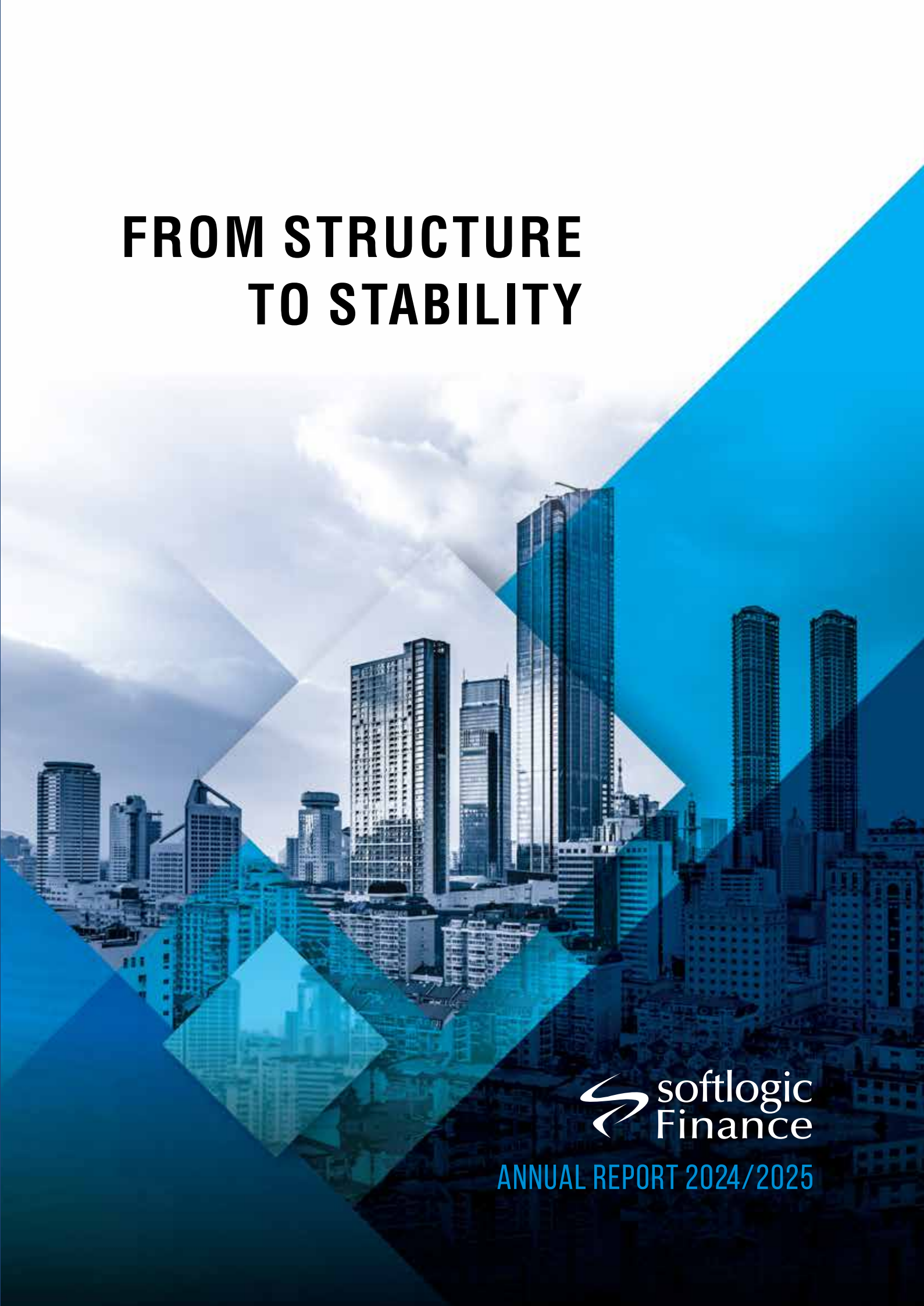
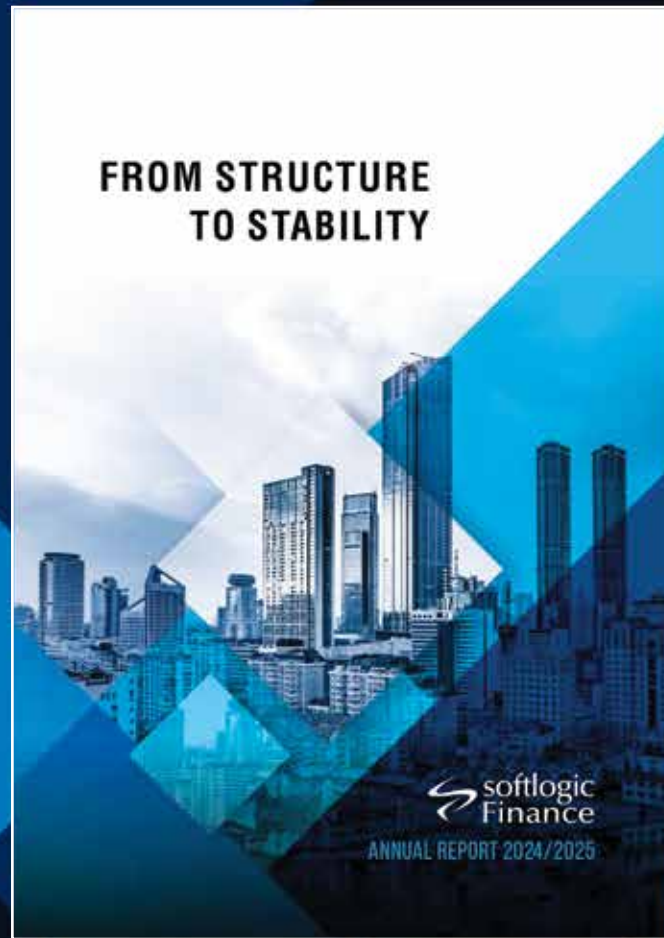


