ANNUAL REPORT 2023/24

softlogic Finance

At Softlogic Finance, we envision success that extends to all our stakeholders. Our commitment to continuous progress is fueled by the integration of cutting-edge technology, streamlined processes, and strong core values. Through unwavering dedication, we create an environment where lasting success is not only achievable but also sustainable.

We believe that by fostering innovation and prioritizing excellence in everything we do, we can empower our clients, employees, and partners to thrive. This holistic approach ensures that we consistently deliver value and drive collective growth, making ultimate triumph a reality that can be repeated time and again.

CONTENTS

ABOUT US

OUR APPROACH TO VALUE CREATION

MANAGEMENT DISCUSSION & ANALYSIS

ACCOUNTABILITY & TRANSPARENCY

FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

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 intricate tapestry of Sri Lanka's external debt sustainability, the current political stability and the prevailing uncertainty surrounding the upcoming elections, 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 challenges posed by a period of economic contraction and the regulatory measures implemented by the central bank, we have demonstrated resilience and successfully navigated these obstacles, resulting in a remarkable turnaround in our financial performance

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

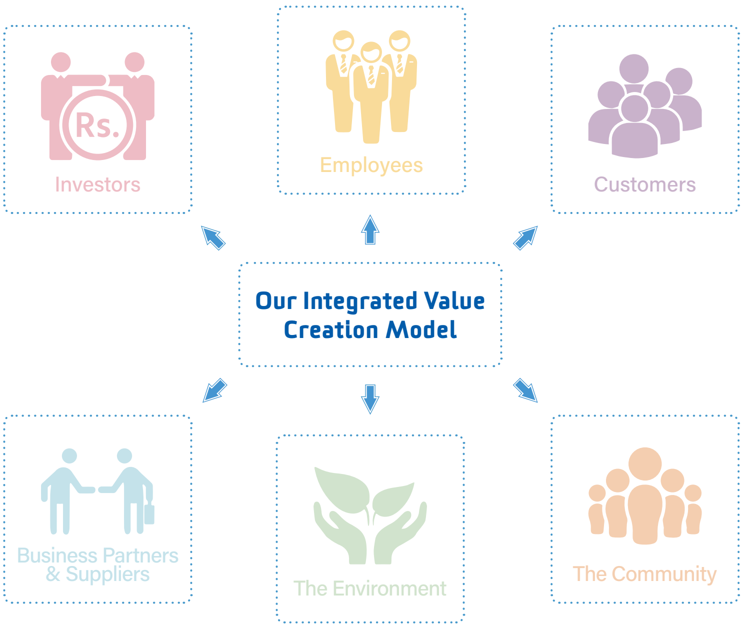
We always strive to be the best in our business and possess a will to win.

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 eighth Integrated Annual Report! As a company dedicated to providing responsible and transparent financial solutions, our goal is to present actionable and relevant information to empower all our stakeholders to make informed decisions about our business.

We have adopted the Integrated Reporting framework advocated by the Integrated Reporting Council to effectively convey our value creation story in a cohesive and multi-dimensional way. Our focus is on delivering sustainable value that can endure the challenges of our industry. This requires a deep understanding of our value creation process, our responsibilities to stakeholders, and the economic, social, and environmental impacts of our operations.

In this report, we highlight the key inputs to our value creation process, identified as our value drivers. These are presented as input capitals: Financial, Customer, Business Partner, Human, Intellectual, and Infrastructure Capital. We also outline our value-generating activities and their immediate outputs, emphasizing the economic, social, and environmental impacts of our business, as we believe that true value creation should positively influence all three areas.

Additionally, we acknowledge our responsibility to our diverse stakeholders throughout the value creation process. To this end, we have provided a comprehensive discussion of our corporate governance and integrated risk management practices, which ensure adequate checks, balances, and safeguards for the myriad interests of our stakeholders.

Reporting Scope

Driven by our commitment to our stakeholders and the necessity to address their needs, we have adopted the Integrated Reporting methodology to emphasize the long-term sustainability of our value creation process.

To achieve this, we present both financial and non-financial information that enables a comprehensive assessment of our business's financial and operational performance. Additionally, we include key comparative performance indicators from the previous financial year, along with a future outlook for all our value-creating activities. This ongoing commitment to transparency is further strengthened by identifying the factors impacting our key stakeholders and the sustainability initiatives we champion, informed by our stakeholder identification and engagement processes.

Reporting Boundaries

This Annual Report encompasses all activities of Softlogic Finance PLC across the island during the financial year 2023/24, ending on 31st March 2024. No restatements of financial or non-financial information have been made regarding the previous financial year, unless specifically stated otherwise.

The financial statements reported as of 31st March 2024 have been prepared in accordance with applicable Sri Lanka Accounting Standards. All relevant disclosures comply with the necessary laws and regulations. Our Corporate Governance disclosures adhere to the Code of Best Practice on Corporate Governance (Direction No. 03 of 2008) and its amendments issued by the Central Bank of Sri Lanka, as well as the Finance Companies (Corporate Governance) Direction No. 05 of 2021. Additionally, disclosures are aligned with the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 07 of 2007 and its subsequent amendments.

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 157 to 160.

FINANCIAL HIGHLIGHTS

	2023/24	2022/23	% Change
Financial Results for the Year Ended 31st March (Rs. Mn)			
Total Gross Income	2,720	4,199	-35%
Interest Income	2,576	3,925	-34%
Interest Expenses	2,781	3,891	-29%
Net Interest Income	(205)	34	-702%
Other Income	144	274	-47%
Total Operating Income	(61)	308	-120%
Total Operating Expenses	1,071	1,493	-28%
Impairment Charges	644	1,810	-64%
Profit / (Loss) Before Tax (PBT)	(1,777)	(2,995)	-41%
Taxation (Income Tax & VAT on Financial Services)	-	-	-
Profit / (Loss) After Tax (PAT)	(1,777)	(2,995)	-41%
Financial Position as at 31st March (Rs. Mn)			
Total Assets	11,291	22,182	-49%
Loans and receivables	3,840	8,843	-57%
Lease and hire purchase receivables	3,999	7,816	-49%
Customer Deposits	7,482	12,431	-40%
Total Borrowed Funds	558	6,916	-92%
Shareholders' Funds	2,789	2,236	25%
Financial Ratios & Indicators			
Cost to Income Ratio (%)	(1,749.19)	485.09	-461%
Return on Average Assets (ROA) - before tax (%)	(10.62)	(12.60)	-16%
Return on Average Equity (ROE) - after tax (%)	(70.72)	(90.77)	-22%
Earnings / (Loss) Per Share (EPS) (Rs.)	(2.90)	(5.66)	-49%
Earnings / (Loss) Yield (%)	(50.84)	(72.62)	-30%
Net Assets Value Per Share (Rs.)	2.90	3.67	-21%
Market Price Per Share (Closing) (Rs.)	5.70	7.80	-27%
Market Capitalization (Rs.) (Mn.)	5,487	4,752	15%
Price to Earnings (Times)	(1.97)	(1.38)	43%
Total Available Liquid Assets	765.61	2,384	-68%
Required Minimum Amount of Liquid Assets	781.51	1,804	-57%
Debt to Equity Ratio (Times)	3.05	8.92	(5.87)
Interest Cover (Times)	0.36	0.23	0.13
Core Capital Ratio (%) (Minimum Requirement - 8.5%)	4.92	(1.11)	-543%
Total Risk Weighted Capital Ratio (%) (Minimum Requirement - 12.5%)	4.92	0.60	720%

CHAIRMAN'S STATEMENT

I present our annual report for the financial year 2023/24 and address you amidst unprecedented economic upheavals, as Sri Lanka grappled with its most formidable crisis. The challenges we face are profound and multifaceted, stemming from domestic and global factors that have precipitated widespread uncertainty, which is now on recovery. Nonetheless, our commitment to our strategic growth and operational excellence will fortify our organization and prepare us for long-term success.

During the year, finance companies in Sri Lanka encountered substantial difficulties with the Non- Performing Loans (NPL) ratio for Licensed Finance Companies (LFCs) reaching notably high levels. We implemented a capital augmentation process, based on Central Bank of Sri Lanka's (CBSL) recommendations to enhance stability and position ourselves to leverage new opportunities. As a strategic initiative, the Company undertook a Rights Issue to its existing shareholders, thereby increasing its issued share capital. This initiative was driven by the necessity to align with the capital adequacy standards set forth by CBSL. Concurrently, in late 2023, the Company has undertaken capital infusion and plans to pursue similar actions again in mid-2024. These efforts are aimed at ensuring full compliance with regulatory capital requirements. As part of this strategy, the Company intends to hive-off a portion of its distressed portfolio to strengthen its capital position. We are optimistic that these measures, once successfully executed, will secure our capital compliance.

Our strategic focus is on consolidating our business activities. However, we have encountered regulatory constraints imposed by the authorities. To address these regulatory challenges, we have recruited key professionals for our legal, compliance, and risk departments. Additionally, they are focused on streamlining our recovery processes and addressing legal matters effectively. It is imperative to recognize that employee turnover rates in the industry are notably high, and SFPLC encounters similar challenges. The ongoing migration of employees, driven by prevailing socio-economic conditions, presents an obstacle in recruiting skilled professionals for our specialized roles.

With strategic planning and robust compliance measures in place, we are confident in our ability to refocus our operations around a carefully selected portfolio of products and services by the next financial year, 2024/25. This approach is designed to ensure sustainable growth.

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Strengthening Risk Management and Stakeholder Trust

One of our primary focuses during the year has been the enhancement of our risk management framework. We have invested in advanced risk management tools and technologies to better predict and manage potential threats. This proactive approach not only safeguards our assets but also reinforces our commitment to protecting our stakeholders' interests.

Moreover, we have strengthened our internal governance structures to ensure transparency and accountability in all our operations.

In terms of stakeholder engagement, we have prioritized open and transparent communication with our investors, clients, and employees.

Future Prospects

In the coming year, we will continue to invest in cutting-edge technology and innovation to enhance our service offerings and operational efficiency. Additionally, we aim to broaden our market presence by exploring new customer segments and geographical regions.

Appreciation

I extend my sincere appreciation to all stakeholders who have contributed to our journey of resilience and growth amidst challenging times.

First and foremost, I would like to express my gratitude to our esteemed shareholders for their unwavering support and confidence in our strategic vision.

I am deeply thankful to the officials of CBSL, the Director of the Department of Non-Bank Financial Institutions Supervision, and the officials of CBSL for their guidance and support.

Thank you to the Directors who were with us during the last financial year and those who have subsequently joined the company for your unwavering commitment; your dedication plays a crucial role in our collective success.

(Sgd.)
Ashok Pathirage
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

Reflecting on the past year, I am immensely proud to share that financial year 2023/24 has been a transformative period for our organization. This year has underscored our unwavering commitment to excellence, showcasing not just resilience but also the remarkable strides we've made in strengthening our foundation and expanding our horizons.

Amidst a rapidly evolving business landscape, we embarked on a capital augmentation process, strategic decisions that has fortified our financial stability and positioned us for sustainable long-term growth. This initiative was pivotal in enabling us to leverage new opportunities and enhance our competitive edge in an increasingly dynamic market.

The implementation of our strategic decisions has been nothing short of exemplary. Through meticulous planning and execution, we have successfully navigated the complexities of the year, demonstrating our ability to adapt and thrive. Our strategic investments have yielded significant dividends, reflecting in our financial performance and operational efficiencies.

Technological innovation continues to be a cornerstone of our progress. Integrating cutting-edge technologies into our operations has not only enhanced our efficiency but also allowed us to deliver superior value to our stakeholders. However, the true essence of our success extends beyond these numbers. It lies in our vibrant corporate culture, which is deeply rooted in our core values and commitment to our people.

At the heart of our achievements are our employees, who remain our most valuable asset. Their dedication, ingenuity, and unwavering belief in our mission have been instrumental in driving our success. Our ethos, epitomized by Softlogic PLC's guiding principle 'We believe in your belief,' is a testament to our recognition of their indispensable role. This principle is deeply ingrained in the fabric of Softlogic Group and continues to guide our actions and strategies.

In conclusion, financial year 2023/24 has been a year of significant milestones and strategic advancements. We have demonstrated our ability to capitalize on opportunities, adapt to changes, and create enduring value. As we look ahead, we are fortified by our accomplishments, our core values, and the indomitable spirit that defines us. Together, we will continue to forge a path of success and significance, driving our organization to new heights.

Strategic Growth and Operational Excellence

Throughout the year, we made several pivotal strategic decisions focused on cost-saving, enhancing operational efficiencies, and meeting stringent capital requirements. By implementing rigorous cost-saving measures, we have been able to streamline our operations, ensuring that every resource is utilized to its fullest potential. This optimization has led to a significant reduction in operational costs without compromising the quality of our services.

In addition, we have restructured various aspects of our organization to enhance operational efficiencies. This included revising our operational workflows, adopting best practices across departments, and investing in training programs to upskill our workforce. These efforts have resulted in a more agile and responsive organization, capable of adapting quickly to market changes and regulatory demands.

By integrating cutting-edge technologies into our operations, we have significantly improved efficiency and delivered superior value to our stakeholders. Our commitment to digital transformation is evident in our adoption of advanced technologies to enhance decision-making processes, improve customer service, and streamline internal operations. This technological advancement, aligned with the strategic roadmap outlined by the Central Bank of Sri Lanka, ensures we remain at the forefront of industry advancements and are well-prepared to meet future challenges.

Our strategic growth and operational excellence initiatives have not only strengthened our organization but also set a solid foundation for future success, we remain committed to leveraging these strengths, embracing new opportunities, and driving continuous improvement in all aspects of our business.

Navigating Challenges and Future Outlook

The business landscape of financial year 2023/24 presented numerous challenges, ranging from economic volatility to regulatory shifts. Despite these hurdles, our strategic agility allowed us to convert obstacles into opportunities for growth and improvement. Our proactive approach to navigating regulatory constraints has been particularly crucial, enabling us to remain compliant while also preparing us to tackle future challenges with confidence. Our unwavering commitment to regulatory compliance has been a cornerstone of our strategy. This dedication to regulatory excellence not only safeguards our operations but also enhances our reputation and trustworthiness in the market.

As we look to the future, we remain steadfast in our pursuit of growth, innovation, and excellence. The strategic decisions and initiatives undertaken in financial year 2023/24 have laid a robust foundation for sustained success. We are committed to leveraging our strengths, such as our enhanced financial stability and advanced technological capabilities, to seize new opportunities and navigate the challenges ahead with confidence and determination.

In light of the prevailing socio-political and socio-economic dynamics, we anticipate a gradual resolution of the current unrest within our nation. This outlook fuels our enthusiasm for the comprehensive strategies we have meticulously outlined for the coming year. We are focused on enhancing our operational efficiencies, expanding our market presence, and continuing our digital transformation journey.

Together, we will continue to elevate our company's standing, ensuring that we deliver value that exceeds expectations.

Appreciation:

With sincere appreciation, I extend my heartfelt gratitude to our Chairman, esteemed members of the Board of Directors, and Key Management Persons. Their visionary leadership and judicious foresight have charted a course that enables Softlogic Finance PLC to advance steadfastly on a trajectory of sustainable growth, even amidst formidable challenges. My deepest gratitude also extends to our dedicated employees, whose unwavering commitment and unyielding dedication have been pivotal in achieving the noteworthy accomplishments we celebrate today.

I also wish to thank 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, fostering an environment conducive to our progress. To our valued shareholders and stakeholders, your trust and support continue to fuel our pursuit of excellence and drive our success.

As Our strategic growth and operational excellence initiatives have not only strengthened our organization but also set a solid foundation for future success, we remain committed to leveraging these strengths, embracing new opportunities, and driving continuous improvement in all aspects of our business.

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. Together, we will continue to elevate our company's standing and deliver value that transcends expectations

Thank you for your continued trust and support.

(Sgd.)
Ivon Brohier
Chief Executive Officer

Ashok Pathirage

Chairman, Non-Independent Non-Executive Director

(Appointed w.e.f 01st August 2024)

Mr. Ashok Pathirage, recognised as a visionary leader of Sri Lanka's corporate world, is the founding member and Chairman/ Managing Director of Softlogic Group, one of Sri Lanka's leading conglomerates. He manages over 50 companies with a pragmatic vision providing employment to more than 11,000 employees. Mr. Pathirage manages and delivers strategic direction to the Group which has a leading market presence in three core verticals, namely Retail, Healthcare Services, and Financial Services and in three non-core verticals namely, IT, Leisure, & Automobiles.

Asiri Hospital chain is the country's leading private healthcare provider which has achieved technological milestones in medical innovation and reliability in Sri Lanka's private healthcare services.

He is the Chairman/Managing Director of Softlogic Holdings PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Odel PLC. He also serves as the Chairman of Softlogic Capital PLC and Softlogic Life Insurance PLC in addition to other companies of the Softlogic Group.

He is the Chairman of NDB Capital Holdings Limited, Sri Lankan Airlines Limited, and Sri Lankan Catering Limited.

Sisira Dabare

Senior Independent Director

(Appointed w.e.f 12th September 2022)

Mr. Sisira Dabare is a banker with over 33 years of experience at Sampath Bank PLC until his retirement from service in 2021 in the capacity of Group Chief Compliance Officer (GCCO) of Sampath Bank group. He is an Associate Member of the Institute of Bankers - Sri Lanka since 1997. Apart from commercial banking operations, his major specialisation is in retail and SME lending with over 20 years of experience as the Branch Manager, Regional Manager and Chief Manager, covering an Island wide branch network. As a KMP of Sampath Bank PLC, he functioned as the Head of Recoveries and Group Chief Compliance Officer since 2017.

Haresh Kaimal

Non-Independent Non-Executive Director

(Appointed w.e.f 01st August 2017)

Mr. Haresh Kaimal is a co-founder of the Softlogic Group and an Executive Director of Softlogic Holdings PLC since its inception. With over 3 decades of experience in IT and Operations, he heads the Group IT division which oversees the entire Group requirements in information technology covering all sectors. He is an Executive Director of Softlogic BPO Services (Pvt) Ltd, Director of Odel PLC, Softlogic Finance PLC, Softlogic Life Insurance PLC, Softlogic Capital PLC, and many other Group Companies.

Chandrasiri Kalupahana

Independent Non-Executive Director

(Appointed w.e.f 24th October 2023)

Mr. Chandrasiri Kalupahana has over 35 years of corporate experience, and is a seasoned professional whose journey commenced with KPMG Sri Lanka. He has held various Senior Management roles locally and internationally, shaping his extensive expertise in both the Government and Private Sectors. He is an esteemed Fellow Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and multiple professional bodies. He has been a Governing Council Member and the Chairman of the Business School of CA Sri Lanka. Presently he is serving as an Executive Council Member for the Organization of Professional Associations (OPA). Mr. Kalupahana has worked as the General Manager at three regulated companies in Sri Lanka, Tanzania (East Africa), and Angola (West Africa). Additionally, he has worked in Saudi Arabia as well. An impressive chapter in his career was his service at Sri Lanka Telecom Group of Companies (SLT), where he assumed the roles of Group Chief Internal Auditor and Chief Officer for the Revenue Assurance and Fraud Management Departments of SLT.

He was also the Chief Financial Officer (DGM) at the Regional Development Bank which is a 100% state owned bank with 272 branches. He has previously worked as an Assistant General Manager at Pan Asia Bank. He has also worked at Lanka Hospitals Corporation PLC and Lanka Hospitals Diagnostics (Pvt) Ltd as an Independent Non-Executive Director and Chairman of the Audit committees and Related party Transactions Committees of both companies. Mr. Kalupahana has received extensive overseas business exposure and training by participating in workshops organized by professional organizations in the fields of banking, finance, auditing and telecommunication.

Ranjan Perera

Non-Independent Non-Executive Director

(Appointed w.e.f 02nd June 2023)

Mr. Ranjan Perera is a co-founder and shareholder of Softlogic Group of Companies. He has been serving as an 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 and the Supply Chain Management & Logistics. He is the Director of Softlogic Stockbrokers (Pvt) Ltd and Softlogic Manufacturing (Pvt) Ltd, and a Non-Executive Director of Softlogic Capital PLC and Softlogic Finance PLC. He is currently a member of the Board of Study, Sri Lanka Foundation.

Viresh Nanayakkara

Independent Non- Executive Director

(Appointed w.e.f 02nd May 2024)

Mr. Viresh Nanayakkara is a legal professional with a diverse background and extensive experience in criminal law. Enrolled as an Attorney at Law in 2014, he embarked on a journey of continuous learning and specialization. His pursuit led him to obtain a certificate in Shipping Law and Practice from the Institute for Development of Commercial Law and Practice (ICLP) and Ceylon Chamber of Commerce.

Furthering his academic pursuits, Mr. Nanayakkara obtained a Master of Laws (LLM) degree from the University of Colombo, solidifying his foundation in legal scholarship.

After seven years of dedicated service in the Attorney General's Department, Mr. Viresh Nanayakkara transitioned into private practice, specializing in criminal law. He is as well focusing on writ matters in the apex courts, leveraging his wealth of experience and expertise to provide exceptional legal representation to his clients. With a reputation for excellence and a passion for justice, Mr. Viresh Nanayakkara continues to make significant contribution to the legal profession in Sri Lanka.

CORPORATE MANAGEMENT PROFILE

Ivon Brohier

Chief Executive Officer

(Appointed w.e.f 01st July 2020)

Ivon brings with her over 18 years of leadership experience in the financial sector, specializing in Corporate Finance, Strategic Planning, and Business Development. Her accomplishments include a verifiable background of driving growth, profitability, and operational excellence through effective governance and sound financial strategies which 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) in the capacity of Senior Finance Manager. She served at AMWCL for 11 years before joining Nations Trust Bank PLC as the Senior Manager, Financial Reporting and Control. Thereafter, she joined Abans Finance PLC in the capacity of Chief Financial Officer and served for more than two years prior to her appointment as the Acting Chief Executive Officer, which was her last appointment before she moved to Softlogic Finance PLC. She is also 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 a BSc. in Management from the University of Sri Jayewardenepura and an MBA from the University of Colombo.

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

Identification of Stakeholders

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

Global Outlook Projection

Global Economic Growth Outlook

Global growth is at 3.2% in 2023 and is anticipated to maintain this trajectory through 2024 and 2025. This steadiness in growth is attributable to a confluence of factors, including elevated borrowing costs, the withdrawal of fiscal stimuli.

Inflation Trends and Projections

Global headline inflation is expected to abate, declining from an annual average of 6.8% in 2023 to 5.9% in 2024, and further to 4.5% in 2025. Advanced economies are forecasted to achieve their inflation targets more swiftly compared to emerging markets and developing economies, underscoring the disparate nature of the global economic recovery.

Tourism Sector Recovery and Challenges

International tourist arrivals experienced a remarkable resurgence, increasing sevenfold from the previous year. However, pervasive instability continues to impede the tourism sector's full recovery. In 2023, inflation averaged a staggering 22%, driven by supply chain disruptions, shortages, currency depreciation, and escalating transportation costs. Heightened instability, especially in conflict-ridden regions, has exacerbated inflationary pressures by obstructing food production and trade flows.

Risks to the Global Economic Outlook

The global economic outlook faces a balanced array of risks. Downside risks include potential price surges due to geopolitical tensions, particularly those emanating from the Ukraine war and the Gaza-Israel conflict. Such tensions, coupled with persistent core inflation in tight labor markets, could elevate interest rate expectations and depress asset prices.

Economic Outlook and Regional Conflicts

The economic forecast remains grim, with ongoing uncertainty and instability expected to further debilitate economic performance. Increased armed conflicts across various regions have adversely impacted economic activities, leading to a projected real GDP growth of a mere 1.2% in 2024 and 2.2% in 2025. This is a stark contrast to the robust 6-7% average growth rate recorded between 2016 and 2019. The agricultural sector is predicted to contract by an additional 1% in end of 2024, burdened by heightened production costs, conflicts, and trade disruptions. Border conflicts, particularly with China, have significantly hampered exports and imports, evidenced by a 10.7% drop in agricultural exports in January 2024. Without amelioration of these conditions, such trends are likely to persist.

	Projections		
(Real GDP Annual %)	**2023**	**2024**	**2025**
World Output	3.2	3.2	3.2
Advanced Economies	1.6	1.7	1.8
Emerging Market and Developing Economies	4.3	4.2	4.2
Emerging and Developing Asia	5.6	5.2	4.9

Source: World Economic Outlook: April 2024

Sri Lankan Economic Outlook Projection

Overview of Economic Challenges and Reforms

The year 2023 was a pivotal period for Sri Lanka's economy, characterized by significant challenges and efforts toward stabilization and reform. Amidst soaring inflation, shortages of essential goods, and a change in government, the nation embarked on a path towards economic recovery and sustainability.

Economic Challenges and IMF Intervention

In 2023, Sri Lanka faced a multitude of economic challenges that originated in 2022, including rampant inflation, depleting foreign exchange reserves, and unsustainable debt levels. Recognizing the urgent need for intervention, the International Monetary Fund (IMF) approved a crucial USD 3 billion loan on 20th March 2023. This financial injection aimed to steer Sri Lanka away from default and towards long-term debt sustainability through rigorous fiscal consolidation measures.

Additional Financial Assistance

Building upon the IMF support, Sri Lanka received further financial assistance from international agencies. This included the release of the second tranche of the IMF Extended Fund Facility (EFF) amounting to SDR 254 million (approximately USD 337 million), bringing the total IMF disbursement to SDR 508 million (around USD 670 million). Additionally, the Asian Development Bank (ADB) pledged approximately USD 600 million in staggered disbursements, enhancing Sri Lanka's financial resilience amidst economic turmoil.

Debt Restructuring Initiatives

A significant milestone was achieved with the restructuring of a substantial portion of Sri Lanka's debt, particularly with China, which holds 52% of the country's foreign debt. This restructuring agreement, along with negotiations with other lenders, positions Sri Lanka to navigate its financial challenges within the framework of the USD 3 billion IMF bailout program.

Governmental Fiscal and Monetary Measures

In response to the economic crisis, the government implemented a series of fiscal and monetary measures to address underlying economic imbalances. Fiscal policy adjustments, such as increased tax rates and subsidy removals, aimed to bolster revenue streams and reduce expenditure. Concurrently, the Central Bank employed monetary policy tools to stabilize interest rates and support the national currency.

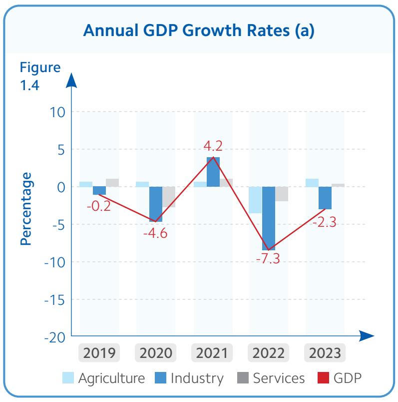
Path to Economic Stabilization

These concerted efforts, combined with structural reforms and enhanced Central Bank independence, lay the foundation for economic stabilization and comprehensive debt restructuring initiatives. As Sri Lanka continues its economic recovery journey, these strategic interventions underscore a commitment to fiscal prudence and sustainable growth, positioning the country for long-term financial stability and resilience

The below table glances the how the Sri Lankan Real GDP has moved over the years.

(Real GDP Growth %)	2020	2021	2022	2023
Sri Lanka	-4.6	3.5	-7.3	-2.3

Source: Central Bank of Sri Lanka



(a) Based on the DGP estimates (Base year 2015)
Source: Department of Census and Statictics

Year	2021	2022	2023
GDP USD billion	88.5	76.8	84.4
Per Capita GDP USD	3,999	3,464	3,828

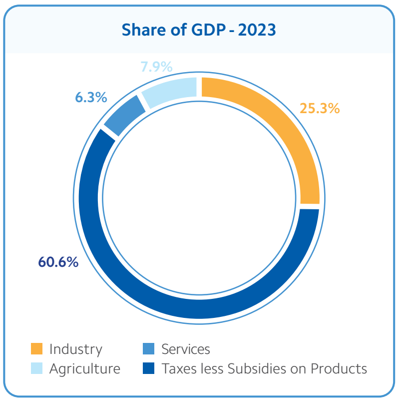
The 2023 per capita in Sri Lanka experienced an increase, equivalent to US dollars 3,828. This marked a significant rise compared to the previous year, 2022, when the GDP per capita was equivalent to US dollars 3,468).

Economic Activity

All sectors of the economy marked growth during 2023 compared to the previous year. Services sector remained the prime contributor with 60.6% share to the country's GDP.

	Sector Contribution to GDP (%)		Sector GDP Growth %	
Sector	2022	2023	2022	2023
Agriculture	7.5	7.9	-4.2	2.6
Industry	27.5	25.3	-16	9.2
Services	60.5	60.6	-2.6	-0.2

Source: CBSL Annual Report 2022 & Asian Development Outlook (ADO) April 2024: Sri Lanka



Agricultural Sector

In 2023, agricultural activities showed a notable resurgence with a 2.6% increase in value added, marking a significant turnaround from the 4.6% contraction witnessed in 2022. This recovery was primarily driven by improved supply conditions, particularly in fertilizer, agrochemical inputs, and fuel. The main contributors to this growth were the cultivation of rice, fruits, vegetables, and fishing activities. However, the cultivation of tea, rubber, and coconut contracted due to adverse weather anomalies.

Industry Sector

Despite a gradual recovery in supply conditions throughout 2023, subdued demand conditions continued to affect all industry activities, leading to a 9.2% contraction in the sector. The construction industry, highly susceptible to economic downturns, experienced a notable decline due to the postponement of construction projects. Additionally, manufacturing activities, the largest segment of the industry sector, contracted significantly due to a decline in global demand for textiles, apparel, and leather-related products. Nonetheless, a strong recovery in the latter part of the year was observed in the manufacture of food, beverages, tobacco products, and coke and refined petroleum products.

Services Sector

The services sector saw limited contraction, recording a decline of just 0.2% in 2023. This was largely due to notable growth in accommodation, food and beverage services, and transport activities, driven by the gradual revival of the tourism sector and the uninterrupted provision of power and energy. However, financial services and real estate activities were negatively impacted by the high-interest-rate environment, particularly in the first half of the year. Additionally, the continued contraction in computer programming activities further weighed on the growth of services during the year.

Inflation

Between March 2023 and March 2024, headline inflation in Sri Lanka, as measured by the Colombo Consumer Price Index (CCPI, 2021=100), experienced a significant drop from 50.3% to 0.9%. This dramatic decrease in inflation can be attributed to multiple factors.

The disinflation process was supported by subdued aggregate demand owing to tight monetary and fiscal policy measures. These policies helped to reduce inflationary pressures by curbing excess demand in the economy. Additionally, the normalization of supply conditions both globally and domestically played a crucial role. Improved supply chains and production processes alleviated shortages and bottlenecks, contributing to lower prices.

The greater pass-through of lower global commodity prices significantly impacted inflation. As global prices for essential commodities like oil and food declined, these reductions were reflected in domestic prices. Furthermore, favorable statistical base effects from the previous high inflation rates also helped to bring down the current inflation levels.

The overall stability was maintained by well-anchored inflation expectations and appropriate policy measures. The Central Bank of Sri Lanka's (CBSL) continuous efforts to manage inflation expectations and implement effective policies were key to achieving and maintaining lower inflation rates. Despite intermittent fluctuations due to factors such as tax adjustments and weather-related disruptions, inflation is expected to stabilize around the targeted level of 5% over the medium term.

	Headline Inflation			Core Inflation		
	2022 March	2023 March	2024 March	2022 March	2023 March	2024 March
Colombo Consumer Price Index (CCPI, 2021=100)		50.3	0.9		39.1	3.1
National Consumer Price Index (NCPI, 2021=100)		**49.2**	2.5		**44.2**	3.4
Colombo Consumer Price Index (CCPI, 2013=100)	18.7			13		
National Consumer Price Index (NCPI, 2013=100)	**21.5**			**17.3**		

Source: CBSL Annual Report 2022

Trends in Exchange Rate, Reserves Position and Workers' Remittances

1. Exchange Rate Movements and Influencing Factors

From April 2023 to April 2024, the Sri Lankan Rupee (LKR) experienced a period of notable appreciation against the US Dollar (USD), driven by a combination of domestic policy measures and improved market conditions.

In April 2023, the LKR appreciated significantly due to improved liquidity in the foreign exchange market, the discontinuation of the daily guidance on exchange rates, and enhanced market sentiment. This appreciation trend continued into May 2023, as substantial conversion of export proceeds and workers' remittances amid subdued import demand pressures strengthened the LKR, leading to a 22.9% appreciation against the USD up to the end of May 2023.

However, June and July 2023 saw periods of depreciation influenced by tighter liquidity conditions. Despite these fluctuations, the LKR appreciated by 10.2% against the USD by the end of July 2023. This trend persisted into August 2023, driven by stable foreign exchange market conditions and continued foreign inflows.

From September to November 2023, the LKR remained relatively stable with minor depreciations and appreciations due to external market pressures and tight liquidity conditions. By the end of December 2023, the LKR continued its appreciation, which extended into early 2024. The currency appreciated by 2.1% in January 2024 and by 4.4% by February 2024, with a notable 7.6% appreciation by March 2024.

Throughout this period, the real effective exchange rate (REER 24) remained below the 100-index points threshold, indicating maintained external competitiveness despite nominal appreciations.

2. Trends in Reserves Position

From April 2023 to March 2024, Sri Lanka's gross official reserves (GOR) steadily increased, highlighting improved foreign exchange liquidity and effective reserve management by the Central Bank. In April 2023, reserves reached $2.8 billion, aided by a $1.4 billion swap facility with the People's Bank of China (PBOC) and substantial foreign exchange purchases totaling $1.2 billion in the first four months.

By May 2023, reserves rose to $3.5 billion, driven by $350 million from the Asian Development Bank (ADB) and strong inflows from exports and remittances. This trend continued in June 2023, with reserves increasing to $3.7 billion, supported by a $250 million receipt from the World Bank.

In July 2023, reserves further climbed to $3.8 billion, despite some net sales to the domestic market. However, in August 2023, reserves slightly decreased to $3.6 billion due to net market supplies by the Central Bank. Stability was maintained at $3.5 billion in September 2023, with net market absorption of $83 million.

Reserves held steady at $3.6 billion in October and November 2023, underpinned by ongoing net market interventions and the PBOC swap. A significant rise occurred in December 2023, with reserves reaching $4.4 billion, surpassing three months of import coverage for the first time since April 2021. This increase was due to net forex purchases and receipts from international financial institutions.

The positive trend continued into January 2024, with reserves reaching $4.5 billion, and further to $5.0 billion by March 2024, driven by $1.2 billion in net market purchases in the first quarter. Effective management and consistent inflows have strengthened Sri Lanka's external position, ensured robust import coverage and enhanced economic stability.

3. Trends in Workers' Remittances

Workers' remittances showed a marked increase from April 2023 to March 2024, providing crucial support to Sri Lanka's foreign exchange reserves. Starting at USD 454 million in April 2023, remittances rose steadily, significantly surpassing the previous year's figures. This growth was partly due to a high number of foreign employment departures, totaling 95,892 by April 2023.

May 2023 saw remittances climb to USD 480 million, driven by robust foreign employment trends. By June 2023, remittances were slightly lower at USD 476 million, yet still reflecting a strong upward trend. July 2023 witnessed the highest remittances at USD 541 million, indicating peak inflows.

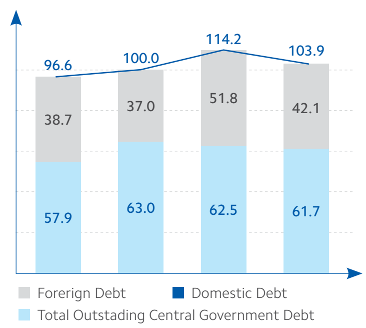
In subsequent months, remittances experienced minor fluctuations but remained high, with USD 499 million in August and USD 482 million in September. October and November continued the trend, recording USD 517 million and USD 537 million, respectively. December 2023 concluded with a significant rise to USD 570 million, culminating in an annual total of USD 5.97 billion, a 57.5% increase from 2022.

Entering 2024, remittances maintained their positive trajectory, with USD 488 million in January and USD 476 million in February. By March 2024, remittances peaked again at USD 572 million, underscoring a consistent and robust recovery in workers' remittances

Year	2022	2023 End Dec	2024 March	2024 July
Exchange Rate - Annual average - Rs/US$	324.55	323.92	336.01	307.17
Balance of Payments USD Mn	-2,806	2,826	488	572

Fiscal Performance	As a % of GDP		
	2021	2022	2023
Budget Deficit	11.7	10.2	-8.3
Government Debt - Total	100.1	113.8	103.9
Government Debt - Domestic	63.1	62.3	61.7
Government Debt - Foreign	37	51.6	42.1

Central Government Debt (as a % of GDP)



Fiscal Sector Developments

Expenditure

From an expenditure perspective, the growth in total demand at current prices in 2023 was positively influenced by both domestic and net external demand. Domestic demand saw a 16.7% increase in consumption expenditure, the largest expenditure component, and a 1.6% increase in investment expenditure. The rise in consumption expenditure was driven by increases in both private and government spending, largely due to price impacts. However, despite the rise in investment expenditure, fixed capital formation contracted, mainly due to reduced spending on construction activities. Additionally, growth in export expenditure on goods and services, coupled with stagnation in import expenditure, resulted in a substantial improvement in net external demand.

Considering expenditure estimates at constant prices, consumption expenditure contracted due to decreased purchasing power, and investment expenditure shrank due to an unfavorable investment climate. Nevertheless, net external demand recorded significant growth at constant prices, helping to limit the GDP contraction in real terms to 2.3%.

In 2023, domestic savings grew by 9.2% at current prices, while national savings increased by 14.7%. This higher growth in national savings was largely due to a notable rise in net current transfers from the rest of the world in rupee terms, despite a continued contraction in net primary income from the rest of the world. As a percentage of GDP, domestic savings stood at 23.8%, while national savings were 27.2%. The national savings-investment gap turned positive in 2023, owing to relatively higher growth in national savings compared to investment, alongside notable improvements in external sector performance.

Income

In 2023, the Gross Operating Surplus, the largest income component of the economy, grew by 21.2% at current prices, accounting for 37.9% of Gross Value Added (GVA). This growth is lower compared to the 39.8% increase recorded in 2022. Gross Mixed Income, the second largest income component, increased by 13.8% in 2023, compared to a 43.4% rise in 2022. Other major income sources, such as Other Taxes less Subsidies on Production, continued to expand during the year. However, Compensation of Employees, driven by Non-Financial Corporations (NFC), contracted. In terms of institutional sector classification of GVA, NFCs were the largest income generators, followed by Households and Non-Profit Institutions Serving Households, Financial Corporations, and the General Government, respectively.

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

In response to the evolving economic conditions from March 2023 to March 2024, the Central Bank of Sri Lanka (CBSL) undertook a series of adjustments to its policy interest rates, reflecting a nuanced approach to managing inflation and stabilizing the economy.

Throughout this period, the CBSL's monetary policy decisions were driven by a combination of high inflation, the need for macroeconomic stabilization, and efforts to meet conditions for the International Monetary Fund (IMF) Extended Fund Facility (EFF) arrangement. The initial phase of this period saw the Central Bank maintain a tight monetary stance to address extraordinarily high inflation and external sector vulnerabilities. In March 2023, the Central Bank raised the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 100 basis points to 15.50% and 16.50%, respectively. This measure was part of a broader strategy to fulfill the IMF's 'prior actions' required for the finalization of the EFF arrangement, demonstrating Sri Lanka's commitment to economic stability and the IMF's support for restoring economic balance.

Following this period of monetary tightening, the Central Bank began a series of rate cuts starting in May 2023. The Monetary Board reduced the SDFR and SLFR by 250 basis points to 13.00% and 14.00%, respectively. This decision was underpinned by a faster-than-expected deceleration of inflation and the need to stimulate economic recovery from the severe contraction experienced in 2022. This adjustment aimed to support economic growth and ease financial market pressures, reflecting a shift towards a more accommodative monetary policy stance in response to improving inflation dynamics and a gradual easing of the debt restructuring process.

