at 01st April	492,726,902	6,746,427,723	268,760,128	4,506,759,983
Rights issue	116,483,901	851,497,316	223,966,774	2,239,667,740
Ordinary shares as at 31st March	**609,210,803**	**7,597,925,039**	**492,726,902**	**6,746,427,723**

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

36. STATUTORY RESERVE FUND

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 as Finance Companies Act (amended) issued to Registered Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 20% of the net profit for the year transferred to Reserve Fund as long as the capital funds are not less than 10% of total deposit liabilities.

As at 31 March	2023 Rs.	2022 Rs.
Balance as at 01st April	260,448,732	260,448,732
Transfer during the year	-	-
Balance as at 31st March	**260,448,732**	**260,448,732**

37. REVALUATION RESERVE

Revaluation Reserve represents the fair value changes of freehold land & Building as at the date of revaluation.

As at 31 March	2023 Rs.	2022 Rs.
Balance as at 01st April	160,142,882	138,505,682
Revaluation surplus (net of tax)	12,645,500	21,637,200
Balance as at 31st March	**172,788,382**	**160,142,882**

38. NON-DISTRIBUTABLE REGULATORY LOSS ALLOWANCE RESERVE

As at 31 March	2023 Rs.	2022 Rs.
Balance as at 01st April	-	-
Charged / Transferred in during the year	1,748,974,244	-
Reversed / Transferred out during the year	-	-
Balance as at 31st March	**1,748,974,244**	**-**

NON-DISTRIBUTABLE REGULATORY LOSS ALLOWANCE RESERVE

As per section 7.1.3 of Central Bank, Finance Business Act Direction No.01 of 2020, the Company shall maintain a non-distributable regulatory loss allowance reserve (RLAR) through an appropriation of its retained earnings, where the loss allowance for expected credit loss falls below the regulatory provision. Accordingly, the Company has created a RLAR and the amount of the RLAR as of 31st March 2023 amounted to Rs.1.74Bn.

39. RETAINED EARNINGS

This represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

As at 31 March	2023 Rs.	2022 Rs.
Balance as at 01st April	(2,803,598,409)	(1,875,236,009)
Dividends Paid	-	-
Net change in other comprehensive income	5,333,178	6,762,424
Gain / (Loss) on share disposal	-	620,749
Transferred to Regulatory Loss Allowance Reserve (Note 38)	(1,748,974,244)	-
Expenses related to share issue	(1,646,405)	-
Transferred from current years' profit	(2,995,203,435)	(935,745,573)
Balance as at 31st March	**(7,544,089,316)**	**(2,803,598,409)**

40. FAIR VALUE OF ASSET AND LIABILITIES

The following describes the methodologies and assumptions used to determine fair value of those financial instruments which are already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value.

Equity instruments at fair value through OCI

Equity instruments at fair value through OCI financial assets primarily consist of quoted equity securities. Unquoted equity securities are carried at cost since it is the most reasonable value available to represent the price of such securities.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices.

Variable rate Financial Instruments

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

Set out below is the comparison, by class, of the carrying amounts of fair values of the Company's financial instruments that are not carried at fair value and non financial assets carried at fair value in the financial statements.

As at 31 March	2023 Rs. Fair value measurement using				
	Carrying value	Quoted prices in active markets (Level I)	Significant observable inputs (Level 2	Significant unobservable inputs (Level 3)	Total Fair Value
FINANCIAL ASSETS					
Cash and bank balances	493,667,734	493,667,734	-	-	493,667,734
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	316,466,799	-	316,466,799	-	316,466,799
Securities purchased under repurchase agreements	1,890,681,971	-	1,890,681,971	-	1,890,681,971
Financial Assets at Amortised Cost - Factoring receivables	112,275,125	-	-	112,275,125	112,275,125
Financial Assets at Amortised Cost - Gold loan receivables	4,549,369,028	-	-	4,549,369,028	4,549,369,028
* Financial Assets at Amortised Cost - Loan receivables	4,181,144,329	-	-	4,892,064,969	4,892,064,969
* Financial Assets at Amortised Cost - Lease and hire purchase receivables	7,816,461,877	-	-	8,332,512,530	8,332,512,530
Other Financial assets	980,860,481	-	-	980,860,481	980,860,481
Equity Instruments at fair value through other comprehensive income	30,600	-	30,600	-	30,600
TOTAL FINANCIAL ASSETS	**20,340,957,944**	**493,667,734**	**2,207,179,370**	**18,867,082,134**	**21,567,929,238**
FINANCIAL LIABILITIES					
Financial Liabilities at Amortised Cost - Due to other customers	12,430,946,956	-	-	11,122,594,824	11,122,594,824
Financial Liabilities at Amortised Cost - Other borrowed funds	6,951,439,600	-	6,951,439,600	-	6,951,439,600
TOTAL FINANCIAL LIABILITIES	**19,382,386,556**	**-**	**6,951,439,600**	**11,122,594,824**	**18,074,034,424**

There were no transfers between levels of fair value hierarchy during 2023 and 2022.

* The company has taken fair value of loans and Leases using weighted average (WA) interest rate which is total interest devided by total receivable and comparatives adjusted accordingly.

As at 31 March	2022 Fair value measurement using				
	Carrying value Rs.	Quoted prices in active markets (Level I) Rs.	Significant observable inputs (Level 2 Rs.	Significant unobservable inputs (Level 3) Rs.	Total Fair Value Rs.
FINANCIAL ASSETS					
Cash and bank balances	438,009,460	438,009,460	-	-	438,009,460
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	-	-	-	-	-
Securities purchased under repurchase agreements	1,457,460,165	-	1,457,460,165	-	1,457,460,165
Financial Assets at Amortised Cost - Factoring receivables	710,253,049	-	-	710,253,049	710,253,049
Financial Assets at Amortised Cost - Gold loan receivables	2,891,741,116	-	-	2,891,741,116	2,891,741,116
* Financial Assets at Amortised Cost - Loan receivables	5,721,832,163	-	-	5,662,886,967	5,662,886,967
* Financial Assets at Amortised Cost - Lease and hire purchase receivables	11,262,883,980	-	-	11,700,618,355	11,700,618,355
Other Financial assets	1,041,889,120	-	-	1,041,889,120	1,041,889,120
Equity Instruments at fair value through other comprehensive income	30,600	-	30,600	-	30,600
TOTAL FINANCIAL ASSETS	**23,524,099,652**	**438,009,460**	**1,457,490,765**	**22,007,388,607**	**23,902,888,832**
FINANCIAL LIABILITIES					
Financial Liabilities at Amortised Cost - Due to other customers	15,599,352,518	-	-	15,164,560,790	15,164,560,790
Financial Liabilities at Amortised Cost - Other borrowed funds	4,844,445,609	-	4,844,445,609	-	4,844,445,609
TOTAL FINANCIAL LIABILITIES	**20,443,798,127**	**-**	**4,844,445,609**	**15,164,560,790**	**20,009,006,399**

There were no transfers between levels of fair value hierarchy during 2023 and 2022.

* The company has taken fair value of loans and Leases using weighted average (WA) interest rate which is total interest devided by total receivable and comparatives adjusted accordingly.

41. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Company is exposed to the following risks from financial instruments.

01) Market Risk

02) Credit Risk

03) Liquidity Risk

04) Operational Risk

05) Currency Risk

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board discharges its governance responsibility through the Board Integrated Risk Management Committee and the Audit Committee. Board Integrated Risk Management Committee consists of four non-executive and executive directors (chaired by an independent non executive director) who report regularly to the board of directors on their activities. Chief Executive Officer, Head of Risk Management & Head of Compliance attend IRMC meeting as the permanent invitees. There are several executive management sub committees such as Board Credit & Recoveries Committee, Asset and Liability Committee (ALCO), IT Steering Committee, which focus on specialised risk areas that support the Board Integrated Risk Management Committee.

The Company's 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. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. 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. Company current Risk Management practices are listed below.

- Board approved Credit Risk Management policy is in place along with predefined set of risk limits. Any deviations from these risk limits are closely monitored and reported to Board Credit and Recoveries Committee (BCRC) with reasons for such deviations and the corrective actions to be taken.
- Authority limits for credit granting is delegated in accordance with the board approved Delegated Authority limits. Sample checks are carried out monthly to identify any deviations/violations of DA limits and such deviations/violations are reported to BCRC, if any, for corrective actions.
- Loan review mechanism is in place and reviews are carried out at regular intervals. The results and the recommendations are submitted to the BCRC quarterly.
- Early Warning Signal Mechanism has been implemented supporting to identify the problematic loans in advance. Results and the recommendations are submitted to the BCRC quarterly. Instances where the credit risk has increased significantly since initial recognition, the reasons for such increase and the corrective actions to be taken are submitted to the BCRC immediately.
- Detailed credit risk analysis and assessment is carried out on quarterly basis and the results are presented to the IRMC.
- Stress tests are being carried out relating to credit risk as defined in the Stress Testing Policy. The results are submitted to the Board Integrated Risk Management Committee.

The Audit Committee is responsible for monitoring compliance with the Company's risk management policies and procedures. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Objectives and policies

Integrated Risk Management Committee (IRM) with the ultimate objective of to deliver superior shareholder value between risk and return. This Committee consists of one independent non executive director, one executive director & Head of Risk Management. Integrated risk management committee oversees market risk, operational risk and credit risk. ALCO committee monitors the market risk in broader aspects including the liquidity risk. Company is exposed to liquidity risk mainly due to interest rate fluctuations in the market. Board Credit & Recoveries Committee involves in monitoring of credit risk by analysing the credit risk using several measurement criteria like 20 largest exposures, 10 largest 3-6 months arrears, 10 largest non performing advances and sectorial exposure. For some of these measures Company has stipulated risk tolerance level and continually monitor the credit exposure in order to ensure superior credit quality.

The Company's principal financial liabilities comprised of borrowings, public deposits, other payables and bank overdrafts. The main purpose of these financial liabilities is to raise finances for the Company's operations. The Company has various financial assets such as lease & hire purchase rental receivables, other investments, loans, investments in government securities and bank & cash balances, which arise directly from its operations.