FROM STRUCTURE TO STABILITY



 softlogic
Finance

ANNUAL REPORT 2024/2025



From Structure to Stability

“Sustainable growth can only be achieved on a strong foundation of structure. In recent years, we have reinforced our operational frameworks, cultivated a robust leadership pipeline, and forged strategic partnerships to open new avenues of opportunity. These deliberate actions ensure that our growth is resilient, agile, and responsible. With a clear vision and a structured path forward, we are committed to a journey of purposeful and enduring progress.”

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About Us

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About Us

As a proud member of the Softlogic Group, with a legacy spanning over 25 years and an extensive presence across the nation, we have continually demonstrated resilience in navigating macroeconomic uncertainties. These experiences have strengthened our capacity to anticipate challenges, manage risks, and safeguard both the organization and our valued clientele.

The renewed confidence brought by Sri Lanka's external debt restructuring, coupled with political stability, improved macroeconomic indicators, modest economic growth, and the return to international financial programs, has fostered a more stable environment. While regulatory measures imposed by the Central Bank remain an integral part of our operating landscape, we believe the

likelihood of significant challenges imposed by the regulatory measures in the near term remains limited.

Our commitment as a responsible corporate citizen of Sri Lanka remains resolute. With a proactive outlook, we are well-equipped to address diverse scenarios and to serve the evolving needs of our clients across multiple regions. Despite the challenges posed by regulatory restrictions, which led to a depletion of revenue and assets, we remained robust and implemented decisive restructuring initiatives. Foremost among these was the transfer of beneficial ownership of part of our loan portfolio to a Special Purpose Vehicle (SPV), a strategic move that restored stability and profitability.

Guided by our vision to become a premier financial partner for Sri Lanka's emerging economy, we remain dedicated to realigning our strategies to deliver sustainable success for our clients and the long-term growth of the Company. Our core values underscore the essence of unity, adaptability, commitment, and resilience and form the foundation of our culture and continue to inspire our progress within an increasingly competitive marketplace.

At the heart of this journey is a culture of excellence, rooted in a client-first ethos, strengthened by inclusivity and diversity. As we look ahead, we remain vigilant, innovative, and adaptive nurturing an ecosystem that empowers us to reach new heights of stability, achievement, and sustainable growth.