The subsequent reduction in rates continued into July 2023, with the SDFR and SLFR cut by an additional 200 basis points to 11.00% and 12.00%, respectively. This decision was influenced by the ongoing disinflationary trends and the need to sustain economic growth while stabilizing inflation at mid-single-digit levels. The Central Bank's policy also focused on ensuring that the benefits of lower policy rates were transmitted effectively to market interest rates, including lending rates, to support economic activity and financial market stability.

By March 2024, the Central Bank further reduced the SDFR and SLFR by 50 basis points to 8.50% and 9.50%, respectively. This latest adjustment was driven by a favorable inflation outlook, subdued aggregate demand conditions, and a continued focus on reducing market interest rates. The Central Bank's actions aimed to anchor inflation at the targeted 5% level over the medium term, support credit expansion, and foster economic recovery. The decision also involved repealing the Monetary Law Act Order No. 01 of 2023 on Maximum Interest Rates on Rupee Denominated Lending Products, signaling a move from administrative measures to market-based mechanisms for monetary policy transmission.

Overall, from March 2023 to March 2024, the Central Bank's monetary policy evolved from a period of significant rate hikes aimed at combating high inflation and fulfilling IMF conditions, to a phase of gradual rate reductions aimed at fostering economic recovery and stabilizing inflation. The policy adjustments reflected a balance between addressing immediate economic challenges and setting the stage for sustainable growth. As inflation moderated and macroeconomic stability improved, the Central Bank's focus shifted towards supporting economic activity through lower interest rates and effective monetary policy transmission.

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.

Source: Commercial Bank Lending and Deposit Rates

Trends in Interest Rates	2022	2023	2024
Treasury Bill Rate (364 days) (%)	29.27	24.31	10.28
Standing Deposit Facility Rate/ Repurchase Rate (%)	14.5	15.5	8.5
Standing Lending Facility Rate (SLFR) (%)	15.5	16.5	9.5
Average Weighted Deposit Rate (AWDR) (%)	14.06	15.06	10.3
Average Weighted Fixed Deposit Rate (AWFDR) (%)	18.49	19.8	13.1
Average Weighted Lending Rate (AWLR) (%)	18.7	18.29	13.43
Average Weighted Prime Lending Rate (AWPLR) (%)	27.24	22.42	11.11

Introduction

The Non-Banking Financial Institutions (NBFIs) sector in Sri Lanka plays a pivotal role in the country's financial ecosystem. It offers a range of financial services, including leasing, factoring, microfinance, and more, which complement the services provided by traditional banks. NBFIs are crucial for extending financial inclusion, particularly to underserved segments of the population, and for supporting small and medium enterprises (SMEs).

Overview of the NBFI Sector

The NBFI sector in Sri Lanka is primarily composed of Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs). These institutions are regulated by the Central Bank of Sri Lanka (CBSL) and adhere to specific regulatory frameworks designed to ensure financial stability and consumer protection.

Key Statistics

Total Assets

As of December 2023, the total asset base of the NBFI sector in Sri Lanka stood at LKR 1.5 trillion, marking an 8% increase from LKR 1.39 trillion in December 2022. This growth can be attributed to increased lending activities and investments in various financial products. The asset growth rate, although robust, shows a slight deceleration compared to the 10% growth observed in the previous year, indicating a stabilizing trend in asset accumulation.

Credit Growth

The sector experienced a significant credit growth of 10% in 2023, with total lending reaching LKR 1.2 trillion, up from LKR 1.09 trillion in 2022. This expansion was driven by several key segments:

- **Vehicle Leasing:** Constituted approximately 45% of the total loan portfolio, reflecting strong consumer demand for automobiles and the continued importance of leasing as a preferred financing method.
- **Microfinance:** Registered a notable increase, with the microfinance loan portfolio reaching LKR 150 billion. The growth in this segment underscores the sector's role in promoting financial inclusion.
- **SME Financing:** SME loans accounted for around 25% of the total loan portfolio, highlighting the sector's support for small and medium enterprises which are crucial for economic growth.

Non-Performing Loans (NPLs)

The NPL ratio for the NBFI sector increased to 7.5% in 2023, up from 6.8% in 2022. This rise indicates a moderate deterioration in asset quality and reflects the broader economic challenges faced by borrowers. Key factors contributing to this increase include:

- **Economic Downturn:** Economic uncertainties and slower recovery post-pandemic have affected borrowers' repayment capacities.
- **Sectoral Exposures:** High exposure to riskier segments like microfinance and SME lending, which are more susceptible to economic shocks.

Profitability

Despite asset and credit growth, the sector's profitability declined in 2023. The cumulative profit after tax was LKR 20 billion, a 5% decrease from LKR 21 billion in 2022. Several factors contributed to this decline:

- **Higher Provisioning for Bad Debts:** Increased provisions to cover potential loan losses, reflecting a cautious approach in response to rising NPLs.
- **Operating Costs:** Rising operational costs due to inflation and increased investment in technology and compliance.

Capital Adequacy

The sector maintained a strong Capital Adequacy Ratio (CAR) of 14.2%, well above the regulatory minimum requirement of 10%. This indicates robust capital buffers and financial stability. The high CAR is essential for absorbing potential losses and supporting future growth. Key aspects of capital adequacy include:

- **Regulatory Compliance:** Compliance with CBSL's enhanced capital requirements aimed at strengthening the sector's resilience.
- **Capital Infusions:** Some institutions have undertaken capital infusions to bolster their capital positions, ensuring adherence to regulatory standards and supporting expansion plans.

Market Share and Competition

The NBFI sector comprises a diverse range of institutions, with the top 10 LFCs holding approximately 70% of the market share. This concentration highlights the competitive landscape where larger players dominate the market. However, smaller and niche players continue to carve out segments by specializing in microfinance, SME lending, and innovative financial products.

Digital Transformation and Innovation

The sector is witnessing a gradual but steady shift towards digitalization. Key trends include:

- **Adoption of Fintech Solutions:** Many NBFIs are investing in fintech to enhance customer experience, streamline operations, and reduce costs. Digital lending platforms and mobile applications are becoming increasingly prevalent.
- **AI and Data Analytics:** Institutions are leveraging AI and data analytics for credit scoring, risk management, and personalized customer service.

Geographical Distribution

NBFIs have a widespread presence across Sri Lanka, with a significant focus on rural and semi-urban areas. This geographical distribution is crucial for promoting financial inclusion and reaching underserved populations. The sector's ability to extend its reach into remote areas is facilitated by:

- **Branch Networks:** Extensive branch networks that ensure accessibility to financial services.
- **Agent Banking and Mobile Units:** Innovative models such as agent banking and mobile financial service units enhance outreach and convenience.

Market Segments

Leasing and Hire Purchase

Leasing and hire purchase constitute the largest segment within the NBFI sector, accounting for approximately 45% of the total loan portfolio. This segment is crucial for financing vehicles, machinery, and equipment, which are vital for both individual consumers and businesses. Key details include:

- **Vehicle Leasing:** Vehicle leasing remains the most significant component of this segment. In 2023, the demand for vehicle leasing was driven by:
- **Consumer Preferences:** Increased consumer preference for personal and commercial vehicles, particularly motorcycles and three-wheelers, due to their affordability and utility.
- **Business Needs:** Small and medium enterprises (SMEs) and large corporations continue to rely on leasing for acquiring commercial vehicles, enhancing operational efficiency without substantial upfront costs.

- **Innovative Leasing Products:** Introduction of flexible leasing terms, such as balloon payments and residual value agreements, making leasing more attractive.
- **Machinery and Equipment Leasing:** This sub-segment supports industries like construction, agriculture, and manufacturing by providing essential machinery and equipment financing. It enables businesses to upgrade their operational capabilities without significant capital expenditure.

2. Microfinance

Microfinance has shown substantial growth, playing a pivotal role in financial inclusion by providing credit to low-income individuals and small businesses that lack access to traditional banking services. Key aspects of the microfinance segment include:

- **Loan Portfolio:** The microfinance loan portfolio reached LKR 150 billion in 2023, reflecting the sector's commitment to extending credit to underserved populations.
- **Target Demographic:** Microfinance institutions (MFIs) focus on low-income households, women entrepreneurs, and small-scale farmers, empowering them to improve their livelihoods.
- **Social Impact:** Microfinance has a significant social impact by:
- **Promoting Entrepreneurship:** Enabling micro-entrepreneurs to start and expand their businesses.
- **Alleviating Poverty:** Providing financial resources for income-generating activities, thereby contributing to poverty reduction.
- **Women Empowerment:** A significant portion of microfinance loans are directed towards women, fostering financial independence and social empowerment.
- **Challenges:** The segment faces challenges such as:
- **High Operational Costs:** Due to the extensive outreach required to serve remote and rural areas.
- **Credit Risk:** High default rates necessitate stringent credit assessment and monitoring mechanisms.

3. SME Financing

SME financing is another critical segment within the NBFI sector, accounting for around 25% of the total loan portfolio. SMEs are the backbone of the Sri Lankan economy, and NBFIs play a vital role in supporting their growth and development. Key details include:

- **Loan Products:** NBFIs offer a range of loan products tailored to the needs of SMEs, including working capital loans, term loans for capital expenditure, and trade finance facilities.
- **Economic Contribution:** By providing essential financing, NBFIs help SMEs to:
- **Expand Operations:** Invest in new projects, expand production capacities, and enter new markets.
- **Enhance Competitiveness:** Upgrade technology, improve product quality, and increase operational efficiency.
- **Job Creation:** SMEs supported by NBFIs contribute significantly to job creation, thereby supporting economic development.
- **Risk Management:** To mitigate the risks associated with SME lending, NBFIs employ various strategies such as:
- **Collateral Requirements:** Securing loans with collateral to reduce the risk of default.
- **Credit Scoring Models:** Using advanced credit scoring models to assess the creditworthiness of SME borrowers.
- **Monitoring and Support:** Providing ongoing monitoring and support to ensure the successful utilization of funds.

4. Factoring and Trade Finance

Factoring and trade finance services are essential for businesses engaged in trade, providing them with the liquidity needed to manage cash flows and sustain operations. Key details include:

- **Factoring Services:** Factoring involves the purchase of receivables from businesses, providing them with immediate cash flow. This service is particularly beneficial for SMEs that face delays in payment from their customers.
- **Market Demand:** There is a growing demand for factoring services among SMEs involved in manufacturing, wholesale, and export-oriented businesses.
- **Benefits:** Factoring helps businesses to:
- **Improve Cash Flow:** Convert receivables into immediate cash, enhancing liquidity.
- **Reduce Credit Risk:** Transfer the credit risk associated with receivables to the factoring company.
- **Focus on Core Operations:** Allow businesses to focus on core operations rather than managing collections.
- **Trade Finance:** NBFIs provide various trade finance products, including letters of credit, trade credit insurance, and export financing. These products support businesses engaged in domestic and international trade by:
- **Facilitating Transactions:** Ensuring smooth and secure trade transactions.
- **Mitigating Risks:** Protecting against the risks associated with trade, such as non-payment and currency fluctuations.
- **Supporting Growth:** Enabling businesses to expand their trade activities and enter new markets.

5. Digital Finance and Innovation

The NBFI sector is increasingly adopting digital finance solutions to enhance operational efficiency and customer experience. Key trends and innovations include:

- **Digital Lending Platforms:** Many NBFIs have developed digital lending platforms that allow customers to apply for loans online, receive instant approvals, and disburse funds quickly. These platforms use advanced algorithms and data analytics to assess creditworthiness.
- **Mobile Banking:** Mobile banking applications provide customers with convenient access to financial services, including account management, loan applications, and payment services.
- **AI and Data Analytics:** NBFIs are leveraging AI and data analytics for various purposes, such as:
- **Credit Scoring:** Utilizing alternative data sources and machine learning models to improve credit assessments.
- **Customer Insights:** Analyzing customer data to gain insights into behavior and preferences, enabling personalized service offerings.
- **Risk Management:** Enhancing risk management practices through predictive analytics and automated monitoring systems.

Regulatory Developments

The Central Bank of Sri Lanka (CBSL) has implemented several regulatory measures aimed at enhancing the stability, resilience, and transparency of the NBFI sector. These measures are designed to mitigate risks, ensure consumer protection, and promote sustainable growth.

1. Stricter NPL Management

The CBSL has introduced enhanced guidelines for managing Non-Performing Loans (NPLs) to address the rising credit risk within the sector. Key components of these guidelines include:

- **Enhanced Provisioning Requirements:** NBFIs are required to increase their provisioning for bad debts. This includes setting aside higher reserves for loans that are at risk of default, thereby ensuring that institutions have adequate buffers to absorb potential losses.
- **Early Warning Systems:** Implementation of early warning systems to identify and address deteriorating loan quality at an early stage. This involves continuous monitoring of loan performance and proactive measures to manage distressed assets.
- **Loan Restructuring Framework:** Establishing a framework for the restructuring of distressed loans, allowing NBFIs to offer repayment extensions, reduced interest rates, or other modifications to help borrowers manage their obligations and avoid default.

2. Increased Capital Requirements

To bolster the financial stability of NBFIs, the CBSL has raised the minimum capital requirements for both Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs). The increased capital requirements are intended to:

- **Strengthen Capital Buffers:** Ensure that NBFIs have sufficient capital to withstand financial shocks and maintain solvency during periods of economic stress.
- **Support Business Expansion:** Provide a strong capital base to support future growth and expansion initiatives.
- **Enhance Market Confidence:** Boost investor and consumer confidence in the financial stability and resilience of NBFIs.

Specific measures include:

- **Tier 1 Capital Ratio:** Mandating a higher Tier 1 capital ratio, which consists of core capital such as equity and disclosed reserves.
- **Risk-Weighted Assets**: Requiring NBFIs to maintain capital adequacy based on risk-weighted assets, ensuring that institutions hold capital commensurate with the risk profile of their asset portfolios.

3. Consumer Protection Frameworks

The CBSL has implemented comprehensive consumer protection frameworks to safeguard the interests of borrowers, particularly in the microfinance sector. These frameworks are designed to ensure fair treatment, transparency, and accountability. Key aspects include:

- **Transparent Lending Practices:** Mandating clear and transparent disclosure of loan terms, conditions, and fees to borrowers. This includes providing information on interest rates, repayment schedules, and any additional charges.
- **Fair Debt Collection Practices:** Establishing guidelines for ethical and fair debt collection practices, prohibiting aggressive or coercive methods. NBFIs are required to adhere to these guidelines to protect borrowers from harassment.
- **Grievance Redress Mechanisms:** Setting up effective grievance redress mechanisms to address borrower complaints and disputes promptly and fairly. NBFIs must establish dedicated units or officers to handle consumer grievances.

4.Digital Finance Regulation

Recognizing the growing importance of digital finance, the CBSL has introduced regulations to govern the adoption and use of fintech solutions within the NBFI sector. These regulations aim to promote innovation while ensuring security and compliance. Key elements include:

- **Licensing and Supervision:** Requiring digital financial service providers to obtain appropriate licenses and comply with regulatory standards. This includes regular audits and inspections to ensure compliance with cybersecurity and data protection regulations.
- **Anti-Money Laundering (AML) and Counter-Terrorism Financing (CFT):** Strengthening AML and CFT measures for digital transactions to prevent financial crimes. NBFIs must implement robust systems to monitor and report suspicious activities.
- **Consumer Data Protection:** Mandating stringent data protection measures to safeguard customer information. NBFIs are required to implement secure data storage, encryption, and access controls.

5. Corporate Governance and Risk Management

To enhance corporate governance and risk management practices, the CBSL has introduced new regulations and guidelines for NBFIs. These regulations aim to ensure that institutions operate with integrity, accountability, and sound risk management frameworks. Key initiatives include:

- **Board Composition and Responsibilities:** Requiring NBFIs to have a well-structured board of directors with a diverse mix of skills and experience. Directors are expected to exercise oversight and provide strategic guidance to the management.
- **Risk Management Frameworks:** Mandating the establishment of comprehensive risk management frameworks to identify, assess, and mitigate various risks, including credit, market, operational, and liquidity risks.
- **Internal Controls and Audit:** Strengthening internal controls and audit functions to ensure effective monitoring and compliance with regulatory requirements. NBFIs must have independent internal audit units to conduct regular reviews and report findings to the board.

6. Enhanced Reporting and Transparency

The CBSL has emphasized the importance of enhanced reporting and transparency to ensure that stakeholders, including regulators, investors, and consumers, have access to accurate and timely information. Key measures include:

- **Regular Reporting Requirements:** Imposing regular reporting requirements on NBFIs, including the submission of financial statements, risk assessments, and compliance reports.
- **Public Disclosures:** Requiring NBFIs to make public disclosures of key financial and operational metrics, corporate governance practices, and risk management policies. This promotes transparency and accountability.
- **Stress Testing and Scenario Analysis:** Encouraging NBFIs to conduct stress testing and scenario analysis to evaluate their resilience to adverse economic conditions. Results of these tests must be reported to the CBSL and used to inform risk management strategies.

Challenges

- **Economic Uncertainty:** The sector faces significant challenges from economic fluctuations, which can impact asset quality and profitability. Macroeconomic instability, inflation, and exchange rate volatility are key concerns.
- **Credit Risk:** High NPL ratios highlight the need for improved credit risk management practices. Institutions must enhance their credit assessment processes and recovery strategies.
- **Regulatory Compliance:** Keeping up with evolving regulatory requirements necessitates continuous investment in compliance systems and risk management frameworks.
- **Competition:** Increasing competition from both traditional banks and fintech companies requires NBFIs to innovate and differentiate their offerings.

Opportunities

- **Financial Inclusion:** Expanding services to underserved rural and low-income populations presents significant growth potential. NBFIs can leverage microfinance and digital platforms to reach these segments.
- **Technology Adoption:** Embracing fintech solutions can streamline operations, reduce costs, and enhance customer experience. Digital lending platforms, mobile banking, and AI-driven credit scoring are areas of potential growth.

- **Green Financing:** Growing awareness and demand for sustainable finance and green lending initiatives offer new business opportunities. NBFIs can develop products that support environmentally friendly projects.
- **Partnerships and Collaborations:** Collaborating with fintech companies, traditional banks, and other financial institutions can help NBFIs broaden their product offerings and improve service delivery.

Future Outlook

The NBFI sector in Sri Lanka is poised for continued growth, driven by the country's economic development and increasing demand for financial services. Strategic initiatives focused on digital transformation, financial inclusion, and regulatory compliance will be crucial for sustainable growth. As the sector evolves, NBFIs will need to innovate and adapt to changing market dynamics and consumer preferences.

Loans and Advances – NBFI Sector

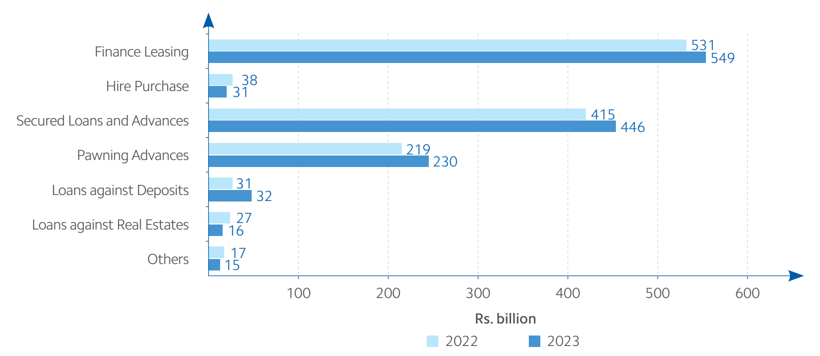
In 2023, loans and advances represented 68.6% of the total assets within the LFC sector. The sector's loan portfolio contracted by 3.2% (Rs. 38.0 billion), bringing the total to Rs. 1,160.4 billion, a reversal from the 7.7% growth experienced in 2022. Finance leases remained the dominant component of the loan portfolio, accounting for 41.5% of total loans and advances at the end of 2023, compared to 41.6% in 2022. Secured loans, including vehicle loans, constituted 32.5% of the total loan portfolio by year-end 2023, down from 33.8% in 2022.

Additionally, loans secured against gold and deposits experienced contractions of 4.7% and 3.2%, respectively, over the year. Conversely, other assets—primarily cash and balances held with banks and financial institutions—grew by 3.2% in 2023, a deceleration compared to the 23.2% growth recorded in 2022.

	Product Assets (Rs. Bn)				Growth %			
Year	2020	2021	2022	2023	2020	2021	2022	2023
Finance Leasing	622	608	549	531	-1.6	-2%	-9.70%	-3.3%
Hire Purchase	12	21	31	38	-20.6	75%	47.62%	22.6%
Loans	451	489	493	463	-7.1	8%	0.82%	-6.0%
Loans against Real Estate	2	13	16	27	-14.9	550%	23.08%	68.75%
Pawning Advances	71	129	230	219	20.1	82%	78.29%	5.0%

Source: Economic Review 2023

Total Loans and Advances (Gross) by Productwise for 2022 and 2023



Source: Central Bank of Sri Lanka

Customer Deposits and Total Borrowings – NBFI Sector

Customer deposits remained the primary funding source for the LFC sector, representing 55.3% of the sector's total liabilities by the end of 2023. Deposits saw a robust increase of 8.2% (equivalent to Rs. 70.8 billion), rising from Rs. 864.5 billion in 2022 to Rs. 935.3 billion in 2023. This growth in deposits reflects continued confidence among customers and stable demand for deposit products within the sector.

In contrast, borrowings witnessed a significant decline, decreasing by 17.9% (Rs. 57.8 billion) to Rs. 264.6 billion by the end of 2023, compared to Rs. 322.4 billion in the previous year. This reduction in borrowings could indicate a shift in the funding strategy of LFCs, relying more heavily on deposits to meet liquidity needs, as well as a potential decline in external financing options due to tighter market conditions or higher borrowing costs. The overall liability structure suggests a growing emphasis on customer deposits as a stable, long-term funding source, while reducing reliance on borrowed funds.

Year	2020	2021	2022	2023
Customer Deposits	748.6	783.3	864.5	935.3
Total Borrowings	328	325.9	322.6	264.6

Source: CBSL Annual Reports 2020-2022

The LFC sector's Profit After Tax (PAT) rose by 11.3%, from Rs. 42.8 billion in 2022 to Rs. 47.7 billion in 2023, driven by an increase in both net interest income and non-interest income. This enhanced profitability was reflected in the sector's Return on Assets (ROA), which improved to 4.3% in 2023, up from 3.7% in 2022. However, the Return on Equity (ROE) saw a slight decline to 12.4% in 2023, compared to 12.7% in 2022, largely due to a comparatively higher rise in equity capital. Additionally, the cost-to-income ratio increased to 81.1% in 2023, from 79.9% in the previous year.

Performance Indicators	2020	2021	2022	2023
Profit After Tax (Rs. Bn)	13.7	55.6	42.8	47.7

Source: Economic Review 2023

Capital – NBFI Sector

The capital base of the LFC sector saw a modest improvement of 3.9% (Rs. 12.3 billion), reaching Rs. 329.0 billion by the end of 2023, compared to Rs. 317.0 billion at the end of 2022. The sector's core capital ratio increased to 21.1% by year-end 2023, up from 20.6% in 2022, while the total capital ratio also rose slightly to 22.3%, from 22.0% in the previous year. This reflects the sector's strengthened capital position over the year.

	2020	2021	2022	2023
Total Capital Base	218.9	251.6	317.5	329.0
Total Risk Weighted Capital Adequacy Ratio	15.7	17	22	22.3
Core Capital Ratio	14.5	15.5	20.6	21.1

Source: Economic Review 2023

Liquidity risk

In 2023, the sector continued to maintain a strong liquidity position, significantly surpassing the minimum regulatory requirements. By the end of the year, available regulatory liquid assets stood at Rs. 254.9 billion, marking a notable increase from Rs. 184.9 billion in 2022. This was well above the required minimum of Rs. 103.4 billion, resulting in a substantial liquidity surplus of Rs. 151.5 billion as at the end of 2023. This surplus reflected a significant improvement compared to the Rs. 86.9 billion surpluses recorded in 2022.

The liquidity ratio also displayed positive growth, rising to 16.0% by December 2023 from 15.6% at the end of 2022, reinforcing the sector's robust liquidity management. Despite this, ongoing risks such as potential early withdrawals, loan defaults, and limited funding availability due to challenging economic conditions may still pose threats to future liquidity stability.

Regulatory Liquidity Indicators	2020	2021	2022	2023
Regulatory Liquid Assets (Available)	139.7	155.9	184.9	254.9
Regulatory Liquid Assets (Required)	50.7	89.9	98	103.4
Liquidity Surplus	89	66	86.9	151.5
The liquidity ratio	13	14.1	15.6	16.0%

Source: Annual Economic Review 2023

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

LEGAL

INTEGRATED RISK MANAGEMENT

MARKETING

HUMAN CAPITAL

FACILITIES MANAGEMENT

INTERNAL AUDIT

CREDIT

OPERATIONS

ICT

COMPLIANCE

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

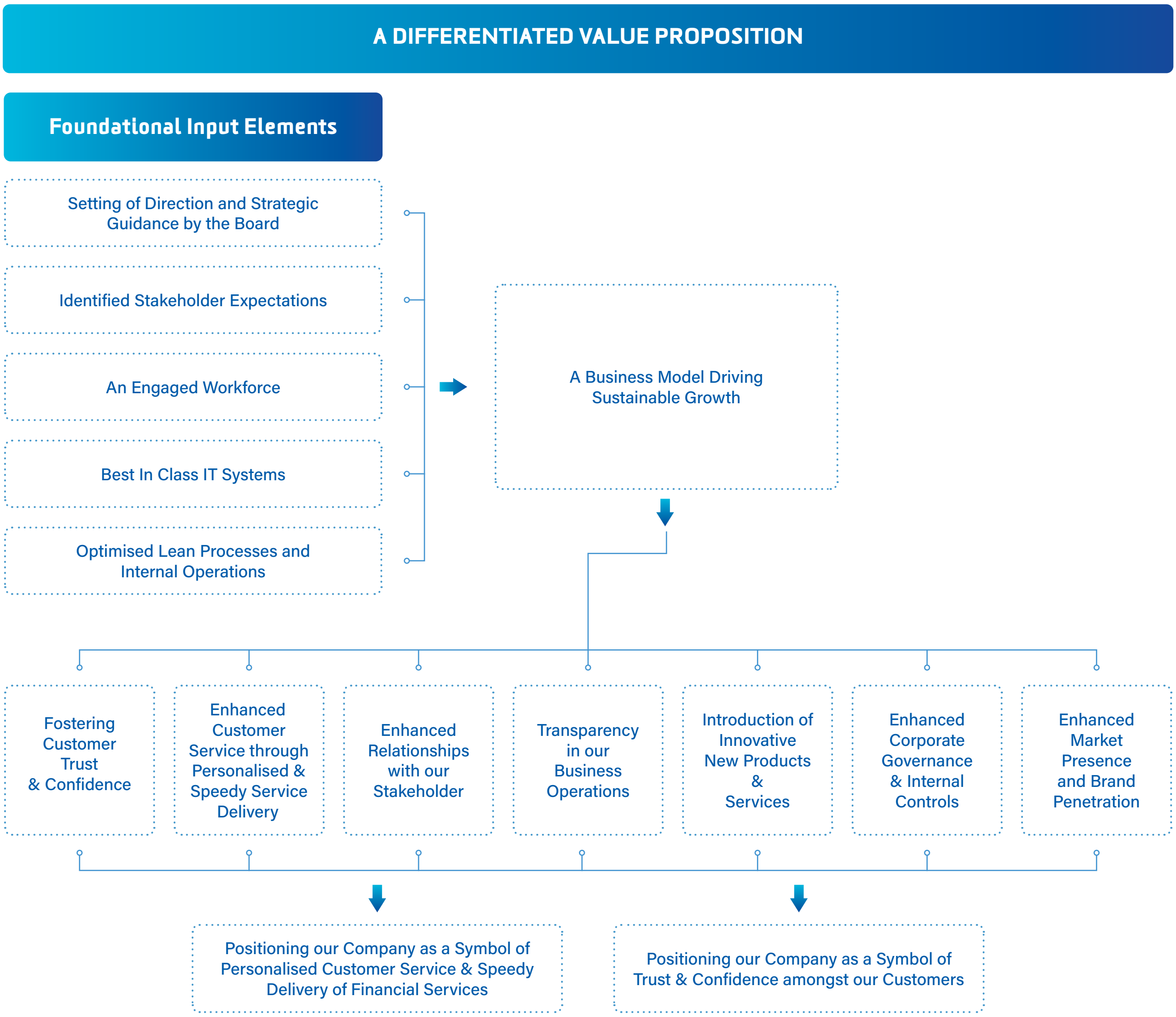
CORPORATE STRATEGY BEHIND VALUE CREATION

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.

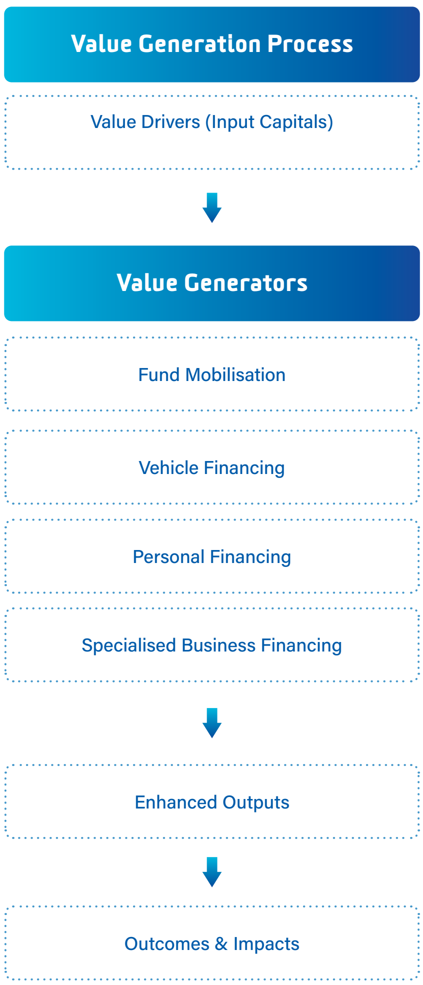
CORPORATE STRATEGY BEHIND VALUE CREATION

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.



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

During the year under review, Sri Lanka's economy has shown signs of recovery but remains fragile. For Licensed Financial Companies (LFCs), this period has been marked by challenges related to liquidity, asset quality, and regulatory compliance. Despite these challenges, LFCs have made efforts to adapt and manage risks effectively. The ongoing economic stabilization efforts by the government and international community will be crucial for the sustained recovery and growth of both the broader economy and the financial sector.

The review period presented significant challenges for the company, particularly in the areas of liquidity, asset quality, and profitability. Tightening regulatory limits on lending, deposits, and commercial papers (CPs) severely constrained the company's ability to expand its assets and enhance profitability.

To address these issues, the company enacted a strategic plan focused on improving financial performance through several key actions. This included reducing the branch network and optimizing staff levels to achieve cost savings and bolster the bottom line. Additionally, the company undertook a Rights Issue to partially meet regulatory capital adequacy requirements, which was successfully completed during the review period and strengthened the capital adequacy ratios. Ongoing restructuring efforts are in place to ensure full compliance with capital adequacy requirements for the financial year 2024/25.

The company's immediate goals are to comply with capital regulations, stabilize operations, and achieve break-even by the financial year 2025/26. Once stabilization is achieved, the focus will shift to resuming business growth and attaining profitability by the financial year 2026/27.

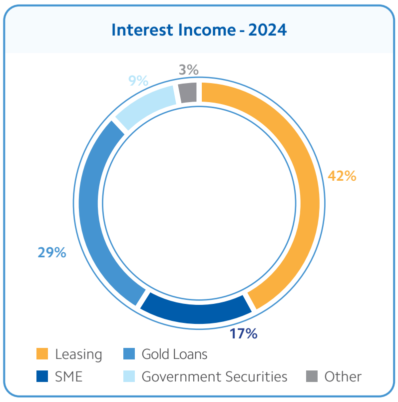
Interest Income

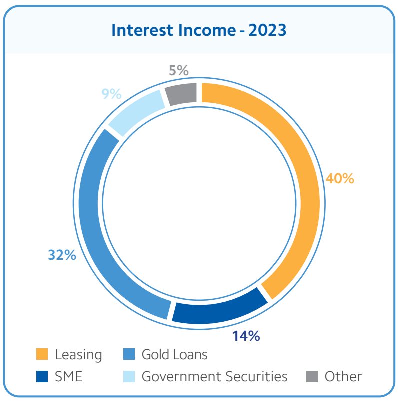
During the year under review, the company experienced a substantial decline in total interest income, which fell by Rs. 1.35 billion, or 34.37%, to Rs. 2.6 billion. This decrease was primarily due to a significant reduction in both gold loan and leasing income.

The company's efforts to achieve sustainable year-over-year growth were hampered by regulatory caps imposed by the Central Bank on its lending, deposits, and commercial paper (CP) products. These caps were a response to the company's failure to meet capital adequacy requirements throughout the year. The Central Bank continuously tightened these caps, requiring the company to prioritize the repayment of deposits and CPs as they matured.

In response, the company adopted aggressive measures to accelerate the recovery of gold loans, leases, and other loan products, including encouraging early settlements to bolster liquidity for repaying these liabilities. This strategic shift led to a notable reduction in lending activities and, consequently, a significant drop in interest income from these products. Specifically, interest income from gold loans decreased by Rs. 518.7 million, or 40.6%, to Rs. 759.9 million and interest income from leasing fell by Rs. 465.2 million, or 29.9%, to Rs. 1.1 billion

The company also experienced a notable decrease in interest income from government securities. This income declined by Rs.115.4 million, to Rs.221.3 million. This decrease can be attributed to two factors: the gradual decline in interest rates and the utilization of available liquidity for repaying liability products as they matured.





Looking ahead, the company is taking proactive steps to ensure capital compliance and stabilize operations. The primary objective is to secure regulatory approval to resume its lending products after meeting capital adequacy requirements for the financial year 2024/25. The strategy will center on effectively managing lending to optimize returns.

A major focus will be the strategic expansion of gold loans, aimed at maintaining asset quality and generating steady income while managing associated risks prudently. Additionally, the company will selectively engage in leasing to establish a reliable income stream year-over-year. To uphold the quality of leasing assets, a rigorous screening process will be implemented to select eligible customers.

This strategic emphasis will help sustain income while minimizing credit costs, ultimately contributing to a stable and sustainable bottom line on an annual basis.

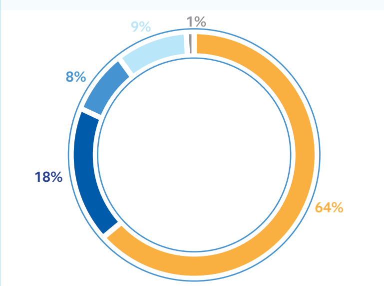
Interest Expense

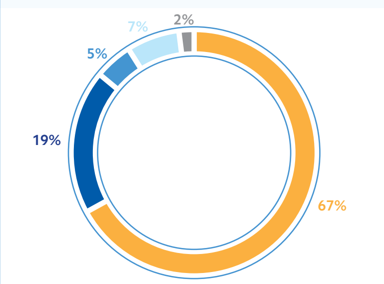
As stated, the company was compelled to suspend its deposit-based borrowings due to regulatory caps imposed by the Central Bank throughout the review period. These caps were progressively downsized, placing persistent pressure on the company to repay maturing customer deposits and CPs.

As a result, the deposit base decreased by Rs. 4.9 billion, or 39.8%, compared to the previous year. This significant reduction in the deposit base created considerable challenges for the company's funding requirements. However, the decline in the deposit base, coupled with lower interest rates, led to a notable decrease in interest expenses on time deposits. The interest expenses on time deposits fell by Rs. 841.9 million, or 32.3%, to Rs. 1.8 billion. This reduction was driven by the declining deposit base, lower interest rates, and repricing effects at renewal.

Similarly, regulatory limits on CPs required the company to prioritize their repayment as they matured. Consequently, the CP base diminished by Rs. 5.3 billion, or 94.9%, bringing it down to Rs. 285.4 million. This decrease in the CP base resulted in a reduction in interest expenses on CPs, which dropped by Rs. 257.1 million, or 34.1%, to Rs. 496.3 million.

With the cessation of borrowing through customer deposits and CPs, the company sought alternative financing options. It successfully structured and secured Rs. 423 million through securitizations. However, further securitization efforts were halted due to regulatory constraints. Borrowing from financial institutions was also restricted due to group exposure limits. As a result, the company had to rely entirely on its internally generated cash flows to meet regulatory requirements and repay liabilities.





Going forward, the company will concentrate on complying with capital requirements and resuming customer deposit activities. In the interim, it will manage with the internally generated cash through recoveries and strategic portfolio divestments planned for the 2024/25 financial year. Additionally, the company will continuously monitor market conditions and explore available funding sources to mitigate the impact of deposit caps.

Effective management of interest rate risk and prudent borrowing strategies will be essential for optimizing funding costs and ensuring financial sustainability. Moving forward, the company will evaluate opportunities to diversify its funding sources and seek cost-effective financing options. This approach aims to enhance profitability and reduce the impact of regulatory constraints.

Net Interest Income (NII)

The reduction in interest expenses was insufficient to counterbalance the significant drop in interest income. The sharp decline in interest income far exceeded the decrease in interest expenses, leading to a negative impact on net interest income (NII). Consequently, NII fell from Rs. 34.1 million in the previous year to negative Rs. 205.1 million in the current year. As a result, the net interest margin (NIM) declined to -0.15% from 0.2% in the prior year.

The overarching focus of our transformative strategy is centered on lending products designed to yield an average NIM of approximately 9%. This strategic vision encompasses a redefined operational blueprint, including a consolidation of delivery channels to approximately 14 branches. Concurrently, we are undertaking measures to right-size our staff while strategically recruiting new talents with a laser focus on fostering business growth.

Operating Expenses

The company achieved a notable reduction in operating expenses, which decreased to Rs. 1.1 billion in the year under review from Rs. 1.5 billion in the previous year, marking a decrease of Rs. 421.9 million or 28.3% compared to the previous financial year.

This improvement underscores the prudent management and rationalization of expenses throughout the financial year. As part of the corrective measures communicated to shareholders during the Extraordinary General Meeting (EGM) held in July 2023, the company strategically downsized its branch network from 30 to 18 branches during the year under review. This strategic decision focused on retaining key delivery channels essential for expanding the portfolio once business operations resume.

Similarly, the company right sized its staff to align with the reduced branch network and head office operations, reducing the staff count from 430 in the previous financial year to 251. In addition, the company also disposed of its Head Office premises during the financial year with the intention of bringing in further improvements to its risked-weighted assets and operating expenses. These measures resulted in a significant decrease of Rs. 156.4 million or 29.9% in personnel cost.

We're currently in the midst of a comprehensive operational restructuring, aimed at consolidating our delivery channels to approximately 14 branches by December 2024. Alongside this initiative, we're actively optimizing our workforce through strategic rightsizing and the strategic recruitment of new talent, all geared towards driving business growth post meeting capital compliances. Simultaneously, we're harnessing the synergies within our group to propel technological advancements, prioritizing the streamlining of operational processes and the enhancement of customer engagement.

These initiatives include the development of user-friendly mobile platforms for customer interaction and onboarding. We anticipate that the successful implementation of these strategies will markedly enhance overall productivity and cost efficiencies within our company. We expect these efforts to further streamline operating expenses, thereby boosting the company's profitability.

Credit Loss Expense

The credit loss expense on financial and other assets decreased significantly by Rs. 1.2 billion, or 64.41%, falling to Rs. 644.1 million. This notable reduction is primarily due to decreased impairments on term loans, revolving loans, and leasing, which collectively contributed to a Rs. 1.2 billion drop in credit losses.