Responding to COVID-19 pandemic risks

The Company's risk measurement and reporting functions were further strengthened during the year amidst the COVID-19 pandemic. The credit risk of the Company's loan book increased as the loan repayments were impacted by the lock downs and movement restrictions imposed locally and globally. Further, the Company monitored the liquidity position with concern as it was under pressure due to the payment holidays offered under moratoriums. The operational risks too increased owing to the work from home arrangements etc. during the lock down periods.

In this back drop, the Company took additional measures to ensure that the risks caused by the pandemic are adequately managed

Continuous reviews of the limits, policies and performance were carried out during the period. Some of these include;
- Reviewed risk elevated industries in the context of COVID-19 pandemic.
- Assessed the impact of the COVID-19 lock downs and moratoriums (payment holidays) on the portfolio staging.
- Used of a range of additional stress tests to assess the impact on Company's performance and capital.
- Strengthened Cyber Security Management in light of the increase in use of digital platforms.
- Ensured adequate liquidity resources were held to meet Company's obligations, given the uncertainties caused by the pandemic.

The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

41.1 Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity price will affect the Company's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimising return.

Financial assets subject to market risk	2023 Carrying amount Rs.	2022 Carrying amount Rs.
Equity Instruments at fair value through other comprehensive income	30,600	30,600
	30,600	**30,600**

Financial liabilities subject to market risk	2023 Carrying amount Rs.	2022 Carrying amount Rs.
Financial Liabilities at Amortised Cost - Due to other customers	5,713,513,512	2,515,595,009
Financial Liabilities at Amortised Cost - Other borrowed funds	1,202,665,779	2,276,938,838
	6,916,179,291	**4,792,533,847**

Market risk - Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's board of directors reviews and approves all equity investment decisions.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increase shown. During the Financial year, Company does not holds any quoted shares.

	Change in equity price	Effect on equity Rs.
31 March 2023		
Quoted shares – (Colombo Stock Exchange)	+ 10%	-
	-10%	-
31 March 2022		
Quoted shares – (Colombo Stock Exchange)	+ 10%	-
	-10%	-

Market risk - Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Fixed interest rate instruments:

	31 March 2023 Rs.	31 March 2022 Rs.
Financial assets	22,645,243,942	25,075,773,232
Financial liabilities	18,779,255,032	18,505,339,471

Floating interest rate instruments:

	31 March 2023 Rs.	31 March 2022 Rs.
Financial assets	Nil	Nil
Financial liabilities	318,795,092	1,839,474,789

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's financial liabilities with floating interest rates.

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates by 500 basis points, with all other variables held constant. The sensitivity of the income statement is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 March. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	Changes in basis points	Effect on profit Rs.
2023		
Floating interest rate instruments	+500 b.p	15,939,755
	-500 b.p	(15,939,755)
2022		
Floating interest rate instruments	+500 b.p	91,973,739
	-500 b.p	(91,973,739)

Interest Rate Risk exposure on financials assets and Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

As at 31 March 2023	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	More than 3 years Rs.	Non-interest bearing Rs.	Total Rs.
Financial Assets						
Cash and cash equivalents	350,659,334	-	-	-	143,008,400	493,667,734
Equity Instruments at fair value through other comprehensive income	-	-	-	-	30,600	30,600
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	316,466,799	-	-	-	-	316,466,799
Securities purchased under repurchase agreements	1,890,681,971	-	-	-	-	1,890,681,971
Financial Assets at Amortised Cost - Lease and hire purchase receivables	351,931,627	368,324,455	2,393,672,033	4,702,533,762	-	7,816,461,877
Financial Assets at Amortised Cost - Loans and receivables	6,518,109,238	1,162,247,020	518,401,040	644,031,185	-	8,842,788,482
Other Financial Assets	-	-	980,860,481			980,860,481
	9,427,848,968	**1,530,571,475**	**3,892,933,554**	**5,346,564,947**	**143,039,000**	**20,340,957,944**
Financial Liabilities						
Financial Liabilities at Amortised Cost - Due to customers	6,570,866,746	2,765,159,219	1,621,170,536	1,473,750,456	-	12,430,946,956
Financial Liabilities at Amortised Cost - Other borrowed funds	3,587,563,824	2,463,875,776	-	900,000,000	-	6,951,439,600
	10,158,430,570	**5,229,034,995**	**1,621,170,536**	**2,373,750,456**	**-**	**19,382,386,556**
Interest Rate sensitivity gap	**(730,581,602)**	**(3,698,463,520)**	**2,271,763,018**	**2,972,814,491**	**143,039,000**	**958,571,388**

As at 31 March 2022	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	More than 3 years Rs.	Non-interest bearing Rs.	Total Rs.
Financial Assets						
Cash and cash equivalents	355,340,646	-	-	-	82,668,814	438,009,460
Equity Instruments at fair value through other comprehensive income	-	-	-	-	30,600	30,600
Securities purchased under repurchase agreements	1,457,460,165	-	-	-	-	1,457,460,165
Financial Assets at Amortised Cost - Lease and hire purchase receivables	264,667,945	779,522,424	2,025,925,590	8,192,768,021	-	11,262,883,980
Financial Assets at Amortised Cost - Loans and receivables	5,709,109,346	1,301,187,270	1,409,908,287	903,621,424	-	9,323,826,328
Other Financial Assets	-	-	1,041,889,119			1,041,889,119
	7,786,578,101	**2,080,709,694**	**4,477,722,997**	**9,096,389,445**	**82,699,414**	**23,524,099,651**
Financial Liabilities						
Financial Liabilities at Amortised Cost - Due to customers	5,452,488,512	7,630,039,427	2,161,158,115	355,666,463	-	15,599,352,518
Financial Liabilities at Amortised Cost - Other borrowed funds	2,286,230,407	1,464,367,249	193,847,953	900,000,000	-	4,844,445,609
	7,738,718,919	**9,094,406,677**	**2,355,006,068**	**1,255,666,463**	**-**	**20,443,798,127**
Interest Rate sensitivity gap	**47,859,182**	**(7,013,696,983)**	**2,122,716,929**	**7,840,722,981**	**82,699,414**	**3,080,301,524**

41.2 Credit risk

Credit risk mainly comprises of default risk and concentration risk and this is one of the major risk element in the industry due to the nature of the business. 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 investment debt securities. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure such as individual obligator default risk and sector risk. For risk management purposes, credit risk arising on trading assets is managed independently and information thereon is disclosed below. The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk, further details are provided in market risk section.

Credit risk - Default risk

Default risks the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. It arises from lending, trade finance, treasury and other activities undertaken by the Company. The Company has in place standards, policies and procedures for the control and monitoring of all such risks.

Credit risk - Concentration risk

The Company seeks to manage its credit risks exposure through diversification of its lending, investing and financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific businesses. It also obtains security when appropriate. The types of collateral obtained include cash, mortgages over properties and pledge over equity instruments.

Management of credit risk

The board of directors has delegated responsibility for the oversight of credit risk to its Board Credit & Recoveries Committee and Credit Risk Committee. Company Credit Risk monitoring Unit reporting to Risk Committee through the Chief Risk Officer who is responsible for management of the Company's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting.
- 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 Heads of Credit, Board Credit & Recoveries Committee or the board of directors as appropriate.
- Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being 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 advances), and by issuer. Refer Concentration of credit risk.
- 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 Heads of Credit who 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.
- Regular audits of business units and Company credit processes are undertaken by Internal Audit.

Significant increase in credit risk

The company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the company assesses whether there has been a significant increase in credit risk. Since initial recognition. The assessment should consider reasonable and supportable information that is relevant and available without undue cost or effort. There is a rebuttable presumption in the Standard that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. When an entity determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

The Company is focused on supporting customers who are experiencing financial difficulties because of the COVID 19 pandemic and has offered a range of industry-wide financial assistance measures including the debt moratorium initiated by the Central Bank of Sri Lanka. As per industry guidance given by the Central Bank and the Institute of Chartered Accountants of Sri Lanka, eligibility for the debt moratorium does not automatically result in a significant increase in credit risk (SICR) which moves an exposure from stage 1 (12-month ECL) to stage 2 (lifetime ECL). Accordingly, a case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been moved to stage 2.

Post-model adjustments

Post-model adjustments represent the adjustments in relation to data and model limitations as a result of the Covid-19 economic disruption. The adjustments are based on a combination of portfolio level credit risk analysis and an evaluation of ECL coverage at an exposure level. They include the effect of government and other support programs.

Management overlays

Analyzed the current position of the customers who were applied only the 01st Moratorium relief and expect the same patten will continue with the customers who applied for the 02nd Moratorium relief and make the bucket movement by considering the worst case. Furthermore, the company has identified tourism industry that carrying an increased credit risk. Accordingly, exposures outstanding from the borrowers operating in this industry have been classified to stage 2 and stage 3 unless such exposures are individually significant and has specifically identified as stage 1 and stage 2 respectively.

The company calculates expected credit losses based on three probability-weighted scenarios. During the year, due to the uncertainties created by COVID-19 pandemic, the company assigned relevant weightages to the worst case scenario by evaluating current economic condition.

This approach ensures the volume of exposures in stage 2 and stage 3 reflects a forward-looking view of the economy and not just what is observable as at the reporting date.

Assessment of Expected Credit Losses

Analysis of the total allowance for expected credit losses is as follows.