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

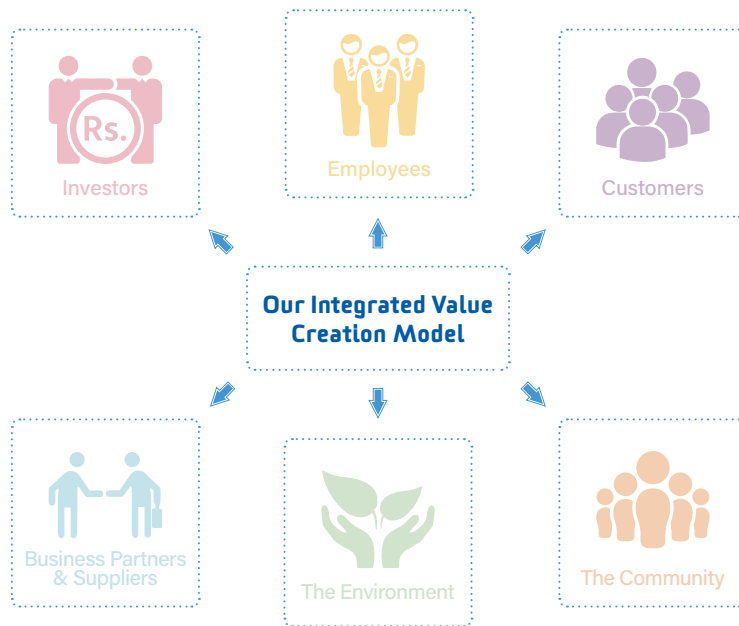
We always strive to be the best in our business and possess a will to win.

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 Philosophy

Our corporate ethos is founded on a commitment to sustainable business practices that address the complexities of today's industrial and economic landscape. Central to this objective is an integrated value-creation process within our business model, which underpins strategic growth and delivers enduring benefits to our stakeholders. We create value through strong, balanced relationships with Investors, Employees, Customers, Business Partners & Suppliers, the Environment and The Community.



Investors – We align our short-term and long-term financial objectives with the expectations of our investors, ensuring sustainable returns. By providing transparent, timely, and comprehensive information, we empower informed decision-making and strengthen investor confidence.

Employees – Our employees are the cornerstone of our success. We focus on continuous professional development, fostering a safe, inclusive, and stimulating workplace where individuals can thrive. Through our employee value proposition, we empower our people to grow both personally and professionally while contributing strategically to our business.

Customers – Customers are at the heart of everything we do. We design financial solutions to meet the diverse

and evolving needs of our clientele, continuously improving products, processes, and platforms. Our goal is to deliver service excellence and build lasting trust through innovation and responsiveness.

Business Partners & Suppliers – We nurture long-term, mutually beneficial relationships with our suppliers and partners, grounded in transparency and ethical business practices. These partnerships are central to our ability to deliver value and maintain operational integrity, ultimately strengthening the trust we extend to our clients.

The Environment – Every aspect of our business decisions and operational activities is carefully crafted to prioritize environmental sustainability. We are dedicated to investing in and promoting environmental conservation initiatives

as integral components of our corporate ethos. This commitment reflects our responsibility to protect the environment for future generations while advancing our business goals.

The Community – We are strongly committed to building lasting partnerships with the communities we serve. By actively engaging in and supporting community development initiatives, we foster resilient relationships that create meaningful impact. These efforts are central to our mission of cultivating sustainable connections and contributing positively wherever we operate.

Our Reporting Philosophy

Reporting Context

Welcome to our ninth Integrated Annual Report! As a company committed to delivering responsible and transparent financial solutions, we strive to provide clear, relevant, and actionable information that enables our stakeholders to make well-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

Guided by our commitment to stakeholders and our responsibility to address their evolving needs, we have embraced the Integrated Reporting methodology to highlight the long-term sustainability of our value creation process.

Through this approach, we provide a balanced view of both financial and non-financial information, enabling a holistic assessment of our financial health, operational performance, and overall impact. To ensure clarity and comparability, we also present key performance indicators benchmarked against the previous financial year, while offering a forward-looking perspective on our value-creating activities.

Our dedication to transparency extends beyond numbers. We identify and disclose the factors most relevant to our stakeholders, along with the sustainability initiatives we pursue to address them. These priorities are shaped by our structured stakeholder identification and engagement processes, ensuring that our strategy remains both inclusive and responsive.