The company's vigorous recovery efforts on its lease and loan portfolios were instrumental in achieving this reduction. Investment in new talent for recoveries further strengthened these efforts. Additionally, various reforms were implemented to enhance monitoring and follow-up processes, aiming to improve recoveries and reduce non-performing loans (NPLs). These measures not only helped manage the NPL portfolio more effectively, preventing further deterioration, but also contributed to an increase in interest income by recovering suspended interest. Furthermore, they played a key role in reducing operating losses by lowering credit loss expenses.

Looking ahead, the company anticipates a sharp decrease in credit losses in the coming years as a result of these measures. Proactive legal actions on NPLs have expedited negotiations and settlements with customers. This approach has already shown positive outcomes, with legal actions against defaulting customers beginning to yield tangible results.

Profitability

The year under review presented significant challenges for the company's interest-earning activities. Nonetheless, we effectively mitigated the impact on profitability caused by interest expenses and credit losses through implementing strategic initiatives, including scaling down liability products and enhancing asset recoveries.

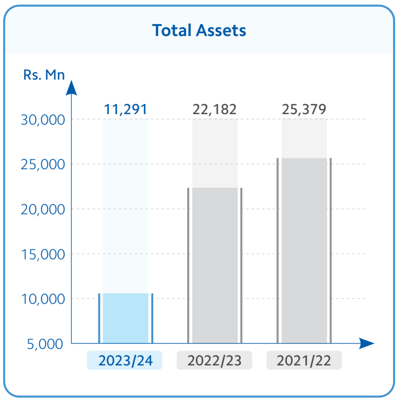
The company reported a net operating loss of Rs. 705.4 million, a substantial improvement from Rs. 1.5 billion loss in the previous year, reflecting a reduction of Rs. 796.5 million. Additionally, through careful management of operating expenses, downsizing operations, and restructuring efforts, we were able to significantly decrease our total loss by Rs. 1.22 billion, or 40.68%, bringing it to Rs. 1.78 billion.

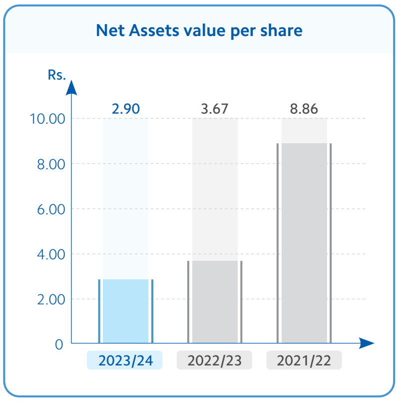
Moving forward, the company will continuously evaluate its financial position and adapt to market dynamics. We will implement a range of measures, including cost optimization, branch rationalization, process streamlining, technological advancements, and fintech solutions, to enhance profitability and manage risks. By focusing on efficiency, cutting unnecessary costs, and boosting operational performance, we aim to improve our financial standing and reduce losses in the financial year 2024/25, with a goal of achieving profitability by the financial year 2025/26.

Total Assets

The company experienced a significant reduction in its total assets, which fell by Rs. 10.89 billion, or 49.1%, to Rs. 11.29 billion. As a result, the net asset value per share decreased to Rs. 2.90 from Rs. 3.67 the previous year. This decline in assets was primarily due to decreases in lease and gold loan portfolios. The lease and hire purchase receivables dropped by Rs. 3.82 billion, or 48.8%, to Rs. 4.0 billion, while gold loan receivables fell by Rs. 3.18 billion, or 70%, to Rs. 1.37 billion.

This substantial reduction underscores a significant shift in the company's financial position. To address these challenges, the company will closely monitor its asset composition and implement strategic measures aimed at stabilizing and strengthening its financial standing.





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

Lease and Loan Receivable

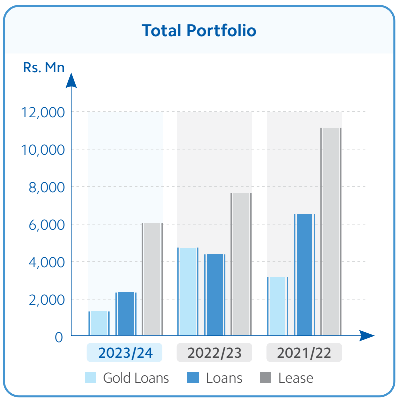
In recent years, our primary lending focus was on leasing until regulatory caps were imposed. In response, we shifted our strategy to gold loans, which were not subject to these caps, leading to remarkable growth in this segment during the financial years 2021/22 and 2022/23. Specifically, in the financial year 2022/23, our gold loan assets grew by Rs. 1.66 billion, or 57.3%, reaching Rs. 4.55 billion.

However, due to ongoing reductions in regulatory caps on both lending and liability products, we were forced to scale back our gold loan operations and shift our focus toward recoveries to manage liquidity to repay liabilities. As part of the corrective measures communicated to shareholders at the EGM, we explored potential divestitures of segments of our lease and loan portfolio with LFCs. Although these discussions did not lead to agreements that would materially impact on our financial stability, we initiated an aggressive collection drive on our lease and loan portfolios, resulting in substantial reductions by year-end.

Key outcomes of our efforts include:

- A notable decrease in the lease and hire purchase portfolio, which fell to Rs. 4.0 billion from Rs. 7.8 billion, a reduction of Rs. 3.8 billion, or 48.8%.
- A significant decline in the gold loan portfolio, which dropped to Rs. 1.4 billion from Rs. 4.5 billion, a reduction of Rs. 3.2 billion, or 70.0%.
- A reduction in loan receivables to Rs. 2.4 billion from Rs. 4.2 billion, representing a decrease of Rs. 1.7 billion, or 41.3%.

These measures were instrumental in managing our Non-Performing Loan (NPL) portfolio and preventing further deterioration. They also contributed to an improvement in interest income by recovering suspended interest and reducing operating losses by lowering credit loss expenses.



By the end of the financial year, the Central Bank had set a cap on the company's total lending book at Rs. 9.0 billion, a further reduction from the Rs. 15.5 billion cap imposed at the end of the previous year. This cap was further reduced throughout the financial year 2024/25, reaching Rs. 5.0 billion by July 2024. Despite these stringent limits, the company was allowed to extend cash-backed loans, gold loans, and other claims secured by gold.

The company successfully adhered to the regulatory cap both by the end of the year under review and as of July 2024. This compliance underscores our commitment to responsible and regulatory-aligned lending practices. It also demonstrates our capacity to adapt and manage lending activities effectively in response to evolving Central Bank regulations.

As part of the company's restructuring efforts and alternative capital restoration plan submitted to the Central Bank in May 2024, we have transferred part of our loan portfolio to S R One (Private) Limited, a wholly owned subsidiary of Softlogic Capital PLC, for a cash amount of Rs. 1.1 billion. We plan to complete the remaining portfolio transfer by 30th September 2024. A comprehensive description of the portfolio transfer is disclosed under note no. 44, Events after the Balance Sheet Date.

This strategic move is expected to help meet our capital compliance requirements by realizing suspended interest on the transferred portfolio and reversing the associated Regulatory Loss Allowance Reserve (RLAR). Consequently, this will enable us to lift the regulatory restrictions on lending and liability products, allowing us to fully resume operations and position ourselves for significant year-on-year growth.

Moving forward, our growth strategy will shift towards finance leasing and gold loans-driven model, with a deliberate scaling down of other loan products, excluding factoring. This streamlined approach allows us to concentrate our efforts on areas of strength and profitability. Simultaneously, we will explore innovative financial products and services within this refined model, differentiating ourselves from competitors and enhancing the quality of our offerings to bolster sales.

Total Liabilities

During the year, the company saw a significant reduction in its total liabilities, which fell by Rs. 11.4 billion, or 57.4%, bringing the total liabilities down to Rs. 8.5 billion. This decrease represents a substantial shift in the company's financial obligations.

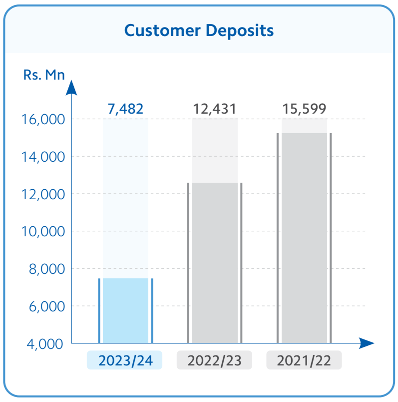
Customer Deposits

In August 2022, the Central Bank imposed a regulatory limit of Rs. 17.0 billion on customer deposits and ceased the acceptance of new deposits. This restriction was progressively tightened throughout the years, reducing the ceiling to Rs. 12.5 billion by the end of the previous year and Rs. 5.0 billion for the year under review.

The company was subsequently required to further lower its customer deposits to Rs. 4.7 billion by the end of July 2024. Customer deposits had been the primary source of funding for the company's asset expansion and operational capital needs. However, due to these regulatory constraints, the company was unable to attract new deposits and was compelled to repay existing deposits as they matured.

As a result, the company's customer deposits decreased by Rs. 4.95 billion, a reduction of 39.8%, bringing the total to Rs. 7.48 billion. The sharp reduction in the deposit cap by Rs. 7.5 billion during the financial year created significant challenges in maintaining sufficient liquidity for repaying maturing deposits. Despite extensive efforts to enhance collections, internal cash generation proved insufficient to repay deposits and meet the Rs. 5.0 billion regulatory requirements.

While the company could not fully comply with the regulatory requirements by the financial year-end, it has since successfully met the Rs. 4.7 billion requirements as of the date of these financial statements.



Other Borrowings

The category of "other borrowings" includes a variety of financial instruments such as bank borrowings, commercial papers, securitized facilities, and loans or debts from our parent company.

The increase in bank borrowings and reliance on securitized facilities posed significant challenges due to ongoing losses and the group's overall exposure to banking institutions. These difficulties were exacerbated by Central Bank restrictions on customer deposits, commercial papers, and securitized facilities, which severely constrained our ability to obtain crucial operational funds. In response to these constraints, the company implemented an aggressive collection strategy targeting leases, loans, and gold loans to meet its operational cash needs.

During the year, the company's financial landscape underwent significant changes. Notably, other borrowings were drastically reduced by Rs. 6.4 billion, a decline of 91.9% compared to the previous year. By the end of the financial year, other borrowings totaled Rs. 557.9 million, down from Rs. 6.9 billion the year before.

Borrowings through Commercial Papers (CPs) experienced a substantial decrease, falling to Rs. 285.4 million, a drop of Rs. 5.3 billion or 94.9% from the previous year. Additionally, the company fully repaid outstanding bank loans amounting to Rs. 150.0 million during the year. On the other hand, the company raised Rs. 423 million through securitization, resulting in an increase of Rs. 79.5 million or 41.2% in borrowings through securitizations, which totaled Rs. 272.5 million.

During the year under review, short-term loans totaling Rs. 920 million and subordinated debt of Rs. 900 million, along with accrued interest up to the conversion date, were converted into shares as part of the parent company's rights issue proceeds. This conversion significantly reduced interest expenses for the financial year 2024/25. The details of these conversions are disclosed under note no.41.5, Capital Management. As a result of this conversion, along with substantial declines in other borrowings and customer deposits, the company has achieved a positive NII since the start of the financial year 2024/25.

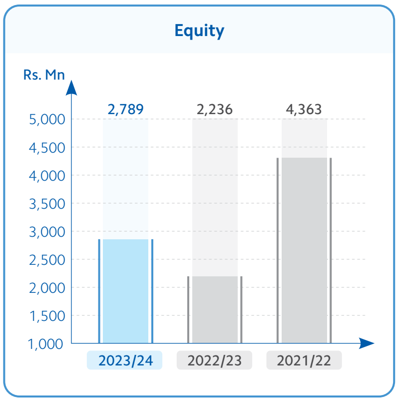
These significant shifts in the company's financial framework highlight the remarkable resilience of our management team and the exceptional endurance of our marketing and liability teams. Their skillful navigation of challenging circumstances is clearly reflected in these results. Equally impressive is the steadfast trust and confidence our valued customers have shown in the company. This ongoing support underscores the strength of our reputation, even amidst recent financial difficulties.

Equity

As part of the corrective measures communicated to shareholders through an announcement to the Colombo Stock Exchange (CSE) on 26th June 2023, and the EGM held subsequently on 12th July 2023, the company raised its issued share capital by Rs. 2,33 billion. This increase involved the issuance of 353,362,388 ordinary voting shares through a Rights Issue to existing shareholders during the financial year 2023/24. As a result, the stated capital of the company grew to Rs. 9.9 billion as of the end of the financial year. The details of these Rights Issue are disclosed under note no.41.5, Capital Management.

The increase in stated capital led to a notable rise in the company's equity, which grew to Rs. 2.79 billion from Rs. 2.24 billion the previous year, representing a 24.7% improvement. The proceeds from the Rights Issue offset the financial loss incurred during the year, resulting in this improvement in equity. This growth in equity led to an increase in the debt-to-equity ratio, rising to 3.05 times from 8.9 times the previous year.

The Regulatory Loss Allowance Reserve (RLAR) remained stable, as the company had fully accounted for the provision gap between Central Bank requirements and Accounting Standards during the review period.



Liquidity

Throughout the year, the company faced unprecedented challenges. These difficulties were exacerbated by the Central Bank's persistent restrictions on lending, deposits, and commercial paper capacities. Despite these severe constraints, the steadfast determination and strategic actions of our treasury division played a crucial role. Their efforts ensured that liquidity was maintained throughout the year while meeting regulatory requirements.

Total liquidity, which includes cash reserves, bank balances, investments in unit trusts, and government securities, fell to Rs. 1.3 billion, a notable decrease from Rs. 2.7 billion in the previous year. This reduction of Rs. 1.4 billion represents a significant decline of 51.3%.

As a result, the ratio of available liquid assets to minimum liquid assets (which are required to be at least 100%) decreased to 97.7%. This contrasts with the previous year's ratio of 132.2%. Similarly, the ratio of liquid assets to external funds fell to 10.1% from the prior year's 12.8%.

Capital Adequacy

Following the completion of the Rs. 2.33 billion rights issue, both the Tier I and Tier II capital ratios improved to 4.92% by the end of the financial year. This marks a significant turnaround from the -1.1% and 0.6% reported in the previous year, respectively.

Despite this improvement, the reported ratios still fall well below the minimum thresholds required by the Central Bank's Capital Adequacy standards. As a result, under the Central Bank's Prompt Corrective Action (PCA) framework, the company has faced regulatory restrictions on its lending, deposits, and commercial paper activities due to these unmet capital adequacy requirements.

As part of its restructuring initiatives, the company has submitted an alternative capital restoration plan to the Central Bank, where it focusses on enhance the quality of the Company's financial position and compliance of regulatory capital requirements including core capital requirement, through transferring beneficial ownership of part of the loan portfolio of the company. The Central Bank has informed the company that the Governing Board of Central Bank has evaluated and favorably considered the proposed alternative capital augmentation plan.

As of the date of these financial statements, the company has successfully completed the first and second segments of the portfolio transfer. We anticipate finalizing the last segment by September 2024. Completing this final segment will ensure that the company meets its capital compliance requirements subject to obtaining a profit and changes in equity certificate from the external auditors.

Future Plans

The company is committed to ensuring a sustainable future through its Alternative Capital Restoration Plan. This strategic initiative aims to align the company with essential regulatory benchmarks. The plan is rooted in the budget and three-year roadmap, a crucial document that has been endorsed by the Central Bank.

The Alternative Capital Restoration Plan encompasses a range of transformative measures designed to enhance the company's financial stability and regulatory compliance. Key initiatives within this plan include:

- Business Model: We are embarking on a strategic shift in our business model by redefining our product mix. The focus will shift towards finance leasing and gold loans-driven model.
- Products Innovation: A pivotal aspect of our growth strategy involves a deliberate and gradual expansion into untapped regions of Sri Lanka with new products innovations. Our primary emphasis is on underserved markets, where our unique business model can address specific financial needs effectively.

- Technology Advancement: We recognize the integral role of technology in the success of our revamped business model. As part of our growth strategy, we commit to continual investment in technology to enhance both service delivery and operational efficiency. This includes upgrading our digital infrastructure, implementing advanced analytics, and leveraging fintech solutions including artificial intelligence.
- Cost Optimization: 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.
- Branch Rationalization: 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.

The cornerstone of the Alternative Capital Restoration Plan was the completion of a Rs. 2.5 billion Rights Issue. During the financial year, the company successfully raised Rs. 2.3 billion through this Rights Issue. This substantial effort not only provided critical new capital but also demonstrated the parent company's commitment to strengthening the company's financial stability and ensuring its ongoing operational viability.

With unwavering determination, the company is dedicated to continuously improving its performance metrics, thereby becoming a more attractive option for potential investors or new equity. Despite the challenges we face, we are confident that our steadfast efforts will navigate us through this difficult period, enhance our financial standing, and lead to greater achievements in the future. Our journey is driven by a deep commitment to meeting and exceeding the expectations of our valued customers and upholding 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

↓

Strategy on Product Portfolio Development & Customer Management

↓

Product Development

Service Level Development

Brand Development & Communications

Customer Relationship Management

Product Responsibility

↓

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 information on 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:

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.

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.
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 in the future 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 in future, 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.

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.

We make objective and transparent assessments on the financial capabilities of our clients and advise them on how to manage their 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.

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.

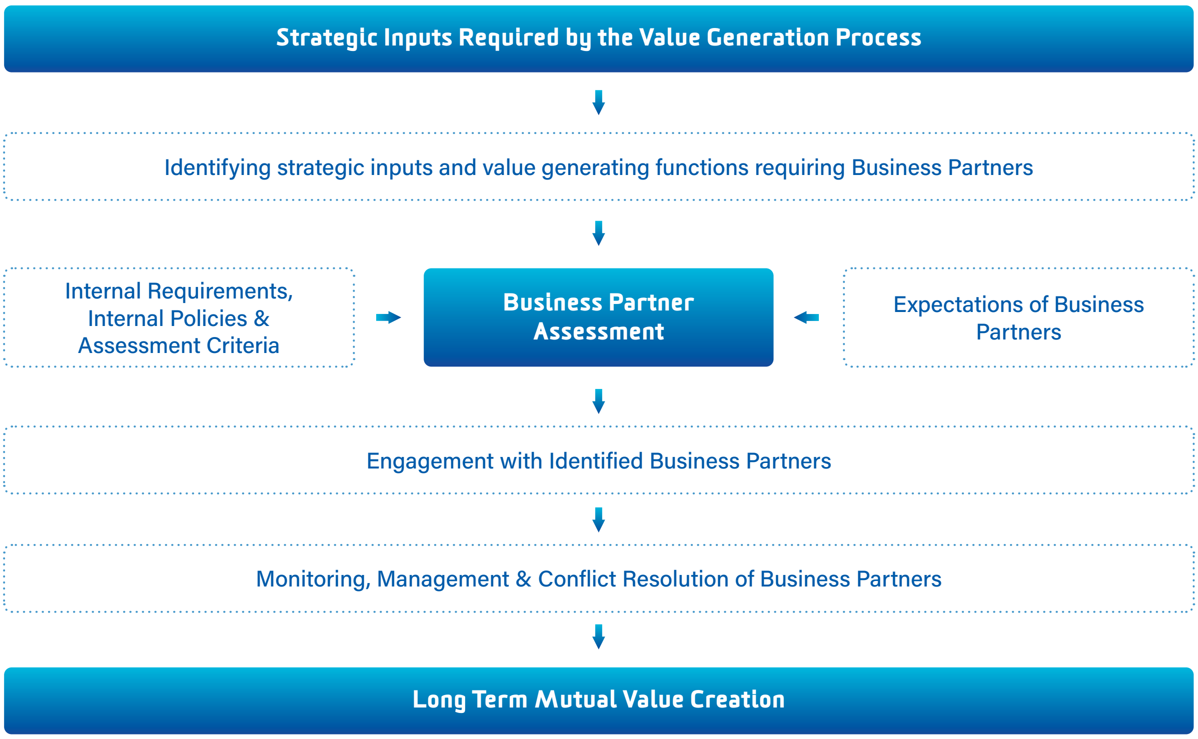
The development of this customer centric attitude across the organization has been recognized by our management as the driving force behind future business expansion. With the continuing digitalization process, the rollout of our refined business model and the enhancement of the capabilities of our integrated 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.



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 • 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

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.

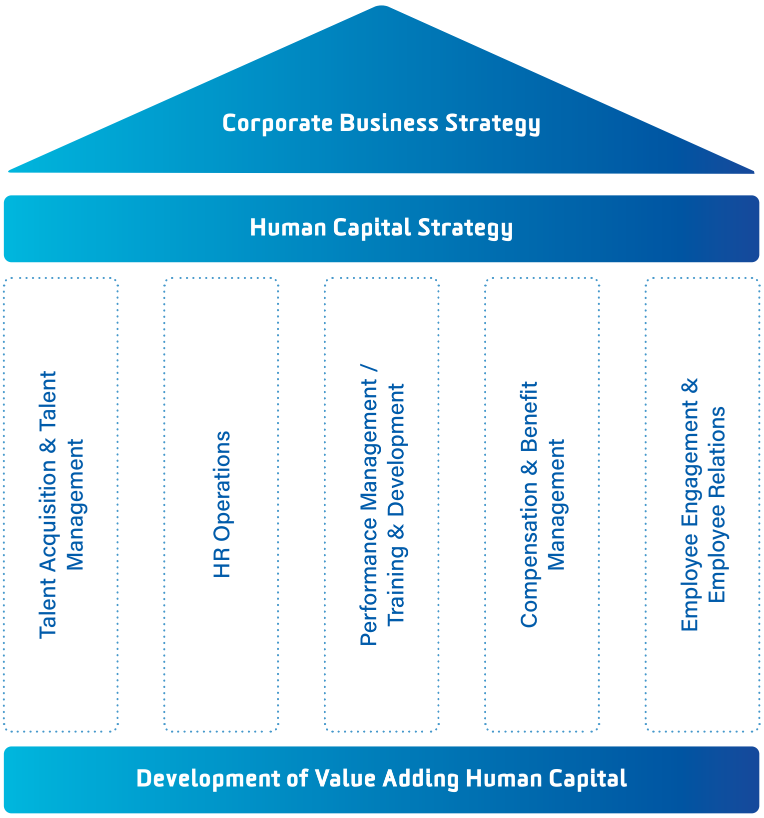
- Central Bank of Sri Lanka
- Department of Inland Revenue
- Securities and Exchange Commission of Sri Lanka
- Colombo Stock Exchange

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 regard to daily operations, service delivery or IT services and digitalization, our business partners provide an invaluable service that will help our 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.

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:

1. 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

2. Continuous Training & Development

Conducted 14 training programs during the year, which were designed to deliver returns in the form of increased productivity, commitment, and loyalty from our team members.

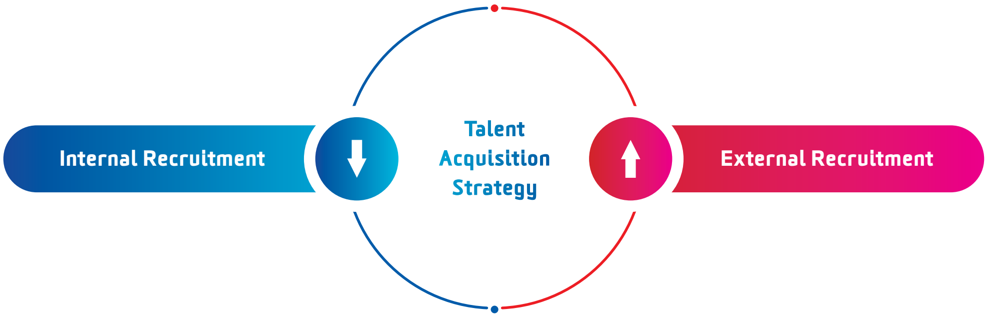
3. Employee Engagement Activities

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	2023/24	2022/23
Sales & Direct Sales Support	25	22
Recovery	07	13
Support Services	28	17
Total	**60**	**52**

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	2023/24	2022/23
Sales & Direct Sales Support	33	55
Recovery	37	17
Support Services	45	71
Total	**115**	**143**

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.

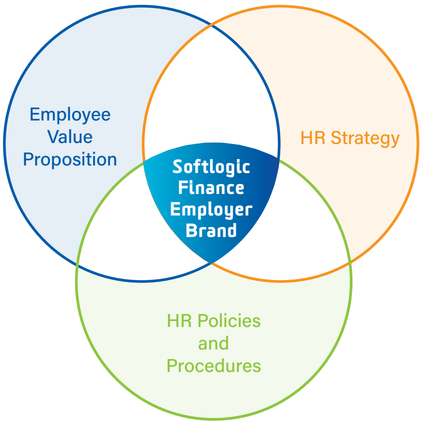
- HR Analytics
- Managing Time & Attendance of People
- Managing Employee Movements – Transfers and Promotions
- Employee Exit Process
- Conducting HR Audits
- Human Resource Administration Functions

Key HR Indicators

Key HR Indicators	2023/24	2022/23
Employee Head Count	251	430
New Recruitments	115	143
Internal Transfers	79	52
Promotions	15	55
No. of Training Programs	14	31
No. of Training Hours	2440.58	5677.25
Total Income Per Employee (Rs.)	10.8 Mn	9.6 Mn
Staff Costs Per Employee (Rs.)	1.5 Mn	1.2 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 2023/24

Sales	Collection & Recovery	Support Services
27%	29%	44%

Sales & Direct Sales Support

2023/24	2022/23	2021/22
68	182	234
27%	42%	47%

Collections & Recovery

2023/24	2022/23	2021/22
72	77	79
29%	18%	16%

Support Services

2023/24	2022/23	2021/22
111	171	186
44%	40%	37%

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 2023/24

Below 30 Years	31-40 Years	41 Above
36%	34%	30%

Below 30 Years

2023/24	2022/23	2021/22
91	190	277
36%	44%	56%

31-40 Years

2023/24	2022/23	2021/22
85	150	192
34%	35%	38%

41 Above

2023/24	2022/23	2021/22
75	90	80
30%	21%	16%

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

2023/24	2022/23
07	19

Total Employees as at 31st March

2023/24	2022/23
153	245

REST OF THE COUNTRY

New Employment Opportunities

2023/24	2022/23
12	02

Total Employees as at 31st March

2023/24	2022/23
98	185

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 2024

No of Years with the company	No of Staff in each category		
	Senior Management	Manager/ Executive Level	Others
15 & Above	03	10	-
10-15	07	19	-
5-10	02	29	01
1-5	12	108	02
Below 1 year	01	57	-
Total	**25**	**223**	**03**

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	2023/24	2022/23
Sales & Direct Sales Support	-	28
Recovery	5	6
Support Services	10	21
Total	15	55

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	
	2023/24	2022/23
External	08	18
Internal	06	13
Total	14	31

Gross No. of Employees Trained By Employee Category

Employee Category	No. of Programs	
	2023/24	2022/23
Sales & Direct Sales Support	426	404
Recovery	12	143
Support Services	71	677
Total	509	1224

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:

- Branch Managers & Team Leaders get together
- Paduru Party
- Breakfast Party
- Day Outs – Collections Team/ Legal Team/Finance Team/Central Operations Team
- Christmas 2023
- 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.

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.

Looking ahead, we remain committed to advancing our IT systems and infrastructure to support our strategic goals.

The following is a detailed overview of the key initiatives and achievements in our IT systems and infrastructure development:

- Implementation of Mobile compatible version of a Recovery Application. This application mainly aims to ease the recovery officer's tasks/activities by accessing the customer details and facility details real-time as a nail end to provide accurate information when meeting the customer. Further this app has the capability to mark the customer's address against the geo coordinates for future reference in next visits. Meanwhile the company identifies the recovery officers visiting plans and effective routing paths during customer visits to improve overall recoveries and monitor the recovery officer's performance.

- The collected information is linked with the company Management Information System (MIS) to identify the achievements (visits completed), recovery rates, and agent performance, helping top management and the collection managers to make informed decisions and optimize recovery strategies.

- Implementing a Robotic Process Automation (RPA) for receipts. This involves automating the manual and repetitive tasks associated with processing receipts. As the initial step we at Softlogic have implemented the RPA to carry out the receipting from its collection accounts to the core system. This can improve efficiency, reduce errors, and free up human employees for more complex tasks. Through this automation of the RPA process for receipt, the company expects a significant improvement in speed, accuracy, and overall productivity of this process.

- Plans and strategies are in place to use the RPA for further process improvements as well.

- Many enhancements, automations and improvements were made within the Core Application of the company mainly in the areas of Finance, Gold Loan, Recovery, Legal and the Operations Domains in order to provide more flexibility and greater experiences for the business users from all areas.

- The Core System has been enhanced to accommodate the maintaining and monitoring of the Legal File/Case details.

- Improvements made in the Recovery Process of the company in order to align with the current business strategy. Implementation of the Advance Recovery Module in the Core Application and automation of the recovery letter process.

- The integration of the Core Application with the Anti Money Laundering system was established to automate the calculating Risk rate and risk profiling against the KYC information.

- 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 and other critical applications. 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.
- Periodic System Security reviews (Vulnerability Assessments & Penetration Testin) are done to ensure the risks are identified and remedial actions are taken. The recommendations are being implemented per the regulatory requirements.
- 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 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.

In conclusion, our ongoing commitment to IT excellence is a cornerstone of our strategy to deliver exceptional value to our customers and stakeholders. By continually enhancing our IT capabilities, we ensure that we are not only meeting the needs of today but also anticipating the challenges and opportunities of tomorrow.

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

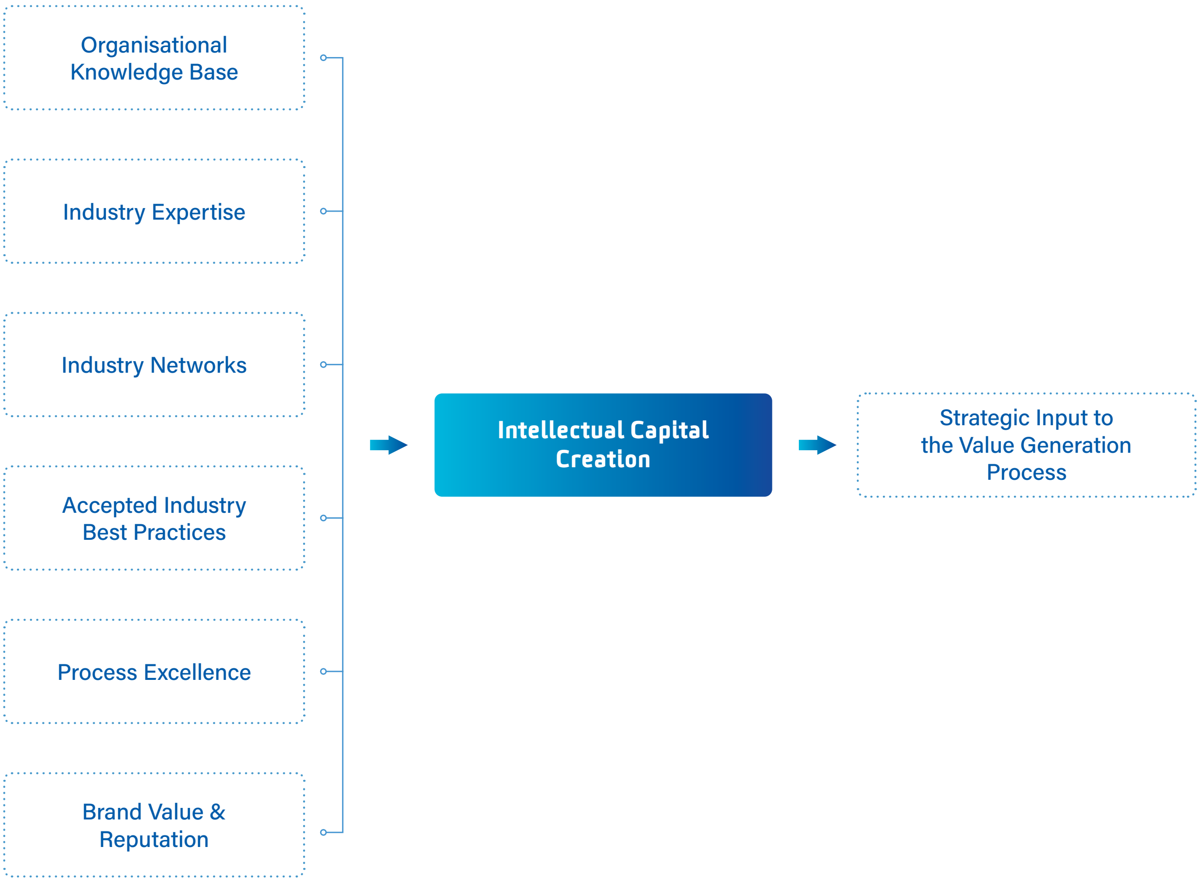
IT Infrastructure Development

Information Security

Re-Engineering of Internal Processes

Value Adding Inputs for the Value Generation Process

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 fully recognize and prioritize the well-being of all our stakeholders, going beyond the financial interests of our shareholders. We believe our existence and operations are deeply intertwined with the fabric of society, which compels us to take on the significant responsibility of managing our impact on both people and the environment.

In our commitment to sustainable value creation, we engage in a continuous dialogue with our stakeholders. This dynamic interaction allows us to understand their evolving needs and develop effective strategies to meet them. By adopting this proactive approach, we strive to exceed stakeholder expectations while making a meaningful contribution to the collective welfare of our communities.

Our Management Approach

By diligently implementing and managing our business model, we have adopted a holistic approach to addressing the impacts of our operations. As a result of our value creation process, we have identified three key areas that require our ongoing stewardship to ensure the long-term sustainability of our enterprise. These areas are classified as Economic, Social, and Environmental impacts.

All our sustainability initiatives are guided and executed within the framework of these foundational pillars: Economic, Social, and Environmental. This strategic focus enables us to effectively navigate our responsibilities and drive meaningful progress in each domain.

The Sustainability Framework

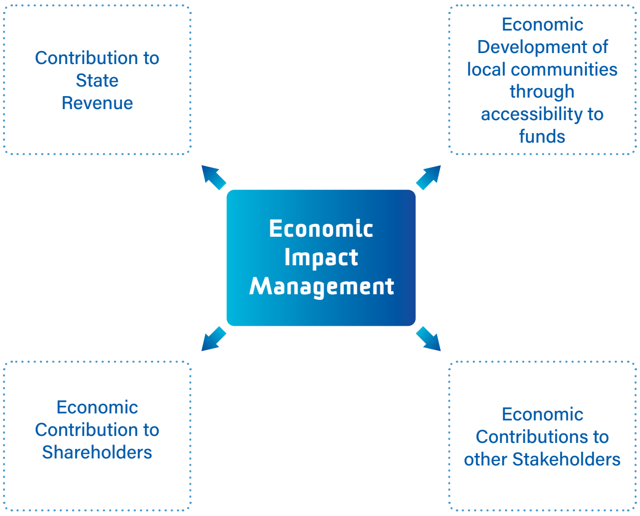
Our sustainability philosophy comes to life through a careful and systematic approach that begins with identifying our valued stakeholders and understanding their diverse needs. We then thoughtfully assess the importance of these needs and their implications for our business model.

Based on this thorough evaluation, we develop strategic mechanisms that effectively address these stakeholder concerns. Acknowledging the complexity of our business's impacts on the operating environment, we have adopted a well-structured framework for sustainable value creation. This framework ensures that our sustainability strategy delivers tangible Economic, Social, and Environmental value.

The conception, implementation, and monitoring of all initiatives related to our sustainability strategy are diligently overseen by our esteemed Management Committee, ensuring that we remain accountable and effective in our efforts.

Our steadfast commitment to the sustainable advancement of our business is demonstrated by our structured, high-level approach to identifying, evaluating, and addressing our sustainability impacts. This process is seamlessly integrated into our business model, enabling us to effectively recognize and respond to the interests of our diverse range of stakeholders. Through this methodical approach, we ensure that our sustainability efforts are both meaningful and aligned with the needs of those we serve.

ECONOMIC CONTRIBUTION



The monetized value generated by our business model not only sustains our very existence but also serves as a powerful economic catalyst, allowing us to engage proactively with our stakeholders. Our business model is designed to ensure the fair distribution of the economic value we create among a wide range of stakeholders.

Each year, we make significant economic contributions that benefit various groups, including government revenue, our valued shareholders, clients, reliable suppliers and service providers, trusted financing partners, and investments in rural areas that promote economic development. Additionally, we create employment opportunities and contribute to the overall well-being of the community.

SOCIAL CONTRIBUTION

At the heart of our corporate ethos is a steadfast commitment to serving the communities we engage with. We fully embrace our responsibility to take proactive steps that uplift their livelihoods and improve their economic conditions. As we strengthen our market presence through our extensive network of touchpoints, we also enhance our ability to support local communities, empowering them to actively participate in economic initiatives.

Improving Access to Finance

Our business model is thoughtfully designed to create sustainable value for all our stakeholders, extending well beyond the interests of our shareholders. Central to this framework is our commitment to improving access to formalized financing for small businesses and regional entrepreneurs.

To support this goal, we offer a diverse array of flexible vehicle financing, personal financing, and factoring products, providing tailored financing solutions that meet the unique needs of our clients. These initiatives are aimed at unlocking the economic potential of rural entrepreneurs, fostering development in these areas, and driving their growth.

Contributing to the Local Economy

As we work to expand our operational reach, we are dedicated to fostering direct engagement with the local community in all our business activities. We prioritize sourcing a substantial portion of the products and services needed by each branch from the immediate community, rather than relying on suppliers from larger cities like Colombo. This intentional strategy creates a positive ripple effect on job creation, both directly and indirectly, thereby enhancing the quality of life for local residents.

Having a branch within the community not only provides convenient access to financial services but also opens up greater business opportunities for local entrepreneurs. Their success, in turn, drives increased employment prospects for the entire community, creating a virtuous cycle of economic growth and empowerment.

OUR SUSTAINABILITY PHILOSOPHY

Engaging in Regional Social Development Causes

Our continuous commitment to community engagement extends well beyond routine financial transactions with our valued clients. Each year, our branches take a proactive role in social development initiatives, embedding these efforts into our core operational philosophy. We recognize their transformative power and aim to inspire our team to look beyond conventional profit metrics.

By engaging in social development causes, we embrace our role as catalysts for positive change. This involvement ignites our team's passion, encouraging them to think beyond financial gains and fostering a profound sense of purpose that enhances our overall societal impact.

Employment Generation and People Development

As our operations and market presence continue to grow, we are committed to creating job opportunities for young people, particularly in rural areas. When hiring for our branch network, we prioritize sourcing talent from the local communities. This deliberate strategy not only fosters localized employment but also encourages active participation in the economic development of these regions.

By focusing on recruiting individuals from these areas, we aim to empower local talent, improve 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 particular emphasis on our customers and shareholders. Upholding the highest standards of financial and operational integrity, alongside impeccable business ethics, is essential to every aspect of our operations. To achieve this, we have established rigorous processes to ensure that our business practices are consistently ethical and transparent.

Adhering to industry regulations is central to our commitment to integrity. By complying with all applicable standards, we willingly invite scrutiny, demonstrating our dedication to maintaining the highest ethical benchmarks. This regulatory compliance not only reinforces our integrity but also enhances the value of our business.

Transparency is a core principle guiding our operations. By fostering transparent processes, we build confidence and earn the trust of our customers, ensuring they feel secure when utilizing our financial services. This trust is rooted in our commitment to honesty and openness in all our interactions.

Engagement in Industry Development

As a prominent participant in the Non-Bank Financial Institution (NBFI) sector, we are deeply committed to building trust and confidence in the industry. To achieve this, we actively collaborate with industry associations to enhance community access to formal finance, develop best practices, and create innovative solutions for industry challenges.

Through our involvement in these associations, we aim to foster an environment of transparency, reliability, and accountability within the NBFI sector. Our ultimate goal is to boost public confidence, enabling individuals to engage with us and other NBFIs with assurance. By collectively advancing industry standards and practices, we aspire to cultivate a trustworthy and resilient financial ecosystem that benefits both our stakeholders and the wider community.