As at 31 March 2023	Stage 1	Stage 2	Stage 3	Total
Financial Assets at Amortised Cost - Factoring receivables	2,756,796	3,818,301	30,154,073	36,729,169
Financial Assets at Amortised Cost - Gold loan receivables	6,343,867	3,971,932	5,943,623	16,259,422
Financial Assets at Amortised Cost - Loan receivables	6,384,453	11,891,615	3,380,339,009	3,398,615,077
Financial Assets at Amortised Cost - Lease and hire purchase receivables	19,568,513	75,555,152	548,584,280	643,707,944
Other assets	-	-	191,152,307	191,152,307
Total impairment for expected credit losses	**35,053,628**	**95,236,999**	**4,156,173,291**	**4,286,463,919**

As at 31 March 2022	Stage 1	Stage 2	Stage 3	Total
Financial Assets at Amortised Cost - Factoring receivables	10,578,073	8,813,216	4,274,307	23,665,595
Financial Assets at Amortised Cost - Gold loan receivables	2,600,347	1,677,044	7,387,987	11,665,379
Financial Assets at Amortised Cost - Loan receivables	20,499,793	63,242,808	2,557,971,109	2,641,713,710
Financial Assets at Amortised Cost - Lease and hire purchase receivables	37,044,922	131,673,093	185,840,060	354,558,075
Other assets	-	-	43,944,413	43,944,413
Total impairment for expected credit losses	**70,723,135**	**205,406,162**	**2,799,417,876**	**3,075,547,173**

Movement of the total allowance for expected credit losses during the period

As at 31 March	2023 Rs.	2022 Rs.
Balance as at 01st April	3,075,547,173	2,121,155,121
Net charge to profit or loss (Note 10)	1,809,774,888	1,210,260,696
Write-off during the year	598,858,142	279,067,917
Other movements	-	23,199,273
Balance as at 31st March	**4,286,463,918**	**3,075,547,173**

The table below shows the maximum exposure to credit risk for the components of statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

As at	31 March 2023		31 March 2022	
	Maximum exposure to credit risk Rs.	Net exposure Rs.	Maximum exposure to credit risk Rs.	Net exposure Rs.
Cash and cash equivalents	493,667,734	350,659,334	438,009,460	355,340,646
Equity Instruments at fair value through other comprehensive income	30,600	30,600	30,600	30,600
Placements with banks & Securities purchased under repurchase agreements	2,207,148,770	-	1,457,460,165	-
Financial Assets at Amortised Cost - Lease and hire purchase receivables	8,460,169,821	-	11,617,442,055	-
Financial Assets at Amortised Cost - Loans and receivables	12,294,392,151	4,293,419,454	12,000,871,013	6,432,085,211
Other Financial Assets	980,860,481	122,533,824	1,041,889,119	229,289,483
Total Financial Assets	**24,436,269,557**	**4,766,643,212**	**26,555,702,411**	**7,016,745,940**

Concentration of credit risk

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances as the reporting date is shown below.

Concentration by sector (Gross)

As at 31 March	2023 Rs.	2022 Rs.
Agriculture	1,367,826,881	2,439,290,850
Manufacturing	1,565,001,137	2,229,309,289
Tourism	429,565,373	756,205,268
Transport	620,954,688	821,981,462
Construction	755,540,441	986,233,458
Trading	4,656,433,400	5,850,993,826
Services	2,295,229,581	3,324,006,725
Other	9,064,010,471	7,210,292,190
	20,754,561,972	**23,618,313,067**

The Provisional breakdown for factoring, gold loans, leases, hire purchases and loans as follows,

As at 31 March	2023 Rs.	2022 Rs.
Central Province	3,636,457,581	3,914,199,742
North Central Province	1,113,338,623	1,292,112,231
North Western Province	1,656,543,014	1,820,020,733
Northern Province	483,060,283	522,667,745
Sabaragamuwa Province	1,494,063,934	1,634,904,235
Southern Province	2,333,840,718	2,843,295,625
Uva Province	444,718,030	385,228,724
Western Province	9,592,539,788	11,205,884,031
	20,754,561,972	**23,618,313,067**

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation and is to maintain a balance between continuity of funding and flexibility through the use of borrowings, public deposits and bank overdrafts.

The table below summarises the maturity profiles of the Company's financial liabilities based on contractual undiscounted payments.

Analysis of financial assets and liabilities by remaining contractual maturities

As at 31 March 2023	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	More than 3 years Rs.	Total Rs.
Financial assets					
Cash and cash equivalents	493,667,734	-	-	-	493,667,734
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	316,466,799	-	-	-	316,466,799
Securities purchased under repurchase agreements	526,826,447	1,733,885,004	-	-	2,260,711,452
Financial Assets at Amortised Cost - Lease and hire purchase receivables	485,774,132	436,914,272	3,119,144,705	6,901,991,581	10,943,824,690
Financial Assets at Amortised Cost - Loans and receivables	10,013,580,716	739,008,296	653,338,349	2,178,070,214	13,583,997,575
Other Financial Assets	-	-	980,860,481	-	980,860,481
Total financial assets	**11,836,315,829**	**2,909,807,572**	**4,753,343,535**	**9,080,061,796**	**28,579,528,731**
Financial Liabilities					
Financial Liabilities at Amortised Cost - Due to customers	7,332,683,430	3,227,032,989	2,362,776,075	1,776,000,640	14,698,493,135
Financial Liabilities at Amortised Cost - Other borrowed funds	3,498,982,483	3,113,313,485	187,380,000	948,770,137	7,748,446,105
Total financial liabilities	**10,831,665,914**	**6,340,346,474**	**2,550,156,075**	**2,724,770,777**	**22,446,939,240**

As at 31 March 2022	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	More than 3 years Rs.	Total Rs.
Financial assets					
Cash and cash equivalents	438,009,460	-	-	-	438,009,460
Securities purchased under repurchase agreements	1,460,300,824	-	-	-	1,460,300,824
Financial Assets at Amortised Cost - Lease and hire purchase receivables	266,543,261	857,879,145	2,471,753,775	11,754,703,839	15,350,880,020
Financial Assets at Amortised Cost - Loans and receivables	5,709,980,473	1,334,410,467	1,632,820,116	1,045,681,812	9,722,892,867
Other Financial Assets	-	-	1,041,889,120	-	1,041,889,120
Total financial assets	**7,874,834,019**	**2,192,289,612**	**5,146,463,010**	**12,800,385,651**	**28,013,972,292**
Financial Liabilities					
Financial Liabilities at Amortised Cost - Due to customers	5,634,893,274	8,159,055,611	2,552,380,663	391,903,780	16,738,233,328
Financial Liabilities at Amortised Cost - Other borrowed funds	2,937,594,218	970,801,536	403,487,046	1,042,460,137	5,354,342,937
Total financial liabilities	**8,572,487,492**	**9,129,857,147**	**2,955,867,709**	**1,434,363,917**	**22,092,576,265**

Sensitivity of impairment provision on loans and advances to other customers

The company has estimated the impairment provision on loans and advances to other customers as at 31st March 2023, subject to various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the Statement of Financial Position.

The following table demonstrates the sensitivity of the impairment provision of the company as at 31st March 2023 to a feasible change in PDs, LGDs and all other information. The loss rate is calculated as follows,

Loss rate = EAD x PD x LGD x DCF x EFA

EAD - Exposure at Default
PD - Probability of Default
LGD - Loss given Default
DCF - Discount factor
EFA - Economic Factor adjustment

Sensitivity on ECL	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Income Statement
	Stage 1	Stage 2	Stage 3	Total	
Loss rate 1% increase across all age buckets	64,672,509	31,115,935	68,108,820	163,897,264	163,897,264
Loss rate 1% decrease across all age buckets	(28,709,661)	(25,560,947)	(67,740,411)	(122,011,019)	(122,011,019)

Sensitivity analysis of the expected credit loss model

The uncertainty on the current economic conditions introduced significant estimation uncertainty in relation to the measurement of the Company's allowance for expected credit losses. The rapidly evolving consequences of current economic conditions and government, business and consumer responses could result in significant adjustments to the allowance within the current and next financial years.

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of ECL of collectively assessed assets to key factors used in determining it:

ECL sensitivity - Weighting applied to forecast scenarios

	Total ECL (Rs)	Impact (Rs)
100% Best Case (Upside) scenario	2,157,184,412	(26,439,422)
100% Base Case scenario	2,164,939,407	(18,684,427)
100% Worst Case (Downside) scenario	2,197,117,607	13,493,773

The key measure used by the Company for managing liquidity risk is the ratio of liquid assets to deposits from customers and other liabilities. For this purpose liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market. Details of the reported ratio of net liquid assets to the liabilities from customers at the reporting date and during the year were as follows:

As at 31 March	2023 Rs.	2022 Rs.
Average for the year	9.93%	10.30%
Maximum for the year	12.30%	14.61%
Minimum for the year	8.48%	7.18%

Components of the Company's liquid assets used for the purpose of calculating the Statutory Liquid Asset Ratio as at 31st March is given below:

As at 31 March	2023 Rs.	2022 Rs.
Cash in Hand & Bank Balances	493,667,734	438,009,460
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge	1,890,681,971	1,457,460,165
Total Liquid Assets as at end of March	**2,384,349,704**	**1,895,469,625**

Total Liquid Assets as at end of March

The table below sets out the availability of assets held by the Company on the basis of being encumbered or unencumbered.

As at 31 March	2023		2022	
	Encumbered Rs.	Unencumbered Rs.	Encumbered Rs.	Unencumbered Rs.
Cash and cash equivalents	-	493,667,734	-	438,009,460
Equity Instruments at fair value through other comprehensive income	-	30,600	-	30,600
Placements with banks & Securities purchased under repurchase agreements	-	1,890,681,971	-	1,457,460,165
Financial Assets at Amortised Cost - Lease and hire purchase receivables	815,210,657	7,001,251,220	1,681,584,007	9,581,299,973
Financial Assets at Amortised Cost - Loans and receivables	5,168,872	8,837,619,610	422,168,003	8,901,658,324
Other non financial assets	-	1,197,557,284	-	1,169,949,046
Intangible assets	-	90,193,197	-	123,430,339
Property, plant & equipment	-	419,853,994	-	485,845,674

* Encumbered- Pledged as collateral in borrowings

Operational risk

Operational risk is the risk of loss arising from fraud, systems failure, human error or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but it should manage these risks through a control framework and by monitoring and responding to potential risks and management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development

Compliance with Company's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the management of the Company and Audit Committee. Audit Committee instructs the management to take the corrective actions to overcome any deficiencies identified.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company, as at the reporting date, do not hold 'Financial instruments' denominated in currencies other than its functional / reporting currency, hence do not get exposed to currency risk arising from translation of such balances in to the functional / reporting currency, which is Sri Lankan Rupees.

Impact to the Company due to Current Economic Condition

The Company has prepared financial statements for the year ended 31st March 2023 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31st March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and its impact on the company and the appropriateness of the use of the going concern basis.