Reporting Boundaries

This Annual Report encompasses all activities of Softlogic Finance PLC across the island during the financial year 2024/25, ending on 31st March 2025. 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 2025 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 173 to 176.

Financial Highlights

| | 2024/25 | 2023/24 | % Change |
|--|----------|------------|----------|
| Financial Results for the Year Ended 31st March (Rs. Mn) | | | |
| Total Gross Income | 1,510 | 2,720 | (44%) |
| Interest Income | 1,133 | 2,576 | (56%) |
| Interest Expenses | 834 | 2,781 | (70%) |
| Net Interest Income | 300 | (205) | (246%) |
| Other Income | 377 | 144 | 162% |
| Total Operating Income | 677 | (61) | (1205%) |
| Total Operating Expenses | 848 | 1,071 | (21%) |
| Impairment Charges | (426) | 644 | (166%) |
| Profit / (Loss) Before Tax (PBT) | 145 | (1,777) | (108%) |
| Taxation (Income Tax & VAT on Financial Services) | - | - | |
| Profit / (Loss) After Tax (PAT) | 145 | (1,777) | (108%) |
| Financial Position as at 31st March (Rs. Mn) | | | |
| Total Assets | 7,982 | 11,291 | (29%) |
| Loans and receivables | 3,251 | 3,840 | (15%) |
| Lease and hire purchase receivables | 1,486 | 3,999 | (63%) |
| Customer Deposits | 4,273 | 7,482 | (43%) |
| Total Borrowed Funds | 4 | 558 | (99%) |
| Shareholders' Funds | 2,934 | 2,789 | 5% |
| Financial Ratios & Indicators | | | |
| Cost to Income Ratio (%) | 125.27 | (1,749.19) | (107%) |
| Return on Average Assets (ROA) - before tax (%) | 1.51 | (10.62) | (114%) |
| Return on Average Equity (ROE) - after tax (%) | 5.07 | (70.72) | (107%) |
| Earnings / (Loss) Per Share (EPS) (Rs.) | 0.15 | (2.90) | (105%) |
| Earnings / (Loss) Yield (%) | 2.79 | (50.84) | (105%) |
| Net Assets Value Per Share (Rs.) | 3.05 | 2.90 | 5% |
| Market Price Per Share (Closing) (Rs.) | 5.40 | 5.70 | (5%) |
| Market Capitalization (Rs.) (Mn.) | 5,197.90 | 5,486.67 | (5%) |
| Price to Earnings (Times) | 35.81 | (1.97) | (1921%) |
| Total Available Liquid Assets | 967.70 | 765.61 | 26% |
| Required Minimum Amount of Liquid Assets | 433.20 | 781.51 | (45%) |
| Debt to Equity Ratio (Times) | 1.72 | 3.05 | (1.33) |
| Interest Cover (Times) | 1.17 | 0.36 | 0.81 |
| Core Capital Ratio (%) (Minimum Requirement - 8.5%) | 25.46 | 4.92 | 417% |
| Total Risk Weighted Capital Ratio (%) (Minimum Requirement - 12.5%) | 25.46 | 4.92 | 417% |

Chairman's Message

I present to you our Annual Report for the financial year 2024/25, with a sense of renewed optimism and confidence as we look ahead to new opportunities and growth.

The financial year marked a pivotal phase in Sri Lanka's ongoing economic recovery and was equally transformative for the Company, as the Company took decisive steps to stabilize its operations, strengthen its financial position, and lay the groundwork for sustainable future growth. Sri Lanka's macroeconomic fundamentals began to stabilize, underpinned by IMF-backed policy reforms, easing inflation, and the successful restructuring of external debt. Tourism recovery, steady remittances, and declining interest rates supported a national GDP growth of approximately 5% in 2024. The Central Bank of Sri Lanka (CBSL) continued its push for financial sector consolidation and tighter governance, creating a more resilient operating landscape for non-bank financial institutions (NBFIs).