ENVIRONMENTAL CONTRIBUTION

Our Business Model is thoughtfully designed to take a comprehensive approach to mitigating 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 prioritize energy and resource conservation. We actively promote practices that reduce our ecological footprint, including efficient energy management, responsible waste disposal, and careful use of natural resources. By embedding sustainable habits into our daily operations, we aim to create a positive impact on the environment, both within our organization and in the communities we serve.

We are dedicated to continuously improving and adapting our practices to mitigate environmental impacts and support a greener future. By focusing on 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 2023/24 became a period with extraordinary challenges in terms of the Company's risk management strategy.

During our daily operations, the company takes on a wide variety of risks. These risks arise from products/services we offer and the business activities that the company is engaged in. An effective risk management is fundamental to the business activities of the company.

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.

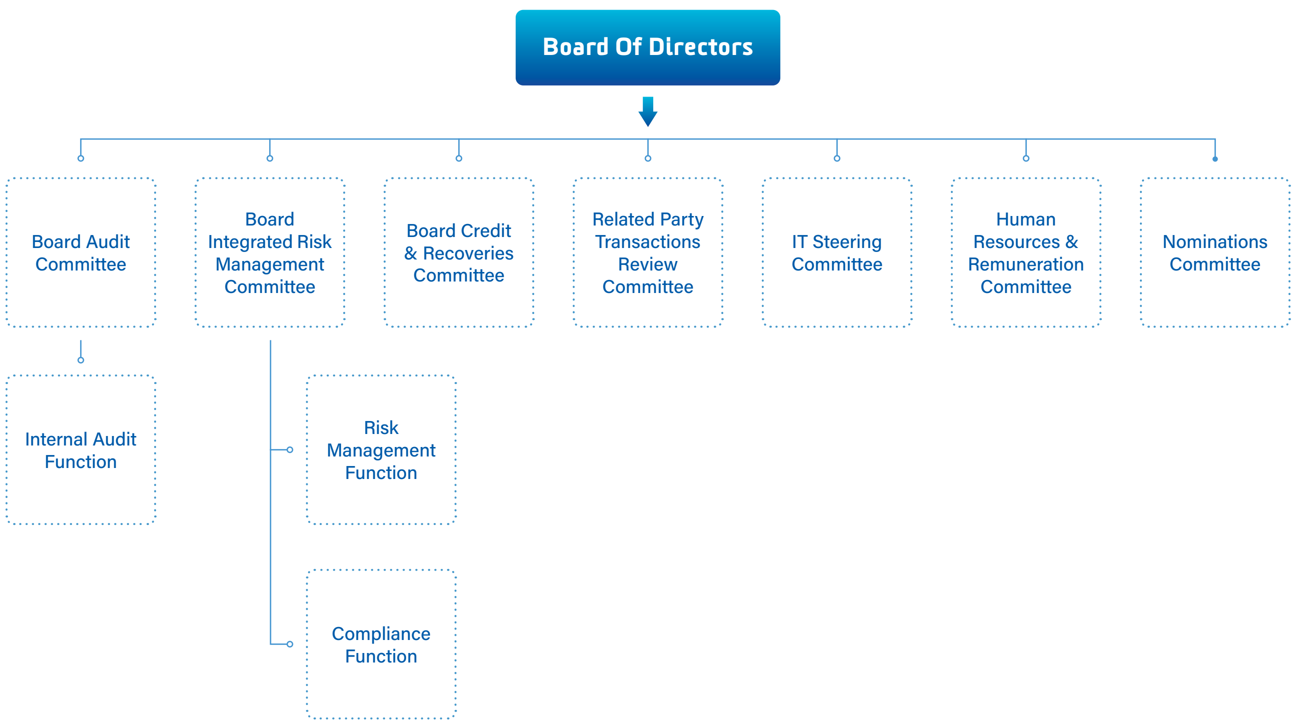
The Board assumes overall responsibility for the management of risk and for reviewing the effectiveness of internal control processes. Risk Appetite is translated and cascaded to different business activities both quantitatively and qualitatively. We thus aim to deliver superior value to all our stakeholders 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.

Risk Management Framework



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-defence, and are held accountable for identifying and managing risk and operating within the approved risk policies. The second-line-of defence 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-defence in providing independent assurance regarding the overall effectiveness of SFP's risk management framework in meeting its stated objectives.

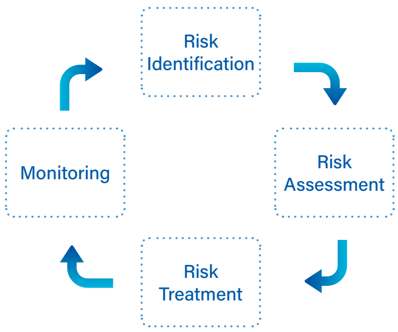
Risk Culture

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 2023/24

The Sri Lankan economy entered a path towards recovery in 2023 following its deepest economic catastrophe encountered in the preceding year. The recovery was buttressed by rapid disinflation, improved external resilience, stronger fiscal balances, and preserved financial system stability. Prompt and coordinated implementation of a suite of policy measures by the government and the central bank and the structural reform agenda alongside the International monitory fund's extended Fund Facility (IMF-EFF) arrangement reinforced overall macroeconomic stability. Having benefited from restored stability, the economy commenced transitioning to a growth trajectory. After six consecutive quarters of contractions, the economy recorded an expansion in the second half of 2023, limiting the annual economic contraction during the year. The growth in aggregate demand was driven by both domestic demand and net external demand. Although unemployment remained unchanged in comparison to the preceding year, labour force participation declined further in 2023. With the adoption of accommodative monetary policy stance by the Central Bank since mid 2023 and the decline in risk premia following the finalization of the Domestic debt Optimization (DDO) operation, market interest rates including yields on government securities recorded a notable decline in 2023. Credit to the private sector experienced a positive shift from mid 2023, ending the longest streak of monthly contractions. The external current account recorded a surplus in 2023 supported by a significant contraction in the trade deficit amidst increased services exports and improved workers 'remittances. Gross official reserves improved with the support of net purchases of foreign exchange by the Central Bank and financing support from multilateral partners. Despite intermittent volatility, the Sri Lanka rupee recorded an overall, appreciation in 2023, which broadly reflected the market behaviour and sentiments, as the Central Bank adopted a market -based exchange rate policy. Notwithstanding a series of domestic and external shocks, the financial sector demonstrated its resilience stemming from the proactive and prudent policies and greater crisis-preparedness.

Amidst challenges, the banking sector, which dominates the financial sector was able to maintain stability by preserving capital adequacy level, supported by the declining of risk weighted assets, while liquidity was maintained above the regulatory minimum. Total assets of the banking sector improved along with profitability while credit risk as indicated by the stage 3 loans ratio increased during 2023.

The fiscal performance in 2023 was commendable, driven by rigorous consolidation measures for revenue enhancement and expenditure rationalization. The Primary balance showed a surplus in 2023, while the overall budget deficit declined compared to previous year. The government continued to rely primarily on domestic sources to finance the budget deficit, amidst constrains in assessing foreign sources. The central government debt as a percentage of GDP declined by end 2023, primarily due to the growth in nominal GDP and partly due to the impact of rupee appreciation on foreign debt.

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.

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. Credit 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.

The Board Credit 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 Committee after referring to the Internal Credit Committee to ensure proper pre-disbursement analysis to minimize the credit risk has been carried out.

Board Credit 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 Credit 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 Committee.

Key actions taken by SFP for the credit risk mitigation during FY 2023/24 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 2023/24 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 2023/24 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 2023/24 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 2024/25

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.

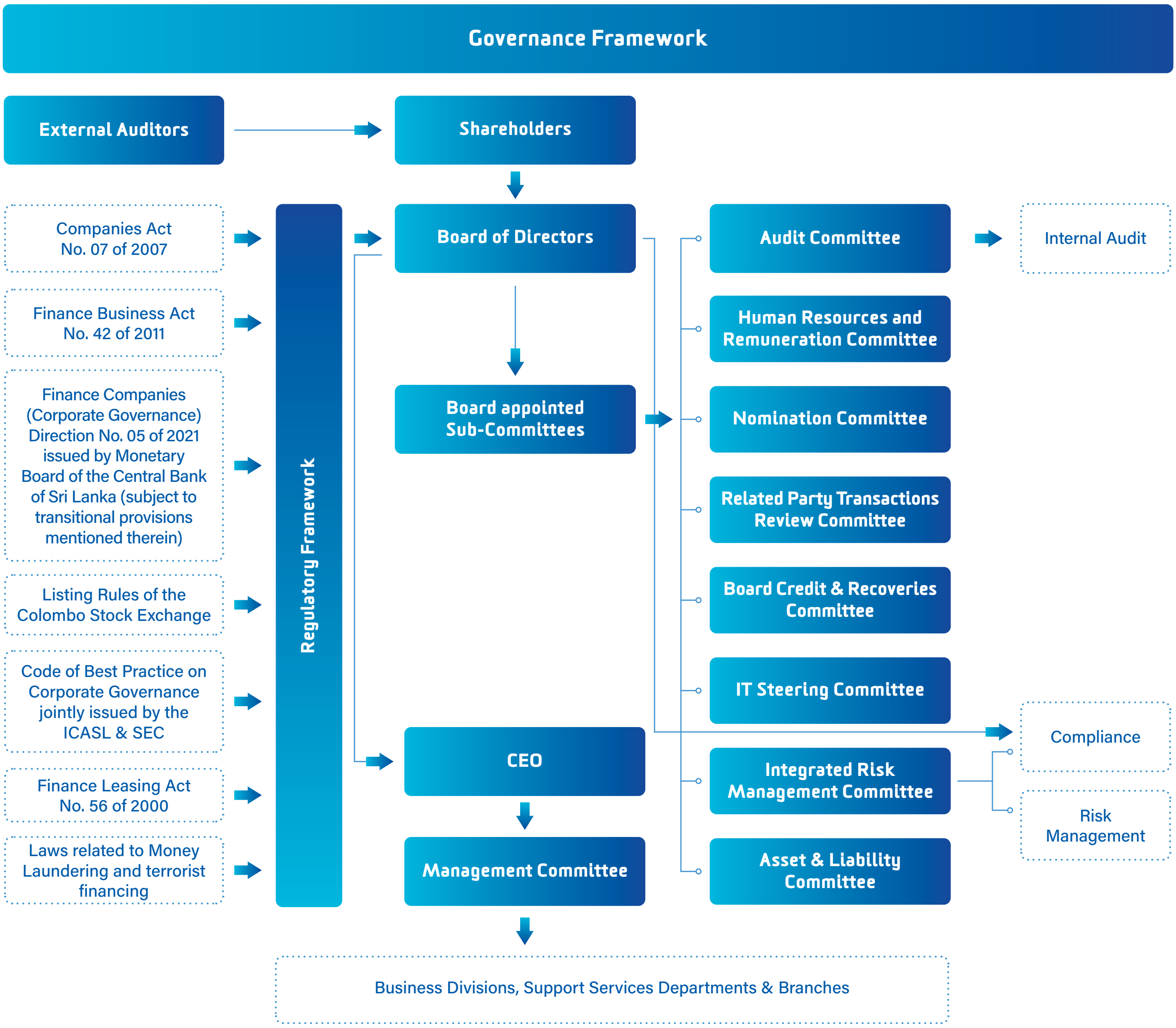
The overall responsibility and oversight on sound corporate governance rests with the Board. The regulatory framework under which the company operates provides the scope for the definition of this governance mandate. The governance framework that is in place highlights the policies, processes and the 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 135 and the statement of Directors' responsibilities is given in page 147.

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 14 times and the attendance of each Director at these meetings was as follows:

Name of Director	Nature of the Directorship	Attendance
Dinesh Prabakaran Renganathan (Retired w.e.f 02nd May 2024)	Non-Executive / Independent Director	14/14
Hewage Sisira Samantha Dabare	Non-Executive / Independent Director	14/14
Haresh Kumar Kaimal	Non-Executive / Non-Independent Director	13/14
Ranjan Janaka Perera (Appointed w.e.f 02nd June 2023)	Non-Executive / Non-Independent Director	12/14
Chandrasiri Kalupahana (Appointed w.e.f 24th October 2023)	Non-Executive / Independent Director	7/14
Anura Christopher Manilaka Fernando (Retirement w.e.f 13th August 2023)	Non-Executive / Independent Director	4/5
Pasan Thaminda Wanigasekara (Resigned w.e.f 21st November 2023)	Non-Executive / Independent Director	9/9
Aashiq Cader Mohamed Lafir (Resigned w.e.f 24th August 2023)	Non-Executive / Non-Independent Director	2/4

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 148
168 (1)(b)	Signed financial statements of the company for the accounting period completed	Page 161 to 236
168 (1)(c)	Auditor's report on the financial statements of the company	Page 157 to 160
168 (1)(d)	Applicable accounting policies and any changes therein made during the accounting period	Page 166 to 185
168 (1)(e)	Particulars of entries in the interests register made during the accounting period	Page 150
168 (1)(f)	Remuneration and other benefits of directors during the accounting period	Page 228
168 (1)(g)	Total amount of donations made by the company during the accounting period	Page 148
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 149
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 153
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 153
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 153

Disclosures mandated by the Sections 7.6 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 page 149
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 148 and also in pages 151 to 153
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 pages 240 to 241
7.6 (iv)	The Public Holding percentage	Compliant	This is stated in the Investor Information section in page 240
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 150
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Compliant	This is stated in the Integrated Risk Management section from pages 63 to 68 and in the Integrated Risk Management Committee Report in pages 144 to 145
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 pages 48 to 55. 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 pages 198 to 200
7.6 (ix)	Number of shares representing the Entity's stated capital	Compliant	This is stated in Note No 35 in page 207
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 240
7.6 (xi)	Ratios and market price information on:	Compliant	This is stated in the Investor Relations section in page 241
	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 242
	Any changes to the credit rating	Compliant	Not applicable

Section Reference	Disclosure Requirement	Status of Compliance	Disclosure Details
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 199
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 pages 223 to 225
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 Section 9 of the Rules	Compliant	This is stated from pages 73 to 74
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, there were no non- recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange

Statement of The Extent of Compliance Under Section 9 of the Rules of the CSE on Corporate Governance.

Rule No.	Applicable Requirement	Extent of Compliance
9.2	**Policies**	
9.2.1	Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website; (a) Policy on the matters relating to the Board of Directors. (b) Policy on Board Committees (c) Policy on Corporate Governance, Nominations and Re-election (d) Policy on Remuneration (e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities (f) Policy on Risk management and Internal controls (g) Policy on Relations with Shareholders and Investors (h) Policy on Environmental, Social and Governance Sustainability (i) Policy on Control and Management of Company Assets and Shareholder Investments (j) Policy on Corporate Disclosures (k) Policy on Whistle-blowing (l) Policy on Anti-Bribery and Corruption	Will be ensured that compliance aligns with the effective date of 1st October 2024.
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.	No such waivers were granted during the year under review.
9.2.3	Listed Entities shall disclose in its Annual Report: (i) the list of policies that are in place in conformity to Rule 9.2.1 above, with reference to its website. (ii) details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above.	Will be ensured that compliance aligns with the effective date of 1st October 2024.
9.2.4	Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy.	
9.3	**Board Committees**	
9.3.1	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee.	The company has formed Board Committees in accordance with the listing rules.
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.	The company adheres to the specified requirement.
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	The Chairperson of the Board is not the Chairperson of the Board Committees.

Rule No.	Applicable Requirement	Extent of Compliance
9.4	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	
9.4.1	Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC. (a) The number of shares in respect of which proxy appointments have been validly made; (b) The number of votes in favour of the resolution; (c) The number of votes against the resolution; and (d) The number of shares in respect of which the vote was directed to be abstained.	The Company retains comprehensive records of all resolutions under consideration at the Annual General Meeting.
9.4.2	Communication and relations with shareholders and investors (a) Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity. (b) Listed Entities shall disclose the contact person for such communication. (C) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity. (d) Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.	The Company has a Board-approved Communication Policy. However, additional requirements in accordance with section 9.1.4 will be met by 01st October 2024.

Rule No.	Applicable Requirement	Extent of Compliance
9.5	Policy on matters relating to the Board of Directors	
9.5.1	Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall: (a) recognize the need for a balance of representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position (hereinafter commonly referred to as the CEO), Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO. (b) where a Listed Entity decides to combine the role of the Chairperson and CEO, (i) set out the rational for combining such positions; and, (ii) require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest. (iii)set out the measures implemented to safeguard the interests of the SID. (c) require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors. (d) stipulate the maximum number of Directors with the rationale for the same (e) specify the frequency of Board meetings, having regard to the requirements under the Listing Rules. (f) provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/or non-compliance by the Listed Entity with obligations arising under such Rules. (g) specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position. (h) provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements. (i) specify the maximum number of directorships in Listed Entities that may be held by Directors. (j) Recognize the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum.	The Company maintains several Board policies concerning matters pertaining to the Board of Directors. However, additional requirements aligned with section 9.1.4 will be adhered to by 01st October 2024.
9.5.2	Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.	The Company maintains several Board policies concerning matters pertaining to the Board of Directors. However, additional requirements aligned with section 9.1.4 will be adhered to by 01st October 2024.

Rule No.	Applicable Requirement	Extent of Compliance
9.6	Chairperson and CEO	
9.6.1	The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.	The Chairperson is a Non-Executive Director, and the roles of Chairperson and CEO are held by separate individuals.
9.6.2	A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules). Such Market Announcement shall include the following: (a) The reasons for non-compliance (b) The rationale for combining the positions of the Chairperson and CEO	Not applicable
9.6.3	The Requirement for a Senior Independent Director (SID) (a) A Listed Entity shall appoint an Independent Director as the SID in the following instances: i. The Chairperson and CEO are the same person ii. The Chairperson and CEO are Close Family Members or Related Parties Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement. (b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members. (c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate. (d) The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3. (b) and (c) above. (e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.	The roles of Chairperson and CEO are held by different individuals.
9.6.4	Until Listed Entities comply with Rule 9.6.1 above, such Entities shall be required to explain the reasons for non-compliance with Rule 9.6.1 in the Annual Report.	The roles of Chairperson and CEO are held by different individuals.
9.7	Fitness of Directors and CEOs	The Company has complied with the listing rules requirements.
9.7.3	Fit and Proper Assessment Criteria:	The Company has complied with the listing rules requirement.

Rule No.	Applicable Requirement	Extent of Compliance
9.7.4	Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.	The Company has complied as per the listing rules requirements.
9.7.5	Disclosures in the Annual Report of Listed Entities Listed Entities shall include the following disclosures/ reports in the Annual Report; (a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. (b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such non-compliance/s.	a) The Company adheres to the annual fit and proper declaration as defined in the Finance Business Act Direction No. 06 of 2021 regarding the assessment of fitness and propriety of key responsible persons. b) No such instances were recorded during the year under review.
9.8	Board Composition	
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	The Board consist of 5 directors during the year.
9.8.2	Minimum Number of Independent Directors: (a) The Board of Directors of Listed Entities shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher (b) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	
9.8.3 9.8.4	Criteria for determining independence:	The Company obtained a declaration as specified in appendix 9A to ensure their independence.
9.8.5.	The Board of Directors of Listed Entities shall require: (a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein. (b) Make an annual determination as to the "independence" or "non- independence" of each Independent Director based on the Directors` declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report. (c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof.	The Company obtained a declaration from each director. c) No such instances occurred during the year .

Rule No.	Applicable Requirement	Extent of Compliance
9.9	Alternate Directors	No Alternate Directors assigned to the Board.
9.10	Disclosures relating to Directors	
9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non- compliance in the manner specified in Rule 9.5.2 above.	The company will comply with the direction effective from 01st October 2024.
9.10.2	Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement;	Nominations and Governance Committee reviews all new appointments. Market announcements upon the appointment of new Directors have been made complying with the requirements.
9.10.3	Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	No such matters occurred during the year.
9.10.4	Details relating to Directors in the Annual Report:	Directors Details are given in pages 13 to 14
9.11	Nominations and Governance Committee	Board Nomination Committee is in the operation. The company will comply with the direction effective from 1st October 2024.
9.12	Remuneration Committee	
9.12.1	For the purposes of Rule 9.12, the term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received.	The company has established a Remuneration Committee and the board approved remuneration policy.
9.12.2	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.	
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.	A Board approved human resources and remuneration policy is in place.
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	The board has approved the Terms of Reference (TOR) for the HR and Remuneration Committee, and it is in place.
9.12.6	Composition (1) The members of the Remuneration Committee shall; (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity. (2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary. (3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	The Committee is comprised of three Independent Non-Executive Directors.

Rule No.	Applicable Requirement	Extent of Compliance
9.12.7	Functions (1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations. (2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.	The Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the Executive Directors and senior management are decided by the Board Human Resources and Remuneration Committee (BHRRC).
9.12.8	Disclosure in Annual Report	The Report of Remuneration Committee' is given in page 141.
9.13	**Audit Committee**	
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules.	The Company currently has two separate committees in operation a Board Audit Committee and a Board Integrated Risk Management Committee.
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Board approved Terms of References is in place.
9.13.3	Composition	All members of the Committee are Independent, Non-Executive Directors.
9.13.4	Functions (1) The functions of the Audit Committee shall include the following: (i) Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements. (ii) Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to: (a) changes in or implementation of major accounting policy changes; (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; (c) compliance with accounting standards and other legal requirements; (d) any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity; (e) any letter of resignation from the external auditors of the Listed Entity; and, (f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re-appointment	The function of the Audit Committee are detailed in the 'Report of the Audit Committee' on pages 139 to 140. Additional functions requirements in accordance with section 9.13.4 will be met by 1st October 2024. Currently this aspect is addressed by the Board Related Party Transaction Review Committee and will comply with 01st October 2024.

Rule No.	Applicable Requirement	Extent of Compliance
9.13.4	(iii)To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	The committee adhered to the specified section.
	(iv) Obtain and review assurance received from:	
	(a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and	
	(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.	
	(v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons.	Complied with
	(vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.	Complied with
	(vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.	Complied with
	(viii) Review the risk policies adopted by the Entity on an annual basis.	Complied with
	(ix) 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 Listed Entity's policies and regulatory requirements.	Will comply with the section from 1st October 2024.
	(x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.	Complied with

Rule No.	Applicable Requirement	Extent of Compliance
9.13.4	(xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken.	The Board Audit Committee and the Board Integrated Risk Management Committee execute their tasks according to their respective mandates.
	(xii) if a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor.	
	(xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.	
	(2) Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above.	
9.13.5	Disclosures in Annual Report	
	(1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates.	The reports of the Board Audit Committee (refer pages 139 to 140) and the Board Integrated Risk Management Committee are provided on pages 144 to 145.
	(2) The Audit Committee Report shall contain the following disclosures:	
	(a) The names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company);	
	(b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable).	The reports of the Board Audit Committee (refer pages 139 to 140) and the Board Integrated Risk Management Committee are provided on pages 144 to 145.
	(c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances.	
	(d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.	

Rule No.	Applicable Requirement	Extent of Compliance
9.13.5	(e) Whether the listed entity has a formal Audit Charter (f) The manner in which internal audit assurance is achieved and a summary of the work of the internal audit function; (g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity; (h) A statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and (I) A statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external auditor and affiliated parties.	The reports of the Board Audit Committee (refer pages 139 to 140) and the Board Integrated Risk Management Committee are provided on pages 144 to 145.
9.14	Related Party Transactions Review Committee	The company has established its own Board Related Party Transaction Review Committee. All requirements will be met by 01st October 2024, in accordance with section 9.1.4 (2).
9.16	Additional Disclosures	
	(1) They have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested;	Not Applicable
	(2) They have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so;	Directors' Statement on Internal Control over Financial Reporting given in pages 135 to 136
	(3) They made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;	Given under Corporate Governance section of the Annual Report of the Board of Directors on the Affairs of the Company, page 151. Given under 'Governance Framework' section of the Corporate Governance Philosophy Report, page 70.
	(4) Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations	None
9.17	Enforcement Procedure for Non-Compliance with Corporate Governance Requirements.	None

Disclosures as per Finance Companies (Corporate Governance) Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka.

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 shall carry out the functions listed in Direction 1.2 to 1.7 below, but not limited to, in effectively discharging its responsibilities.	The board ensures the company's success by setting the strategic direction, establishing a robust governance framework, fostering a strong corporate culture, and ensuring compliance with regulatory requirements.
Business strategy and Governance Framework		
1.2 (a)	Approving and overseeing the implementation of the FC's, the overall business strategy with measurable goals for at least next three years and update annually in view of the developments in the business environment.	The Board approves and oversees the implementation of the company's comprehensive business strategy, which includes measurable goals for the next three years from 2024 to 2027. This strategy is reviewed and updated annually to account for any developments in the business environment.
1.2 (b)	Approving and implementing FC's governance framework commensurate with the FCs size, complexity, business strategy and regulatory requirements.	The board-approved charter and Code of Corporate Governance are established. The company has developed a comprehensive corporate governance framework in line with specified guidelines, which is currently pending approval.
1.2 (c)	Assessing the effectiveness of its governance framework periodically.	Once the corporate governance framework is approved, periodic assessments of its effectiveness will continue.
1.2 (d)	Appointing the Chairperson and the chief executive officer (CEO and define the roles and responsibilities.	The Board has approved the functions and responsibilities of the Chief Executive Officer (CEO) and Chairman, in compliance with sections 6.4 and 6.5 of the Finance Business Act Direction 05 of 2021. The positions of Chairman and CEO are held by two different individuals. The functions of each role are clearly documented, defined, and separated by the Board, preventing the concentration of decision-making power in a single individual. There is a distinct division of responsibilities between overseeing the business of the Board and managing the day-to-day operations of the Company, ensuring a balance of power and authority. The Chairman is responsible for leading the Board and ensuring its effectiveness, while the CEO is primarily responsible for conducting the Company's business operations with the support of Corporate Management. The roles of the Chairman and CEO are clearly distinct from each other.
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 designed to 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 leading role in establishing the company's corporate culture and values. This includes developing a comprehensive code of conduct that outlines expected behaviors and ethical standards for all employees. Additionally, the Board is responsible for managing conflicts of interest to ensure transparency, integrity, and accountability throughout the organization.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
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 environmental, social, and governance (ESG) considerations into the company's business strategies. This ensures that the 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.
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-approved communication policy for all stakeholders, including depositors, shareholders, borrowers, and other creditors, is in place. This policy ensures that company maintains a balanced and transparent approach in communicating its performance, position, and prospects to the public and regulatory authorities.
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 Board-approved Risk Appetite Statement (RAS) is in place, aligning with the 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.	At the BIRMC meeting, comprehensive discussions on risk indicators and monitoring are conducted, focusing on Credit Risk, Market Risk, Operational Risks, and residual risks. Subsequently, suitable mitigating actions are proposed and endorsed.
1.4 (c)	Adopting and reviewing the adequacy and the effectiveness of the company's internal control systems and management information systems periodically.	The Board Audit Committee plays a pivotal role in aiding the Board by evaluating the sufficiency and reliability of the internal control framework, and reporting mechanisms. The Board routinely looks into the reliability and accuracy of Financial/ Non-financial information which are used by the Board and its sub-committees. Updated processes have been implemented in order to improve the existing Board procedures. However, this process will be strengthened to maintain effectiveness, reliability and accuracy of financial / non-financial information of the company.
1.4 (d)	Approving and overseeing business continuity and disaster recovery plan for the company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	A robust Business Continuity and Disaster Recovery Plan (BCP), duly approved by the Board, has been implemented.
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.	Each member of the Board exhibits a steadfast dedication to fulfilling their duties by allocating ample time to address all matters concerning the affairs of the company.
1.5 (b)	All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.	Every member of the Board boasts extensive experience, qualifications, proficient skills, and in-depth knowledge pertinent to their respective fields.
1.5 (c)	The Board shall regularly review and agree the training and development needs of all the members.	The directors acknowledge the imperative of ongoing training and actively engage in professional development endeavors, recognizing its significance in effectively executing their responsibilities as directors.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
1.5 (d)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments.	A structured process is established for conducting annual self-assessments by each Director, as well as assessments of the Board as a collective entity and its committees. The Company Secretary is responsible for maintaining records of these assessments.
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 adopted a resolution to procure external independent professional advice as needed to effectively discharge its duties towards the company.
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 established a rigorous process for identifying and appointing senior management individuals who occupy pivotal positions of influence and responsibility within the organization. This guarantees that individuals capable of shaping policies, directing activities, and overseeing business operations and risk management are duly recognized and assigned.
1.6 (b)	Defining the areas of authority and key responsibilities for the senior management.	The Board approves job descriptions for Key Responsible Personnel (KRPs), encompassing their functions and responsibilities. Additionally, the Delegation Authority (DA) limits assigned to them delineate the areas and extent of their authority.
1.6 (c)	Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the company's strategic objectives.	The Company determines the expected set of skills and competencies through the recruitment process. Candidates undergo evaluation and verification during the interview process in accordance with the recruitment policy. Experience and qualifications information is verified through affidavits and declarations submitted to the CBSL. Additionally, physical documents and confirmations are obtained from candidates during the onboarding process.
1.6 (d)	Ensuring there is an appropriate oversight of the affairs of the FC by senior management.	The Board ensures diligent oversight of the company's affairs by the senior management team. Senior management assumes a pivotal role in monitoring and controlling diverse facets of the company's operations, encompassing financial performance, risk management, regulatory compliance, and strategic implementation. They are expected to report to subcommittees, representing their respective areas of responsibility within the company. Any significant matters are escalated to the Board of Directors for consideration.
1.6 (e)	Ensuring the FC has an appropriate succession plan for senior management.	The board-approved succession plan, established on 29th August 2024, is in place. However, the company is currently revisiting the existing plan for improvements.
1.6 (f)	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	The Chief Executive Officer regularly attends Board Meetings to review policies and assess progress towards corporate objectives. The attendance of other KRPs at Board meetings is by invitation only.
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 Company adheres to a Board-approved Governance Framework and Communication policies. Operations are conducted within the confines of this Governance Framework and in accordance with laws and directives issued by the regulator.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
1.7 (b)	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	The Board ensures strict compliance with the directives, regulations , rules, and circulars issued by the Central Bank of Sri Lanka. Moreover, the Company ensures that all employees adhere meticulously to internal policies and procedures. However, the company has undertaken strategic actions to meet the capital adequacy requirements set by the CBSL and has made significant progress. Continuous efforts will be made throughout the year 2024/2025 to ensure full compliance with these requirements.
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 exercises its duties with utmost care, prudence, and integrity, cognizant of the potential civil and criminal liabilities that may result from any failure to diligently fulfill these responsibilities. Board members uphold their fiduciary duty towards the company and its stakeholders by making well-informed decisions grounded in a comprehensive understanding of the company's operations, risks, and legal obligations.
2. Governance Framework		
2.1	Board shall develop and implement a governance framework in in with these directions and including but not limited to the following; a) role and responsibilities of the Board b) matters reserved 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 interests h) access to information and independent advice i) capacity building of Board members; j) the Board's performance evaluation; k) role and responsibilities of the chairman and the chief executive officer l) role of company secretary; m) Board sub committees and their role n) limits on related party transactions.	The corporate governance framework has been developed in accordance with regulatory directives and is currently in circulation for the Board approval.
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.	Each member of the Board boasts extensive experience, qualifications, proficient skills, and in-depth knowledge pertinent to their respective fields.
3.2	The number of directors on the Board shall not be less than 07 and not more than 13	The Board was composed of five directors during the 2023/24 period, in compliance with the CG Direction No. 3 of 2008. Going forward, the company will adhere to the requirements of the new direction. (Effective from 01st July 2024)

Paragraph Reference	Guiding Principle	Status & Details of Compliance
3.3	The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to direction 3.4.	All Directors serving in the year 2023/24 have a tenure of less than nine years.
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.	In 2023/24, no such circumstance transpired. (Immediately)
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.	In 2023/24, no executive director was nominated, elected, or appointed. (Effective from 01st July 2024)
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 company 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.	In 2023/24, no such circumstance transpired.
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.	In 2023/24, no such circumstance transpired.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
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.
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 (NED) shall possess credible track records, have necessary skills, competency and experience to bring independent judgment to bear on issues of strategy, performance, resources and standards of business conduct.	The Non-Executive Directors of the Company bring substantial experience and expertise to the table, aligning closely with the requirements of their respective fields.
3.6 (b)	A non-executive director cannot be appointed or function as the CEO/ executive director of the FC.	None of the Non-Executive Directors hold positions as CEO or Executive Directors within the Company.
3.7 Independent Directors (Effective from 01/07/2024)		
3.7 (a)	The number of independent directors of the Board shall be at least three or one third of the total numbers of directors, whichever is higher.	The Board consisted of adequate number of independent non-executive directors throughout the year 2023/24.
3.7 (b)	Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.	All Independent Non-Executive Directors of the Company are esteemed for their professional qualifications, exemplary track records, and extensive experience within their respective fields.
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.	The company conforms to the stated section.
	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.	The company conforms to the stated section.
	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.	The company conforms to the stated section.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
3.7 (c)	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.	The company conforms to the stated section.
	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.	The company conforms to the stated section.
	vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC.	The company conforms to the stated section.
	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.	The company conforms to the stated section.
	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.	The company conforms to the stated section.
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.	The Committee adheres to the aforementioned section.
3.7 (e)	An independent director shall immediately disclose to the board any change in circumstance 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 Institution in writing of its decision to affirm or change the designation	The Committee adheres to the aforementioned section.

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.	In 2023/24, no such circumstance transpired.
3.8 (b)	The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.	In 2023/24, no such circumstance transpired.
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.	In 2023/24, no such circumstance transpired.
3.8 (d)	An alternate director cannot be appointed to represent an executive director.	In 2023/24, no such circumstance transpired.
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.	In 2023/24, no such circumstance transpired.
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 company which needs restructuring, shall be made with prior approval of the Monetary Board.	The company conforms to the stated section and adheres to the cooling-off periods required prior to an appointment.
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 appointment was made in 2023/24.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
3.10 Common Directorships		
	Director or a senior management of a FC shall not be appointed, elected or nominated 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).	The company conforms to the stated section. No such appointment was made in 2023/24.
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a company 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.	None of the directors hold office as a director in more than 20 companies.
4. Assessment of Fit and Proper Criteria		
4.1	No person shall be nominated, elected or appointed as a director of the company or continue as a director of such company unless that person is a fit and proper person to hold office as a director of such company in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	The company conforms to the stated section.
4.2	A person over the age of 70 years shall not serve as a director of a FC.	None of the directors of the company are over the age of 70.
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 31st March 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,	In 2023/24, 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 Propriety of Key Responsible Persons) Direction.	In 2023/24, no such appointments were made.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
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).	In 2023/24, no such appointments were made.
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.	In 2023/24, 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.	In 2023/24, 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.	The company adheres to the Finance Business Act regarding the appointment and resignation of directors and senior management.
6. The Chairperson and The Chief Executive Officer		
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 roles of Chairman and Chief Executive Director are distinct and held by different individuals, ensuring a clear separation of responsibilities within the Company's governance structure.
6.2	The chairperson shall be an independent director, subject to 6.3 below.	The Chairman, Mr. Dinesh Renganathan, serves as an Independent Non-Executive Director within the Company.
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.	In 2023/24, no such appointments occurred.

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 approved the key responsibilities and duties of the Chairman. A self-evaluation process ensures these requirements are met in a timely manner. The Company Secretary, as delegated by the Chairman, prepares the agenda in consultation with the Chairman. Additionally, a Board-approved communication policy is in place to facilitate effective communication with all stakeholders, including depositors, creditors, shareholders, and borrowers.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
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 Chief Executive Officer (CEO) is entrusted with the pivotal role of spearheading the day-to-day management of the company's operations, ensuring efficient execution of strategic initiatives and fostering sustainable growth. With a comprehensive understanding of the organization's objectives and market dynamics, the CEO provides leadership and direction to various departments, driving performance excellence and upholding the company's values and principles. Additionally, the CEO plays a key role in representing the company to external stakeholders, maintaining transparent communication, and fostering positive relationships to enhance the company's reputation and standing in the industry. However, the CEO's responsibilities are included in the Board-approved charter.
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.	
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 shall be avoided as far as possible.	The Board met 14 times during the last financial year. A Board-approved procedure is in place to obtain consent through the circulation of written or electronic resolutions/papers, except in urgent circumstances.
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.	The Company adheres to the aforementioned section. A Board-approved procedure is in place.
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.	A minimum of seven days' notice is provided to the Board of Directors prior to scheduling a meeting.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	The directors allocate sufficient time to prepare for board meetings, and they are notified at least seven days in advance, along with the relevant documents. The views of the Board of Directors on issues under consideration are ascertained and documented in the minutes of the meetings.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
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 held a meeting exclusively with non-executive directors on 26th September 2023.
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.	According to the Company's Article 26, directors are required to declare the nature of their interests. Any disclosed interests are presented to the Board, and directors with specific interests in matters before the Board abstain from participating and voting.
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 the immediately preceding 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.	The Board of Directors has fully complied with the requirements, and each director is well-informed and aware of their attendance obligations. Furthermore, the Company Secretary monitors attendance. In 2023/24, no such instances were occurred.
7.9 Scheduled Board Meetings and Ad Hoc Board Meetings		
	For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.	Participation through electronic media is facilitated for ad hoc meetings in situations where a director is unable to attend on short notice. Such participation is documented in the minutes of the meeting, ensuring transparency and accountability in decision-making processes.
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.	The Board has appointed Softlogic Corporate Services (Pvt) Ltd as the Company Secretary, extending access to their services to all Directors.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
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 company and shall not become an employee of any other institution.	The company has received approval to appoint a qualified company secretary on a secondment basis within the Softlogic Group, contingent on resource availability. (Effective from 01st July 2024)
8.2	All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	A procedure has been established to facilitate all Directors' access to the advice and services provided by the Company Secretary. This ensures that all Board procedures, as well as applicable laws, rules, directions, and regulations, are meticulously followed.
8.3	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	The Company Secretary assumes responsibility for preparing the agenda in consultation with the Chairman.
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 Secretary diligently maintains detailed minutes of Board Meetings. Upon a reasonable request, any Director is granted access to inspect the minutes. Furthermore, minutes of the Board meetings, inclusive of all submissions to the Board, are retained 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.	