The Company is expected to encounter macro-economic challenges such as the continuous devaluation of the rupee, import restrictions, rise in general inflation, down-grade of credit rates, depleting of foreign currency reserves, shortage of essential supplies, impact due to mismatch between lending and deposits rates, increase in policy rates and the resultant pressure on disposable income levels of general public

Accordingly, the Company is expected to encounter numerous challenges in the form of subdued demand for credit and greater credit risk due to the potential loss of income of the customer base.

Towards, mitigating this risk, the company has taken steps to focus on asset backed short term lending, applying strict credit guidelines to minimize credit risk, secured additional liquidity through a broad basing deposit mobilizing to manage possible liquidity issues. The company has adopted strict cost management methods.

Based on these proactive analysis and our operating model, financial strength of the company and the backing of the group, the management is confident that the company has no impact to its business continuity and expects to manage the above challenges effectively.

Impact of current economic condition on Expected Credit Losses

The determination of the allowance for expected credit losses is heavily dependent on the external macro environment and reliant on data and a number of estimates related to statistical models. The Company's expected credit losses for loans and receivables to customers are derived from the statistical models which are based on internally computed data comprising qualitative and quantitative factors including past due information and also incorporating forward looking information. The prevailing uncertain and volatile macroeconomic environment in the country meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgment required by the Company in calculating the ECL.

The Company used a broad range of forward looking information as economic inputs in Company ECL model in calculating the ECL, such as:

- GDP Growth (%)
- Inflation (YoY Average)
- Interest Rate (PLR)
- Unemployment (% of Labor Force)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, Company used qualitative adjustments or overlays as temporary adjustments when such differences are significantly material.

Capital management

Capital comprises of equity attributable to the equity holders of the parent. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. During the year company issued further 116,483,901 new shares by way of Rights issue (100 new Ordinary Shares for every 423 Ordinary Shares held by shareholder) at a price of Rs. 7.31 per share on 08 December 2022, and raised Rs. 851,497,316.00 in order to comply with the Finance Business Act Direction No 03 of 2018 of the Central Bank of Sri Lanka.

As at 31 March	2023 Rs.	2022 Rs.
SLFRS 9 based impairment provisions recorded in the Financial Statements	4,095,311,613	3,031,602,760
Regulatory provisions reported to Central Bank without Interest in Suspense	4,958,631,323	4,089,176,719
Interest in Suspense reported to Central Bank *	885,654,534	924,417,336
Total Regulatory provisions	5,844,285,857	5,013,594,055
Impairment Provision Gap	1,748,974,244	1,981,991,295
Profit / (Loss) as reported in accordance with the Central Bank provisioning method	(2,762,618,604)	(29,158,480)
Capital Adequacy Ratios (As per Central Bank Direction 03 of 2018 Capital Adequacy Requirements)		
Tier 1 Ratio - (Minimum Requirement - 8.5%, 7% in FY 2021.22)	-1.11%	7.1%
Total Capital ratio - (Minimum Requirement - 12.5%, 11% in FY 2021.22)	0.6%	12.1%

* SLFRS Interest in suspense of Rs. 466,257,910.01 was considered and netted from CBSL Interest in suspense amount during the year.

Serious Loss of Capital

The Company's net assets have fallen below fifty percent of the stated capital as of 31 March 2023 representing 43% of stated capital which is a serious loss of capital as per Section 220 of the Companies Act No. 07 of 2007. Accordingly, the Board of Directors has called for an EGM to inform the shareholders of the nature and extent of losses incurred by the Company, the causes of such losses and the remedial actions that would be taken by the Company. The EGM was held on 12th July 2023.

42.1 The company has raised funds via the capital market through a rights issue on 20th December 2019. The progress of uitlisation of the capital raised as per the objectives stated in the right issue circular is given below.

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount utilised in Rs. (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including if not utilized where are the funds invested
(a)	To Settle the utilized overdraft facilities of the company	474,880,432	Within 2 months from the completion of the Rights Issue	474,880,432	79%	474,880,432	100%	N/A
(b)	To expand the lending activities of the company	127,614,800	Within 2 months from the completion of the Rights Issue	127,614,800	21%	127,614,800	100%	N/A
		602,495,232		602,495,232	100%	602,495,232		

42.2 The company has raised funds further via the capital market through a rights issue on 15th December 2020. The progress of uitlisation of the capital raised as per the objectives stated in the right issue circular is given below.

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount utilised in Rs. (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including if not utilized where are the funds invested
(a)	To repay maturity liabilities	1,901,994,752	Within 6 months from the completion of the Rights issue	1,901,994,752	100%	1,901,994,752	100%	N/A
(b)	To increase the secured lending portfolio to the required regulatory levels (i) Leasing (ii) Other lending							N/A
		1,901,994,752		1,901,994,752	100%	1,901,994,752		

42.3 The company has raised funds further via the capital market through a rights issue on 26th August 2021. The progress of uitlisation of the capital raised as per the objectives stated in the right issue circular is given below.

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount utilised in Rs. (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including if not utilized where are the funds invested
(a)	To improve the Capital adequacy ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A
(b)	To repay maturity liabilities, utilize in the lending and other business operations.	2,239,667,740	Within 6 months from the completion of the Rights issue	2,239,667,740	100%	2,239,667,740	100%	N/A
(c)	To increase the secured lending portfolio to the required regulatory levels (i) Leasing (ii) Other lending							
		2,239,667,740		2,239,667,740	100%	2,239,667,740		

42.4 The company has raised funds further via the capital market through a rights issue on 08 December 2022. The progress of uitlisation of the capital raised as per the objectives stated in the right issue circular is given below.

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount utilised in Rs. (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including if not utilized where are the funds invested
(a)	To improve the Capital adequacy ratio	-	Immediate	-	0%	-	0%	N/A
(b)	To settle the working capital loan borrowed from Softlogic Capital PLC.	851,497,316	Immediate	851,497,316	100%	851,497,316	100%	N/A
		851,497,316		851,497,316	100%	851,497,316		

43. COMMITMENTS AND CONTINGENCIES

As at 31 March	2023 Rs.	2022 Rs.
Contingent Liabilities		
Guarantees issued to banks and other institutions	-	-
Commitments		
Commitment for unutilised facilities	388,741,450	759,541,937
Capital Commitment for Software	-	-
	388,741,450	759,541,937

The Company has formal controls and policies for managing tax commitments. Once professional advice has been obtained and the amount of assessment/penalties reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing.

Analysis of commitment and contingencies by remaining contractual maturities

As at 31 March 2023	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	More than 3 years Rs.	Total Rs.
Contingent Liabilities					
Guarantees issued to banks and other institutions	-	-	-	-	-
	-	-	-	-	-
Commitments					
Commitment for unutilised facilities	380,741,350	-	-	8,000,100	388,741,450
Software Project commitment	-	-	-	-	-
	380,741,350	**-**	**-**	**8,000,100**	**388,741,450**

As at 31 March 2022	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	More than 3 years Rs.	Total Rs.
Contingent Liabilities					
Guarantees issued to banks and other institutions	-	-	-	-	-
	-	-	-	-	-
Commitments					
Commitment for unutilised facilities	730,935,061	20,606,776	-	8,000,100	759,541,937
Software Project commitment	-	-	-	-	-
	730,935,061	**20,606,776**	**-**	**8,000,100**	**759,541,937**

43.1 Litigation against the Company

Set out below are the unresolved legal claims against the Company as at March 31, 2023 for which, adjustments to the Financial Statements have not been made due to the uncertainty of its outcome.

1. Case filed against Softlogic Finance PLC at the District Courts of Colombo under case No. DMR 3743/19, by one of our customers, namely Ms. Ketagodage Dona Vijitha Mallika, claiming damages of Rs.100 M for the reputational loss and mental distress she suffered.

   When this matter was called on 7th June 2023, the plaintiff withdrawn the case.

2. Case filed against Softlogic Finance PLC at the District Court of Colombo under case No. DMR 3689 /21 by one of our customers, claiming that the Deed of Transfer executed over his property in favour of Softlogic Finance is invalid and claims damages of Rs.70 M.

   The company is due to be filed the Answer on the 20.06.2023 and will take appropriate action to defend to preserve its rights.

44. EVENTS AFTER THE BALANCE SHEET DATE

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the financial statements other than the items mentioned below.

44.1 Caps Imposed by CBSL

As per the latest letter received from CBSL dated 10 April 2023, the caps imposed on Total Deposits and Total Lending Portfolio have been downsized to Rs.10.5Bn and Rs.13.5Bn respectively by 30th June 2023. Further, Rs.5.6Bn cap has been imposed on borrowings through Commercial papers (with Accrued Interest payable) with Immediate effect.

45. TRANSFER OF FINANCIAL ASSETS (Lease and HP receivable)

Under the securitization arrangement, the Company retains the contractual right to receive the cash from lease receivable, but assume a contractual obligation to pay the cash flows to investors of the trust certificates. Said securitization will lead to a transfer of lease receivables to investors. However, will not qualified for a derecognition. Risks of defaults of the lease receivable and the right to receive the cash flows from the lease receivables are vested with the Company.

Carrying Value of assets and associated liabilities

As at 31 March	2023	2022
Financial Assets at Amortised Cost - Lease and hire purchase receivables	815,210,657	1,681,584,007
Securtization payable	5,168,872	422,168,003

46. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

The Company carried out transactions in ordinary course of business on an arm's length basis with parties who are defined as Related Parties as per the Sri Lanka

Accounting Standard - LKAS 24 'Related Party Disclosures.'

The pricing applicable to such transactions is based on the assessment of risk and pricing method of the company and is comparable with what is applied to transactions between the company/ group and its unrelated customers.

46.1 Transactions with Key Management Personnel (KMPs)

Key managerial personnel includes CEO, COO and board of directors of the Company and of it's Holding Company.

As at 31 March	2023 Rs.	2022 Rs.
Short-term employee benefits	42,305,601	46,064,789
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	42,305,601	**46,064,789**

46.1.1 Transaction, arrangements and agreements involving KMPs and their close members of the family (CMFS)

The following table provides the total amount of transactions which have been entered in to with key managerial personnel and their close family members.