A Year of Stabilization and Strategic Reset

The Company navigated the financial year with renewed discipline and clarity. The Company reported a profit of Rs.145.13 million for the financial year, reflecting a turnaround and the early results of focused strategic and operational measures implemented over the past years. Notably, we achieved a substantial reversal of non-performing loans during the year, driven by both the recovery of previously provisioned bad debts and the successful disposal of vehicles taken over at favourable market prices—together contributing to enhanced profitability and improved asset quality. This result was supported by prudent cost management, improved recoveries, and a realignment of our lending focus. By close of the financial year, our Tier I and Total Capital Adequacy Ratios remained strong at 25.46%, far exceeding regulatory thresholds.

A landmark achievement this year was the successful transfer of a part of Company's distressed loan portfolio to a Special Purpose Vehicle (SPV), executed for a cash consideration of Rs. 1.1 Bn. This strategic realignment, carried out under CBSL approval, significantly improved our asset quality and set the foundation for sustainable credit growth. With the legacy burden addressed, we have turned our focus to quality lending, tighter credit controls, and enhanced risk governance.

During the year, we prioritized internal stability, customer trust, and operational refinement. While we remain in the early stages of our digital transformation journey, groundwork is being laid to adopt customer-facing technologies and automate critical internal processes. We recognize the need to catch up with sector benchmarks and are committed to making the required investments in core systems, digital onboarding, and self-service platforms in the coming years.

Navigating Regulatory and Fiscal Pressures

The financial services industry continued to operate under a complex and high-tax environment, with financial institutions subject to corporate income tax, VAT on financial services, and the Social Security Contribution Levy. Despite these pressures, the broader monetary environment turned accommodative. The Central Bank introduced a unified policy rate of 8%, providing direction for market lending rates and fostering credit demand. These trends supported a cautious revival of economic activity and improved conditions for financial sector recovery.

Embracing a Culture of Accountability and Growth

We are fostering a performance-driven culture aligned with strong governance and risk frameworks. Rebuilding the organization with the right talent and mindset remains a key focus. While

the operating environment for licensed finance companies (LFCs) remains competitive and tightly regulated, we believe our renewed internal controls and sharper commercial focus will support our long-term aspirations.

Future Outlook

Looking forward, our strategy is focused on sustainable growth with balance sheet strength. We aim to broaden our product range, deepen customer engagement, and accelerate our shift to digital operations. At the same time, we support the government and regulator's continued emphasis on financial sector consolidation and transparency. These reforms are vital for long-term sectoral resilience and investor confidence.

Appreciation

At the outset, I am especially thankful to our valued shareholders, employees and customers who have stood with us and contributed to our journey of resilience and growth during these challenging times and for their unwavering trust and confidence in our strategic vision.

I also extend my sincere thanks to the Governor, as well as to the Director and the officials of the Department of Supervision of Non-Bank Financial Institutions of Central bank, for their invaluable guidance and support throughout the years.

Finally, I would also like to acknowledge our Board of Directors for their steadfast commitment and dedication which continued to be a cornerstone of our collective progress and success.

(Sgd.)

Ashok Pathirage
Chairman

Chief Executive Officer's Statement

It is with great honour and a deep sense of responsibility that I present my first message to you as the Chief Executive Officer of Softlogic Finance PLC. This message is both a reflection on where we stand today and a reaffirmation of our renewed commitment to sustainable growth, resilience, and stakeholder value creation.

The financial year 2024/25 has been a profound transitional year for our Company. Having endured a prolonged period of financial challenges and operational restructuring, we now find ourselves at a pivotal juncture. Our collective efforts, supported by prudent governance and disciplined execution, have enabled the Company to stabilise its foundation, restore profitability, and set the stage for renewed growth. This achievement was made possible by the tireless efforts of our employees, the confidence of our shareholders, and the trust of our valued customers.

Building on Stabilisation, Driving Growth

During the year, under the committed stewardship of my predecessor, Ms. Ivon Brohier, the Company achieved substantial progress in fortifying its foundations and ensuring operational stability. This financial and operational disciplines instilled during the year enabled us to report a profit of Rs. 145.13 million for the year, while our Capital Adequacy Ratios remained strong at 25.46%, far exceeding the regulatory thresholds. These results clearly demonstrate that the turnaround strategy is bearing fruit, and that our Company has transformed into stability and now is on the right trajectory.