Paragraph Reference	Guiding Principle	Status & Details of Compliance
8.6	Minutes of 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 and 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; f. the decisions and Board resolutions.	The minutes of Board meetings are meticulously recorded, ensuring sufficient detail and accuracy.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Minutes are readily available for inspection by Directors upon request.
9. Delegation of Functions by the Board		
9.1	The Board shall approve a 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 approved delegation authority limits are in place. The authorized amounts have been explicitly detailed and agreed upon with the committee in the Delegation of Authority (DA).
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.	Board sub-committees are in operation.
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Asset Liability Committee (ALCO), Internal Credit Committee, Gold Auction Committee and Tender / Auction Committee are in operation. The appropriate delegation of authority (DA) limits have been established in the board-approved DA document.
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's capacity to fulfill its duties remains unaffected by its delegation of authority.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
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 delegation process reviews to ascertain its alignment with the Company's requirements.
10. Board Sub- Committees		
10.1	For the purpose of specifying the requirements for board committees, FCs are divided into two categories based on asset base as per the latest audited SOFPAs FCs with asset base of more than 20 bn considered as category A and as FCs with asset base of less than 20 bn to be considered as category B., subject to the transitional provision stated in direction 19.3	Effective from 1st July 2024
10.2 Board Sub-Committees		
FCs with asset base of more than Rs. 20 bn		
10.1 (a)	Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee	As of March 2024, the asset base is below 20 billion and is recorded at 11.29 billion at the end of the financial year. However, the company has established the Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resource and Remuneration Committee, and Related Party Transactions Review Committee.
10.1 (b)	Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually	During the financial year, ten (10) Board Audit Committee meetings and 4 Board Integrated Risk Management Committee (BIRMC) meetings were held. The company will comply with the new directives starting from 01st July 2024, following the transitional period.
10.1 (c)	Each sub-committee shall have a written term of reference specifying clearly its authority and duties.	The Terms of Reference (TOR) for the Board Audit Committee, Nomination Committee, Human Resource and Remuneration Committee, and Board Integrated Risk Management Committee are in place.
10.1 (d)	The Board shall present a report on the performance of duties and functions of each board sub-committee, at the annual general meeting of the FC.	The function of each sub-committee is detailed in the report.
10.1 (e)	Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee.	The Company Secretary serves as the Secretary to both the Board Nomination Committee and the Board Related Party Transactions Review Committee. Furthermore, the Head of Internal Audit acts as the Secretary for the Board Audit Committee. Additionally, the Head of Human Resources and the Head of Risk serve as the Secretaries for the Board Human Resource and Remuneration Committee and the Board Integrated Risk Management Committee, respectively.
10.1 (f)	The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives.	When necessary, the rotation of the Chairs and members of the Board's subcommittees will be considered.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.2 Board Audit Committee (BAC)		
10.2 (a)	The chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit	The Board has appointed an non-executive independent director with qualifications and experience in accountancy and/or audit as the Chairman of the Board Audit Committee.
10.2 (b)	The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	The committee consists of non-executive independent directors.
10.2 (c)	The secretary to the audit committee shall preferably be the chief internal auditor (CIA) or the company secretary.	Company secretory act as the secretary to the BAC.
10.2 (d) External Audit Function		
10.2 (d) (i)	The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.	The appointments, service periods, and fees of the external auditor are determined and recommended by the BAC (Audit Committee) at the conclusion of each financial year.
10.2 (d) (ii)	Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, company shall not use the service of the same external audit firm for not more than ten years consecutively.	The company conforms to the stated section and not exceed five years with an audit partner.
10.2 (d) (iii)	Audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	The company adheres to the stated section, ensuring that the audit partner is not a substantial shareholder, director, senior management member, or employee of any company.
10.2 (d) (iv)	The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	The BAC seeks representation from the External Auditors regarding their independence and ensures that the audit is conducted in accordance with applicable standards and best practices.
10.2 (d) (v)	Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	The committee has approved the engagement of the external auditor to provide non audit services those are permitted under the relevant regulatory framework. Through the policy of provision of non-audit service , BAC ensures that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity The appointment of auditors and their fee proposal for these services have been thoroughly reviewed and approved by the BAC and the Board.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.2 (d) (vi)	The BAC shall, before the audit commences, discuss and finalize with the external auditors the nature and scope of the audit, including: (i) an assessment of the FC's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	The Board Audit Committee has deliberated on and finalized the nature and scope of the audit with the External Auditors, in accordance with Sri Lanka Auditing Standards.
10.2 (d) (vii)	The BAC shall review the financial information of the company, in order to monitor the integrity of the financial statements of the company in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	Audit committee has reviewed the annual financials of the company in order to monitor the integrity of the financial statements giving special attention to major judgmental areas, changes in accounting policies, significant audit adjustments, going concern and the compliance requirements.
10.2 (d) (viii)	The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	The Board Audit Committee effectively addressed issues, concerns, and reservations raised during both the interim and final audits with the External Auditors. However, due to an insufficient quorum in the Audit Committee one meeting was held by the Board of Directors on 26th September 2023, and the second meeting was held by the BAC on 25th April 2024.
10.2 (d) (ix)	The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.	The Committee has reviewed the External Auditor's Management letter and management responses related to the audit for the year ended 31st March 2024. Due to an insufficient quorum in the Audit Committee, Management Letter was reviewed by the Board at is meeting held on 26th September 2023
10.2 (e)	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	The BAC conducted a review of the effectiveness of the system of internal controls periodically throughout the last financial year.
10.2 (f)	The BAC shall ensure that the KMPs are taking necessary corrective actions in a timely manner to address internal control weaknesses, non- compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of an company.	Through the continuous follow up of matters the BAC ensures that the KMPs are taking necessary corrective actions in a timely manner to address internal control weaknesses, non- compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.2 (g) Internal Audit function:		
10.2 (g) (i)	The committee shall establish an independent internal audit function (either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the company's internal control, risk management, governance systems and processes.	There is an in-house Internal Audit Department within the company.
10.2 (g) (ii)	The internal audit function shall have a clear mandate, be accountable to the BAC, and be independent of the audited activities. It shall have sufficient expertise and authority within the company to carry out their assignments effectively and objectively.	There is a Board-approved Internal Audit Charter that delineates the purpose, authority, and responsibilities of the Internal Audit department, ensuring its independence. The Board Audit Committee has reviewed and endorsed the Annual Internal Audit Plan. Internal Audit Reports have been discussed, and appropriate actions have been taken to address findings.
10.2 (g) (iii)	The BAC shall take the following steps with regard to the internal audit function of the company: I. Review the adequacy of the scope, functions and skills and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; II. Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit; III. Assess the performance of the head and senior staff members of the internal audit department; IV. Ensure that the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care; V. Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies. VI. Examine the major findings of internal investigations and management's responses thereto. ;	i. The Board Audit Committee has reviewed and discussed the adequacy of the scope, functions, and resources of the Internal Audit Department. ii. The Board Audit Committee has reviewed and approved the Annual Internal Audit Program. Internal Audit Reports, along with management comments, have been discussed, and appropriate actions have been taken to address any identified issues. iii. With the resignation of Head of Internal Audit Department, the requirements for performance appraisal did not arise. iv. The audit functions report directly to the BAC, ensuring that audit work is performed with impartiality, proficiency, and due care. v. The BAC reviews the annual compliance review conducted by the Internal Audit Function. vi. The BAC ensures this obligation is fulfilled.
10.2 (h)	The BAC shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	The committee ensures this obligation is fulfilled.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.2 (i) Meetings of the Committee		
10.2 (i) (i)	The committee shall meet as specified in direction 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	The committee conforms to the stated section.
10.2 (i) (ii)	Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.	The committee conforms to the stated section.
10.2 (i) (iii)	BAC shall meet at least twice a year with the external auditors without any other directors/senior management/employees being present.	However, due to an insufficient quorum in the Audit Committee one meeting was held by the Board of Directors on 26th September 2023, and the second meeting was held by the BAC on 25th April 2024.
10.3 Board Integrated Risk Management Committee (BIRMC)		
10.3 (a)	The committee shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	The committee is chaired by an independent director, and all Board members are non-executive directors with expertise in banking, finance, and risk management issues and practices. The CEO and Chief Risk Officer (CRO) attend meetings by invitation. The BIRMC collaborates closely with senior management and makes decisions on behalf of the Board within the assigned framework of authority and responsibility.
10.3 (b)	The secretary to the committee may preferably be the CRO	The secretary of the committee is the Chief Risk Officer (CRO)
10.3 (c)	The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, Compliance and technology to the company at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board;	The Committee maintains an appropriate process to periodically assess the impact of all risks using identified risk indicators and management information. During the last financial year, the committee met on a quarterly basis. Moving forward, the committee will adhere to these new directives.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.3 (d)	Developing company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a company will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the company is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.;	The Company has established a risk appetite statement that articulates the individual and aggregate levels and types of risk it will accept or avoid in order to achieve its strategic business objectives.
10.3 (e)	The BIRMC shall review the FC's risk policies including RAS, at least annually.	The Committee conforms to the stated section.
10.3 (f)	The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	The company is currently developing the necessary requirements to initiate the process. However, the Asset Liability Committee, Gold Auction Committee, Yard Vehicle Auction Committee, and Corporate Management Committee are currently operational.
10.3 (g)	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	The Business Continuity Plan (BCP) is reviewed by the BIRMC, and updates on its status are provided during meetings. The BCP conducts risk assessments in the following areas: Natural Threats, Fire, IT Disruptions, Power Failure, Epidemic, Facility Threats, Personnel Threats, and Social Threats.
10.3 (h)	BIRMC shall annually assess the performance of the compliance officer and the CRO.	The Committee conforms to the stated section.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.3 (i) Compliance function		
10.3 (i) (i)	BIRMC shall establish an independent compliance function to assess the company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	The BIRMC has established an independent Compliance Function.
10.3 (i) (ii)	For companies with an asset base of more than Rs. 20 bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting,' i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	A Compliance Officer has been appointed. Despite the company's assets being below 20 billion, there are two separate departments in place.
10.3 (i) (iii)	iii. For the company with an asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.3 (i) (iv)	The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following. I. develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements. II. ensure compliance policies and procedures are clearly communicated to all levels of the company to enhance the compliance culture. III. ensure that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards. IV. understand and apply all new legal and regulatory developments relevant to the business of FC. V. secure early involvement in the design and structuring of new products and systems, to ensure that they conform to regulatory requirements, internal compliance and ethical standards. VI. highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and VII. maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity	I. Board approved policies and procedures are in place. II. A Board-approved Compliance policy is in place and accessible to all employees of the Company through the intranet. III. Periodic reviews are conducted to assess the level of compliance with regulatory rules and internal compliance standards. IV. The compliance department ensures implementation of all new legal and regulatory developments applicable to its business . V. Any new design and structuring of products and systems will be addressed by the department head through a change request (CR) for the CEO's approval. Upon the CEO's approval, the initiative must then secure board approvals for implementation. However, it is essential that such initiatives ensure compliance with CBSL directions and obtain necessary approvals prior to implementation. VI. Periodic Compliance Audits are conducted, and corrective actions are taken to rectify any noted deviations. VII. We maintain a positive working relationship with regulators, ensuring timely reporting and communications are upheld.
10.3 (j) Risk management function		
10.3 (j) (i)	BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.	The Company has instituted an Independent Risk Management function.
10.3 (j) (ii)	For FC with asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.	A separate Risk Management Department has been established, led by the Head of Risk. Reports and observations from this department are submitted to the Board Integrated Risk Management Committee (BIRMC). However, as of March 2024, the asset base is below 20 billion and is recorded at 11.29 billion at the end of the financial year.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.3 (j) (iii)	The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	The Company has established Risk Management policies, incorporating relevant Risk Appetite Statements (RAS), which align with the Company's strategic objectives.
10.3 (j) (iv)	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: I. various potential risks and frauds II. possible sources of such risks and frauds. III. mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing. IV. effective measures to control and mitigate risks at prudent levels; and V. relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	Risk Management controls are functioning in an integrated manner within the Company, as required by directives. A stress testing policy has been established, with testing results periodically presented at BIRMC meetings. The Risk Register has been initiated, and its findings are discussed at the Committee level. This process will continue to be strengthened in the future.
10.3 (j) (v)	The chief risk officer shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc. and make recommendations on risk management	The Head of Risk participates in the Company's strategic planning sessions and ALCO meetings.
10.3 (j) (vi)	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	The Risk Register is submitted to the BIRMC on a quarterly basis.
10.3 (j) (vii)	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	The Risk Assessment Report is submitted to the BIRMC, and any potential risks are presented to the Board of Directors for their review and recommendations.
10.4 Nomination Committee		
10.4 (a)	The committee shall be constituted of non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at the meetings by invitation of the committee.	The committee is comprised of three Independent Non-Executive Directors, with the CEO attending meetings by invitation of the committee.
10.4 (b)	Secretary to the nomination committee may preferably be the company secretary.	The Company Secretary serves as the Secretary to the committee.
10.4 (b)	Identify circumstances which constitute or may give rise to conflicts of interests.	The Company Secretary serves as the Secretary to the committee.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.4 (c)	The committee shall implement a formal and transparent procedure to select/ appoint new directors and senior management. Senior management are to be appointed on the recommendation of CEO, excluding CIA, CRO and compliance officer.	A Board-approved policy for the selection, nomination, appointment, and election of directors is in place. The selection and appointment of Key Responsible Persons (KRPs) are carried out based on the recommendation of the Board Nomination Committee and in accordance with the Recruitment Policy.
10.4 (d)	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and propriety of Key Responsible Persons)	The Committee ensures that this process complies with the terms of the FBA (Assessment of Fitness and Propriety of Key Responsible Persons).
10.4 (e)	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	The selection process is conducted to conform with the requirements.
10.4 (f)	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the company as a whole.	The composition of the Board is not dominated by any individual or small group of individuals. The committee is composed of independent directors.
10.4 (g)	The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	The qualifications and experience of the CEO and senior management are documented in job descriptions (JDs) recommended by the BIRMC and approved by the Board.
10.4 (h)	Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.	The Company adheres to the aforementioned section.
10.4 (i)	The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the company and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	The Committee adheres to the aforementioned section.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.4 (c)	The committee shall implement a formal and transparent procedure to select/ appoint new directors and senior management. Senior management are to be appointed on the recommendation of CEO, excluding CIA, CRO and compliance officer.	A Board-approved policy for the selection, nomination, appointment, and election of directors is in place. The selection and appointment of Key Responsible Persons (KRPs) are carried out based on the recommendation of the Board Nomination Committee and in accordance with the Recruitment Policy.
10.4 (d)	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and propriety of Key Responsible Persons)	The Committee ensures that this process complies with the terms of the FBA (Assessment of Fitness and Propriety of Key Responsible Persons).
10.4 (e)	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	The selection process is conducted to conform with the requirements.
10.4 (f)	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the company as a whole.	The composition of the Board is not dominated by any individual or small group of individuals. The committee is composed of independent directors.
10.4 (g)	The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	The qualifications and experience of the CEO and senior management are documented in job descriptions (JDs) recommended by the BIRMC and approved by the Board.
10.4 (h)	Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.	The Company adheres to the aforementioned section.
10.4 (i)	The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the company and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	The Committee adheres to the aforementioned section.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.4 (k)	A member of the Nomination Committee shall not participate in decision making relating to own appointment/ reappointment and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor.	Members of the Board Nomination Committee are not involved in the decision-making process for their own appointment or reappointment.
10.5 Human Resources and Remuneration Committee:		
10.5 (a)	The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	The committee is comprised of three Non-Executive Directors and chaired by a non-executive director.
10.5 (b)	The secretary to the human resource and remuneration committee may preferably be the company secretary.	The Company Secretary serves as the Secretary to the committee.
10.5 (c)	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the FC and fees and allowances structure for non-executive directors.	The Remuneration Policy of the Company, including salaries, allowances, and other financial benefits related to Executive Directors and senior management, is determined by the BHRRC.
10.5 (d)	There shall be a formal and transparent procedure in developing the remuneration policy.	The Remuneration Policy has been formulated and developed to ensure fair and equitable benefits, with transparent guidelines that align with market-related remuneration practices.
10.5 (e)	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC . The policy shall be subject to periodic review by the Board, including when material changes are made.	The remuneration policy is periodically reviewed, with the reviewed policy recommended by the BHRRC and approved by the Board.
10.5 (f)	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.	The remuneration structure aligns with the business strategy, objectives, values, long-term interests, and cost structure of the Company.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10.5 (g)	The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	The Committee will adheres to the aforementioned section subject to the transitional provision given.
10.5 (h)	The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	The Committee adheres to the aforementioned section.
11 Internal Controls		
11.1	Company 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 Board Audit Committee assists the Board in evaluating the adequacy and integrity of the Internal Controls System, the Management Information System, financial reporting processes, and the AML & CFT system of the Company. The Internal Audit Department supports this process by conducting audits to assess internal controls over financial reporting and management information systems.
11.2	A proper internal control system shall: (a) promote effective and efficient operation; (b) provide reliable financial information; (c) safeguard assets; (d) minimize the operating risk of loss from irregularities, fraud and errors; (e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations and internal policies.	
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	Employees were briefed on their responsibility for internal controls upon appointment.
12 Related Party Transactions		
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following	The Board approved RPT policy is in place.
12.1 (a)	All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors.	The Board has established a Board Related Party Transactions Review Committee in compliance with the Direction.
12.1 (b)	All related party transactions shall be prior reviewed and recommended by the RPTRC.	All related party transactions are reviewed and recommended by the RPTRC before proceeding.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
12.1 (c)	The business transactions with a related party that are covered in this Direction shall be the following: a. Granting accommodation; b. Creating liabilities to the company in the form of deposits, borrowings and any other payable; c. Providing financial or non-financial services to the company or obtaining those services from the company; or d. Creating or maintaining reporting lines and information flows between the company and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	The Board has approved a Related Party Transactions Policy, outlining the types of transactions to avoid any conflicts of interest with related parties. All related party transactions have been disclosed in the financial statements.
12. 2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises. a) Directors and senior management. b) Shareholders who directly or indirectly hold more than 10% of the voting rights of the company. c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the company exert control over or vice versa d) Directors and senior management of legal persons in paragraph (b) or (c). e) Relatives of a natural person described in paragraph (a), (b) or (d). f) Any concern in which any of the company's directors, senior management or a relative of any of the company's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.	The Board is fully aware of the requirement to identify related party transactions. A Board-approved Related Party Transaction Policy is in place, which outlines categories of related parties and helps the company avoid any conflicts of interest that may arise from such transactions.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
12.3	The committee shall ensure that the company does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the company. For the purpose of this paragraph, "more favorable treatment" shall mean: a) Granting of "total accommodation" to a related party, exceeding a prudent percentage of the company's regulatory capital, as determined by the committee. b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty; c) Providing preferential treatment, such as favorable terms, that extends beyond the terms granted in the normal course of business with unrelated parties; d) Providing or obtaining services to or from a related party without a proper evaluation procedure e) Maintaining reporting lines and information flows between the company's and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	The company ensures that related party transactions are not conducted in a manner that grants such related parties "more favorable treatment" than what is accorded to other constituents of the company engaging in similar transactions.
13 Group Governance		
13.1	Responsibilities of the company as a Holding Company	The Company operates as an independent entity and is not a subsidiary of any other financial institution.
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 company 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, ensuring adherence to the aforementioned section.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
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. These 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.	A Board-approved Whistleblowing Policy is in place, encouraging all employees to raise concerns about potential or existing wrongdoing, including breaches of the company's Code of Ethics. However, the Board Audit Committee reviews the policy periodically.
15 Conflicts of interest		
15.1		
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 Board is well aware of the requirement to identify related party transactions. A Board-approved Related Party Transaction Guide is in place, which outlines categories of related parties and helps the company avoid any conflicts of interest that may arise from such transactions.
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, I. Identify circumstances which constitute or may give rise to conflicts of interests II. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. 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. 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. V. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and VI. Articulate how any non-compliance with the policy to be addressed	The related-party transaction policy has a provision in this regard; however, the company is in the process of developing a comprehensive policy..

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 financial 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,	Refer page 147
	▪ 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.	
	▪ A statement of responsibility of the Board in preparation and presentation of financial statements.	
ii. Chairperson, CEO and Board related disclosures	▪ Name, qualification and a brief profile.	Refer pages 13 to 14
	▪ Whether executive, non-executive and/or independent director.	Refer page 149
	▪ Details of the director who is serving as the senior director, if any.	Refer page 149
	▪ The nature of expertise in relevant functional areas.	Refer pages 13 to 14.
	▪ Relatives and/or any business transaction relationships with other directors of the company.	Refer page 228
	▪ Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity.	Refer pages 13 to 14
	▪ Number/percentage of board meetings of the FC attended during the year; and	Refer page 71
	▪ Names of board committees in which the director serves as the Chairperson or a member.	Refer pages 151 to 152

Subject	Disclosure	Status
16.1 iii. Appraisal of board performance	▪ An overview of how the performance evaluations of the Board and its committees have been conducted	Refer pages 124 to 125
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 141
	▪ The aggregate values of remuneration paid by the FC to its directors and senior management.	The aggregate values of Rs. 50,674,646.66/- paid to the Senior Management and Rs. 7,152,416.67 paid to the Directors during the financial year respectively. .
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. Related party transactions carried out during the year is given on pages 228 to 233.
	▪ 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.	No accomadation granted during the year Net accommodation outstanding of Rs. 1,015,000 as at 31st March 2024 as a percentage of Core capital is 0.10%
	▪ 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.	No transaction has been carried out with the Senior Management during year under review.
vi. Board appointed committees	▪ The details of the chairperson and members of the board committees and attendance at such meetings	Refer pages 134, 151 to 152
vii. Group Structure	▪ The group structure of the FC within which it operates.	Refer page 242
	▪ The group governance framework.	Refer page 70

Subject	Disclosure	Status
16.1 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 pages 135 to 136
	▪ 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 143
	▪ The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors.	Refer pages 16 to 18 and 114 to 115
	▪ The business is a going concern with supporting assumptions; and	Refer page 147
	▪ The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.	Refer pages 135 to 138
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 pages 135 to 136
	▪ 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 pages 136 to 138
	▪ 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 pages 135 to 136
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.	The Corporate Governance Report is set out on pages 85 to 119 of the Annual Report of the Company.

Subject	Disclosure	Status
16.1 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 pages 114 to 115
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 pages 36 to 44
xiii. Communication with shareholders	• The policy and methodology for communication with shareholders. • The contact person for such communication.	Refer pages 87 to 88 Refer page 244

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 14 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 60 to 62 discusses this in detail. Further the company has adopted the "integrated reporting" methodology in its reporting.

Ref No:	Guiding Principle	Degree of Compliance
A.1.2.	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 120. 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. Minutes of Board Meetings are maintained by the Company Secretary. The minutes are approved at the subsequent Board meeting. Minutes are open for inspection by any Director.
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.

Ref No:	Guiding Principle	Degree of Compliance
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.
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 5 Non-Executive Directors as at 31st March 2024, 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 2024, the Board contained Five Non-Executive Directors.

Ref No:	Guiding Principle	Degree of Compliance
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.
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 149 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.

Ref No:	Guiding Principle	Degree of Compliance
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.
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.

Ref No:	Guiding Principle	Degree of Compliance
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.
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 141 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 141 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.
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.

Ref No:	Guiding Principle	Degree of Compliance
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.	In terms of the Remuneration Policy of the Company, the salaries, allowances, and other financial benefits related to the directors are decided by the BHRRC.
B.2.2.	Executive directors' remuneration should be designed to promote the long-term success of the company.	In terms of the Remuneration Policy of the Company, the salaries, allowances, and other financial benefits related to the directors are decided by the BHRRC.
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.
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.

Ref No:	Guiding Principle	Degree of Compliance
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 149. The remuneration policy has been set out in page 141. The aggregate remuneration has been set out in page 228.
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.
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.

Ref No:	Guiding Principle	Degree of Compliance
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.

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 Head of Finance 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 148 to 153 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 148 to 153. The statement issued by the Auditors is in page 157. The Statement of Directors Responsibilities is in page 147. The Statement on Internal Controls is in page 135.
D.1.6.	Annual Report should contain a Management Discussion & Analysis	The Management Discussion & Analysis is from page 36 to 62.
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 Company's net assets fell below fifty percent of the stated capital as of 31st March 2023. The net assets of the Company represented 29% of stated capital as of 31st March 2023. Accordingly, the Board of Directors convened an EGM on 12th July 2023 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.
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 142 to 143.
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 139 to 140 and the Integrated Risk Management Committee report in page 144 to 145.

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 148 to 153. The Statement of Directors Responsibilities is in page 147. The Statement on Internal Controls is in page 135.
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 148 and the Statement of Internal Control in page 135.
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 committee consists of three non-executive independent directors. The chairman of BAC as a member of Chartered Accountants of Sri Lanka possess the required qualifications and high level of recent relevant experience in financial reporting and control.
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 139 to 140.

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 Related Party Transactions Review Committee consists of two Independent Non- Executive Directors and one Non-Independent Non-Executive Director. Additional information on the committee members may be sourced through the profile descriptions on pages 13 to 14 of the Annual Report. 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 148 to 153.

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.

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 63 to 68.
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 62.
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 61.
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 pages 70 to 71.
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.

DIRECTORS ATTENDANCE - BOARD & SUB COMMITTEES IN A SNAPSHOT

ATTENDANCE OF DIRECTORS AT BOARD & SUB-COMMITTEE MEETINGS FROM APRIL TO MARCH 2023/24

Directors	Executive	Non-Executive	Independent	Non-Independent	Board Meetings	BAC Regular Meetings	BIRMC	RPTRC	BHRRC	BNC	BCRC	ITSC
Dinesh Prabakaran Renganathan (1)		√	√		14/14	10/10	2/4		2/2	5/5	9/11	
Hewage Sisira Samantha Dabare		√	√		14/14	10/10	3/4	3/3	1/1	4/4	9/11	2/5
Haresh Kumar Kaimal		√		√	13/14		4/4	4/4	2/2	5/5		5/5
Ranjan Janaka Perera (2)		√		√	12/14		1/4				3/11	
Chandrasiri Kalupahana (3)		√	√		7/14	6/6		2/4				2/5
Anura Christopher Manilaka Fernando (4)		√	√		4/5	4/4		1/1	1/1	1/1		
Pasan Thaminda Wanigasekara (5)		√	√		9/9		2/4	2/2			8/11	3/5
Aashiq Cader Mohamed Lafir (6)		√		√	2/4							

(1) Mr. D.P. Renganathan (Retired w.e.f 02nd May 2024)

(2) Mr. R.J. Perera (Appointed w.e.f 02nd June 2023)

(3) Mr. C. Kalupahana (Appointed w.e.f 24th October 2023)

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

(5) Mr. P.T. Wanigasekara (Resigned w.e.f 21st November 2023)

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

BAC - Board Audit Committee

BIRMC - Board Integrated Risk Management Committee

RPTRC - Related Party Transactions Review Committee

BHRRC - Board HR & Remuneration Committee

BNC - Board Nomination Committee

BCRC - Board Credit & Recoveries Committee

ITSC Information Technology Steering Committee

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

The Board of Directors presents this Report on Internal Control In accordance with Section 16 (1) (ix) of the Finance Companies (Corporate Governance) Direction No. 05 of 2021 and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023, issued by the Institute of Chartered Accountants of Sri Lanka.

The Board of Directors (the "Board") is responsible for ensuring 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, to maintain it's effectiveness

The Board is of the view that the system of internal control over the financial reporting in place is 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 pertaining to internal control over financial reporting by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key features of the Process Adopted in Reviewing the Design and Operating Effectiveness of the Internal Control System Over Financial Reporting

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

- Sepcialised sub-Committees are established by the Board to assist 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.

  Policies, charters, procedures are in place covering functional areas of the Company, recommended by the Board appointed Committees, and are approved by the Board. All policies, charters and procedures are regularly reviewed and approved by the Board. Respective Board sub-committees follow up the regular reviews of policies, charters, and procedures through the Compliance officer to ensure timely updates.
- The Internal Audit Department 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 Departments and information systems 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 monthly meetings.
- The Board 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. Board Audit Committee also reviews 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 pages 139 to 140.
- 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 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 31st March 2024 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 over financial reporting of the Company.

The assurance report by the external auditors on the directors statement on Internal Control Over Financial Reporting is given on pages 137 to 138 to this report.

Statement on Prudential Requirements, Regulations and Laws

The Board of Directors presents this report on compliance with prudential requirements, regulations and laws, in compliance with Section 16 (1) (ix) of Finance Business Act Direction No.05 of 2021 -Corporate Governance.

- The Board has implemented sufficient internal controls to ensure adherence to statutory and regulatory obligations and attending proactively for the continuous improvements
- The Board confirms that there are no regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance with the prudential requirements, regulations, laws, and Acts other than the regulatory and statutory -concerns disclosed in the following sections of this Annual Report,
  - Annual Report of the Board of Directors on the Affairs of the Company (pages 148 to 153)
  - Capital Management (note no.41.5, page 222)
  - Events After the Reporting Date (note no.44, pages 226 to 227)

By order of the Board,

A.K. Pathirage
Chairman

C. Kalupahana
Chairman - Board Audit Committee

19th September 2024
Colombo

Building a better working world

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

PNS/KMW/AD

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 Directors' Statement on Internal Control for the year ended 31 March 2024 ("The Statement") included in the annual report for the year ended 31 March 2024.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Companies/ Finance Leasing Companies on the Directors' Statement on Internal Control" issued in compliance with section 16 (1) (ix) of 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 requirements 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 Charted 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 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.

Ernst & Young

20th September 2024

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. C. Kalupahana (Appointed as Chairman w.e.f 24th October 2023) - Independent Non- Executive Director.
- Mr. D.P. Renganathan - Independent Non-Executive Director (retired w.e.f 02nd May 2024) (BAC Chairman until 23rd October 2023)
- Mr. H.S.S. Dabare - Independent Non-Executive Director (Appointed w.e.f 28th September 2022)
- Mr. A.C.M. Fernando (Appointed as Chairman w.e.f 15th November 2019) - Independent Non- Executive Director (retired w.e.f 13th August 2023)
- Mr. V.B. Nanayakkara - Independent Non-Executive Director (Appointed w.e.f 03rd May 2024)

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.
- 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 reviews the Company's Interim and Annual Financial Statements and other financial information prior to publication.

The Committee reviews 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 has an established 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. Committee determines the Independence of the Company's external auditors as per the applicable guidelines.

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 ten times (excluding one Board Audit Committee meetings held during the year with external auditors without the presence of any executive director) during the year 2023/24. Only one closed door meeting held with external auditors due to insufficient quorum in the audit committee, and the second meeting was held on 25th April 2024. The attendance of the members at Audit Committee meetings was as follows:

Member	Status	No. of Meetings
Mr. C Kalupahana	Chairman/ Independent Non-Executive Director	6/6
Mr. H.S.S. Dabare	Independent Non-Executive Director	10/10
Mr. A C M Fernando	Independent Non-Executive Director	4/4
Mr. D P Renganathan	Independent Non-Executive Director	10/10
Mr. V B Nanayakkara	Independent Non-Executive Director	N/A

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

(Sgd.)
C Kalupahana
Chairman
Board Audit Committee

19th September 2024
Colombo

REPORT OF THE REMUNERATION COMMITTEE

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

- Mr. V.B. Nanayakkara (Chairman) - Appointed w.e.f. 03rd May 2024
- Mr. C. Kalupahana – Appointed w.e.f. 03rd May 2024
- Mr. H.S. Samantha Dabare
- Mr. D. P. Renganathan - Retired w.e.f. 02nd May 2024
- Mr. Haresh Kaimal - Resigned w.e.f. 03rd May 2024
- Mr. A. C. M. Fernando - Resigned w.e.f. 13th August 2023

Meetings

During the year under review, two (2) committee meetings were held. The attendance of the meetings is given on page 134 of this report.

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 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. V.B. Nanayakkara
Chairman – Board Human Resource & Remuneration Committee

19th September 2024
Colombo

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 Rule 9.14 of the Listing Rules of the Colombo Stock Exchange, the Related Party Transaction Review Committee was formed as a Board Sub Committee by the Board of Directors of Softlogic Finance PLC.

Composition Of The Committee

The Related Party Transactions Review Committee consists of two Independent Non- Executive Directors and one Non-Independent Non-Executive Director. Additional information on the committee members may be sourced through the profile descriptions on pages 13 to 14 of the Annual Report:

Name of Director	Nature of the Directorship	Status in the Committee
Chandrasiri Kalupahana (appointed w.e.f 24th October 2023)	Non-Executive / Independent Director	The Chairman of the Committee
Hewage Sisira Samantha Dabare	Non-Executive / Independent Director	Former Chairman of the Committee
P T Wanigasekera (resigned from the Board w.e.f 21st November 2023)	Independent / Non - Executive Director	Member
H K Kaimal	Non - Independent Non - Executive Director	Member
V. Nanayakkara (appointed w.e.f 03rd May 2024)	Independent/ Non - Executive Director	Member

Messrs Softlogic Corporate Services (Pvt) Ltd functions as the Secretaries 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 Rule 9.14.5 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.

Based on the self-declarations were received, 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.

During the year, the Committee met four (04) occasions. The attendance of the committee members at these meetings are given in the below table.

Directors	Attendance				Summary
	30th June 2023	21st September 2023	20th December 2023	28th March 2024	
Mr. C. Kalupahana Non-Executive / Independent Director (appointed to the Board w.e.f 24th October 2023)	–	–	√	√	2/4
Mr. H.S.S. Dabare Non-Executive / Independent Director	–	√	√	√	3/4
Mr. H. K. Kaimal Non - Independent Non - Executive Director	√	√	√	√	4/4
Mr. P.T. Wanigasekara Independent Non - Executive Director (resigned w.e.f 21st November 2023)	√	√	–	–	2/2
Mr. A.C.M. Fernando Non-Executive / Independent Director (retirement w.e.f 13th August 2023)	√	–	–	–	1/1

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 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.

During the year, there were no non- recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

The Committee adopted the policies and procedures in the review of the RPT transactions.

The committee ensure that all the transactions with related parties are in the best of interest of all stake holders, adequate transparency in process is maintained, and are in compliance with the CSE rule, and as per the relevant directions issued by the Central Bank of Sri Lanka as applicable to Licensed Finance Companies.

The related party transactions of the Company for the financial year ended 31st March, 2024 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.

The deceleration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to related party transactions is given on pages 228 to 233 of the Annual Report.

The Year Ahead

The Committee will continue to review RPT in order to ensure the Company is in compliance with its stipulated framework governing Related Party Transactions.

(Sgd.)
Mr. C Kalupahana
Chairman
Related Party Transactions Review Committee

19th September 2024
Colombo

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Integrated Risk Management Committee (IRMC) assists Softlogic Finance PLC's Board of Directors in executing its duties regarding the supervision of the company's risk management framework and operations. This involves scrutinizing significant risk exposures and the measures implemented to oversee and mitigate these risks across the various facets of the company's business activities. The Committee, chaired by an Independent Non-Executive Director, is established by the Board in accordance with the Finance Business Act Direction No. 5 of 2021 (Corporate Governance) mandated by the Monetary Board of the Central Bank of Sri Lanka.

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

Mr. Dinesh P. Renganathan*

Chairman of the Committee/ Independent Non-Executive Director

Mr. Sisira Dabare**

Member/ Independent Non-Executive Director

Mr. Haresh Kaimal

Member/ Non-Independent Non-Executive Director

Mr. R.J. Perera***

Member/ Non-Independent Non-Executive Director

* Appointed as the Chairman to the committee w.e.f. 21st November 2023 and retired w.e.f. 02nd May 2024

** Subsequent appointment as the Chairman to the committee w.e.f. 03rd May 2024

*** Subsequent appointment as the Chairman to the committee w.e.f. 03rd May 2024

Meetings

During the period under review, four (04) Committee meetings were conducted. The attendance record of the members for each of these meetings is detailed on page 134 of this Report.

The Chief Executive Officer along with other Key Management Personnel overseeing Finance, Information Technology, Credit, Liquidity, Legal, Operations, Human Resources, Compliance, and Internal Audit were invited to attend Committee meetings to provide assistance in the Committee's discussions. The Head of Risk Management served as the Secretary to the Committee throughout the review period.

Duties and responsibilities of the committee

The IRMC charter distinctly outlines the authority and delegations granted to the Committee, its composition, responsibilities, meeting frequency, quorum, reporting procedures, and other relevant protocols.

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

- Evaluate the implications of various risks, encompassing credit, market, liquidity, operational, strategic, compliance, and technological risks, on Softlogic Finance PLC (SFP) utilizing suitable risk indicators and management data. Consequently, provide recommendations to the Board of Directors regarding risk strategies and risk appetite.
- Formulate a Risk Appetite Statement (RAS) for Softlogic Finance PLC (SFP) outlining the specific types and levels of risks that SFP is willing to accept or avoid to accomplish its strategic business goals.
- Annually review Softlogic Finance PLC's (SFP) risk policies, including the Risk Appetite Statement (RAS).
- Evaluate the adequacy and effectiveness of senior management-level committees (such as credit, liquidity, technology) in addressing specific risks and managing those risks within the quantitative and qualitative limits established by the committee.
- Evaluate all facets of risk management, encompassing updated business continuity and disaster recovery plans.
- Establish an independent compliance function to evaluate Softlogic Finance PLC's (SFP) adherence to laws, regulations, directives, rules, regulatory guidelines, and approved policies governing business operations.
- Establish an independent risk management function responsible for managing risk-taking activities across SFP

Committee activities during the financial year 2023/24

The Committee fulfilled its obligations in accordance with its charter. To facilitate this, the Committee regularly received risk-assessed reports on the Company's performance from the Risk Management Department. These reports, along with pertinent background information, were thoroughly reviewed. Where deemed necessary, appropriate risk mitigation measures were initiated to ensure that the Company's exposure to risk remained within its predetermined risk appetite limits and to facilitate compliance with regulatory requirements.

Throughout the year, the Committee conducted reviews of significant risks, encompassing strategic, operational, credit, market, information technology, and other emerging risk categories. Below are the activities undertaken by the Committee;

- The primary focus was directed towards the deteriorating credit quality across various industries due to the weakened operating environment. The Committee meticulously assessed affected sectors and associated risk factors. Measures were taken to closely monitor and manage drivers within the Company's control, aimed at mitigating risks.
- The Committee conducted a comprehensive review of the Company's business strategy in light of the macroeconomic changes occurring both domestically and globally. Steering the Management, the Committee emphasized the importance of strategies aimed at preserving asset quality and effectively managing portfolio credit risks to optimize the profitability through expense management and identifying growth segments within the business.
- The Committee closely scrutinized the Company's performance and conducted stress tests to assess the impact on performance and capital. Based on these evaluations, mitigatory measures were proposed to minimize adverse effects.
- Performed root cause analyses on operational losses to mitigate the likelihood of recurrence.
- Analysed the risks inherent in gold loans in order to proactively mitigate potential losses.
- Continuously monitored Non-Performing Assets (NPA) while offering informed recommendations.
- Monitored diverse risks using risk registers and disseminate pertinent information to relevant business units.
- Evaluated the adequacy of the Company's business continuity and disaster recovery plans in accordance with statutory requirements
- Examined periodic reports from Management regarding the metrics employed to assess, supervise, and mitigate risks, encompassing acceptable and suitable levels of risk exposure.
- Approved parameters and limits established by Management across various risk categories, ensuring alignment with relevant laws, regulations, and internal Company guidelines.
- Recommendations for enhancements to the Company's risk management framework and associated policies and procedures were made as deemed appropriate, taking into account 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 presented at Board meetings, granting Board members access to the Committee's discussions. Risk assessments from each Integrated Risk Management Committee meeting were submitted to the Board within a suitable timeframe.

Outlook for the financial year 2024/25

In the foreseeable future, we anticipate a sustained decrease in disposable income, which will notably impact Softlogic Finance PLC's liquidity positions and its credit risk profile. Consequently, SFP will need to adopt a prudent approach towards new lending opportunities in 2024/25. Additionally, the rapid advancement in technology to drive business innovations will emerge as a significant factor to consider.

These developments necessitate a continued focus on enhancing risk governance, assessment, and management practices. Adopting a proactive stance towards anticipating risks and implementing anticipatory measures to mitigate potential adverse impacts will be crucial in this evolving environment. The Integrated Risk Management Committee (IRMC) will persist in its oversight of Softlogic Finance PLC's (SFP) risk profile and control environment, with particular attention to credit and liquidity risk. Furthermore, the Committee will consistently assess various risks that could impact the company and strive to cultivate a robust risk governance framework, alongside a clearly defined risk appetite for SFP. Acknowledging the imperative for heightened vigilance, the Committee is mindful of the need to further refine its risk management strategy, especially given the evolving technological landscape, heightened susceptibility to macroeconomic shocks, and increased volatility, all of which pose significant challenges to business continuity.

(Sgd.)
Mr. Sisira Dabare
Chairman
Integrated Risk Management Committee

19th September 2024
Colombo

NOMINATION AND GOVERNANCE COMMITTEE REPORT

Composition of the committee and attendance

The Nomination and Governance Committee ("the Committee") appointed by Board of Directors consists of the following members whose profiles are given on pages 13 to 14. The Committee's attendance at meetings are provided below.

Name	Position	Attendance
Mr. D. P. Renganathan (Former Chairman) (Retired w.e.f 02nd May 2024)	Independent, Non - Executive Director	5/5
Mr. C. Kalupahana (Chairman)	Independent, Non - Executive Director	N/A
Mr. H.S. Sisira Dabare	Independent, Non-Executive Director	4/4
Mr. H.K. Kaimal	Non-Independent, Non - Executive Director	5/5
Mr. A.C.M. Fernando – (Retired w.e.f 13th August 2023)	Independent, Non-Executive Director	1/1

Terms of Reference of the Committee

The Nomination and Governance Committee was established to ensure the Board's oversight and control over the selection of Directors. The committee has the authority to discuss the issues under its purview and report back to the Board of Directors with recommendations, enabling the Board to take a decision on the matter. The Committee focuses on the following objectives in discharging its responsibilities.