Statement of financial position	Reported under	2023 Rs.	2022 Rs.
Assets			
Personal Loans	Financial Assets at Amortised Cost - Loan receivables	-	361,013
Lease	Financial Assets at Amortised Cost - Lease and hire purchase receivables	-	2,559,591
Liabilities			
Time Deposits	Financial Liabilities at Amortised Cost - Due to customers	9,469,521	21,196,959
Statement of comprehensive income			
Interest income on lease & loan receivables	Interest income	490,567	724,272
Interest expense on customer deposits	Interest expenses	2,729,198	961,354
Other Transactions			
Dividend Paid on shareholding		-	-

46.1.2 Transaction summary of KMP during the year

	Personal Loans		Lease	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Opening Balance	361,013	1,557,042	2,559,591	3,167,822
New loans granted	1,615,000	-	-	-
Interest charged	233,338	285,858	257,230	438,414
Loan repayments	(2,209,351)	(1,481,887)	(880,170)	(1,046,645)
Other adjustments	-	-	(1,936,651)	-
Closing Balance	-	361,013	-	2,559,591

* Other adjustments include the personal loan/ lease balances of KMPs, who have resigned during the financial year.

46.2 Transactions with Group Companies

The Company enters into transactions with group companies and the following tables shows the outstanding balances and corresponding transactions during the period ended March 31, 2022.

These transactions are on the same terms and conditions as those entered into by other customers.

Company	Relationship	F/Y	(Receivables) /Payables	Loans, Advances & Investments	Borrowings / Deposits
Softlogic Corporate Services (Pvt) Ltd	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	-	-
Softlogic Stock Brokers (Pvt) Ltd	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	738	-
Softlogic Holdings PLC	Ultimate Parent Company	2022/23	-	-	-
	Ultimate Parent Company	2021/22	1,881,223	-	680,813,733
Softlogic Retail (Pvt) Ltd	Affiliated Company	2022/23	860,711	-	300
	Affiliated Company	2021/22	(597,484)	-	284
Softlogic Brands (Pvt) Ltd	Affiliated Company	2022/23	-	-	331,721
	Affiliated Company	2021/22	-	-	313,499
Softlogic Information Technologies (Pvt) Ltd	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	429,250	-	-
Softlogic Life Insurance PLC	Affiliated Company	2022/23	21,821,008	-	-
	Affiliated Company	2021/22	18,039,735	-	-
Softlogic BPO Services (Pvt) Ltd	Affiliated Company	2022/23	-	1,733,943	-
	Affiliated Company	2021/22	2,344,140	2,094,452	-

	Income Earned	Cost Incurred	Plant & Equip. Purchased / (sold)	Sale of equity shares under FVTOCI	Nature and Terms of the Transaction
	-	3,820,668	-	-	> Cost for secretarial services provided > ROC charges
	-	3,163,407	-	-	> Cost for secretarial services provided > ROC charges
	-	-	-	-	
	13,074	-	-	-	> Leasing facility granted at market rate for a period of 12 months
	-	40,940,471	-	-	> Accepting of commercial papers at market rate > TOP JOBS online recruitment software licence renewal > Reimbursement of directors annual insurance liability premium > Business promotion expenses
	-	14,797,415	-	-	> Accepting of commercial papers at market rate > payment for fuel & fuel cards > Reimbursement of directors annual insurance liability premium > Business promotion expenses
	-	3,101,711	48,999	-	> Cost for staff mobile phone vouchers. > Maintaining savings accounts at a Interest rate of 5% > Purchasing of Mobile Phone > Office equipment maintenance > AC services and maintenance agreement renewal
	-	1,185,013	-	-	> Cost for staff mobile phone vouchers. > Maintaining savings accounts at a Interest rate of 5%
	-	18,425	-	-	> Maintaining savings accounts at a interest rate of 5%
	7,228,567	14,803	-	-	> Maintaining savings accounts at a interest rate of 5% & terminated loans granted at a rate of 18% p.a for a period of 12 months
	-	270,000	-	-	> Equipment maintenance
	-	237,650	19,819,000	-	> Equipment maintenance > Purchase of fixed assets
	-	30,153,778	-	-	> Business promotional activities - Covid 19 insurance coverage for gold loan customers > Staff insurance premium for 2023 > Insurance commission income > Blood Donation camp expenses
	2,753,896	20,955,607	-	-	> Business promotional activities - Covid 19 insurance coverage for gold loan customers > Staff insurance premium for 2022 & CEO's international health insurance payment > Insurance commission income
	288,481	47,120,906	-	-	> Cost of hardware maintain services & its related services > Cost for staff discount cards. > Board pack maintenance > Loan granted at a rate of 15% p.a for a period of 60 months
	355,652	28,954,606	-	-	> Cost of hardware maintain services & its related services > Cost for staff discount cards. > Board pack maintenance > Loan granted at a rate of 15% p.a for a period of 60 months

NOTES TO THE FINANCIAL STATEMENTS

Company	Relationship	F/Y	(Receivables) /Payables	Loans, Advances & Investments	Borrowings / Deposits
Softlogic Computers (Pvt) Ltd	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	-	-
Softlogic Capital PLC	Parent Company	2022/23	-	-	1,009,729,804
	Parent Company	2021/22	894,526	-	1,401,250,219
Central Hospital Ltd	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	-	-
Softlogic Asset Management Ltd	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	-	17,032,300
Future Automobiles (Pvt) Ltd	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	-	-
Softlogic Mobile Distributors (Pvt) Ltd	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	-	-
Suzuki Motors Lanka (Pvt)Ltd	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	-	-
Asiri Surgical Hospital	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	-	-
Asiri Hospital Matara	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	-	-
Asiri Hospital Kandy	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	-	-
Asiri Hospital Galle	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	-	-
Softlogic Restaurants (Pvt) Ltd	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	-	-
Odel PLC	Affiliated Company	2022/23	-	-	-
	Affiliated Company	2021/22	-	-	-

* All above transactions are Normal business activity of the company and arm's length transaction

	Income Earned	Cost Incurred	Plant & Equip. Purchased / (sold)	Sale of equity shares under FVTOCI	Nature and Terms of the Transaction
	-	-	-	-	> Maintenance cost
	-	527,945	-	-	> Maintenance cost
	-	400,898,027	-	-	> Accepting of commercial papers at market rate > Outsource call center charges > Business promotion Expenses > Annual maintenance charges for www.softlogicfinance.lk > Subordinated loan received at a rate of WAYR of 364 days T-Bill Rate + 4.25% for a period of 60 months & upfront fee > Term loan received at a rate of 29.96%
	-	59,611,286	-	-	> Accepting of commercial papers at market rate > Outsource call center charges > Business promotion Expenses > Annual maintenance charges for www.softlogicfinance.lk > Reimbursement of combined products package cost incurred on behalf of Softlogic Finance > Subordinated loan received at a rate of WAYR of 364 days T-Bill Rate + 4.25% for a period of 60 months & upfront fee
	-	-	-	-	-
	-	17,600	-	-	> Purchasing Diesel
	-	97,741	-	-	> Interest cost incurred on fixed deposit placed
	445,626	1,213,473	-	-	> Accepting of fixed deposits at market rate > Interest cost incurred on fixed deposit placed > Invest in Softlogic Invest Money market fund
	-	258,301	-	-	> Vehicle repair services
	-	5,701,341	-	-	> Vehicle repair services
	-	-	-	-	> Purchasing tabs
	-	-	296,765	-	> Purchasing tabs
	-	-	-	-	-
	-	13,559	-	-	> Interest cost on fixed deposit
	-	176,000	-	-	> Purchasing of Diesel
	-	385,501	-	-	> Rapid antigen test
	-	-	-	-	-
	-	13,000	-	-	> PCR test
	-	-	-	-	-
	-	110,500	-	-	> Rapid antigen test
	-	-	-	-	-
	-	30,000	-	-	> Rapid antigen test
	-	-	-	-	-
	-	55,230	-	-	> Payment for refreshments
	-	-	-	-	-
	-	217,500	-	-	> Payment for microfiber woven tie

47. BUSINESS SEGMENT INFORMATION

The company's segmental reporting is based on the following operating segments: Leasing & Hire purchase, Vehicle Loans, Gold Loans, Other Loans and Receivables.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss, and in certain respects, are measured differently from operating profits or losses in the financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

	Leasing & Hire Purchases		Vehicle Loans	
	2023	2022	2023	2022
Interest income	1,556,496,319	1,538,314,320	88,995,325	142,040,066
Interest expenses	-	-	-	-
Net interest income	**1,556,496,319**	**1,538,314,320**	**88,995,325**	**142,040,066**
Fee and commission income	39,279,010	78,157,839	2,245,844	7,216,695
Net trading income / (loss)	-	-	-	-
Other operating income	-	-	-	-
Total operating income	**1,595,775,329**	**1,616,472,158**	**91,241,169**	**149,256,760**
Impairment charges for loan and advances	(311,325,513)	(164,886,047)	855,287	15,472,644
Net operating income	**1,284,449,817**	**1,451,586,111**	**92,096,456**	**164,729,404**
Depreciation for property, plant and equipment	(11,969,637)	(19,871,984)	(370,464)	(1,125,997)
Amortisation of intangible assets	(11,712,230)	(14,750,345)	(362,497)	(835,792)
Personal cost	-	-	-	-
Other operating expenses	(358,026,396)	(416,902,993)	(20,470,768)	(38,494,687)
Segment profit before VAT on financial services	**902,741,554**	**1,000,060,789**	**70,892,727**	**124,272,929**
VAT on financial services	-	-	-	-
Segment profit / (loss) before tax	**902,741,554**	**1,000,060,789**	**70,892,727**	**124,272,929**
Income tax reversal / (expenses)	-	-	-	-
Profit / (Loss) for the year	**902,741,554**	**1,000,060,789**	**70,892,727**	**124,272,929**
Total assets	**7,816,461,877**	**11,262,883,980**	**241,921,839**	**638,183,474**
Total Liabilities	**7,028,515,145**	**9,326,436,975**	**217,534,651**	**528,459,492**