A key milestone during the year was the successful transfer of the beneficial ownership of a part of our distressed loan portfolio to a Special Purpose

Vehicle (SPV) for a cash consideration of Rs. 1.1 billion. This transaction formed an integral part of the Alternative Capital Restoration Plan presented to the Central Bank in May 2024, underscoring our firm commitment to implementing the structural reforms and capital enhancements outlined therein. This decisive step allowed us to restructure our balance sheet, strengthen asset quality, and create space for future growth with a refined business model and product-mix. Combined with the reversal of non-performing loans, improved recoveries, and prudent cost management, this move has placed the Company on firmer footing to pursue quality lending.

Sharpening Strategic Priorities

As we chart the way forward, our focus is anchored on a few key pillars:

1. Strengthening Recoveries:

Recoveries remain a central priority in our business strategy. The progress we have achieved in reversing our gross non-performing loans by Rs. 2 billion during the year, reflects not just our operational discipline, enduring commitment, but also the untapped potential in recovery-led profitability. We will continue to strengthen our recovery mechanisms, including legal action, negotiated settlements, and customer-centric repayment solutions.

2. Focus on Asset-Backed Lending:

We are undertaking a strategic transformation by redefining our product mix to align with evolving market dynamics and future growth opportunities. Our credit strategy will increasingly pivot towards asset-backed financing, with a primary emphasis on vehicle financing and gold loan for ensuring better risk management and

sustainable asset quality. In addition, we will also focus on SME asset-backed loans, and other secured retail lending, enabling us to balance growth with prudence.

3. Enhancing Shareholder Value:

At the heart of all our initiatives lies the commitment to enhance long-term shareholder value. By focusing on profitable growth, disciplined capital allocation, and transparent governance, we aim to deliver sustainable returns that reward shareholder confidence in our journey.

4. Digital Transformation:

The financial services industry is being reshaped by digital disruption, and we are committed, as part of our business strategy, to accelerating our digital transformation. This means upgrading our digital infrastructure, introducing digital-first products, expanding self-service platforms, and strengthening our online presence to meet evolving customer needs. In addition, we will also focus on implementing advanced analytics and leveraging of fintech solutions for delivery operational efficiency. Our vision is to create a seamless, accessible, and convenient financial experience that resonates with the next generation of customers while reducing operational inefficiencies.

5. Sustainable and Inclusive Finance:

Looking ahead, we will place increasing emphasis on green, sustainable, and socially inclusive financial products. These include solutions that empower entrepreneurs and SMEs, promote financial literacy, and support environmentally responsible lending

practices. In doing so, we align ourselves not only with emerging global standards but also with the broader goals of national economic development.

Navigating the External Landscape

Encouragingly, the macroeconomic environment in Sri Lanka has become more stable, supported by IMF-led reforms, easing inflation, and external debt restructuring. With GDP growth of approximately 5% in 2024, coupled with declining interest rates and rising investor confidence, the outlook is promising for the financial services sector.

At the same time, we are mindful of the evolving regulatory framework. The Central Bank of Sri Lanka has placed increasing emphasis on consolidation, transparency, and governance in the non-bank financial sector. At Softlogic Finance, we view these reforms not as challenges, but as opportunities to raise our standards, build resilience, and differentiate ourselves through superior governance and customer focus.

A Culture of Accountability and Innovation

Internally, we are cultivating a performance-driven culture that balances accountability with innovation. Our teams are being empowered to take ownership, embrace agility, and align their goals with our broader strategic priorities. At the same time,

we are investing in talent development to ensure that we attract, retain, and nurture the right skills needed for a modern financial institution.

The Road Ahead

Our journey forward is guided by a clear vision to be a resilient, customer-centric, and digitally empowered financial institution that consistently creates value for all stakeholders. This vision is underpinned by five commitments:

- To strengthen recoveries and secure long-term financial stability.
- To pursue asset-backed, risk-prudent lending.
- To enhance shareholder value through profitable and sustainable growth.
- To embrace digital-first solutions that transform customer experiences.
- To expand into sustainable and inclusive financial products.

We are under no illusion that the path ahead will be easy. The financial services industry continues to face regulatory, economic, and consumer shifts. We firmly believe that by staying disciplined, innovative, and customer-focused, we will seize the opportunities before us and rise stronger.