- To implement a procedure to select Directors to the Board
- Provide advice and recommendations to the Board or the Chairman on any such appointment
- To ensure that the Directors are fit and proper persons to hold office
- To consider and recommend the reelection of current Directors, taking into account the performance and contribution made by them towards the overall discharge of the Board's responsibilities.
- A member of the Committee opts out in decisions relating to his own appointment.

Board Nomination and Governance Committee Meetings

The Committee meets as and when required.

Professional Advice

The Committee has the authority to seek external professional advice on matters within its purview whenever required.

Conclusion

The Committee continues to work closely with the Board of Directors in relation to the structure, size and composition of the Board ensuring the diversity and balance of skills, knowledge and experience. The Committee is satisfied that the representation of skills, knowledge and experience on the Board is appropriate for the Company's current needs at Board level.

(Sgd.)

Mr. C. Kalupahana
Nomination and Governance Committee

19th September 2024
Colombo

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 157 to 160.

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 161 to 236 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.

By Order of the Board;

A. K. Pathirage
Chairman

H.K. Kaimal
Director

19th September 2024
Colombo

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

The Directors of Softlogic Finance PLC take pleasure in presenting to the members their report together with the Audited Financial Statements of the Company for the year ended 31 March 2024.

General

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

On 14th 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 29th 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 22nd January 2009.

The name of the Company was changed to Softlogic Finance PLC on 12th 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 155 to 236.

Auditor's Report

The Report of the Auditors on the Financial Statements of the Company is given on pages 157 to 160.

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 166 to 185 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 198 to 200.

The Head Office premises, comprising freehold land and building with a Net Book Value of Rs. 355,231,405.22 and located at No. 13, De Fonseka Place, Colombo 04, were sold during the year under review for Rs. 350,000,000. Consequently, the Head Office has been relocated to JFI Tower III, Zone B C, 6th Floor, No. 75, Piyadasa Sirisena Mawatha, Colombo 10, effective 01st June 2024.

Investments

Details of quoted and unquoted investments made by the Company as of 31st March 2024 are given in Note No 26 to the Financial Statements on page 198.

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 164.

Stated Capital

The stated capital of the Company as of 31st March 2024 was Rs. 9,930,116,800 represented by 962,573,191 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. The Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions.

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 for the year under review except for the information disclosed in the Related Party Transaction Committee Report. on pages 142 to 143. The Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions.

Directorate

Following are the Directors held Office during the year under review and as at the date of these financial statements. (Biographical details are set out on pages 13 to 14)

Non-Executive Directors

- **Mr. A. K. Pathirage**
  The Chairman, Non-Executive, Non-Independent Director (Appointed w.e.f. 01st August 2024)

- **Mr. H. S. Samantha Dabare**
  The Non-Executive, Senior Independent Director
  (Appointed as Acting Chairman w.e.f. 02nd May 2024 to 01st August 2024, Appointed as Senior Independent Director w.e.f. 11th September 2024)

- **Mr. C. Kalupahana**
  Non-Executive, Independent Director
  (Appointed w.e.f. 24th October 2023)

- **Mr. V. B. Nanayakkara**
  Non-Executive, Independent Director
  (Appointed w.e.f. 02nd May 2024).

- **Ms. R. J. Perera**
  Non-Executive, Non-Independent Director
  (Appointed w.e.f 02nd June 2023)

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

- **Mr. D. P. Renganathan**
  Non – Executive, Independent Director
  (Retired w.e.f. 02nd May 2024)

- **Mr. P.T. Wanigasekera**
  Non-Executive, Independent Director
  (Resigned w.e.f. 21st November 2023)

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

- **Mr. A. C. Mohamed Lafir**
  Non-Executive, Non-Independent Director
  (Resigned w.e.f. 24th August 2023)

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

The approval has been granted by the Central Bank of Sri Lanka for the aforesaid appointments, 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.S. Samantha Dabare retire and being eligible, offer himself for re-election.

To re-elect Mr.R.J. Perera who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.

In terms of Article 97 of the Article of Association of the Company Mr. A. K. Pathirage, Mr. C. Kalupahana and Mr. V B Nanayakkara retire and being eligible, offer themself for election.

Directors' Shareholding

The relevant interests of Directors who held office during the year under review, and as at date of these Financial Statements, in the shares of the Company as of 31st March 2024 and 31st March 2023 are as follows:

Name of Director	No. of Shares as at 31st March 2024	No. of Shares as at 31st March 2023
Mr. A. K. Pathirage (Appointed as the Chairman w.e.f. 01st August 2024)	1,653,822	Nil
Mr. H.S. Samantha Dabare (Appointed as Senior Independent Director w.e.f. 11th September 2024)	Nil	Nil
Mr. C. Kalupahana (Appointed w.e.f. 24th October 2023)	Nil	Nil
Mr. V.B. Nanayakkara (Appointed w.e.f. 02nd May 2024)	Nil	Nil
Mr. R.J. Perera (Appointed w.e.f 02nd June 2023)	9,600	9,600
Mr. H. K. Kaimal (Appointed w.e.f 01st August 2017)	Nil	Nil
Mr. D. P. Renganathan (Retired w.e.f. 02nd May 2024)	Nil	Nil
Mr. P.T. Wanigasekera (Resigned w.e.f. 21st November 2023)	Nil	Nil
Mr. A. C. M. Fernando (Resigned w.e.f. 13th August 2023)	Nil	Nil
Mr. A.C. Mohamed Lafir (Resigned w.e.f. 24th August 2023)	Nil	Nil

Mr. A. K. Pathirage, Mr. H.K. Kaimal and Mr. R.J. Perera are Directors of Softlogic Capital PLC and Softlogic Holdings PLC, which holds 918,701,788 shares (95.44%) and 5,657,598 shares (0.59%) respectively in Softlogic Finance PLC as of 31st March 2024.

Directors' Remuneration

Directors' remuneration in respect of the Company for the financial year ended 31st March 2024 Is disclosed under the transactions with key managerial personnel in Note No 46.1 to the Financial Statements on page 228.

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 encompass 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 pages 240 to 241 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 pages 139 to 140.

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 pages 63 to 68 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 plays 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.

I. The Listing Rules of the CSE.
II. Finance Companies (Corporate Governance) Direction No.03 of 2008 issued by the Central Bank of Sri Lanka.
III. Finance Companies (Corporate Governance-Amendments) Direction No.04 of 2008 issued by the Central Bank of Sri Lanka.
IV. Finance Companies (Corporate Governance-Amendments) Direction No.06 of 2013 issued by the Central Bank of Sri Lanka.
V. Finance Business Act Direction (Corporate Governance) No. 05 of 2021 issued by the Central Bank of Sri Lanka.
VI. 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 in compliance with Section 9 of the Listing Rules of the CSE on Corporate Governance and the Directions 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 pages 70 to 133.

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

Fitness and Propriety of Directors

The Directors hereby confirm that the Directors of the Company satisfy the Fit and Proper Assessment Criteria stipulated in Rule 9.7 of the Listing Rules of the Colombo Stock Exchange for the year.

The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.

The Company complied with all applicable laws and regulations in conducting its business and has not engaged in any activity contravening the relevant laws and regulations. Officers responsible for ensuring compliance with the provisions in various laws and regulations.

All endeavours have been made to ensure that shareholders in each category have been treated equitably in accordance with the original Terms of Issue.

The Board of Directors has conducted a review of internal controls covering financial, operational and compliance controls, risk management and has obtained a reasonable assurance of their effectiveness and proper adherence. Refer Director' Statement on Internal Controls on Pages 135 to 136.

The composition of the Board sub-committees during the year under review and as at the date of these financial statements is as follows:

Audit Committee

- Mr. C. Kalupahana (Chairman) – Appointed w.e.f. 24th October 2023
- Mr. H.S. Samantha Dabare
- Mr. V.B. Nanayakkara -Appointed w.e.f. 03rd May 2024
- Mr. D. P. Renganathan - Retired w.e.f. 02nd May 2024

Human Resource and Remuneration Committee

- Mr. V.B. Nanayakkara (Chairman) - Appointed w.e.f. 03rd May 2024
- Mr. C. Kalupahana – Appointed w.e.f. 03rd May 2024
- Mr. H.S. Samantha Dabare
- Mr. D. P. Renganathan - Retired w.e.f. 02nd May 2024

Nomination and Governance Committee

- Mr. C. Kalupahana (Chairman) – Appointed w.e.f 03rd May 2024
- Mr. H.S. Samantha Dabare – Appointed w.e.f. from 22nd August 2023
- Mr. Haresh Kaimal
- Mr. D. P. Renganathan - Retired w.e.f. 02nd May 2024

Related Party Transaction Review Committee

- Mr. C. Kalupahana (Chairman) – Appointed w.e.f. 03rd May 2024
- Mr. H.S. Samantha Dabare (Former Chairman) – Resigned w.e.f 03rd May 2024
- Mr. Haresh Kaimal
- Mr. D. P. Renganathan - Retired w.e.f. 02nd May 2024
- Mr. V.B. Nanayakkara - Appointed w.e.f. 03rd May 2024

Integrated Risk Management Committee

- Mr. H.S. Samantha Dabare (Chairman) Appointed w.e.f 03rd May 2024
- Mr. H.K. Kaimal
- Mr. R. J. Perera – Appointed w.e.f 03rd May 2024
- Mr. D. P. Renganathan - Retired w.e.f. 02nd May 2024
- Mr. P.T. Wanigasekera – Resigned w.e.f. 21st November 2023)

Credit and Recovery Committee

- Mr. H.S. Samantha Dabare (Chairman)
- Mr. R. J. Perera
- Mr. V.B. Nanayakkara -Appointed w.e.f. 03rd May 2024
- Mr. D. P. Renganathan - Retired w.e.f. 02nd May 2024
- Mr. P.T. Wanigasekera – Resigned w.e.f. 21st November 2023

IT Security and Steering Committee

- Mr. H.K. Kaimal – (Chairman)
- Mr. C. Kalupahana – Appointed w.e.f 03rd May 2024
- Mr. R. J. Perera – Appointed w.e.f 03rd May 2024
- Mr. H.S. Samantha Dabare – Resigned w.e.f. 02nd May 2024
- Mr. P.T. Wanigasekera – Resigned w.e.f. 21st November 2023

Regulatory Compliance

The Central Bank maintained a vigilant watch over the financial well-being of the Company throughout the year, consistently addressing its capital inadequacies by providing ongoing feedback and guidance. As part of its oversight, the Central Bank introduced regulatory limits on the company's lending, customer deposits, and commercial paper portfolios. These limits were gradually reduced to Rs. 7.0 billion, Rs. 5.0 billion, and Rs. 1.2 billion respectively by the end of the financial year. Concurrently, the lending and deposits limits were further reduced to Rs.5.0 billion and Rs.4.7 billion respectively by end of July 2024 and cease borrowings through commercial papers by 05th July 2024. The imposition of these caps resulted from the company's inability to meet the capital adequacy requirements set forth in the central bank's PCA framework.

To address its urgent capital adequacy needs, and as part of the corrective measures communicated to shareholders through an announcement to the Colombo Stock Exchange (CSE) on 26th June 2023, and the Extraordinary General Meeting (EGM) held subsequently on 12th July 2023, the Company conducted a Rights Issue during the review period, raising Rs. 2.3 billion. The subordinated debt and short-term revolving loans totaling Rs. 2.1 billion, payable to Softlogic Capital PLC, was converted into shares as part of the subscription from Softlogic Capital PLC for the Rights Issue.

Additionally, the Company's Board of Directors formulated a comprehensive restructuring and capital restoration strategy, which was submitted to the Central Bank in May 2024. This plan received a positive endorsement from the Central Bank. Its primary goal is to meet the central bank's capital compliance requirements, ultimately leading to the removal of current restrictions. This will enable the company to resume lending and deposit mobilization activities, thereby revitalizing its financial position and overall performance in the coming years.

As part of executing this strategy, the company entered into Participation Agreements with S R One (Private) Limited, a wholly owned subsidiary of Softlogic Capital PLC. These agreements involved transferring beneficial ownership of a portion of the company's loan portfolio. The agreements were signed on 31st July 2024, and 06th September 2024, for the first and second segments, respectively. The divestments were completed on the same day as the agreements, with cash considerations of Rs. 100.09 million and Rs. 1,000.17 million, respectively. The company aims to complete the remaining tranches of the selected portfolio divestment before the extended deadline of 30th September 2024, as agreed with the Central Bank.

Statutory Compliance

During the financial year 2022/23, the company's net asset position 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 12th July 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 Company is continuously in the process of implementing the actions agreed at the EGM in order to improve the capital position of the Company.

Dividends

There were no Dividend declared during the period.

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.

For the year under review, a total of Rs. 4,631,500/- in audit fees, excluding any reimbursable expenses, is payable to the Auditors by the Company.

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 on Wednesday, the 30th October 2024 at 10.00 a.m. centered at Auditorium of Central Hospital Limited (4th Floor), No.114, Norris Canal Road, Colombo 10 The Notice of the Annual General Meeting is on page 245 of the Annual Report.

Going Concern

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.

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

Mr. Ashok Pathirage
Chairman

Mr. H.K. Kaimal
Director

Softlogic Corporate Services (Pvt) Ltd
Secretaries

19th September 2024
Colombo

REPORT OF SENIOR INDEPENDENT DIRECTOR

This report is presented in compliance with the requirement set out in Section 9.6.3 (e) of the revised Listing Rules on Corporate Governance of the Colombo Stock Exchange which came into effect on 01st October 2023. The requirement of appointing a "Senior Independent Director" (SID) to Softlogic Finance PLC is in accordance with Section 9.6.3 (a) ii of the revised Listing Rules on Corporate Governance of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka. Role and Responsibilities of Senior Independent Director In terms of the role and responsibilities of the SID, the principal role of the SID is to support the Chairman in his role and duties, acting as an intermediator for the Non-Executive Directors and to facilitate the due exercise of the functions of the Chairman with the Non-Executive Directors as and when necessary. The role and the responsibilities vested on the SID of the Board is relevant in the current context of Corporate Governance regulations, standards, and best practices which are frequently reviewed and revised by regulators. My role is to ensure requisite governance standards are complied with while providing necessary assistance to the Chairman of the Board through discussion and communication between Non-executive and Independent Directors of the Company in addressing matters relevant to the Board as a whole to enhance the overall effectiveness of the Board.

(Sgd.)
H.S. Samantha Dabare
Senior Independent Director

19th September 2024
Colombo

FINANCIAL STATEMENTS

FINANCIAL CALENDAR

2023/24

Publication of Audited Financial Statements for the year ended 31st March 2023	15th August 2023
15th Annual General Meeting held on	27th September 2023
Publication of half yearly Financial Statements (1st half of the year 2023/24) (Unaudited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Languages	15th November 2023
Publication of half yearly Financial Statements (2nd half of the year 2023/24) (Audited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Languages	23rd September 2024

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

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

PROPOSED FINANCIAL CALENDAR 2024/2025

Publication of Audited Financial Statements for the year ended 31st March 2024	23rd September 2024
16th Annual General Meeting to be held on	30th October 2024
Publication of half yearly Financial Statements (1st half of year 2024/25) (Unaudited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	On or before 30th November 2024
Publication of half yearly Financial Statements (2nd half of year 2024/25) (Audited)) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	On or before 30th June 2025

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

1st Quarter ended 30 June 2024	On or before 15th August 2024
2nd Quarter ended 30 September 2024	On or before 15th November 2024
3rd Quarter ended 31 December 2024	On or before 15th February 2025
4th Quarter ended 31 March 2025	On or before 31st May 2025

INDEPENDENT AUDITORS' REPORT

EY
Building a better working world

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

PNS/WDPL/IP/AD

INDEPENDENT AUDITORS' REPORT

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 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024, 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 for Professional Accountants 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 note 44.2 to the financial statements which indicates that the Company has entered into participation agreements with S R One (Private) Limited, a fully owned subsidiary of Softlogic Capital PLC (the parent Company), for the transfer of beneficial ownership of a segment of the Company's loan portfolio with the expectation of complying with the capital adequacy ratio as per the Central Bank Direction 03 of 2018. 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Allowance for expected credit losses

Allowance for expected credit losses amounting to LKR 4.5 Bn arising from loans and advances of LKR 12.3 Bn (Note 21 to 24) is determined by the management based on the accounting policies described in Note 3.1.9.

This was a key audit matter due to

▪ The involvement of significant management judgements, assumptions and level of estimation uncertainty associated in management's expectation of future cash flows to recover such financial assets; and

▪ The materiality of the reported amount of Allowance for expected credit losses and use of complex calculations in its determination

Key areas of significant judgements, assumptions and estimates used by management included: assumed future occurrence of events and/or transactions and forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.</td><td>In addressing the adequacy of the Allowance for expected credit losses, our audit procedures included the following key procedures:

▪ Assessed the alignment of the Company's allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, based on the best available information up to the date of our report.

▪ Evaluated the design, implementation, and operating effectiveness of controls over estimation of allowance for expected credit losses, which included assessing the level of oversight, review and approval of allowance for expected credit losses, policies and procedures by the Board and the management.

▪ Checked the completeness, accuracy and reasonableness of the underlying data used in the allowance for expected credit losses computations by cross checking to relevant source documents and accounting records of the Company.

▪ Evaluated the reasonableness of credit quality assessments and related stage classifications.

▪ Assessed the reasonableness of the judgements, assumptions and estimates used by the Management in assumed future occurrence of events and/or transactions including the value and the timing of cash flow forecasts, status of recovery actions of the collaterals, forward-looking macroeconomic scenarios and their associated weightages.

▪ Assessed the adequacy of the related financial statement disclosures set out in notes 21 to 24 and note 3.1.9.</td></tr>
<tr><td>Information Technology (IT) systems related internal controls over financial reporting.

Company's financial reporting process is significantly reliant on multiple IT systems and related 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 related internal controls over financial reporting were considered a key audit matter.</td><td>Our audit procedures included the following key procedures:

▪ Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures.

▪ Involved our internal specialized resources and;

▪ Obtained and understanding IT Governance Structure of the Company

▪ Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls over financial reporting, relating to user access and change management.

▪ Obtained a high-level understanding of the cybersecurity risks relevant to the Company and the actions taken to address these risks primarily through inquiries related to processes and controls implemented to address cyber security risks.

Tested source data of the reports used to generate disclosures for accuracy and completeness.</td></tr>
</table>

Other information included in the 2024 Annual Report

Other information consists of the information included in the Company's 2024 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2024 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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.

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 2965.

Ernst & Young

20th September 2024
Colombo

INCOME STATEMENT

For the year ended 31 March	Note	2024 Rs.	2023 Rs.
Interest income		2,575,898,810	3,925,424,279
Less: Interest expenses		(2,781,033,747)	(3,891,334,065)
Net interest income	7	**(205,134,937)**	**34,090,214**
Fee and commission income	8	90,787,891	99,060,164
Other operating income	9	53,099,504	174,683,598
Total operating income		**(61,247,542)**	**307,833,976**
Less:Credit loss expense on financial assets and other losses	10	(644,151,003)	(1,809,774,888)
Net operating income		**(705,398,546)**	**(1,501,940,912)**
Less: Operating expenses			
Personnel expenses	11	(366,686,672)	(523,128,866)
Other operating expenses	12	(704,652,014)	(970,133,657)
Operating profit / (Loss) before taxes on financial services		**(1,776,737,232)**	**(2,995,203,435)**
Less: Taxes on financial services	13	-	-
Profit / (Loss) before income tax		**(1,776,737,232)**	**(2,995,203,435)**
Less: Income tax expense	14	-	-
Profit / (Loss) for the year		**(1,776,737,232)**	**(2,995,203,435)**
Basic / Diluted earnings / (loss) per share (Rs.)	15	(2.83)	(5.66)
Dividend per share (Rs.)	16	-	-

The Accounting policies and Notes to the Financial Statements from pages 166 to 236 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Note	2024 Rs.	2023 Rs.
Profit / (Loss) for the year		(1,776,737,232)	(2,995,203,435)
Other comprehensive income / (expenses)			
Other comprehensive income to be reclassified to profit or loss:			
Gain / (Loss) arising on remeasuring available for sale financial investments		-	-
Other comprehensive income that will not to be reclassified to profit or loss:			
Actuarial gain / (loss) on defined benefit plan	34.2	(580,057)	7,618,825
Deferred tax effect on actuarial gain / (loss)	33	174,017	(2,285,648)
		(406,040)	**5,333,178**
Surplus from revaluation of property, plant & equipment			18,065,000
Deferred tax effect on revaluation surplus		-	(5,419,500)
	37	**-**	**12,645,500**
Other comprehensive income / (Expenses) for the year, net of tax		(406,040)	17,978,678
Total comprehensive income / (Loss) for the year, net of tax		(1,777,143,272)	(2,977,224,758)

The Accounting policies and Notes to the Financial Statements from pages 166 to 236 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	2024 Rs.	2023 Rs.
Assets			
Cash and bank balances	18	333,866,263	493,667,734
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	19.2	378,632,877	316,466,799
Securities purchased under repurchase agreements	20	603,494,798	1,890,681,971
Financial Assets at Amortised Cost - Factoring receivables	21	20,191,635	112,275,125
Financial Assets at Amortised Cost - Gold loan receivables	22	1,366,092,813	4,549,369,028
Financial Assets at Amortised Cost - Loan receivables	23	2,453,870,529	4,181,144,329
Financial Assets at Amortised Cost - Lease and hire purchase receivables	24	3,998,539,625	7,816,461,877
Other assets	25	1,355,458,490	1,648,170,954
Equity Instruments at fair value through other comprehensive income	26	30,600	30,600
Property, plant & equipment	27	34,257,042	419,853,994
Intangible assets	27.8	71,614,222	90,193,197
Investment Property	28	103,237,000	103,237,000
Right of Use Assets	29	62,277,245	131,450,719
Deferred Tax	33	509,265,174	428,669,724
Total Assets		**11,290,828,313**	**22,181,673,051**
Liabilities			
Bank overdraft		22,550,392	35,260,310
Financial Liabilities at Amortised Cost - Due to other customers	30	7,481,717,550	12,430,946,956
Financial Liabilities at Amortised Cost - Other borrowed funds	31	557,885,592	6,916,179,291
Other payables	32	405,271,743	521,406,563
Retirement benefit obligations	34	34,504,021	41,832,849
Total Liabilities		**8,501,929,298**	**19,945,625,969**
Equity			
Stated capital	35	9,930,116,800	7,597,925,039
Statutory reserve fund	36	260,448,732	260,448,732
Revaluation reserve	37	-	172,788,382
Non-Distributable Regulatory Loss Allowance Reserve	38	1,736,237,951	1,748,974,244
Retained earnings	39	(9,137,904,468)	(7,544,089,316)
Total Equity		**2,788,899,015**	**2,236,047,082**
Total Liabilities and Equity		**11,290,828,313**	**22,181,673,051**
Net asset value per share (Rs.)		2.90	3.67
Commitments and contingencies	43	93,005,216	388,741,450

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

Deshantha de Alwis
Head of Finance

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,

A.K. Pathirage
Chairman

H.K. Kaimal
Director

The Accounting policies and Notes to the Financial Statements from pages 166 to 236 form an integral part of these Financial Statements.

19th September 2024
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 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)
Gain / (Loss) on share disposal		-	-	-	-	-	-	-
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)**	**2,236,047,082**
Balance as at 01 April 2023		7,597,925,039	260,448,732	1,748,974,244	172,788,382	-	(7,544,089,315)	2,236,047,083
Profit for the year		-	-	-	-	-	(1,776,737,232)	(1,776,737,232)
Other comprehensive income, net of tax		-	-	-	-	-	(406,040)	(406,040)
De-Recognition of Revalued assets		-	-	-	(172,788,382)	-	172,788,382	-
Rights Issue of shares		2,332,191,761	-	-	-	-	-	2,332,191,761
Expenses related to share issue		-	-	-	-	-	(2,196,556)	(2,196,556)
Gain / (Loss) on share disposal		-	-	-	-	-	-	-
Transfer to Non-Distributable Regulatory Loss Allowance Reserve	38	-	-	(12,736,293)	-	-	12,736,293	-
Transfer to Statutory Reserve Fund	36	-	-	-	-	-	-	-
Balance as at 31 March 2024		**9,930,116,800**	**260,448,732**	**1,736,237,951**	**-**	**-**	**(9,137,904,468)**	**2,788,899,015**

The Accounting policies and Notes to the Financial Statements from pages 166 to 236 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	2024 Rs.	2023 Rs.
Cash flows from operating activities			
Profit before taxation		(1,776,737,232)	(2,995,203,435)
Depreciation	27	27,310,351	33,967,615
Amortization	27.8	18,983,976	33,237,142
Profit on disposal of property, plant & equipment		19,322,807	(28,884,815)
(Profit) / Loss on sale of real estate		-	-
Impairment charge	10.1	644,151,003	1,809,774,888
Provision for defined benefit plans	34.1	13,664,733	6,091,233
Amortisation expenses on right-of-use assets	12.1	50,018,096	64,494,661
Interest Expenses	7.2	2,781,033,747	3,891,334,065
		3,554,484,715	**5,810,014,789**
Operating profit before working capital changes		**1,777,747,483**	**2,814,811,354**
(Increase)/Decrease in Financial Assets at Amortised Cost - lease and hire purchase receivables		3,948,948,289	3,135,096,590
(Increase)/Decrease in Financial Assets at Amortised Cost - factoring receivables		60,198,724	584,914,349
(Increase)/Decrease in Financial Assets at Amortised Cost - gold loan receivables		3,199,518,206	(1,662,221,955)
(Increase)/Decrease in Financial Assets at Amortised Cost - loan receivables		1,233,324,914	207,103,968
(Increase)/Decrease in Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)		(62,166,077)	(316,466,799)
(Increase)/Decrease in Placements with banks, Other Financial companies, Repo investments		1,287,187,173	(433,221,806)
(Increase)/Decrease in right of use assets		19,155,378	(53,965,594)
(Increase)/Decrease in other assets		(53,468,365)	(182,028,824)
Increase/(Decrease) in Financial Liabilities at Amortised Cost - due to other customers		(4,949,229,407)	(3,168,405,562)
Increase/(Decrease) in other payables		(48,667,887)	72,494,068
		4,634,800,947	**(1,816,701,564)**
Cash generated from operating activities		**6,412,548,431**	**998,109,790**
Interest expense paid		(2,781,033,747)	(3,891,334,065)
Gratuity paid	34.1	(21,573,618)	(10,717,653)
Net cash outflow from operating activities		**3,609,941,066**	**(2,903,941,928)**
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets	27	(16,987,961)	22,096,003
Proceeds from sale of property, plant and equipment		355,546,753	56,869,732
Net cash inflow/(outflow) from investing activities		**338,558,792**	**78,965,735**
Net cash outflow before financing activities		3,948,499,859	(2,824,976,193)
Cash flow from financing activities			
Rights issue of shares	35	2,332,191,761	851,497,316
Expenses related to share issue		(2,196,556)	(1,646,405)
Proceeds from bank loans and securitizations loans	31.1	1,837,024,605	650,000,000
Repayments of bank loans and securitizations loans	31.1	(2,149,703,513)	(1,985,327,133)
Proceeds from subordinated debt	31.1	109,640,262	109,640,262
Repayment of Subordinated debt	31.1	(1,119,280,525)	-
Proceeds from commercial papers	31.1	1,207,252,040	22,666,462,890
Repayment commercial papers	31.1	(6,243,226,569)	(19,317,130,576)
Repayment of principal portion of lease liabilities	32.2	(67,292,916)	(76,210,435)
Net cash inflow from financing activities		**(4,095,591,412)**	**2,897,285,919**
Net increase/(decrease) in cash and cash equivalents		**(147,091,553)**	**72,309,726**
Cash & cash equivalents as at the beginning of the year		**458,407,424**	**386,097,698**
Cash and cash equivalents as at end of the year		**311,315,871**	**458,407,424**
Analysis of the cash and cash equivalents at the end of the year			
Cash and bank balances	18	333,866,263	493,667,734
Bank overdraft		(22,550,392)	(35,260,310)
		311,315,871	**458,407,424**

The Accounting policies and Notes to the Financial Statements from pages 166 to 236 form an integral part of these Financial Statements.

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 JFI Tower 3, Zone B&C, 6th Floor, No.75, Piyadasa Sirisena Mw, Colombo 10.

The staff strength of the Company as at 31 March 2024 was 251 (430 as at 31 March 2023).

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 2024 were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 19th September 2024.

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 reported a negative net interest income of Rs. 205,134,937, a negative net operating income of Rs. 705,398,546 (2023: 1,501,940,912) and a net loss of Rs. 1,776,737,232 (2023: 2,995,203,435) during the year ended 31 March 2024. Accumulated losses of the Company amounted to Rs. 9,137,904,468 (2023: 7,544,089,315) as of that date.

Despite facing a negative Net Interest Income (NII) due to regulatory lending caps, excluding gold loan operations, the company effectively managed the quality of its lease and loan portfolio. Timely recoveries and the disposal of leased vehicles taken over contributed to a slight decrease of Rs. 45,949,112 in the gross Non-Performing Loans (NPLs) portfolio compared to the previous financial year.

Further, the company achieved a notable reduction in operating expenses, which decreased to Rs. 1,071,338,686 in FY 2024 from Rs. 1,493,262,523 in FY 2023, marking a decrease of Rs. 421,923,837 compared to the previous financial year.

This improvement underscores the prudent management and rationalization of expenses throughout the financial year. As part of the corrective measures communicated to shareholders during the Extraordinary General Meeting (EGM), the company strategically downsized its branch network from 30 to 18 branches during the financial year. This strategic decision focused on retaining key delivery channels essential for expanding the portfolio once business operations resume.

Similarly, the company right sized its staff to align with the reduced branch network and head office operations, reducing the staff count from 430 in the previous financial year to 251. This reduction resulted in a significant decrease of Rs. 156,442,194 in personnel cost. In addition, the company also disposed its HO premises during the financial year with an intention of bringing in further improvements its risked-weighted assets and operating expenses:

The infusion of new capital amounts of Rs. 2.332.191,760 boosted the Company's capital adequacy ratio during the year (please refer note 41.5)

A detailed assessment has been carried out by the directors based on which corrective measures have been approved by the board as summarised below.

a. **Divesting of a segment of the distressed portfolio currently held by the Company.**

   Further details with regard to the divesting of the distressed portfolio is stated in note 44.1.

b. **Scaling down of Operation**

   The company shrink its branch network to 18 as of 31 March 2024 from 30 as of 31 March 2023. The company have planned to shrink its branch network to 14 during the FY 2024/25.

c. **Operational Efficiency**

   The Company is initiating a strategic realignment of its business model, involving a redefinition of the product mix, emphasizing a finance lease and gold loan driven approach. Notably there will be a deliberate discontinuation of other loan products, with the exception of factoring and loans against deposits. This intentional shift in the business model is designed to improve the risk weighted assets position, facilitating gradual improvements in the capital ratios, net interest margin, and assets quality.

Based on the above strategies, the Board of Directors of the Company have made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the ability of the Company to continue as a going concern.

Therefore, the financial statements continue to be prepared on the going concern basis of accounting.

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 40 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 40 "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 4 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 2024.

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 not revalued its freehold land and Building during the financial year 2024 due to the de-recognition of the free hold Land & Building as a result of disposal of the same for a sale value of Rs 350 Mn on February 2024. Details of the revaluation in relation to the last financial year is 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.

Upon disposal of the free hold Land & Building, the Company transferred the Revaluation reserve amounting to Rs. 172,788,382 pertaining to the same to Retained Earnings as of 31 March 2024.

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:

	2024	2023
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 2024 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 2024 & 2023.

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 2024 adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 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)

The VAT rate had been increased from 15% to 18% with effect from January 01, 2024. Further, goods and services which were previously exempt from VAT had been made liable at the rate of 18% effective January 01, 2024.

3.15.4 Value Added Tax on Financial Services (VAT on FS)

The value addition attributable to the supply of financial services is calculated at the rate of 18% 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.

3.15.5 Withholding Tax (WHT) on Dividends

The prevailing WHT/AIT rate on dividends distributed by the Company to residents/ non- residents is 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 from another resident company.

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, The Company 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 "Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No. 02 of 2021" issued on 06 August 2021, all Finance Companies are required to insure their deposit liabilities in the "Sri Lanka Deposit Insurance and Liquidity Support Scheme".

The deposits to be insured shall include demand, time and savings and certificates of deposit liabilities inclusive of any interest accrued and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities maintained individually or jointly with any other party, by Directors, Key Management Personnel, other related parties, excluding shareholders as defined in the Finance Companies Act (Corporate Governance) Direction, No. 3 of 2008 for Licensed Finance Companies
- Deposit liabilities maintained either individually or jointly with any other party, by former Directors or Key Management Personnel
- 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 within 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 2024

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 2026, 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 Classification of liabilities as current or noncurrent (Amendments to LKAS 1)

Amendments to LKAS 1 alter the classification of liabilities like convertible debt and introduce new disclosure requirements for liabilities subject to covenants.

4.1.3 Lease liability in a sale and leased back (Amendment to SLFRS 16)

The amendments specifically affect seller lessee accounting in sale and leaseback transactions that qualify as a sale under SLFRS 15, especially those involving variable lease payments not based on an index or rate. They modify how a seller-lessee accounts for these leasebacks, preventing recognition of gains on retained rights of use due to lease term modifications or changes, which previously could occur when variable payments not defined as 'lease payments' were excluded.

4.1.4 International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

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 with covenants as current or non-current

The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

4.1.6 Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about,

- the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements
- quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period
- the type and effect of non-cash changes in the carrying amounts of those arrangements.

The type and effect of non-cash changes in the carrying amounts of those arrangements.

7. NET INTEREST INCOME

7.1 Interest Income

For the year ended 31 March	2024 Rs.	2023 Rs.
Interest income on lease receivables	1,091,128,873	1,556,327,365
Interest income on hire purchase receivables	364,711	168,954
Interest income on factoring receivables	30,785,785	132,089,210
Interest income on SME and other loan receivables	426,718,699	568,032,111
Interest income on personal loan receivables	45,702,388	53,467,194
Interest income on gold loan receivables	759,936,013	1,278,622,832
Interest income on government securities	221,262,340	336,716,612
Total interest income	**2,575,898,810**	**3,925,424,279**

7.2 Interest Expenses

For the year ended 31 March	2024 Rs.	2023 Rs.
Due to customers		
Interest expenses on time deposits	1,762,383,801	2,604,286,454
Interest expenses on savings deposits	3,701,375	5,955,227
Due to banks		
Interest expenses on bank borrowings	35,564,544	74,761,882
Other borrowed funds		
Interest expenses on securitised borrowings	753,127,480	1,010,848,035
Interest expenses on subordinated debt	226,256,546	195,482,466
Total interest expenses	**2,781,033,747**	**3,891,334,065**
Net interest income	**(205,134,937)**	**34,090,214**

8. FEE AND COMMISSION INCOME

For the year ended 31 March	2024 Rs.	2023 Rs.
Documentation and processing fees	70,258,794	63,590,919
Sundry Income	20,529,098	35,469,245
Total fee and commission income	**90,787,891**	**99,060,164**

9. OTHER OPERATING INCOME

For the year ended 31 March	2024 Rs.	2023 Rs.
Profit on disposal of property, plant and equipment	(19,322,807)	28,884,815
Recovery of bad debts written off	14,309,900	41,876,565
Income from hiring vehicles & properties	750,000	5,968,812
Income on Money market investment / unit trust/ T bond	57,182,891	97,713,406
Dividend income	179,520	240,000
Total other operating income	**53,099,504**	**174,683,598**

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 31.03.2024 recorded in the income statement.