Gold Loans		Loans and Receivables		Others		Total	
2023	2022	2023	2022	2023	2022	2023	2022
1,278,622,832	535,796,246	664,593,191	637,264,156	336,716,612	92,000,719	3,925,424,279	2,945,415,506
-	-	-	-	(3,891,334,065)	(1,593,117,271)	(3,891,334,065)	(1,593,117,271)
1,278,622,832	**535,796,246**	**664,593,191**	**637,264,156**	**(3,554,617,453)**	**(1,501,116,551)**	**34,090,214**	**1,352,298,236**
32,266,725	27,222,445	16,771,362	32,377,771	8,497,222	4,674,323	99,060,164	149,649,072
-	-	-	-	240,000	1,414,267	240,000	1,414,267
-	-	-	-	174,443,598	107,798,615	174,443,598	107,798,615
1,310,889,557	**563,018,691**	**681,364,553**	**669,641,927**	**(3,371,436,632)**	**(1,387,229,346)**	**307,833,976**	**1,611,160,190**
(4,594,043)	3,723,062	(1,494,710,619)	(1,064,570,356)	-	-	(1,809,774,888)	(1,210,260,696)
1,306,295,514	**566,741,753**	**(813,346,066)**	**(394,928,429)**	**(3,371,436,632)**	**(1,387,229,346)**	**(1,501,940,912)**	**400,899,494**
(6,966,617)	(5,102,124)	(6,204,208)	(10,222,632)	(8,456,690)	(8,455,059)	(33,967,615)	(44,777,796)
(6,816,800)	(3,787,145)	(6,070,787)	(7,587,937)	(8,274,829)	(6,275,923)	(33,237,142)	(33,237,143)
-	-	-	-	(523,128,866)	(460,384,590)	(523,128,866)	(460,384,590)
(294,109,738)	(145,207,683)	(152,870,201)	(172,706,794)	(77,451,796)	(24,933,380)	(902,928,899)	(798,245,537)
998,402,359	**412,644,800**	**(978,491,262)**	**(585,445,792)**	**(3,988,748,813)**	**(1,887,278,299)**	**(2,995,203,435)**	**(935,745,572)**
-	-	-	-	-	-	-	-
998,402,359	**412,644,800**	**(978,491,262)**	**(585,445,792)**	**(3,988,748,813)**	**(1,887,278,299)**	**(2,995,203,435)**	**(935,745,573)**
-	-	-	-	-	-	-	-
998,402,359	**412,644,800**	**(978,491,262)**	**(585,445,792)**	**(3,988,748,813)**	**(1,887,278,299)**	**(2,995,203,434)**	**(935,745,571)**
4,549,369,028	**2,891,741,116**	**4,051,497,615**	**5,793,901,737**	**5,522,422,692**	**4,792,090,946**	**22,181,673,051**	**25,378,801,253**
4,090,765,057	**2,394,559,095**	**3,643,082,100**	**4,797,746,251**	**4,965,729,014**	**3,968,178,512**	**19,945,625,968**	**21,015,380,325**

48. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31 March	2023 Within 12 Months Rs.	2023 After 12 Months Rs.	2023 Total as at 31 March 2022 Rs.	2022 Within 12 Months Rs.	2022 After 12 Months Rs.	2022 Total as at 31 March 2021 Rs.
Assets						
Cash and cash equivalents	493,667,734	-	493,667,734	438,009,460	-	438,009,460
Equity Instruments at fair value through other comprehensive income	30,600	-	30,600	30,600	-	30,600
Securities purchased under repurchase agreements	1,890,681,971	-	1,890,681,971	1,457,460,165	-	1,457,460,165
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	316,466,799	-	316,466,799	-	-	-
Financial Assets at Amortised Cost - Lease and hire purchase receivables	720,256,082	7,096,205,795	7,816,461,877	1,044,190,368	10,218,693,611	11,262,883,980
Financial Assets at Amortised Cost - Loans and receivables	7,680,356,257	1,162,432,225	8,842,788,482	7,010,296,616	2,313,529,711	9,323,826,328
Other assets	-	1,648,170,954	1,648,170,954	-	1,605,723,051	1,605,723,051
Deferred tax asset	-	428,669,724	428,669,724	-	436,374,872	436,374,872
Intangible assets	-	90,193,197	90,193,197	-	123,430,339	123,430,339
Investment Property	-	103,237,000	103,237,000	-	103,237,000	103,237,000
Right of Use Assets	-	131,450,719	131,450,719	-	141,979,786	141,979,786
Property, plant & equipment	-	419,853,994	419,853,994	-	485,845,674	485,845,674
Total Assets	**11,101,459,443**	**11,080,213,608**	**22,181,673,050**	**9,949,987,209**	**15,428,814,044**	**25,378,801,253**
Liabilities						
Bank Overdrafts	35,260,310	-	35,260,310	51,911,762	-	51,911,762
Financial Liabilities at Amortised Cost - Due to customers	9,336,025,965	3,094,920,991	12,430,946,956	13,082,527,939	2,516,824,579	15,599,352,518
Financial Liabilities at Amortised Cost - Other borrowed funds	6,016,179,291	900,000,000	6,916,179,291	3,698,685,894	1,093,847,953	4,792,533,847
Other non financial liabilities	-	521,406,563	521,406,563	-	525,122,930	525,122,930
Retirement benefit obligations	-	41,832,849	41,832,849	-	46,459,268	46,459,268
Deferred tax liabilities	-	-	-	-	-	-
Total liabilities	**15,387,465,565**	**4,558,160,403**	**19,945,625,968**	**16,833,125,596**	**4,182,254,729**	**21,015,380,325**

SUPPLEMENTARY INFORMATION

10 YEAR SUMMARY

(Rs.'000)	2022/23	2021/22	2020/21	2019/20
OPERATING RESULTS				
Interest income	3,925,424	2,945,416	2,443,391	3,607,234
Interest Expense	(3,891,334)	(1,593,117)	(1,894,557)	(2,516,527)
Net intrest income	**34,090**	**1,352,298**	**548,835**	**1,090,707**
Other Income	273,744	258,862	143,887	209,742
Operating Income	**307,834**	**1,611,160**	**692,721**	**1,300,450**
Operating expense	(1,493,263)	(1,336,645)	(1,213,098)	(1,395,845)
Operating Profit / (Loss)	**(1,185,429)**	**274,515**	**(520,377)**	**(95,395)**
Impairment charge	(1,809,775)	(1,210,261)	(491,732)	(390,137)
Taxes on financial Services	-	-	-	(53,081)
Profit / (Loss) before taxation	**(2,995,203)**	**(935,746)**	**(1,012,108)**	**(538,613)**
Tax expenses / Reversal	-	-	109,257	204,654
Profit / (Loss) for the year	**(2,995,203)**	**(935,746)**	**(902,851)**	**(333,959)**
As at 31 March				
ASSETS				
Cash and bank balances	493,668	438,009	628,090	389,597
Financial & Equity Investments	2,207,179	1,457,491	1,544,581	2,551,733
Lease, Loans & Advances	16,659,250	20,586,710	16,532,493	16,712,383
PPE & Intangible Assets	510,047	609,276	629,248	675,587
Right of Use Assets	131,451	141,980	111,013	176,873
Other Assets	2,180,078	2,145,335	1,427,638	1,240,418
	22,181,673	**25,378,801**	**20,873,062**	**21,746,592**
LIABILITIES				
Public Deposits	12,430,947	15,599,353	14,598,144	17,063,396
Borrowings	6,951,440	4,844,446	2,639,022	2,179,026
Other Liabilities	563,239	571,582	608,007	463,181
	19,945,626	**21,015,380**	**17,845,172**	**19,705,603**
SHAREHOLDERS' FUNDS				
Stated Capital	7,597,925	6,746,428	4,506,760	2,604,765
Reserves & Retained Earnings	(5,361,878)	(2,383,007)	(1,478,870)	(563,776)
	2,236,047	**4,363,421**	**3,027,890**	**2,040,989**
Growth in Interest Income	33%	21%	-32%	-2%
Growth Interest Expenses	144%	-16%	-25%	1%
Growth in Operating Profit	532%	153%	-445%	-138%
Growth in Profit / (Loss) After Tax(PAT)	-220%	-4%	-170%	-264%
Earnings / (Loss) Per Share (Rs.)	(5.66)	-2.33	-5.95	-4.29
Growth in Advances	-19%	25%	-1%	-7%
Growth in Deposits	-20%	7%	-14%	-0.3%
Debt to Equity Ratio (times)	8.92	4.82	5.89	9.65
Net Assets Per Share (Rs.)	3.67	8.86	11.27	19.74
OTHER INFORMATION				
No. of Employees	430	494	463	475
Supporting Branch Network	30	33	34	35

2018/19	2017/18	2016/17 Restated	2015/16 Restated	2014/15	2013/14
3,674,450	3,523,556	3,431,752	3,558,081	3,545,704	3,338,543
(2,490,557)	(2,561,130)	(2,291,408)	(2,002,506)	(2,081,375)	(2,057,633)
1,183,892	**962,426**	**1,140,343**	**1,555,575**	**1,464,329**	**1,280,910**
344,443	622,837	746,956	522,517	427,198	152,351
1,528,335	**1,585,264**	**1,887,299**	**2,078,092**	**1,891,527**	**1,433,261**
(1,274,180)	(1,184,430)	(1,122,141)	(1,208,537)	(1,098,298)	(877,014)
254,155	**400,834**	**765,158**	**869,555**	**793,229**	**556,246**
(189,682)	(108,425)	(440,822)	(711,846)	(522,296)	(327,796)
(1,358)	(99,329)	(40,734)	(67,129)	(50,273)	(37,025)
63,115	**193,079**	**283,603**	**90,581**	**220,661**	**191,425**
140,854	25,686	(39,268)	(17,438)	(4,172)	(25,771)
203,969	**218,766**	**244,335**	**73,142**	**216,490**	**165,654**
709,895	945,104	754,813	509,281	1,078,469	2,431,469
1,971,432	2,110,743	1,962,016	2,165,798	2,059,796	1,600,660
18,018,225	17,377,793	17,989,809	15,906,349	15,528,099	12,212,184
571,205	600,609	468,884	410,783	367,465	322,171
-	-	-	-	-	-
1,133,845	645,968	530,460	950,173	980,006	1,693,255
22,404,601	**21,680,217**	**21,705,982**	**19,942,383**	**20,013,834**	**18,259,739**
17,115,400	16,391,947	16,048,474	14,055,203	12,077,054	9,312,743
3,342,706	2,916,905	3,671,392	4,076,520	5,396,150	6,484,267
189,798	90,914	144,575	154,810	590,995	1,153,180
20,647,904	**19,399,767**	**19,864,440**	**18,286,533**	**18,064,199**	**16,950,191**
2,002,270	2,002,270	1,692,615	1,692,615	1,404,523	1,003,231
(245,573)	278,180	148,927	(36,765)	545,112	306,318
1,756,697	**2,280,450**	**1,841,542**	**1,655,850**	**1,949,635**	**1,309,549**
4%	3%	-4%	0.3%	6%	47%
-3%	12%	14%	-4%	1%	48%
-37%	-48%	-12%	10%	43%	82%
-7%	-10%	234%	-66%	31%	1%
3.00	3.70	4.14	1.40	5.44	4.42
4%	-3%	13%	2%	27%	15%
4%	2%	14%	16%	30%	34%
11.75	8.51	10.79	11.04	10.69	12.94
25.86	33.57	31.18	28.03	33.23	34.96
528	551	490	491	521	502
35	35	31	30	18	17

INVESTOR INFORMATION

1. GENERAL

	As at 31/03/2023	As at 31/03/2022
Stated Capital (Rs.)	7,597,925,039.41	6,746,427,723.10

2. STOCK EXCHANGE LISTING

The ordinary shares of Softlogic Finance PLC were listed in the Colombo Stock Exchange of Sri Lanka.