For the year ended 31 March	2024 Rs. Stage 1	2024 Rs. Stage 2	2024 Rs. Stage 3	2024 Rs. Total
Lease & Hire Purchase receivables	(12,642,856)	(49,142,296)	(69,240,886)	(131,026,037)
Gold Loans	(6,335,887)	(3,964,096)	(5,942,007)	(16,241,990)
Factoring	(2,669,524)	(3,818,301)	38,372,592	31,884,767
Loan receivables	(2,511,275)	(9,559,883)	506,020,043	493,948,886
Other Receivable	-	-	234,524,404	234,524,404
Write offs	-	-	31,060,974	31,060,974
	(24,159,541)	**(66,484,576)**	**734,795,121**	**644,151,003**

10.2 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**

11. PERSONNEL EXPENSES

For the year ended 31 March	2024 Rs.	2023 Rs.
Salaries and bonus	269,602,376	388,799,036
Contribution to defined contribution plan	43,186,087	57,279,975
Gratuity charge for the year	13,664,733	13,710,058
Recovery incentives & staff development cost	7,804,782	32,318,747
Others	32,428,694	31,021,050
	366,686,672	**523,128,866**

12. OTHER OPERATING EXPENSES

For the year ended 31 March	2024 Rs.	2023 Rs.
Directors' emoluments	9,136,679	8,731,106
Auditors' remuneration	4,800,000	4,214,719
Non Auditors' remuneration	-	1,441,309
Professional & legal expenses	20,095,164	14,226,318
Deposit insurance premium	12,612,625	21,116,554
Secretarial Fee	4,909,588	3,820,668
Office administration & establishment expenses	564,316,433	712,593,261
Depreciation & amortization expenses	96,312,424	131,699,418
Advertising expenses	(27,165,156)	45,938,947
Other expenses	19,634,257	26,351,357
	704,652,014	**970,133,657**

12.1 Depreciation & Amortization Expenses

For the year ended 31 March	2024 Rs.	2023 Rs.
Depreciation on property, plant and equipment	27,310,351	33,967,615
Amortization of intangible assets	18,983,976	33,237,142
Amortisation expenses on right-of-use assets	50,018,096	64,494,661
	96,312,424	**131,699,418**

13. TAXES ON FINANCIAL SERVICES

For the year ended 31 March	2024 Rs.	2023 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	2024 Rs.	2023 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	2024 Rs.	2023 Rs.
Profit Before Income Tax	(1,776,737,232)	(2,995,203,435)
Less : Exempt Amounts, Final withholding payments & Other Sources	(19,143,287)	(29,124,815)
Add : Non deductible Expenses	861,986,742	1,503,266,815
Less : Tax Deductible Expenses	(720,206,633)	(1,673,769,922)
Less : Allowable Credits	-	-
Assessable Income	(1,654,100,410)	(3,194,831,357)
Less : Qualifying Payments	-	-
Taxable Income	-	-
	-	-

Current Income Tax Expense @ 30% (2022/23- 24% & 30%)
Current Income Tax Expense @ 15% (2022/23- 14% & 15%)

15. EARNINGS / (LOSS) PER ORDINARY SHARE - BASIC/DILUTED (Rs.)

For the year ended 31 March	2024	2023
Profit attributable to ordinary shareholders (Rs.)	(1,776,737,232)	(2,995,203,435)
Weighted Average Number of Ordinary Shares (basic) (15.1)	627,605,009	528,789,041
Basic/Diluted earnings/(Loss) per ordinary share (Rs.)	(2.83)	(5.66)

15.1 Weighted Average Number of Ordinary Shares (basic)

	Outstanding No: of Shares		Weighted Average No: of Shares	
For the year ended 31 March	2024	2023	2024	2023
Number of shares in issue as at 1 April	609,210,803	492,726,902	609,210,803	492,726,902
Add: New shares from Rights Issue	353,362,388	116,483,901	18,394,206	36,062,139
Number of shares in issue / weighted average number of ordinary shares at 31st March	962,573,191	609,210,803	627,605,009	528,789,041

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	2024	2023
Paid during the year	-	-
Number of Ordinary Shares	962,573,191	609,210,803
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 2024	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	-	-	333,866,263	333,866,263
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	378,632,877	-	-	378,632,877
Securities purchased under repurchase agreements	-	-	603,494,798	603,494,798
Financial Assets at Amortised Cost - Factoring receivables	-	-	20,191,635	20,191,635
Financial Assets at Amortised Cost - Gold loan receivables	-	-	1,366,092,813	1,366,092,813
Financial Assets at Amortised Cost - Loan Receivables	-	-	2,453,870,529	2,453,870,529
Lease & hire purchase receivables	-	-	3,998,539,625	3,998,539,625
Equity instruments at fair value through OCI	-	30,600	-	30,600
Other Assets	-	-	887,296,557	887,296,557
Total Financial Assets	**378,632,877**	**30,600**	**9,663,352,219**	**10,042,015,696**
Financial Liabilities				
Bank overdraft	-	-	22,550,392	22,550,392
Financial Liabilities at Amortised Cost - Due to other customers	-	-	7,481,717,550	7,481,717,550
Financial Liabilities at Amortised Cost - Other borrowed funds	-	-	557,885,592	557,885,592
Other payables	-	-	405,271,743	405,271,743
Total Financial Liabilities	**-**	**-**	**8,467,425,277**	**8,467,425,277**

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	**-**	**-**	**19,903,793,120**	**19,903,793,120**

18. CASH AND BANK BALANCES

As at 31 March	2024 Rs.	2023 Rs.
Cash in hand	72,104,070	143,008,400
Balances with local banks	261,762,193	350,659,334
	333,866,263	**493,667,734**

19. PLACEMENTS WITH BANKS & OTHER FINANCE COMPANIES

As at 31 March	2024 Rs.	2023 Rs.
Placements with banks	-	-

19.1 The movement in provision for expected credit losses are as follows.

As at 31 March	2024 Rs.	2023 Rs.
Balance as at 01st April	-	-
Charge / (Reversal) for the year	-	-
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	2024 Rs.	2023 Rs.
Unquoted unit investment in unit trusts	378,632,877	316,466,799
	378,632,877	**316,466,799**

20. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENTS

As at 31 March	2024 Rs.	2023 Rs.
Securities purchased under repurchase agreements	603,494,798	1,890,681,971
	603,494,798	**1,890,681,971**

21. FINANCIAL ASSETS AT AMORTISED COST - FACTORING RECEIVABLES

As at 31 March	2024 Rs.	2023 Rs.
Gross factoring receivable	88,805,571	149,004,295
Less : Allowance for expected credit losses	(68,613,936)	(36,729,169)
	20,191,635	**112,275,125**

21.1 Analysis of Factoring Receivables on Maximum Exposure to Credit Risk

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross factoring receivable	13,014,940	-	75,790,631	88,805,571
Allowance for expected credit losses (ECL)	(87,271)	-	(68,526,665)	(68,613,936)
	12,927,669	**-**	**7,263,966**	**20,191,635**

21.2 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**

21.3 Allowance for Expected Credit Losses/Impairment Provision

subject to collective impairment

As at 31 March	2024 Rs.	2023 Rs.
Balance as at 01st April	36,729,169	36,729,169
Charge / (Reversal) to income statement	31,884,767	-
Balance as at 31st March	**68,613,936**	**36,729,169**

21.4 Movement in Allowance for Expected Credit Losses

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2023	2,756,796	3,818,301	30,154,073	36,729,169
Charge / (Reversal) to income statement (Note 10.1)	(2,669,524)	(3,818,301)	38,372,592	31,884,767
Balance as at 31st March 2024	**87,271**	**-**	**68,526,665**	**68,613,936**

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 2022	10,578,073	8,813,216	4,274,307	23,665,595
Charge / (Reversal) to income statement (Note 10.2)	(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**

21.6 Movement in gross Factoring receivables during the year (Under SLFRS 9)

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross carrying amount as at 1st April 2023	84,649,725	11,657,072	52,697,497	149,004,295
New assets originated or purchased	-	-	198,585,095	198,585,095
Assets derecognised or repaid (Excluding write offs)	(70,294,282)	(13,517,452)	(174,972,085)	(258,783,819)
Transfer to Stage 1	366,054	-	(366,054)	-
Transfer to Stage 2	(1,706,557)	1,860,380	(153,822)	-
Transfer to Stage 3	-	-	-	-
Amount written off	-	-	-	-
Gross carrying amount as at 31st March 2024	**13,014,940**	**-**	**75,790,631**	**88,805,571**

22. FINANCIAL ASSETS AT AMORTISED COST - GOLD LOAN RECEIVABLES

As at 31 March	2024 Rs.	2023 Rs.
Gold loan receivables	1,366,110,244	4,565,628,450
Less : Allowance for expected credit losses/ collective impairment (Note 22.1)	(17,432)	(16,259,422)
	1,366,092,813	**4,549,369,028**

22.1 Analysis of Gold Loan Receivables on Maximum Exposure to Credit Risk

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Gold loan receivable subject to collective impairment	881,925,583	452,378,789	31,805,872	1,366,110,244
Allowance for expected credit losses(ECL)	(7,980)	(7,835)	(1,616)	(17,432)
	881,917,602	**452,370,954**	**31,804,256**	**1,366,092,813**

22.2 Analysis of Gold Loan Receivables on Maximum Exposure to Credit Risks

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**

22.3 Allowance for Expected Credit Losses/Impairment Provision

subject to collective impairment

As at 31 March	2024 Rs.	2023 Rs.
Balance as at 01st April	16,259,422	16,259,422
Charge / (Reversal) to income statement	(16,241,990)	-
Balance as at 31st March	**17,432**	**16,259,422**

22.4 Movement in Allowance for Expected Credit Losses

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2023	6,343,867	3,971,932	5,943,623	16,259,422
Charge / (Reversal) to income statement (Note 10.1)	(6,335,887)	(3,964,096)	(5,942,007)	(16,241,990)
Balance as at 31st March 2024	**7,980**	**7,835**	**1,616**	**17,432**

22.5 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 10.2)	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**

22.6 Movement in gross Factoring receivables during the year (Under SLFRS 9)

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross carrying amount as at 1st April 2023	2,981,733,255	952,691,998	631,203,197	4,565,628,450
New assets originated or purchased	2,719,856,259	-	-	2,719,856,259
Assets derecognised or repaid (Excluding write offs)	(4,824,028,851)	(496,815,891)	(598,529,723)	(5,919,374,464)
Transfer to Stage 1	4,905,786	(3,874,696)	(1,031,090)	-
Transfer to Stage 2	(97,797)	388,754	(290,957)	-
Transfer to Stage 3	**(443,069)**	(11,376)	454,445	-
Amount written off	-	-	-	-
Gross carrying amount as at 31st March 2024	**881,925,583**	**452,378,789**	**31,805,872**	**1,366,110,244**

23. FINANCIAL ASSETS AT AMORTISED COST - LOAN RECEIVABLES

As at 31 March	2024 Rs.	2023 Rs.
Revolving loan receivables	768,066,284	698,773,244
Vehicle loan receivables	88,670,433	267,376,124
Personal/Business loan receivables	5,489,697,774	6,613,610,038
Gross loan receivables	6,346,434,491	7,579,759,406
Less : Allowance for expected credit losses / individual impairment (Note 23.3)	(2,110,698,526)	(1,650,704,319)
Less : Allowance for expected credit losses / collective impairment (Note 23.4)	(1,781,865,436)	(1,747,910,759)
	2,453,870,529	**4,181,144,329**

23.1 Analysis of Loan Receivables on Maximum Exposure to Credit Risk

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross loan receivables-subject to collective impairment	453,411,151	21,920,557	5,871,102,783	6,346,434,491
Allowance for expected credit losses (ECL)	(3,873,178)	(2,331,732)	(3,886,359,053)	(3,892,563,963)
	449,537,973	**19,588,825**	**1,984,743,731**	**2,453,870,529**

23.2 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**

23.3 Allowance for Expected Credit Losses/Impairment

Individually impaired loans

	2024 Rs.	2023 Rs.
Balance as at 01st April	1,650,704,318	1,273,207,116
Charge/ (Reversal) to income statement	459,994,208	954,179,701
Write off during the year	-	(576,682,499)
Transfers / Movements	-	-
Balance as at 31st March	**2,110,698,526**	**1,650,704,318**

23.4 Allowance for Expected Credit Losses/Impairment

Loans subject to collective impairment

	2024 Rs.	2023 Rs.
Balance as at 01st April	1,747,910,759	1,368,506,594
Charge / (Reversal) to income statement	33,954,677	379,404,165
Balance as at 31st March	**1,781,865,436**	**1,747,910,759**

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 2023	6,384,453	11,891,615	3,380,339,009	3,398,615,077
Charge / (Reversal) to income statement (Note 10.1)	(2,511,275)	(9,559,883)	506,020,043	493,948,886
Transfers / Movements	-	-	-	-
Balance as at 31st March 2024	**3,873,178**	**2,331,732**	**3,886,359,053**	**3,892,563,963**

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 2022	20,499,793	63,242,808	2,557,971,109	2,641,713,710
Charge / (Reversal) to income statement (Note 10.2)	(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**

23.7 Movement in gross Factoring receivables during the year (Under SLFRS 9)

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross carrying amount as at 1st April 2023	1,197,064,411	62,300,664	6,320,394,331	7,579,759,406
New assets originated or purchased	**322,316,928**	-	-	322,316,928
Assets derecognised or repaid (Excluding write offs)	(1,085,804,045)	(44,448,349)	(425,389,448)	(1,555,641,843)
Transfer to Stage 1	**32,482,944**	(11,487,904)	(20,995,040)	-
Transfer to Stage 2	(7,592,673)	22,916,420	(15,323,747)	-
Transfer to Stage 3	**(5,056,414)**	(7,360,273)	12,416,687	-
Amount written off	-	-	-	-
Gross carrying amount as at 31st March 2024	**453,411,151**	**21,920,557**	**5,871,102,783**	**6,346,434,491**

24. FINANCIAL ASSETS AT AMORTISED COST - LEASE & HIRE PURCHASE RECEIVABLES

At Amortized cost

	2024 Rs.	2023 Rs.
Total lease & hire purchase rentals receivable	5,455,669,311	10,939,448,031
Less: Unearned interest income	(944,447,779)	(2,479,278,210)
Gross lease & hire purchase receivable	4,511,221,532	8,460,169,821
Less: Allowance for expected credit losses / collective impairment (Note 24.3 & 24.4)	(512,681,907)	(643,707,944)
Net lease receivable (Note 24.1 & 24.2)	**3,998,539,625**	**7,816,461,877**

24.1 Maturity Analysis of net Lease & Hire Purchase Receivable

As at 31 March 2024	1 Year Rs.	1- 5 Year Rs.	Over 5 Years Rs.	Total Rs.
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	3,052,483,929	2,403,185,382	-	5,455,669,311
Less: Unearned lease interest income	(577,313,662)	(367,134,117)	-	(944,447,779)
Gross lease receivable	**2,475,170,268**	**2,036,051,265**	**-**	**4,511,221,532**
Less: Allowance for expected credit losses				(512,681,907)
Net lease receivable				**3,998,539,626**

24.2 Maturity Analysis of net Lease & Hire Purchase Receivable

As at 31 March 2023	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: Provision for collective impairment				(643,707,944)
Net lease receivable				**7,816,461,877**

24.3 Analysis of Lease & Hire purchase Receivables on Maximum Exposure to Credit Risk

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross receivables-subject to collective impairment	1,542,249,015	1,158,242,763	1,810,729,754	4,511,221,532
Allowance for expected credit losses (ECL)	(6,925,657)	(26,412,857)	(479,343,393)	(512,681,907)
	1,535,323,358	**1,131,829,907**	**1,331,386,361**	**3,998,539,625**

24.4 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**

24.5 Allowance for Expected Credit Losses/Impairment

Loans subject to collective impairment

As at 31 March	2024 Rs.	2023 Rs.
Collective Impairment		
Balance as at 01st April	410,396,968	256,299,836
Charge/ (Reversal) to income statement	(202,032,523)	154,097,132
Balance as at 31st March	**208,364,444**	**410,396,968**
Individual Impairment		
Balance as at 01st April	233,310,976	98,258,239
Charge/ (Reversal) to income statement	71,006,486	157,228,381
Write off during the year	-	(22,175,643)
Transfers / Movements	-	-
Balance as at 31st March	**304,317,462**	**233,310,976**

24.6 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2023	19,568,513	75,555,152	548,584,280	643,707,944
Charge/ (Reversal) to income statement (Note 10.1)	(12,642,856)	(49,142,296)	(69,240,886)	(131,026,037)
Transfers / Movements	-	-	-	-
Balance as at 31st March 2024	**6,925,657**	**26,412,857**	**479,343,393**	**512,681,907**

24.7 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2022	37,044,922	131,673,093	185,840,060	354,558,075
Charge/ (Reversal) to income statement (Note 10.2)	(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**

24.8 Movement in gross Factoring receivables during the year (Under SLFRS 9)

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross carrying amount as at 1st April 2023	3,013,038,360	2,078,716,914	3,368,414,548	8,460,169,821
New assets originated or purchased	-	-	-	-
Assets derecognised or repaid (Excluding write offs)	(1,626,421,373)	(839,027,667)	(1,483,499,249)	(3,948,948,289)
Transfer to Stage 1	**552,115,663**	(435,560,748)	(116,554,915)	-
Transfer to Stage 2	(250,648,409)	544,143,296	(293,494,887)	-
Transfer to Stage 3	**(145,835,225)**	(190,029,032)	335,864,257	-
Amount written off	-	-	-	-
Gross carrying amount as at 31st March 2024	**1,542,249,015**	**1,158,242,763**	**1,810,729,754**	**4,511,221,532**

25. OTHER ASSETS

As at 31 March	2024 Rs.	2023 Rs.
Financial Assets		
Repossessed vehicle stock	326,926,167	142,330,013
Real Estate stock	854,638,009	885,698,983
Trading Vehicle Stock	-	21,449,968
Amount due from Related Companies (Note 25.1)	3,210,103	1,549,303
Other receivables	58,773,133	120,984,520
Less: Provision for Financial Assets	(356,250,855)	(191,152,307)
	887,296,557	**980,860,481**
Non Financial Assets		
Deposits & Prepayments	107,163,047	212,568,030
Inventories	2,659,512	4,128,773
Income tax receivable	254,052,137	254,052,137
Taxes receivable	197,050,125	196,561,532
Less: Provision for Non - Financial Assets	(92,762,888)	-
	468,161,934	**667,310,473**
	1,355,458,490	**1,648,170,954**

25.1 Amount due from Related Companies

	2024 Rs.	2023 Rs.
Softlogic Retail (Pvt) Ltd	1,142,484	-
Softlogic Life PLC	2,067,619	1,549,303
	3,210,103	1,549,303

26. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		2024 Rs.	2023 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

As at 31 March	2024		
	No of Shares	Cost Rs.	Market Value Rs.
Credit Information Bureau of Sri Lanka	100	30,600	30,600

As at 31 March	2023		
	No of Shares	Cost Rs.	Market Value Rs.
Credit Information Bureau of Sri Lanka	100	30,600	30,600

In financial year 2023/24, the Company received dividends of Rs. 179,520/- (Financial year 2022/23 - Rs. 240,000/-) 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 2024	Balance as at 31.03.2023 Rs.	Additions / Reclassifications Rs.	Revaluation surplus / Transfers Rs.	Disposals Rs.	Balance as at 31.03.2024 Rs.
Owned Assets					
Freehold Land	240,000,000	-	-	(240,000,000)	-
Freehold Building	110,500,000	9,741,466	-	(120,241,466)	(0)
Officer Partitioning	177,980,114	3,070,150	-	(82,217,629)	98,832,635
Furniture & Fittings	85,337,088	-	-	(1,677,373)	83,659,715
Office equipment	324,498,085	2,988,845	-	(34,778,962)	292,707,968
Motor vehicles	18,470,006	-	782,498	(5,400,000)	13,852,504
Sub Total	**956,785,293**	**15,800,461**	**782,498**	**(484,315,430)**	**489,052,822**
Total Assets	956,785,293	15,800,461	782,498	(484,315,430)	489,052,822

27.2 Accumulated Depreciation

	Balance as at 31.03.2023 Rs.	Charge for the year Rs.	Disposals /Transfers Rs.	Balance as at 31.03.2024 Rs.
Owned Assets				
Freehold Land	-	-	-	-
Freehold Building	-	5,010,061	(5,010,061)	-
Officer Partitioning	151,335,507	7,994,159	(67,623,018)	91,706,648
Furniture & Fittings	80,924,947	1,514,500	(1,603,599)	80,835,848
Office equipment	289,632,839	11,933,631	(30,591,690)	270,974,780
Motor vehicles	15,038,006	858,000	(4,617,502)	11,278,504
Total Cost/ Valuation	536,931,299	27,310,351	(109,445,870)	454,795,780
Total Depreciation	536,931,299	27,310,351	(109,445,870)	454,795,780

27.3 Net Book Values

	2024 Rs.	2023 Rs.
Freehold Land	-	240,000,000
Freehold Building	(0)	110,500,000
Officer Partitioning	7,125,987	26,644,607
Furniture & Fittings	2,823,867	4,412,141
Office equipment	21,733,188	34,865,246
Motor vehicles	2,574,000	3,432,000
Total carrying amount of Owned Assets	34,257,042	419,853,994
Total carrying amount of Assets	34,257,042	419,853,994

27.4 During the financial year, the Company acquired property, plant & equipment to the aggregate value of Rs. 16.20 Mn (2023 Rs.18.82 Mn).

Cost of fully depreciated assets of the Company which are still in use as at 31 March 2024 is Rs. 534.94 Million (2023 - Rs. 582.65 Mn).

27.5 Fair Value Related Disclosures of freehold Land & Building

Freehold land & building located at No13, De Fonseka Place, Colombo 04 was de-recognized as a result of disposal of the property, Since there is no freehold Land & Building other than the assets mentioned above, annual Revaluation of land and Building was not carried out during the financial year.

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 01st April 2023	240,000,000	110,500,000
Acquisition	-	-
Changes in fair value	-	-
Disposal during the year	(240,000,000)	(110,500,000)
Balance at 31st March 2024	-	-

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) 2024	Range (weighted average) 2023
Market Comparable Method	Estimated price per perch (Land extent: 12 perches)	N/A	Rs. 18 Million - Rs. 25 Million
	Price per sq. ft for building	N/A	Between Rs. 7,500/= to Rs. 13,750/=

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.
2024		
Movement in land price	+500 b.p	-
	-500 b.p	-
2023		
Movement in price of sqft	+500 b.p	-
	-500 b.p	-

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	2024		2023	
	Cost Rs.	Carrying value Rs.	Cost Rs.	Carrying value Rs.
Freehold land	-	-	62,181,178	62,181,178
Freehold building	-	-	92,480,006	56,373,398

27.8 Intangible Assets

	2024 Rs.	2023 Rs.
Cost as at 01 April	271,781,313	271,781,313
Additions, improvements & Transfers	405,002	-
Cost as at 31 March	**272,186,315**	**271,781,313**
Amortisation as at 01 April	181,588,117	148,350,974
Amortisation for the year	18,983,976	33,237,142
Accumulated amortisation as at 31 March	**200,572,093**	**181,588,117**
Net book value as at 31 March	**71,614,222**	**90,193,197**

28. INVSTMENT PROPERTY

	2024 Rs.	2023 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

	2024 Rs.	2023 Rs.
Cost as at 01 April	337,105,624	283,140,030
Additions and improvements	(19,155,378)	53,965,594
Cost as at 31 March	**317,950,246**	**337,105,624**
Accumulated Amortisation as at 01 April	205,654,905	141,160,244
Amortisation expenses for the year	50,018,096	64,494,661
Accumulated amortisation as at 31 March	**255,673,001**	**205,654,905**
Net book value as at 31 March	**62,277,245**	**131,450,719**

30. FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO OTHER CUSTOMERS

	2024 Rs.	2023 Rs.
Fixed deposits	7,385,695,453	12,345,052,709
Saving deposits	96,022,097	85,894,247
	7,481,717,550	**12,430,946,956**

31. FINANCIAL LIABILITIES AT AMORTISED COST - OTHER BORROWED FUNDS

	2024 Rs.	2023 Rs.
Bank Loans	-	149,951,658
Securitizations	272,493,671	193,025,517
Commercial Papers	285,391,921	5,563,472,312
Loans received from parent company - Subordinated Debt	-	1,009,729,804
	557,885,592	**6,916,179,291**

The company has not had any default of principal, interest or other breaches with regard to any liability during 2023 & 2024.

31.1 Movement in other Borrowed Funds

	2023 Rs.	Grantings / Accrual Rs.	Repayments Rs.	2024 Rs.
Long-term borrowings (Note 31.2)	-	-	-	-
Short-term borrowings (Note 31.2)	150,000,000	650,000,000	800,000,000	-
Commercial Papers	5,303,407,504	1,207,252,040	6,243,226,569	267,432,975
Subordinated debt	1,009,640,262	109,640,262	1,119,280,525	-
Securitizations	168,795,092	1,187,024,605	1,120,719,697	235,100,000
Capital outstanding of debt issued and other borrowed funds	6,631,842,859	3,153,916,907	9,283,226,791	502,532,975
Interest Payable	284,336,432			55,352,617
Total Borrowings	**6,916,179,291**			**557,885,592**

31.2 Institutional wise

	Tenor	Amortised cost	
		2024 Rs.	2023 Rs.
Short term loans			
Commercial Bank	6 months	-	-
Seylan Bank PLC	3 months	-	150,000,000
		-	**150,000,000**
Long term loans			
Hatton National Bank PLC	36 Months	-	-
Union Bank PLC	48 Months	-	-
		-	-
		-	**150,000,000**

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	2024 Rs.000	2023 Rs.000	Carrying value of Collaterals Rs. Mn	Security
NDB Trust 1	Securitisation	25.93%	12 monthly installments commencing after grace period of 7 months starting from Jul 2023	174,395	-	188	Mortgage over Lease receivables of Softlogic Finance PLC
NDB Trust 2	Securitisation	20.61%	12 monthly installments commencing after grace period of 5 months starting from Oct 2023	98,099	-	118	Mortgage over Lease 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	-	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	-	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	-	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	-	Mortgage over Lease receivables of Softlogic Finance PLC
Seylan Bank PLC	Revolving Loan	AWPLR+2.50%	monthly interest payment & capital payment every 3 months	-	152,434	-	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	-	1,009,730	-	-

32. OTHER PAYABLES

	2024 Rs.	2023 Rs.
Non Financial Liabilities		
Accrued expenses	36,427,344	122,419,650
Related Party Payables (Note 32.1)	1,423,169	25,990,692
Deposit insurance premium	936,060	1,424,960
Dividend Payable	-	598,465
Lease Liability (Note 32.2 & 32.3)	75,979,132	129,509,241
Other payables	290,506,039	241,463,555
	405,271,743	**521,406,563**

32.1 Related Party Payables

	2024 Rs.	2023 Rs.
Softlogic Information Technologies (Pvt) Ltd	27,300	-
Softlogic Life PLC	267,821	24,829,981
Softlogic Capital Ltd	-	300,000
Softlogic Retail (Pvt) Ltd	1,015,546	860,711
Future Automobiles Pvt Ltd	112,502	-
	1,423,169	**25,990,692**

32.2 Movement of Lease Liabilities During the Year is as Follows.

	2024 Rs.	2023 Rs.
Balance as at 01 April	129,509,240	134,712,424
Additions	(17,920,378)	43,410,079
Accretion of interest	31,683,186	27,597,172
Payments during the year	(67,292,916)	(76,210,435)
Balance as at 31 March	**75,979,132**	**129,509,240**

32.3 Gross Maturity Analysis of Lease Liabilities

	2024 Rs.	2023 Rs.
Less than one year	40,980,534	59,575,979
One to five years	54,319,276	106,575,854
More than five years	-	-
Total lease liabilities as at 31 March	**95,299,811**	**166,151,832**

33. DEFERRED TAX LIABILITIES / (ASSETS)

	2024 Rs.	2023 Rs.
Deferred tax assets	511,305,895	468,139,750
Deferred tax liabilities	(2,040,721)	(39,470,027)
Total net deferred tax	**509,265,174**	**428,669,724**

Summary of Net Deferred Tax Liability

	2024		2023	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Deferred tax assets on:				
Gratuity Provision As At 31st March	34,504,020	10,351,206	41,832,849	12,549,855
Disallowed Impairment Provision	39,630,695	11,889,209	1,459,300,999	437,790,300
Unutilised Tax Losses	1,643,920,156	493,176,047	75,213,384	22,564,015
Right of use assets	(13,701,887)	(4,110,566)	(15,881,398)	(4,764,419)
	1,704,352,984	**511,305,895**	**1,560,465,833**	**468,139,750**
Deferred tax liabilities on:				
Accelerated depreciation for tax purpose - Own assets	6,802,404	2,040,721	113,501,755	34,050,527
Revaluation of land & building	-	-	18,065,000	5,419,500
Accelerated depreciation for tax purpose - Lease assets	-	-	-	-
	6,802,404	2,040,721	131,566,755	39,470,027
Net Deferred tax liabilities / assets	**1,697,550,580**	509,265,174	**1,428,899,078**	428,669,724

34. RETIREMENT BENEFIT OBLIGATIONS

An actuarial valuation of the gratuity fund of the Company was carried out as at 31 March 2024 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

		2024 Rs.	2023 Rs.
Balance as at 01st April		41,832,849	46,459,268
Amount recognised in the income statement	34.2	13,664,733	13,710,058
Amounts recognised in other comprehensive income	34.3	580,056	(7,618,824)
Benefits paid by the plan		(21,573,618)	(10,717,653)
Balance as at 31st March		**34,504,021**	**41,832,849**

34.2 Amount Recognised in the Income Statement

	2024 Rs.	2023 Rs.
Current service cost for the year	4,043,178	7,205,760
Interest on the defined benefit liability	9,621,555	6,504,298
	13,664,733	**13,710,058**

34.3 Amounts Recognised In Other Comprehensive Income (OCI)

	2024 Rs.	2023 Rs.
Actuarial (gain)/loss due to changes in assumptions		
- Experience adjustment (Financial and Demographic)	(1,910,255)	(761,892)
- Financial Assumptions	1,595,007	(7,136,339)
- Demographic Assumptions	895,305	279,407
Liability experience (gain) losses arising during the year	-	-
Total amount recognized in OCI	580,056	(7,618,824)

34.4 Assumptions

	2024	2023
Discount rate *	12.00%	23.00%
Future salary increment rate *	8.00%	6.00%
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)	2.2	3.2
The weighted average duration of the defined benefit obligation	2.0	3

* 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

	2024 Rs.	2023 Rs.
Within the next 12 months	11,689,433	11,393,221
between 1 to 2 years	14,328,252	15,609,387
between 3 to 5 years	5,873,286	9,463,995
between 6 to 10 years	2,465,511	4,622,737
beyond 10 years	147,539	743,509
Total	34,504,021	41,832,849

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.

		2024		2023	
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%	(0.69 Million)	(0.69 Million)	(0.99 Million)	(0.99 Million)
Discount rate	-1.00%	0.75 Million	0.75 Million	1.03 Million	1.03 Million
Salary Increment rate	1.00%	0.90 Million	0.90 Million	1.31 Million	1.31 Million
Salary Increment rate	-1.00%	(0.87 Million)	(0.87 Million)	(1.26 Million)	(1.26 Million)

35. STATED CAPITAL

	2024		2023	
	No. of shares	Rs.	No. of shares	Rs.
Issued and Fully Paid-Ordinary shares				
Ordinary shares as at 01st April	609,210,803	7,597,925,039	492,726,902	6,746,427,723
Rights issue	353,362,388	851,497,316	116,483,901	851,497,316
Ordinary shares as at 31st March	**962,573,191**	**8,449,422,356**	**609,210,803**	**7,597,925,039**

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	2024 Rs.	2023 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	2024 Rs.	2023 Rs.
Balance as at 01st April	172,788,382	160,142,882
Revaluation surplus (net of tax)	-	12,645,500
Transferred to Retained Earnings	(172,788,382)	-
Balance as at 31st March	**-**	**172,788,382**

38. NON-DISTRIBUTABLE REGULATORY LOSS ALLOWANCE RESERVE

As at 31 March	2024 Rs.	2023 Rs.
Balance as at 01st April	1,748,974,244	-
Charged / Transferred in during the year	-	1,748,974,244
Reversed / Transferred out during the year	(12,736,293)	-
Balance as at 31st March	**1,736,237,951**	**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 adjusted a RLAR and the amount of the RLAR as of 31st March 2024 amounting to Rs.1.73Bn.

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	2024 Rs.	2023 Rs.
Balance as at 01st April	(7,544,089,316)	(2,803,598,409)
Net change in other comprehensive income	(406,040)	5,333,178
Gain / (Loss) on share disposal	172,788,382	-
Transferred to Regulatory Loss Allowance Reserve (Note 38)	12,736,293	(1,748,974,244)
Expenses related to share issue	(2,196,556)	(1,646,405)
Transferred from current years' profit	(1,776,737,232)	(2,995,203,435)
Balance as at 31st March	**(9,137,904,469)**	**(7,544,089,316)**

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	2024 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	333,866,263	333,866,263	-	-	333,866,263
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	378,632,877	-	378,632,877	-	378,632,877
Securities purchased under repurchase agreements	603,494,798	-	603,494,798	-	603,494,798
Financial Assets at Amortised Cost - Factoring receivables	20,191,635	-	-	20,191,635	20,191,635
Financial Assets at Amortised Cost - Gold loan receivables	1,366,092,813	-	-	1,366,092,813	1,366,092,813
* Financial Assets at Amortised Cost - Loan receivables	2,453,870,529	-	-	4,943,067,113	4,943,067,113
* Financial Assets at Amortised Cost - Lease and hire purchase receivables	3,998,539,625	-	-	3,127,899,999	3,127,899,999
Other Financial assets	887,296,557	-	-	887,296,557	887,296,557
Equity Instruments at fair value through other comprehensive income	30,600	-	30,600	-	30,600
TOTAL FINANCIAL ASSETS	**10,042,015,696**	**333,866,263**	**982,158,275**	**10,344,548,116**	**11,660,572,654**
FINANCIAL LIABILITIES					
Financial Liabilities at Amortised Cost - Due to other customers	7,481,717,550	-	-	6,654,143,997	6,654,143,997
Financial Liabilities at Amortised Cost - Other borrowed funds	580,435,984	-	580,435,984	-	580,435,984
TOTAL FINANCIAL LIABILITIES	**8,062,153,534**	**-**	**580,435,984**	**6,654,143,997**	**7,234,579,981**

There were no transfers between levels of fair value hierarchy during 2024 and 2023.

* 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	2023 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	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	18,867,082,133	21,567,929,237
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 2024 and 2023.

* 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.

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.

41. FINANCIAL RISK MANAGEMENT (Contd..)

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	2024 Carrying amount Rs.	2023 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	2024 Carrying amount Rs.	2023 Carrying amount Rs.
Financial Liabilities at Amortised Cost - Due to other customers	527,538,983	5,464,967,323
Financial Liabilities at Amortised Cost - Other borrowed funds	259,330,425	1,265,859,404
	786,869,408	6,730,826,726

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 2024		
Quoted shares – (Colombo Stock Exchange)	+ 10%	-
	-10%	-
31 March 2023		
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 2024 Rs.	31 March 2023 Rs.
Financial assets	12,916,066,637	22,645,243,942
Financial liabilities	7,771,700,917	18,779,255,032

Floating interest rate instruments:

	31 March 2024 Rs.	31 March 2023 Rs.
Financial assets	Nil	Nil
Financial liabilities	235,100,000	318,795,092

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.
2024		
Floating interest rate instruments	+500 b.p	11,755,000
	-500 b.p	(11,755,000)
2023		
Floating interest rate instruments	+500 b.p	15,939,755
	-500 b.p	(15,939,755)

41. FINANCIAL RISK MANAGEMENT (Contd..)

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 2024	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	261,762,193	-	-	-	72,104,070	333,866,263
Equity Instruments at fair value through other comprehensive income	-	-	-	-	30,600	30,600
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	378,632,877	-	-	-	-	378,632,877
Securities purchased under repurchase agreements	603,494,798	-	-	-	-	603,494,798
Financial Assets at Amortised Cost - Lease and hire purchase receivables	1,037,030,390	925,457,971	1,955,212,490	80,838,775	-	3,998,539,625
Financial Assets at Amortised Cost - Loans and receivables	2,381,224,128	407,129,302	272,914,791	778,886,755	-	3,840,154,976
Other Financial Assets	-	887,296,557	-			887,296,557
	4,662,144,386	**2,219,883,830**	**2,228,127,280**	**859,725,530**	**72,134,670**	**10,042,015,696**
Financial Liabilities						
Financial Liabilities at Amortised Cost - Due to customers	3,917,964,143	1,375,261,405	870,220,920	1,318,271,083	-	7,481,717,550
Financial Liabilities at Amortised Cost - Other borrowed funds	266,829,539	-	313,606,444	-	-	580,435,984
	4,184,793,682	**1,375,261,405**	**1,183,827,364**	**1,318,271,083**	**-**	**8,062,153,534**
Interest Rate sensitivity gap	**477,350,704**	**844,622,425**	**1,044,299,916**	**(458,545,552)**	**72,134,670**	**1,979,862,162**

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
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	-	6,951,439,601
	10,158,430,571	**5,229,034,995**	**1,621,170,536**	**2,373,750,456**	**-**	**19,382,386,557**
Interest Rate sensitivity gap	**(730,581,602)**	**(3,698,463,520)**	**2,271,763,018**	**2,972,814,491**	**143,039,000**	**958,571,387**

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.

41. FINANCIAL RISK MANAGEMENT (Contd..)

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 2024	Stage 1	Stage 2	Stage 3	Total
Financial Assets at Amortised Cost - Factoring receivables	87,271	-	68,526,665	68,613,936
Financial Assets at Amortised Cost - Gold loan receivables	7,980	7,835	1,616	17,432
Financial Assets at Amortised Cost - Loan receivables	3,873,178	2,331,732	3,886,359,053	3,892,563,963
Financial Assets at Amortised Cost - Lease and hire purchase receivables	6,925,657	26,412,857	479,343,393	512,681,907
Other assets	-	-	356,250,855	356,250,855
Total impairment for expected credit losses	**10,894,087**	**28,752,424**	**4,790,481,583**	**4,830,128,093**

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**

Movement of the total allowance for expected credit losses during the period

As at 31 March	2024 Rs.	2023 Rs.
Balance as at 01st April	4,286,463,918	3,075,547,173
Net charge to profit or loss (Note 10)	644,151,003	1,809,774,888
Write-off during the year	31,060,974	598,858,142
Other movements	(31,060,974)	-
Balance as at 31st March	**4,868,492,973**	**4,286,463,918**

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 2024		31 March 2023	
	Maximum exposure to credit risk Rs.	Net exposure Rs.	Maximum exposure to credit risk Rs.	Net exposure Rs.
Cash and cash equivalents	333,866,263	261,762,193	493,667,734	350,659,334
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	982,127,675	-	2,207,148,770	-
Financial Assets at Amortised Cost - Lease and hire purchase receivables	4,511,221,532	-	8,460,169,821	-
Financial Assets at Amortised Cost - Loans and receivables	7,801,350,307	2,474,062,163	12,294,392,151	4,293,419,454
Other Financial Assets	887,296,557	61,983,236	980,860,481	122,533,824
Total Financial Assets	**14,515,892,934**	**2,797,838,193**	**24,436,269,557**	**4,766,643,212**

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	2024 Rs.	2023 Rs.
Agriculture	1,093,067,992	1,367,826,881
Manufacturing	1,237,794,845	1,565,001,137
Tourism	307,804,939	429,565,373
Transport	396,294,542	620,954,688
Construction	593,664,420	755,540,441
Trading	3,502,545,834	4,656,433,400
Services	1,936,610,777	2,295,229,581
Other	3,244,788,490	9,064,010,471
	12,312,571,839	**20,754,561,972**

41. FINANCIAL RISK MANAGEMENT (Contd..)

The Provisional breakdown for factoring, gold loans, leases, hire purchases and loans as follows,

As at 31 March	2024 Rs.	2023 Rs.
Central Province	2,312,665,132	3,636,457,581
North Central Province	1,151,195,204	1,113,338,623
North Western Province	446,641,085	1,656,543,014
Northern Province	194,601,342	483,060,283
Sabaragamuwa Province	829,073,640	1,494,063,934
Southern Province	1,452,736,536	2,333,840,718
Uva Province	291,094,976	444,718,030
Western Province	**5,634,563,924**	**9,592,539,788**
Eastern Province	-	-
	12,312,571,839	20,754,561,972

41.3 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 2024	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	333,866,263	-	-	-	333,866,263
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	378,632,877	-	-	-	378,632,877
Securities purchased under repurchase agreements	605,751,411	-	-	-	605,751,411
Financial Assets at Amortised Cost - Lease and hire purchase receivables	1,779,952,198	1,272,531,731	2,314,673,669	88,511,713	5,455,669,311
Financial Assets at Amortised Cost - Loans and receivables	6,719,181,585	287,593,717	513,727,881	954,956,301	8,475,459,484
Other Financial Assets	-	887,296,557	-	-	887,296,557
Total financial assets	9,817,384,334	2,447,422,005	2,828,401,550	1,043,468,014	16,136,675,904
Financial Liabilities					
Financial Liabilities at Amortised Cost - Due to customers	4,279,633,940	1,689,778,117	1,486,456,694	1,347,665,777	8,803,534,528
Financial Liabilities at Amortised Cost - Other borrowed funds	298,069,839	302,191,077	-	-	600,260,917
Total financial liabilities	4,577,703,779	1,991,969,194	1,486,456,694	1,347,665,777	9,403,795,444

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
Securities purchased under repurchase agreements	316,466,799	-	-	-	316,466,799
	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

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 2024, 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	25,665,303	16,325,421	49,406,637	91,397,362	91,397,362
Loss rate 1% decrease across all age buckets	(10,059,201)	(11,809,468)	(49,062,002)	(70,930,672)	(70,930,672)

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.

41. FINANCIAL RISK MANAGEMENT (Contd..)

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	1,986,880,402	(5,425,215)
100% Base Case scenario	1,990,417,067	(1,888,550)
100% Worst Case (Downside) scenario	1,994,045,821	1,740,204

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	2024 Rs.	2023 Rs.
Average for the year	9.19%	9.93%
Maximum for the year	12.93%	12.30%
Minimum for the year	7.01%	8.48%

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	2024 Rs.	2023 Rs.
Cash in Hand & Bank Balances	333,866,263	493,667,734
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge	603,494,798	1,890,681,971
Total Liquid Assets as at end of March	**937,361,060**	**2,384,349,704**

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	2024		2023	
	Encumbered Rs.	Unencumbered Rs.	Encumbered Rs.	Unencumbered Rs.
Cash and cash equivalents	-	333,866,263	-	493,667,734
Equity Instruments at fair value through other comprehensive income	-	30,600	-	30,600
Placements with banks & Securities purchased under repurchase agreements	-	603,494,798	-	1,890,681,971
Financial Assets at Amortised Cost - Lease and hire purchase receivables	308,551,142	3,689,988,483	815,210,657	7,001,251,220
Financial Assets at Amortised Cost - Loans and receivables	-	3,840,154,976	5,168,872	8,837,619,610
Other non financial assets	-	997,119,118	-	1,197,557,284
Intangible assets	-	71,614,222	-	90,193,197
Property, plant & equipment	-	34,257,042	-	419,853,994

* Encumbered- Pledged as collateral in borrowings

41.4 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 2024 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 2024, 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.

41. FINANCIAL RISK MANAGEMENT (Contd..)

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.

41.5 Capital Management

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.