3. SHARES HELD BY THE PUBLIC

	2022/23	2021/22
Shares held by the public (%)	3.42%	4.17%
The number of public shareholders	1,989	1,877
Float Adjusted Market Capitalization (Rs.)	162,513,073.81	193,139,091.05

In terms of Rule 7.14.1(b) of the Listing Rules of Colombo Stock Exchange, Softlogic Finance PLC is hereby announced that the Company is non-compliant with the Public Holding percentage as specified in Rule 7.14.(b) of the Listing Rules.

4. DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2023

There were 1,994 Registered shareholders as at 31st March 2023 and 1,881 Registered shareholders as at 31st March 2022.

		No. of Shareholders		% of Shareholders		No. of Shares		% of Shares	
From	To	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
1	- 1,000	1,287	1,230	64.54%	65.39%	364,319	358,423	0.06%	0.07%
1,001	- 10,000	530	488	26.58%	25.94%	1,862,394	1,736,756	0.31%	0.35%
10,001	- 100,000	158	144	7.92%	7.66%	4,287,415	4,098,616	0.70%	0.83%
100,001	- 1,000,000	10	10	0.50%	0.53%	2,566,791	2,300,550	0.42%	0.47%
Over 1,000,000		9	9	0.45%	0.48%	600,129,884	484,232,557	98.51%	98.28%
Total		**1,994**	**1,881**	**100.00%**	**100.00%**	**609,210,803**	**492,726,902**	**100.00%**	**100.00%**

5. ANALYSIS REPORT OF SHAREHOLDERS AS AT 31ST MARCH 2023

	No. of Shareholders		% of Shareholders		No. of Shares		% of Shares	
Category	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Individual	1,882	1,766	94.38%	93.89%	9,019,293	8,715,624	1.48%	1.77%
Institutional	112	115	5.62%	6.11%	600,191,510	484,011,278	98.52%	98.23%
Total	**1,994**	**1,881**	**100.00%**	**100.00%**	**609,210,803**	**492,726,902**	**100.00%**	**100.00%**
Resident	1,988	1,874	99.70%	99.63%	609,195,103	492,705,851	99.997%	99.996%
Non-resident	6	7	0.30%	0.37%	15,700	21,051	0.003%	0.004%
Total	**1,994**	**1,881**	**100.00%**	**100.00%**	**609,210,803**	**492,726,902**	**100.00%**	**100.00%**

6. TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2023

No	Name	No. of Shares as at 31-03-2023	%	No. of Shares as at 31-03-2022	%
1	SOFTLOGIC CAPITAL PLC, PAN ASIA BANKING CORPORATION PLC/ SOFTLOGIC CAPITAL PLC	565,354,947	92.80	449,195,807	91.17
2	SOFTLOGIC LIFE INSURANCE PLC-A/C NO. 04 (PARTICIPATING FUND)	15,688,030	2.58	15,688,030	3.18
3	SOFTLOGIC HOLDINGS PLC	5,657,598	0.93	5,657,598	1.15
4	VANIK INCORPORATION LTD	5,376,068	0.88	5,376,068	1.09
5	MR. KULAPPUARACHCHIGE DON DAMMIKA PERERA	3,154,253	0.52	3,154,253	0.64
6	L.B. FINANCE LIMITED.	2,090,000	0.34	2,090,000	0.42
7	PEOPLES BANK/ASOKA KARIYAWASAM PATHIRAGE	1,653,822	0.27	1,653,822	0.34
8	HATTON NATIONAL BANK PLC/SUBRAMANIAM VASUDEVAN	1,155,166	0.19	1,416,979	0.29
9	MERCHANT BANK OF SRI LANKA & FINANCE PLC/B. JANEGAN	697,376	0.11	231,865	0.05
10	PEOPLE'S LEASING & FINANCE PLC/L.P.HAPANGAMA	608,959	0.10	767,992	0.16
11	HATTON NATIONAL BANK PLC/ARUNASALAM SITHAMPALAM	274,303	0.05	300,000	0.06
12	MR. PITIGALAGE BUDDHIKA CHANDRADEEPA KURERA	192,225	0.03	-	0.00
13	MR. DICKOWITA KANKANAMGE ATHULA KITHSIRI WEERATHUNGA	175,150	0.03	175,000	0.04
14	SAMPATH BANK PLC/MR. ABISHEK SITHAMPALAM	159,782	0.03	159,782	0.03
15	MRS. PAMELA CHRISTINE COORAY	132,444	0.02	132,444	0.03
16	MERCHANT BANK OF SRI LANKA & FINANCE PLC 01	112,056	0.02	-	0.00
17	PEOPLE'S LEASING & FINANCE PLC/L.H.L.M.P.HARADASA	107,850	0.02	107,850	0.02
18	SEYLAN BANK LIMITED/JAMES HENRY PAUL RATNAYAKE	106,646	0.02	110,367	0.02
19	MR. ADDARA PATHIRANAGE SOMASIRI	100,000	0.02	100,000	0.02
20	PEOPLE'S LEASING & FINANCE PLC/DR.H.S.D.SOYSA & MRS.G.SOYSA	100,000	0.02	-	0.00
	Total of top 20 shareholders	602,896,675	98.96	486,317,857	98.70
	Others	6,314,128	1.04	6,409,045	1.30
	Total	609,210,803	100.00	492,726,902	100.00

7. SHARE TRADING INFORMATION

	CRL.N000		CRL.R000	
	2022/23	2021/22	2022/23	2021/22
Highest (Rs.)	16.5	32.00	5	1.00
Lowest (Rs.)	5.8	8.70	0.2	0.10
Closing (Rs.)	7.8	9.40	0.2	0.10
Turnover (Rs.)	46,759,890.00	281,355,771.40	1,487,842.10	2,729,360.70
No. of Shares Traded	4,687,716	15,447,627	2,395,935.00	11,522,560.00
No. of Trades	4,953	10,471	938	1063

8. SELECTED KEY PERFORMANCE INDICATORS

Item	As at 31.03.2023 Actual	As at 31.03.2023 Required	As at 31.03.2022 Actual	As at 31.03.2022 Required
Regulatory Capital Adequacy				
Tier 1 Capital Adequacy Ratio	-1.11%	8.50%	7.10%	7.00%
Total Capital Adequacy Ratio	0.60%	12.50%	12.10%	11.00%
Capital Funds to Deposit Liabilities Ratio	17.79%	10.00%	27.56%	10.00%

Item	As at 31.03.2023	As at 31.03.2022
Quality of Loan Portfolio (%)		
Gross Non- Performing Loans Ratio	37.41%	27.25%
Net Non- Performing Loans Ratio	10.93%	5.98%
Net Non-Performing Loans to Core Capital Ratio	78.96%	26.49%
Provision Coverage Ratio	62.45%	62.42%
Profitability		
Net Interest Margin	0.14%	5.85%
Return on Assets	-12.60%	-4.05%
Return on Equity	-90.77%	-25.32%
Cost to Income Ratio	508.02%	82.96%
Liquidity		
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	132.19%	101.09%
Liquid Assets to External Funds	12.82%	9.03%
Memorandum information		
Number of Branches	30	33
External Credit Rating	*	[SL] BB (Stable)

* Lanka Rating is evaluating the Company's credit rating at present

9. RATIOS

	2022/23	2021/22
Debt to Equity Ratio (Times)	8.92	4.82
Interest Cover (Times)	0.49	0.41

10. INTEREST RATE OF COMPARABLE GOVERNMENT SECURITIES

	2022/23	2021/22
3 Year Treasury Bond	26.18%	14.89%
5 Year Treasury Bond	25.00%	15.11%