Capital Compliance

The Company has recorded a negative Tier I capital from last year, up to February 2024, and not in compliance with Minimum Core Capital requirement. Hence, the Central Bank of Sri Lanka, by its letter dated 01 February 2024, based on the Finance Business Act Guideline No. 1 of 2020 Prompt Corrective Action (PCA) Framework for Licensed Finance Companies, has further increased the imposed caps on Total Deposits (with accrued interest payable), Total Lending Portfolio (net of impairment) and Borrowings through Commercial Papers (CPs) up to Rs. 5.0 Bn, Rs.7.0 Bn and Rs.1.2 Bn respectively by 30 April 2024 and imposed restrictions on offering interest rates 100 basis points lower than the maximum interest rates payable on deposits by Licensed Finance Companies, and prohibited to accept new deposits. However, the Company was permitted to grant cash back loans, pawning advances, gold loans and other related claims secured by gold.

As part of the corrective measures communicated to shareholders through an announcement to the Colombo Stock Exchange (CSE) on June 26, 2023, and the Extraordinary General Meeting (EGM) held subsequently on July 12, 2023, the company raised its issued share capital by Rs. 2,332,191,760.80. This increase involved the issuance of 353,362,388 ordinary voting shares through a Rights Issue to existing shareholders during the fiscal year 2023/24.

The primary objective of this initiative was to enhance the company's compliance with the Capital Adequacy requirements outlined in The Finance Business Act Direction No. 03 of 2018 by the Central Bank of Sri Lanka. Under this Rights Issue, shareholders were offered 10 new Ordinary Shares for every 16 Ordinary Shares held, priced at Rs. 6.60 per share.

Description	Nos.	Rs.
Total number of shares provisionally allotted	380,756,752	2,512,994,563.20
Total number of shares subscribed for	353,362,388	2,332,191,760.80
The number of shares unsubscribed	27,394,364	180,802,802.40

Softlogic Capital PLC (SCAP), the parent company, subscribed for its full entitlement as undertaken by investing Rs.2,332,089,150.60 out of the total fresh capital raised through the Rights issue constituting 92.80% of the total Rights issue. The total consideration of Rs.2,332,089,150.60 received from SCAP consists of,

- In cash, Rs.191,843,559.60
- Terminate and conversion of subordinated debt instrument of Rs.900 million with the interest accrued up to settlement, Rs. 1,049,966,134.80.
- Settle and conversion of four (4) short term revolving loans amounting to Rs.920 million together with interest accrued up to settlement, Rs.1,090,382,066.40.

The Rs.180,802,802.40 not subscribed by the shareholders, was not subscribed by SCAP as per their undertaking commitments. The infusion of the new capital has significantly improved the company's capital adequacy ratios as follows:

Description	2024	2023
Capital Adequacy Ratios (As per Central Bank Direction 03 of 2018 Capital Adequacy Requirements)		
Tier 1 Ratio - (Minimum Requirement - 8.5%)	4.92%	-1.11%
Total Capital ratio - (Minimum Requirement - 12.5%)	4.92%	0.60%
Core Capital Requirement (Minimum Requirement - LKR 2.5 Bn)	1 Bn	0.3 Bn

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 as of 31st March 2024 amounting to Rs.1.73Bn. For further details please refer Note 38.

As part of its restructuring initiatives, the company has submitted an alternative capital augmentation plan to the Central Bank of Sri Lanka, where it focusses on enhance the quality of the Company's financial position and compliance of regulatory capital requirements and improving core capital requirement, through transferring beneficial ownership of part of the loan portfolio of the company. The Central Bank has informed the company that the Governing Board of Central Bank has evaluated and favorably considered the proposed alternative capital augmentation plan.

Accordingly subsequent to the reportng date management has taken actions in line with the communication made with Central Bank with Sri Lanka. Please refer Note 44.2

Serious Loss of Capital

The Company's Net assets fell below fifty percent of the stated capital as of 31 March 2023 representing 29% 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 convened an EGM on 12 July 2023 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.

42. UTILISATION OF FUNDS RAISED VIA CAPITAL MARKET

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		

42.5 The company has raised funds further via the capital market through a rights issue on 27 March 2024. 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 as per the Finance Business Act Direction No. 03 of 2018	-	Immediate	-	0%	-	0%	N/A
(b)	To address the serious loss of capital situation as per S220 of the Companies Act No. 07 of 2007	-	Immediate	-	0%	-	0%	N/A
(c)	To improve the Core Capital Requirement, as stipulated by the Finance Business Act Direction No.2 of 2017	-	Immediate	-	0%	-	0%	N/A
(d)	To settle Subordinated Debt of Rs. 900 Mn obtained from Softlogic Capital PLC	1,049,966,135	Immediate	1,049,966,135	45%	1,049,966,135	100%	N/A
(e)	To settle multiple short term loans of Rs. 920 Mn obtained from Softlogic Capital PLC	1,090,382,066	Immediate	1,090,382,066	47%	1,090,382,066	100%	N/A
(f)	To settle the Securitization loan & Commercial papers as per the maturities	191,843,560	Immediate	191,843,560	8%	191,843,560	100%	N/A
		2,332,191,761		2,332,191,761	100%	2,332,191,761		

43. COMMITMENTS AND CONTINGENCIES

As at 31 March	2024 Rs.	2023 Rs.
Contingent Liabilities		
Guarantees issued to banks and other institutions	-	-
Commitments		
Commitment for unutilised facilities	93,005,215	388,741,450
	93,005,215	**388,741,450**

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 2024	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.
Commitments					
Commitment for unutilised facilities	85,005,115	-	-	8,000,100	93,005,215
	85,005,115	**-**	**-**	**8,000,100**	**93,005,215**

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.
Commitments					
Commitment for unutilised facilities	380,741,350	-	-	8,000,100	388,741,450
	380,741,350	**-**	**-**	**8,000,100**	**388,741,450**

43.1 Litigation against the Company

Set out below are the unresolved legal claims against the Company as at March 31, 2024 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 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 case will be coming up for pre trial on 11th July 2024.

44. 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 the transactions mentioned below.

44.1 Caps Imposed by CBSL

As per the latest letter received from CBSL dated 05 July 2024, the Central Bank has further increased the imposed caps on Total Deposits (with accrued interest payable), and Total Lending Portfolio (net of impairment) up to Rs. 4.7 Bn, Rs.5.0 Bn respectively by 31 July 2024, and has further instructed the Company to discontinue borrowings through Commercial Papers (CPs). However, the Company is permitted to grant cash back loans, pawning advances, gold loans and other related claims secured by gold.

44.2 Transfer for Beneficial ownership of part of the Company's loan portfolio for cash

As part of its restructuring initiatives, the company has submitted an alternative capital restoration plan dated 30th May 2024 to the Central Bank of Sri Lanka, where it focusses on enhance the quality of the Company's Statement of Financail Position and full compliance of regulatory capital requirements, including core capital requirement, through a divesting of a segment of the loan portfolio of the company. The Central Bank has informed the company that the Governing Board of Central Bank has evaluated and favorably considered the proposed alternative capital restoration plan.

In line with capital restoration plan agreed with CBSL, the company entered into Participation Agreements with S R One (Private) Limited, a fully owned subsidiary of Softlogic Capital PLC (the parent company), for the transfer of beneficial ownership of a part of the company's loan portfolio for cash. The agreements were signed on July 31, 2024, and September 06, 2024, for the first and second segments, respectively. The transfer of beneficial ownership of part of the company's loan portfolio were completed on the same day as the agreements, with cash considerations of Rs. 100.09 million and Rs. 1,000.17 million, respectively. These transactions were reported to the Colombo Stock Exchange (CSE) on August 1, 2024, and September 6, 2024.

The capital adequacy ratios and core capital after the above transactions , subject to obtaining the auditor's certification on profit & change in reserves are as follows.

Capital Requirements	Ratio after the transaction	As at 31st March 2024
Tier 1 Ratio - (Minimum Requirement - 8.5%)	22.2%	4.92%
Total Capital ratio - (Minimum Requirement - 12.5%)	22.2%	4.92%
Core Capital Requirement- (Minimum Requirement- LKR 2.5 Bn)	2 Bn	1 Bn

The company engaged tax and accounting consultants as advisors to this transaction prior initiating the process and has obtained their opinion in writing. The company has also engaged legal counsel for advising, structuring and arranging the Participation Agreement for the aforementioned divestment of the loan portfolio.

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	2024	2023
Financial Assets at Amortised Cost - Lease and hire purchase receivables	308,551,142	815,210,657
Securtization payable	-	5,168,872

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	2024 Rs.	2023 Rs.
Short-term employee benefits	57,827,065	42,305,601
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	57,827,065	42,305,601

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	2024 Rs.	2023 Rs.
Assets			
Personal Loans	Financial Assets at Amortised Cost - Loan receivables	-	-
Lease	Financial Assets at Amortised Cost - Lease and hire purchase receivables	-	-
Liabilities			
Time Deposits	Financial Liabilities at Amortised Cost - Due to customers	-	9,469,521
Statement of comprehensive income			
Interest income on lease & loan receivables	Interest income	-	490,567
Interest expense on customer deposits	Interest expenses	-	2,729,198

46.1.2 Transaction summary of KMP during the year

	Personal Loans		Lease	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Opening Balance	-	361,013	-	2,559,591
New loans granted	-	1,615,000	-	-
Interest charged	-	233,338	-	257,230
Loan repayments	-	(2,209,351)	-	(880,170)
Other adjustments	-	-	-	(1,936,651)
Closing Balance	-	-	-	-

46. RELATED PARTY DISCLOSURES (Contd..)

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, 2024.

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	2023/24	-	-	-
	Affiliated Company	2022/23	-	-	-
Softlogic Holdings PLC	Ultimate Parent Company	2023/24	-	-	-
	Ultimate Parent Company	2022/23	-	-	-
Softlogic Retail (Pvt) Ltd	Affiliated Company	2023/24	(126,938)	-	312
	Affiliated Company	2022/23	860,711	-	300
Softlogic Brands (Pvt) Ltd	Affiliated Company	2023/24	-	-	345,674
	Affiliated Company	2022/23	-	-	331,721
Softlogic Information Technologies (Pvt) Ltd	Affiliated Company	2023/24	27,300	-	-
	Affiliated Company	2022/23	-	-	-
Softlogic Life Insurance PLC	Affiliated Company	2023/24	(1,799,798)	-	-
	Affiliated Company	2022/23	21,821,008	-	-
Softlogic BPO Services (Pvt) Ltd	Affiliated Company	2023/24	-	1,011,953	-
	Affiliated Company	2022/23	-	1,733,943	-

	Income Earned	Cost Incurred	Plant & Equip. Purchased / (sold)	Sale of equity shares under FVTOCI	Nature and Terms of the Transaction
	-	4,889,821	-	-	> Cost for secretarial services provided > ROC charges
	-	3,820,668	-	-	> Cost for secretarial services provided > ROC charges
	-	1,200,199	-	-	> TOP JOBS online recruitment software licence renewal > Reimbursement of directors annual insurance liability premium
	-	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
	-	29,952,938	-	-	> Cost for staff mobile phone vouchers. > Maintaining savings accounts at a Interest rate of 3% > Accepting of commercial papers at market rate > Office equipment maintenance > AC services and maintenance agreement renewal
	-	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
	-	14,688	-	-	> Maintaining savings accounts at a interest rate of 3%
	-	18,425	-	-	> Maintaining savings accounts at a interest rate of 5%
	-	265,300	-	-	> Equipment maintenance > Cost SITL maintenance and configuration support agreement
	-	270,000	-	-	> Equipment maintenance
	-	8,116,711	-	-	> Staff insurance premium for 2024/25-1st quarter > Covid 19 Insurance commission income > Staff inclusion & deletion payments
	-	30,153,778	-	-	> Business promotional activities - Covid 19 insurance coverage for for gold loan customers > Staff insurance premium for 2023 > Insurance commission income > Blood Donation camp expenses
	208,449	50,192,235	-	-	> 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
	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

46. RELATED PARTY DISCLOSURES (Contd..)

46.2 Transactions with Group Companies (Contd..)

Company	Relationship	F/Y	(Receivables) /Payables	Loans, Advances & Investments	Borrowings / Deposits
Softlogic Computers (Pvt) Ltd	Affiliated Company	2023/24	-	-	-
	Affiliated Company	2022/23	-	-	-
Softlogic Capital PLC	Parent Company	2023/24	-	-	-
	Parent Company	2022/23	-	-	1,009,729,804
Softlogic Asset Management Ltd	Affiliated Company	2023/24	-	-	-
	Affiliated Company	2022/23	-	-	-
Future Automobiles (Pvt) Ltd	Affiliated Company	2023/24	112,502	-	-
	Affiliated Company	2022/23	-	-	-
Asiri Surgical Hospital	Affiliated Company	2023/24	-	-	-
	Affiliated Company	2022/23	-	-	-

* 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
-	801,745	-	-	> Maintenance cost
-	-	-	-	-
-	416,362,278	-	-	> Outsource call center charges > 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% > Four short term revolving loan payments
-	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%
-	-	-	-	-
-	97,741	-	-	> Interest cost incurred on fixed deposit placed
-	1,181,382	-	-	> Vehicle repair services
-	258,301	-	-	> Vehicle repair services
-	-	-	-	-
-	176,000	-	-	> Purchasing of Diesel

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	
	2024	2023	2024	2023
Interest income	1,091,493,584	1,556,496,319	40,173,460	88,995,325
Interest expenses	-	-	-	-
Net interest income	**1,091,493,584**	**1,556,496,319**	**40,173,460**	**88,995,325**
Fee and commission income	38,469,834	39,279,010	1,415,919	2,245,844
Net trading income/(loss)	-	-	-	-
Other operating income	-	-	-	-
Total operating income	**1,129,963,418**	**1,595,775,329**	**41,589,379**	**91,241,169**
Impairment charges for loan and advances	131,026,037	(311,325,513)	14,639,386	855,287
Net operating income	**1,260,989,455**	**1,284,449,817**	**56,228,765**	**92,096,456**
Depreciation for property, plant and equipment	(9,671,702)	(11,969,637)	(152,908)	(346,770)
Amortisation of intangible assets	(6,722,995)	(11,712,230)	(106,289)	(339,313)
Personal cost	-	-	-	-
Other operating expenses	(278,967,942)	(358,026,396)	(10,267,681)	(20,470,768)
Segment profit before VAT on financial services	**965,626,817**	**902,741,554**	**45,701,887**	**70,939,605**
VAT and NBT on financial services	-	-	-	-
Segment profit before tax	**965,626,817**	**902,741,554**	**45,701,887**	**70,939,605**
Income tax reversal/(expenses)	-	-	-	-
Profit for the year	**965,626,817**	**902,741,554**	**45,701,887**	**70,939,605**
Total assets	**3,998,539,625**	**7,816,461,877**	**63,216,148**	**226,449,194**
Total Liabilities	**3,010,877,524**	**7,028,515,146**	**47,601,399**	**203,621,743**

	Gold Loans		Loans and Receivables		Others		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	759,936,013	1,278,622,832	463,033,412	664,593,191	221,262,340	336,716,612	2,575,898,810	3,925,424,279
	-	-	-	-	(2,781,033,747)	(3,891,334,065)	(2,781,033,747)	(3,891,334,065)
	759,936,013	**1,278,622,832**	**463,033,412**	**664,593,191**	**(2,559,771,407)**	**(3,554,617,453)**	**(205,134,937)**	**34,090,214**
	26,784,044	32,266,725	16,319,673	16,771,362	7,798,420	8,497,222	90,787,891	99,060,164
	-	-	-	-	179,520	240,000	179,520	240,000
	-	-	-	-	52,919,984	174,443,598	52,919,984	174,443,598
	786,720,057	**1,310,889,557**	**479,353,086**	**681,364,553**	**(2,498,873,483)**	**(3,371,436,632)**	**(61,247,542)**	**307,833,976**
	16,241,990	(4,594,043)	(741,873,050)	(1,494,710,619)	(64,185,367)	-	(644,151,003)	(1,809,774,887)
	802,962,047	**1,306,295,514**	**(262,519,964)**	**(813,346,066)**	**(2,563,058,849)**	**(3,371,436,632)**	**(705,398,546)**	**(1,501,940,911)**
	(3,304,317)	(6,966,617)	(5,831,375)	(6,227,902)	(8,350,050)	(8,456,690)	(27,310,351)	(33,967,614)
	(2,296,897)	(6,816,800)	(4,053,506)	(6,093,971)	(5,804,289)	(8,274,829)	(18,983,976)	(33,237,143)
	-	-	-	-	(366,686,672)	(523,128,866)	(366,686,672)	(523,128,866)
	(194,227,239)	(294,109,738)	(118,343,781)	(152,870,201)	(56,551,042)	(77,451,796)	(658,357,686)	(902,928,899)
	603,133,594	**998,402,359**	**(390,748,627)**	**(978,538,140)**	**(3,000,450,903)**	**(3,988,748,813)**	**(1,776,737,232)**	**(2,995,203,434)**
	-	-	-	-	-	-	-	-
	603,133,594	998,402,359	(390,748,627)	(978,538,140)	(3,000,450,903)	(3,988,748,813)	(1,776,737,232)	(2,995,203,435)
	-	-	-	-	-	-	-	-
	603,133,594	**998,402,359**	**(390,748,627)**	**(978,538,140)**	**(3,000,450,903)**	**(3,988,748,813)**	**(1,776,737,231)**	**(2,995,203,433)**
	1,366,092,813	**4,549,369,028**	**2,410,846,016**	**4,066,970,260**	**3,452,133,712**	**5,522,422,692**	**11,290,828,313**	**22,181,673,051**
	1,028,660,093	**4,090,765,058**	**1,815,353,294**	**3,656,995,009**	**2,599,436,988**	**4,965,729,014**	**8,501,929,298**	**19,945,625,969**

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	2024 Within 12 Months Rs.	2024 After 12 Months Rs.	2024 Total as at Rs.	2023 Within 12 Months Rs.	2023 After 12 Months Rs.	2023 Total as at Rs.
Assets						
Cash and cash equivalents	333,866,263	-	333,866,263	493,667,734	-	493,667,734
Equity Instruments at fair value through other comprehensive income	30,600	-	30,600	30,600	-	30,600
Securities purchased under repurchase agreements	603,494,798	-	603,494,798	1,890,681,971	-	1,890,681,971
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	378,632,877	-	378,632,877	316,466,799	-	316,466,799
Financial Assets at Amortised Cost - Lease and hire purchase receivables	1,962,488,360	2,036,051,265	3,998,539,625	720,256,082	7,096,205,795	7,816,461,877
Financial Assets at Amortised Cost - Loans and receivables	2,788,353,430	1,051,801,546	3,840,154,976	7,680,356,257	1,162,432,225	8,842,788,482
Other assets	-	1,355,458,491	1,355,458,491	-	1,648,170,954	1,648,170,954
Deferred tax asset	-	509,265,174	509,265,174	-	428,669,724	428,669,724
Intangible assets	-	71,614,222	71,614,222	-	90,193,197	90,193,197
Investment Property	-	103,237,000	103,237,000	-	103,237,000	103,237,000
Right of Use Assets	-	62,277,245	62,277,245	-	131,450,719	131,450,719
Property, plant & equipment	-	34,257,042	34,257,042	-	419,853,994	419,853,994
Total Assets	6,066,866,328	5,223,961,985	11,290,828,312	11,101,459,443	11,080,213,608	22,181,673,051
Liabilities						
Bank Overdrafts	22,550,392	-	22,550,392	35,260,310	-	35,260,310
Financial Liabilities at Amortised Cost - Due to customers	5,293,225,548	2,188,492,003	7,481,717,550	9,336,025,965	3,094,920,991	12,430,946,956
Financial Liabilities at Amortised Cost - Other borrowed funds	244,279,148	313,606,444	557,885,592	6,016,179,291	900,000,000	6,916,179,291
Other non financial liabilities	-	405,271,743	405,271,743	-	521,406,563	521,406,563
Retirement benefit obligations	-	34,504,021	34,504,021	-	41,832,849	41,832,849
Deferred tax liabilities	-	-	-	-	-	-
Total liabilities	5,560,055,087	2,941,874,211	8,501,929,298	15,387,465,566	4,558,160,403	19,945,625,969

SUPPLEMENTARY INFORMATION

10 YEAR SUMMARY

(Rs.'000)	2023/24	2022/23	2021/22	2020/21
OPERATING RESULTS				
Interest income	2,575,899	3,925,424	2,945,416	2,443,391
Interest Expense	(2,781,034)	(3,891,334)	(1,593,117)	(1,894,557)
Net intrest income	**(205,135)**	**34,090**	**1,352,298**	**548,835**
Other Income	143,887	273,744	258,862	143,887
Operating Income	**(61,248)**	**307,834**	**1,611,160**	**692,721**
Operating expense	(1,071,339)	(1,493,263)	(1,336,645)	(1,213,098)
Operating Profit / (Loss)	**(1,132,586)**	**(1,185,429)**	**274,515**	**(520,377)**
Impairment charge	(644,151)	(1,809,775)	(1,210,261)	(491,732)
Taxes on financial Services	-	-	-	-
Profit / (Loss) before taxation	**(1,776,737)**	**(2,995,203)**	**(935,746)**	**(1,012,108)**
Tax expenses / Reversal	-	-	-	109,257
Profit / (Loss) for the year	**(1,776,737)**	**(2,995,203)**	**(935,746)**	**(902,851)**
As at 31 March				
ASSETS				
Cash and bank balances	333,866	493,668	438,009	628,090
Financial & Equity Investments	982,158	2,207,179	1,457,491	1,544,581
Lease, Loans & Advances	7,838,695	16,659,250	20,586,710	16,532,493
PPE & Intangible Assets	105,871	510,047	609,276	629,248
Right of Use Assets	62,277	131,451	141,980	111,013
Other Assets	1,967,961	2,180,078	2,145,335	1,427,638
	11,290,829	**22,181,673**	**25,378,801**	**20,873,062**
LIABILITIES				
Public Deposits	7,481,718	12,430,947	15,599,353	14,598,144
Borrowings	580,436	6,951,440	4,844,446	2,639,022
Other Liabilities	439,776	563,239	571,582	608,007
	8,501,930	**19,945,626**	**21,015,380**	**17,845,172**
SHAREHOLDERS' FUNDS				
Stated Capital	9,930,117	7,597,925	6,746,428	4,506,760
Reserves & Retained Earnings	(7,141,218)	(5,361,878)	(2,383,007)	(1,478,870)
	2,788,899	**2,236,047**	**4,363,421**	**3,027,890**
Movement in Interest Income (%)	(34.4%)	33.3%	20.5%	(32.3%)
Movement Interest Expenses (%)	(28.5%)	144.3%	(15.9%)	(24.7%)
Movement in Operating Profit (%)	4.5%	531.8%	152.8%	(445.5%)
Movement in Profit After Tax (PAT) (%)	40.7%	(220.1%)	(3.6%)	(170.3%)
Earnings / (loss) Per Share (Rs.)	(2.83)	(5.66)	(2.33)	(5.95)
Movement in Advances (%)	(52.9%)	(19.1%)	24.5%	(1.1%)
Movement in Deposits (%)	(39.8%)	(20.3%)	6.9%	(14.4%)
Debt to Equity Ratio (times)	3.05	8.92	4.82	5.89
Net Assets Per Share (Rs.)	2.90	3.67	8.86	11.27
OTHER INFORMATION				
No. of Employees	251	430	494	463
Supporting Branch Network	18	30	33	34

	2019/20	2018/19	2017/18	2016/17 Restated	2015/16 Restated	2014/15
	3,607,234	3,674,450	3,523,556	3,431,752	3,558,081	3,545,704
	(2,516,527)	(2,490,557)	(2,561,130)	(2,291,408)	(2,002,506)	(2,081,375)
	1,090,707	**1,183,892**	**962,426**	**1,140,343**	**1,555,575**	**1,464,329**
	209,742	344,443	622,837	746,956	522,517	427,198
	1,300,450	**1,528,335**	**1,585,264**	**1,887,299**	**2,078,092**	**1,891,527**
	(1,395,845)	(1,274,180)	(1,184,430)	(1,122,141)	(1,208,537)	(1,098,298)
	(95,395)	**254,155**	**400,834**	**765,158**	**869,555**	**793,229**
	(390,137)	(189,682)	(108,425)	(440,822)	(711,846)	(522,296)
	(53,081)	(1,358)	(99,329)	(40,734)	(67,129)	(50,273)
	(538,613)	**63,115**	**193,079**	**283,603**	**90,581**	**220,661**
	204,654	140,854	25,686	(39,268)	(17,438)	(4,172)
	(333,959)	**203,969**	**218,766**	**244,335**	**73,142**	**216,490**
	389,597	709,895	945,104	754,813	509,281	1,078,469
	2,551,733	1,971,432	2,110,743	1,962,016	2,165,798	2,059,796
	16,712,383	18,018,225	17,377,793	17,989,809	15,906,349	15,528,099
	675,587	571,205	600,609	468,884	410,783	367,465
	176,873	-	-	-	-	-
	1,240,418	1,133,845	645,968	530,460	950,173	980,006
	21,746,592	**22,404,601**	**21,680,217**	**21,705,982**	**19,942,383**	**20,013,834**
	17,063,396	17,115,400	16,391,947	16,048,474	14,055,203	12,077,054
	2,179,026	3,342,706	2,916,905	3,671,392	4,076,520	5,396,150
	463,181	189,798	90,914	144,575	154,810	590,995
	19,705,603	**20,647,904**	**19,399,767**	**19,864,440**	**18,286,533**	**18,064,199**
	2,604,765	2,002,270	2,002,270	1,692,615	1,692,615	1,404,523
	(563,776)	(245,573)	278,180	148,927	(36,765)	545,112
	2,040,989	**1,756,697**	**2,280,450**	**1,841,542**	**1,655,850**	**1,949,635**
	(1.8%)	4.3%	2.7%	(3.6%)	0.3%	6.2%
	1.0%	(2.8%)	11.8%	14.4%	(3.8%)	1.2%
	(137.5%)	(36.6%)	(47.6%)	(12.0%)	9.6%	42.6%
	(263.7%)	(6.8%)	(10.5%)	234.1%	(66.2%)	30.7%
	(4.29)	3.00	3.70	4.14	1.40	5.44
	(7.2%)	3.7%	(3.4%)	13.1%	2.4%	27.2%
	(0.3%)	4.4%	2.1%	14.2%	16.4%	29.7%
	9.65	11.75	8.51	10.79	11.04	10.69
	19.74	25.86	33.57	31.18	28.03	33.23
	475	528	551	490	491	521
	35	35	35	31	30	18

1. GENERAL

	As at 31/03/2024	As at 31/03/2023
Stated Capital (Rs.)	9,930,116,800.21	7,597,925,039.41

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

	2023/24	2022/23
Shares held by the public (%)	2.17%	3.42%
The number of public shareholders	2,019	1,989
Float Adjusted Market Capitalization (Rs.)	119,060,677.99	162,513,073.81

IIn terms of Rule 7.13.1(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 7.13.(b) of the Listing Rules. Accordingly, the Company is exploring possibilities of complying with the Listing Rules of the Colombo Stock Exchange.

4. DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2024

There were 2,025 Registered shareholders as at 31st March 2024 and 1,994 Registered shareholders as at 31st March 2023.

		No. of Shareholders		% of Shareholders		No. of Shares		% of Shares	
From	To	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
1	- 1,000	1,328	1,287	65.58%	64.54%	369,362	364,319	0.04%	0.06%
1,001	- 10,000	517	530	25.53%	26.58%	1,866,190	1,862,394	0.19%	0.31%
10,001	- 100,000	160	158	7.90%	7.92%	4,269,629	4,287,415	0.44%	0.70%
100,001	- 1,000,000	11	10	0.54%	0.50%	2,666,866	2,566,791	0.28%	0.42%
Over 1,000,000		9	9	0.44%	0.45%	953,401,144	600,129,884	99.05%	98.51%
Total		**2,025**	**1,994**	**100.00%**	**100.00%**	**962,573,191**	**609,210,803**	**100.00%**	**100.00%**

5. ANALYSIS REPORT OF SHAREHOLDERS AS AT 31ST MARCH 2024

	No. of Shareholders		% of Shareholders		No. of Shares		% of Shares	
Category	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
Individual	1,922	1,882	94.91%	94.38%	10,158,774	9,019,293	1.06%	1.48%
Institutional	103	112	5.09%	5.62%	952,414,417	600,191,510	98.94%	98.52%
Total	**2,025**	**1,994**	**100.00%**	**100.00%**	**962,573,191**	**609,210,803**	**100.00%**	**100.00%**
Resident	2,019	1,988	99.70%	99.70%	962,557,491	609,195,103	99.998%	99.997%
Non-resident	6	6	0.30%	0.30%	15,700	15,700	0.002%	0.003%
Total	**2,025**	**1,994**	**100.00%**	**100.00%**	**962,573,191**	**609,210,803**	**100.00%**	**100.00%**

6. TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2024

No	Name	No. of Shares as at 31-03-2024	%	No. of Shares as at 31-03-2023	%
1	SOFTLOGIC CAPITAL PLC, PAN ASIA BANKING CORPORATION PLC/ SOFTLOGIC CAPITAL PLC	918,701,788	95.44	565,354,947	92.80
2	SOFTLOGIC LIFE INSURANCE PLC-A/C NO. 04 (PARTICIPATING FUND)	15,688,030	1.63	15,688,030	2.58
3	SOFTLOGIC HOLDINGS PLC	5,657,598	0.59	5,657,598	0.93
4	VANIK INCORPORATION LTD	5,376,068	0.56	5,376,068	0.88
5	MR. KULAPPUARACHCHIGE DON DAMMIKA PERERA	3,154,253	0.33	3,154,253	0.52
6	L.B. FINANCE LIMITED.	2,090,000	0.22	2,090,000	0.34
7	PEOPLES BANK/ASOKA KARIYAWASAM PATHIRAGE	1,653,822	0.17	1,653,822	0.27
8	HATTON NATIONAL BANK PLC / SUBRAMANIAM VASUDEVAN	1,079,585	0.11	1,155,166	0.19
9	MERCHANT BANK OF SRI LANKA & FINANCE PLC/B. JANEGAN	673,174	0.07	697,376	0.11
10	PEOPLE'S LEASING & FINANCE PLC/L.P.HAPANGAMA	608,959	0.06	608,959	0.10
11	HATTON NATIONAL BANK PLC/ARUNASALAM SITHAMPALAM	274,303	0.03	274,303	0.05
12	DIALOG FINANCE PLC/P.B.C. KURERA	202,225	0.02	192,225	0.03
13	MR. DICKOWITA KANKANAMGE ATHULA KITHSIRI WEERATHUNGA	175,150	0.02	175,150	0.03
14	SAMPATH BANK PLC/MR. ABISHEK SITHAMPALAM	159,782	0.02	159,782	0.03
15	MRS. PAMELA CHRISTINE COORAY	132,444	0.01	132,444	0.02
16	MR. THARMALINGAM LOGANATHAN	114,277	0.01	10,570	0.00
17	MERCHANT BANK OF SRI LANKA & FINANCE PLC 01	112,056	0.01	112,056	0.02
18	PEOPLE'S LEASING & FINANCE PLC/L.H.L.M.P.HARADASA	107,850	0.01	107,850	0.02
19	SEYLAN BANK LIMITED/JAMES HENRY PAUL RATNAYAKE	106,646	0.01	106,646	0.02
20	MR. ADDARA PATHIRANAGE SOMASIRI	100,000	0.01	100,000	0.02
21	PEOPLE'S LEASING & FINANCE PLC/DR.H.S.D.SOYSA & MRS.G.SOYSA	100,000	0.01	100,000	0.02
	Total of top 20 shareholders	956,268,010	99.34	602,907,245	98.96
	Other Shareholders	6,305,181	0.66	6,314,128	1.04
	Total	962,573,191	100.00	609,221,373	100.00

7. SHARE TRADING INFORMATION

	CRL.N000		CRL.R000	
	2023/24	2022/23	2023/24	2022/23
Highest (Rs.)	9.00	16.50	0.10	5.00
Lowest (Rs.)	5.50	5.80	0.10	0.20
Closing (Rs.)	5.70	7.80	0.10	0.20
Turnover (Rs.)	9,657,274.70	46,759,890.00	5,572.00	1,487,842.10
No. of Shares Traded	1,350,139	4,687,716	55,720	2,395,935
No. of Trades	1,908	4,953	49	938

8. SELECTED KEY PERFORMANCE INDICATORS

Item	As at 31.03.2024		As at 31.03.2023	
	Actual	Required	Actual	Required
Regulatory Capital Adequacy				
Tier 1 Capital Adequacy Ratio	4.92%	8.50%	-1.10%	8.50%
Total Capital Adequacy Ratio	4.92%	12.50%	0.60%	12.50%
Capital Funds to Deposit Liabilities Ratio	13.80%	10.00%	2.50%	10.00%
Quality of Loan Portfolio (%)				
Gross Non- Performing Loans Ratio	61.10%		37.41%	
Net Non- Performing Loans Ratio	17.90%		10.93%	
Net Non-Performing Loans to Core Capital Ratio	103.78%		518.34%	
Provision Coverage Ratio	67.50%		62.45%	
Profitability				
Net Interest Margin	-1.48%		0.17%	
Return on Assets	-10.60%		-12.60%	
Return on Equity	-70.70%		-90.77%	
Cost to Income Ratio	-1303.71%		508.02%	
Liquidity				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	97.74%		132.19%	
Liquid Assets to External Funds	10.09%		12.82%	
Memorandum information				
Number of Branches	18		30	

9. RATIOS

	2023/24	2022/23
Debt to Equity Ratio (Times)	3.03	8.92
Interest Cover (Times)	0.36	0.49

10. INTEREST RATE OF COMPARABLE GOVERNMENT SECURITIES

	2023/24	2022/23
3 Year Treasury Bond	11.50%	26.18%
5 Year Treasury Bond	12.15%	25.00%

11. GROUP STRUCTURE

SOFTLOGIC HOLDINGS PLC
Investment Holding Company

77.36% →

SOFTLOGIC CAPITAL PLC
Investment Holding Company

95.44% →

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	City Office	29/2, Visaka Road, Colombo 04	011-2055572	011-2303363	cityoffice@softlogicfinance.lk
4	Galle	No: 64, Colombo Road, Kaluwella, Galle	091-2248920	091-2248095	galle@softlogicfinance.lk
5	Hatton	No: 115, Main Street, Hatton	051-2222108	051-2225739	hatton@softlogicfinance.lk
6	Head Office	JFI Tower 3, Zone B&C, 6th Floor, No.75, Piyadasa Sirisena Mw, Colombo 10	011-2359700	011-2359799	headoffice@softlogicfinance.lk
7	Jaffna	No: 62/64, Stanley Road, Jaffna	021-2219444	021-2219666	jaffna@softlogicfinance.lk
8	Kadawatha	No.139/7D, Kandy Road,Kadawatha	011-2923011	011-2923013	kadawatha@softlogicfinance.lk
9	Kandy	No: 165, Kotugodella Street, Kandy	081-2224912	081-2224916	kandy@softlogicfinance.lk
10	Kotahena	No.244, George R De Silva Mawatha, Colombo 13	011-2462819	011-2337040	kotahena@softlogicfinance.lk
11	Kurunegala	No: 13, Rajapihilla Road, Kurunegala	037-2232875	037-2232565	kurunegala@softlogicfinance.lk
12	Matale	No: 253, Main Street, Matale	066-2226461	066-2228863	matale@softlogicfinance.lk
13	Matara	No: 08A KKK Building, Station Road, Matara	041-2220195	041-2227257	matara@softlogicfinance.lk
14	Nawala	No: 305B, Nawala Road, Nawala	011-2807080	011-2807082	nawala@softlogicfinance.lk
15	Negombo	86 Josephs Street Negombo	031-2224714	031-2224716	negombo@softlogicfinance.lk
16	Ratnapura	No. 374, Main Street, Kudugalwatta, Ratnapura	045-2230677	045-2223574	rathnapura@softlogicfinance.lk
17	Weligama	No: 2, Matara Road, Weligama	041-2252888	041-2260523	weligama@softlogicfinance.lk
18	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
JFI Tower 3, Zone B&C, 6th Floor,
No.75, Piyadasa Sirisena Mw, Colombo 10.

Principal Place of Business
JFI Tower 3, Zone B&C, 6th Floor,
No.75, Piyadasa Sirisena Mw, Colombo 10.
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 : +94 703328157
Email : prashansa.perera@ softlogicfinance.lk,
Time : Anytime between 10.00 a.m. and 4.00 p.m. on any working day.

Board of Directors
- Mr. A.K. Pathirage
  (Appointed as Chairman w.e.f. 01st August 2024)
- Mr. Dinesh P. Renganathan
  (Resigned w.e.f. 02nd May 2024)
- Mr. H. K. Kaimal
- Mr. H.S. Samantha Dabare
- Mr. R.J. Perera
- Mr. C. Kalupahana
- Mr. Viresh Binomal Nanayakkara
  (Appointed w.e.f. 02nd May 2024)

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

SCAN ME

Availability of the Annual Report
Annual report of the Softlogic Finance PLC can be accessed via
- Softlogic Finance's corporate website https://softlogicfinance.lk/financial/
- The CSE website https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=CRL.N0000
- Scan the QR code provided here.

NOTICE OF MEETING

SOFTLOGIC FINANCE PLC
Co. Reg. No. PB 641 PQ
JFI Tower III, Zone B&C,
No.75, Piyadasa Sirisena Mawatha,
Colombo 10.

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of **SOFTLOGIC FINANCE PLC** will be held on Wednesday, the 30th October 2024 at 10.00 a.m at Auditorium of Central Hospital Limited (4th Floor), No.114, Norris Canal Road, Colombo 10 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 2024 together with the Report of the Auditors thereon.

(2) To re-elect Mr. H.S.Sisira Dabare who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.

(3) To re-elect Mr. R.J. Perera who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.

(4) To appoint Mr. A. K. Pathirage in terms of Article 97 of the Articles of Association, as a Director of the Company

(5) To appoint Mr. C. Kalupahana in terms of Article 97 of the Articles of Association, as a Director of the Company

(6) To appoint Mr. V B Nanayakkara in terms of Article 97 of the Articles of Association, as a Director of the Company

(7) To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

(8) 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

SOFTLOGIC CORPORATE SERVICES (PVT) LTD.
Company Secretaries

27th September 2024
Colombo

Notes

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.

FORM OF PROXY

SOFTLOGIC FINANCE PLC
Co. Reg. No. PB 641 PQ
JFI Tower III, Zone B&C,
No.75, Piyadasa Sirisena Mawatha,
Colombo 10.

**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. A. K. Pathirage	whom failing him
Mr. H.K. Kaimal	whom failing him
Mr. R.J. Perera	whom failing him
Mr. H.S. Sisira Dabare	whom failing him
Mr. V. B. Nanayakkara	whom failing him
Mr. C. Kalupahana	

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 on Wednesday, the 30th October 2024 at 10.00 a.m and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

		For	Against
1.1	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 2024 together with the Report of the Auditors thereon.		
1.2	To re-elect Mr. H.S. Sisira Dabare who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.		
1.3	To re-elect Mr.R.J. Perera who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company		
1.4	To elect Mr. A. K. Pathirage in terms of Article 97 of the Articles of Association, as a Director of the Company.		
1.5	To elect Mr. C. Kalupahana in terms of Article 97 of the Articles of Association, as a Director of the Company.		
1.6	To elect Mr. V B Nanayakkara in terms of Article 97 of the Articles of Association, as a Director of the Company.		
1.7	To re-appoint Messrs. Ernst & Young, as Auditors of the Company for the ensuingb year and to authorize the Directors to fix their remuneration.		
1.8	To authorize the Directors to determine and make Donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting		

Signed this ……………………. day of ……………………. Two Thousand Twenty-Four.

……………………. ……………………..
Signature/s Date

Note:

1) *Please delete the inappropriate words.
2) A proxy need not be a shareholder of the Company.
3) Instructions as to completion are noted on the reverse hereof.

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 – 16th 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
JFI Tower III, Zone B&C,
No.75, Piyadasa Sirisena Mawatha,
Colombo 10.
Tel : 94-11- 2359600, 94-11-2359700
Facsimile : 94-11-2359799
E-mail : info@softlogicfinance.lk
Website : www.softlogicfinance.lk