11. GROUP STRUCTURE

SOFTLOGIC HOLDINGS PLC
Investment Holding Company

→ 77.36% →

SOFTLOGIC CAPITAL PLC
Investment Holding Company

→ 92.80% →

SOFTLOGIC FINANCE PLC
Registered Finance Company licensed by CBSL

BRANCH NETWORK

No	Branch	Address	Telephone Number	Fax Number	Email
1	Anuradhapura	No. 561/11, Maithreepala Senanayaka Mw, New Town, Anuradhapura	025-2226279	025-2234743	anuradhapura@softlogicfinance.lk
2	Badulla	No. 38, Anagarika Dharmapala Mawatha, Badulla	055-2224205	055-2223905	badulla@softlogicfinance.lk
3	Borella	No. 1072, Maradana Road, Borella	011-2698016	011-2694261	borella@softlogicfinance.lk
4	Chilaw	No. 28B, Kurunegala Road, Chilaw	032-2221415	032-2223754	chilaw@softlogicfinance.lk
5	Chunnakam	No. 101 & 105, K.K.S Road, Chunnakam	021-2242770	021-2242772	chunnakam@softlogicfinance.lk
6	City Office	No. 29/2, Visaka Road, Colombo 04	011-2055572	011-2303363	cityoffice@softlogicfinance.lk
7	Dambulla	No. 719, Anuradhapura Road, Dambulla	066-2284737	066-2284717	dambulla@softlogicfinance.lk
8	Embilipitiya	No. 59/1, Main Street, Pallegama, Embilipitiya.	047-2230590	047-2230592	embilipitiya@softlogicfinance.lk
9	Galle	No. 64, Colombo Road, Kaluwella, Galle	091-2248920	091-2248095	galle@softlogicfinance.lk
10	Gampaha	No. 57/A, Bauddhaloka Mawatha, Gampaha	033-2227436	033-2227506	gampaha@softlogicfinance.lk
11	Hatton	No. 115, Main Street, Hatton	051-2222108	051-2225739	hatton@softlogicfinance.lk
12	Head Office	No. 13, De Fonseka Place, Colombo 04	011-2359700	011-2359799	headoffice@softlogicfinance.lk
13	Jaffna	No. 62/64, Stanley Road, Jaffna	021-2219444	021-2219666	jaffna@softlogicfinance.lk
14	Kadawatha	No. 139/7D, Kandy Road, Kadawatha	011-2923011	011-2923013	kadawatha@softlogicfinance.lk
15	Kalutara	No. 264, Galle Road, Kalutara South, Kalutara	034-2224714	034-2223262	kalutara@softlogicfinance.lk
16	Kandy	No. 165, Kotugodella Street, Kandy	081-2224912	081-2224916	kandy@softlogicfinance.lk
17	Kotahena	No. 244, George R De Silva Mawatha, Colombo 13	011-2462819	011-2337040	kotahena@softlogicfinance.lk
18	Kottawa	No. 87/A, Highlevel Road, Kottawa	011-2178464	011-2842824	kottawa@softlogicfinance.lk
19	Kurunegala	No. 13, Rajapihilla Road, Kurunegala	037-2232875	037-2232565	kurunegala@softlogicfinance.lk
20	Matale	No. 253, Main Street, Matale	066-2226461	066-2228863	matale@softlogicfinance.lk
21	Matara	No. 08A, KKK Building, Station Road, Matara	041-2220195	041-2227257	matara@softlogicfinance.lk
22	Nawala	No. 305B, Nawala Road, Nawala	011-2807080	011-2807082	nawala@softlogicfinance.lk
23	Negombo	No. 86, Josephs Street, Negombo	031-2224714	031-2224716	negombo@softlogicfinance.lk
24	Nuwara Eliya	No. 72, Kandy Road, Nuwara Eliya	052-2223382	052-2223383	nuwaraeliya@softlogicfinance.lk
25	Polonnaruwa	No. 125, Batticaloa Road, Polonnaruwa	027-2226727	027-2225909	polonnaruwa@softlogicfinance.lk
26	Ratnapura	No. 374, Main Street, Kudugalwatta, Ratnapura	045-2230677	045-2223574	rathnapura@softlogicfinance.lk
27	Thissamaharama	No. 28, Main Street, Thissamaharama	047-2239933	047-2239504	tissamaharama@softlogicfinance.lk
28	Wattala	No. 182, Negombo Road, Wattala	011-2051660	011-2051676	wattala@softlogicfinance.lk
29	Weligama	No. 2, Matara Road, Weligama	041-2252888	041-2260523	weligama@softlogicfinance.lk
30	Mawanella	No. 131, 132, Kandy Road, Mawanella	035-2247304		mawanella@softlogicfinance.lk

CORPORATE INFORMATION

Name of the Company
Softlogic Finance PLC

Holding Company
Softlogic Capital PLC

Legal Form
- Incorporated under the Companies Act No 17 of 1982
- Date of Incorporation 24th August 1999.
- Re-registered under the Companies Act No. 7 of 2007 on 29th September 2008.
- Registered under the Finance Business Act No. 42 of 2011.
- Registered under the Finance Leasing Act No. 56 0f 2000.
- Approved Credit Agency under the Mortgage Act No. 06 of 1949 and Inland Trust Receipts Act No. 14 of 1990.
- Quoted in the Colombo Stock Exchange on 22nd January 2009.
- Registered under the Securities & Exchange Commission of Sri Lanka Act No. 36 of 1987 as a Margin Provider

Company Registration Number
PB641 PQ

Tax Payer Identification Number (TIN)
134008350

Accounting Year End
31st March

Registered Office
No.13, De Fonseka Place, Colombo 4.

Principal Place of Business
No.13, De Fonseka Place, Colombo 4
Tel : 94-112-359600, 94-112-359700
Facsimile : 94-112-359799
E-mail : info@softlogicfinance.lk
Website : www.softlogicfinance.lk
Hotline : 94-112-104204

Communication with Shareholders
Contact person : Ms. Prashansa Perera
Telephone : 011 2359600 / 9700
Email : prashansa.perera@ softlogicfinance.lk,
Time : Anytime between 10.00 a.m. and 4.00 p.m. on any working day.

Visit Our Website
SCAN ME

Board of Directors
- Mr. Dinesh P. Renganathan
  (Appointed as Chairman w.e.f 15 August 2022)
- Mr. A. Russell - Davison
  (Resigned w.e.f 31 July 2022)
- Mr. M.H Priyantha Wijesekera
  (Resigned w.e.f 27 October 2022)
- Mr. A. C. Manilka Fernando
  (Retired w.e.f 13 August 2023)
- Mr. H.K. Kaimal
- Mr. A. C. M. Lafir
  (Resigned w.e.f 24 August 2023)
- Ms. Aruni Goonetilleke
  (Resigned w.e.f 09 March 2023)
- Mr. H.S. Samantha Dabare
  (Appointed w.e.f 12 September 2022)
- Mr. P.T.Wanigasekara
  (Appointed w.e.f 30 June 2022)
- Mr. Ranjan Janaka Perera
  (Appointed w.e.f. 02nd June 2023)

Secretaries
Softlogic Corporate Services (Pvt) Ltd

Auditors
Ernst & Young
Chartered Accountants

Legal Advisors to the Company
Nithya Partners

Bankers
- Hatton National Bank PLC
- Commercial Bank of Ceylon PLC
- Seylan Bank PLC
- People's Bank
- Pan Asia Banking Corporation PLC
- Sampath Bank PLC
- Bank of Ceylon
- Nations Trust Bank PLC
- DFCC Bank PLC
- Union Bank of Colombo PLC
- National Savings Bank
- Cargills Bank Limited
- National Development Bank PLC

NOTICE OF MEETING

SOFTLOGIC FINANCE PLC
Co. Reg. No. PB 641 PQ
13, De Fonseka Place,
Colombo 04

NOTICE IS HEREBY GIVEN that the 15th Annual General Meeting of **SOFTLOGIC FINANCE PLC** will be held by electronic means on **Wednesday, the 27th September 2023 at 10.00 a.m** centered at No. 13, De Fonseka Place, Colombo 04 for the following purposes:

(1) To receive and consider the Annual Report of the Board of Directors and Financial Statements of the Company for the year ended 31st March 2023 together with the Report of the Auditors thereon.

(2) To re-elect Mr. H.K. Kaimal who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.

(3) To appoint Mr. H.S.Sisira Dabare in terms of Article 97 of the Articles of Association, as a Director of the Company

(4) To appoint Mr. R.J.Perera in terms of Article 97 of the Articles of Association, as a Director of the Company

(5) To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

(6) To authorise the Directors to determine and make donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.

By Order of the Board,
SOFTLOGIC FINANCE PLC

(Sgd.)
SOFTLOGIC CORPORATE SERVICES (PVT) LTD.
Company Secretaries

28th August 2023
Colombo

Note:

1. A Shareholder who is entitled to participate, speak and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her by electronic means as per the attached guidelines.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. Shareholders are advised to follow the Guidelines and Attendance Registration Process for the Annual General Meeting available on the Corporate Website of the Company and the Website of the Colombo Stock Exchange.

NOTES

FORM OF PROXY

SOFTLOGIC FINANCE PLC
Co. Reg. No. PB 641 PQ
13, De Fonseka Place, Colombo 04

**I/We …….of
……… being *a
member/members of SOFTLOGIC FINANCE PLC, do hereby appoint ………………………………………………………….
…………….......... (holder of N.I.C. No. ……………………………………) of ……………………………………………………………………
……… or (whom failing)

Mr. D.P. Renganathan	whom failing him
Mr. H.K. Kaimal	whom failing him
Mr. P.T. Wanigasekara	whom failing him
Mr. H.S. Sisira Dabare	whom failing him
Mr. R.J. Perera	

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held by electronic means on 27th day of September 2023 at 10 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	For	Against
1) To receive and consider the Annual Report of the Board of Directors and the Financial Statements of the Company for the year ended 31st March 2023 together with the Report of the Auditors thereon.		
2) To re-elect Mr. H.K. Kaimal who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.		
3) To elect Mr. H.S. Sisira Dabare in terms of Article 97 of the Articles of Association, as a Director of the Company.		
4) To elect Mr. R.J. Perera in terms of Article 97 of the Articles of Association, as a Director of the Company.		
5) To re-appoint Messrs. Ernst & Young, as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
6) To authorize the Directors to determine and make Donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.		

Signed this …………………… day of …………………… Two Thousand Twenty-Three.

……………………
Signature/s

……………………
Date

Note:

1) A proxy need not be a Shareholder of the Company.
2) Instructions as to completion appear overleaf.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The completed Proxy should be forwarded to the Company for deposit at the Registered Office through the Company Secretaries, Softlogic Corporate Services (Pvt) Ltd, No.14, De Fonseka Place, Colombo 05 marked "Softlogic Finance PLC – 15th Annual General Meeting" or email corporateservices@softlogic.lk not later than 48 hours before the time appointed for the Meeting.

   In forwarding the completed and duly signed Proxy to the Company, please follow the Guidelines and Attendance Registration Process for the Annual General Meeting attached to the Notice of Annual General Meeting.

3. The Proxy shall –

   (a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a Company or Corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or Corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)

4. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

Designed & Produced by :

SKILLS

SOFTLOGIC FINANCE PLC
No.13, De Fonseka Place, Colombo 4.
Tel : 94-11- 2359600, 94-11-2359700
Facsimile : 94-11-2359799
E-mail : info@softlogicfinance.lk
Website : www.softlogicfinance.lk