Appreciation

In closing, I extend my deepest appreciation to our valued shareholders for their unwavering faith, to our customers for their trust and loyalty, and to our employees including my predecessor, Ms. Ivon Brohier, for their immense dedication and resilience. I also acknowledge with gratitude, the guidance and oversight of the Central Bank of Sri Lanka, whose efforts have been instrumental in fostering stability in our sector.

As we move into a new era, we are confident that with the collective passion of our employees and the strength of our vision, our Company will not only regain its rightful place in the industry but also set new benchmarks of trust, resilience, and growth.

Together, we embrace the future with renewed optimism and determination.

(Sgd.)

Dhanushka Fonseka
Chief Executive Officer

Board of Directors' Profiles

Ashok Pathirage

Chairman, Non-Independent Non-Executive Director

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

Mr. Pathirage was appointed as Chairman to the Board of Softlogic Finance PLC in August 2024. He is widely recognized as a visionary leader in Sri Lanka's corporate landscape and is the Founder and Chairman/Managing Director of the Softlogic Group, one of the country's most dynamic and diversified conglomerates. Under his leadership, the Group has grown to encompass over 50 companies and employs more than 11,000 individuals, with operations spanning several key sectors.

Through Mr. Pathirage's strategic direction, Softlogic Group has secured strong market positions across its six business verticals - Retail & Telco, Healthcare Services, IT, Financial Services, Leisure, and Automobiles. He has been instrumental in establishing the Group's retail arm as a dominant force in Sri Lanka, representing over 100 international brands across fashion, lifestyle, restaurants and electronics. He also led the transformation of Asiri Health into the country's largest private hospital network and guided Softlogic Life Insurance to become one of Sri Lanka's fastest growing and most innovative life insurers.

Mr. Pathirage serves as Chairman/Managing Director of Softlogic Holdings PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC, and ODEL PLC. He also chairs Softlogic Capital PLC and Softlogic Life Insurance PLC and holds leadership roles across other Group companies.

Mr. Pathirage led Sri Lankan Airlines Limited and Sri Lankan Catering Limited as Chairman from 2019 to 2024, steering the national carrier through a period of considerable operational and strategic transformation.

Sisira Dabare

Senior Independent Director

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

Mr. 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. Kaimal is a co-founder of Softlogic Group and has served on the Board of Directors since the company's origin in 1991. He Leads the group wide IT division, overseeing IT initiatives, infrastructure and digital transformation across its diverse businesses. Under his guidance, Softlogic has implemented major systems such as Oracle E-Business Suite and Oracle Retail applications, along with industry-specific front-end tools.

In addition to the Group wide responsibilities, he is an Executive Director of Softlogic BPO (Pvt) Ltd, Managing Director of Softlogic Supermarkets (Pvt) Ltd, represents the Board of Directors of Softlogic Life Insurance PLC, Softlogic Capital PLC, Softlogic Finance PLC, ODEL PLC, Asiri Hospitals Group and many other Group companies.

Ranjan Perera

Non-Independent Non-Executive Director

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

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

He is also heading the Bata Operations (Footwear Retailer Pvt Ltd). 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.

Chandrasiri Kalupahana

Independent Non-Executive Director (Appointed w.e.f 24th October 2023)

Mr. Kalupahana brings over 35 years of extensive corporate experience, beginning his career at KPMG Sri Lanka. He has held senior management roles across both the public and private sectors, locally and internationally, including in Sri Lanka, Saudi Arabia, Tanzania, and Angola.

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and several other professional bodies. He has served as a Governing Council Member and as Chairman of the Business School of CA Sri Lanka.

Mr. Kalupahana currently serves on the Boards of Sri Lanka Telecom PLC (SLT) and E-Channeling PLC (ECP). He currently serves as the Chairman of the Group Audit Committee of SLT, as well as the Audit Committee and the Related Party Transactions Review Committee of ECP. In addition, he is the Treasurer and a member of the Executive Council of the Organization of Professional Associations of Sri Lanka (OPA).

Over the course of his career, Mr. Kalupahana has served as General Manager of three regulated companies; in Sri Lanka, Tanzania, and Angola. He also held leadership roles at Sri Lanka Telecom Group as Group Chief Internal Auditor and Chief Officer – Revenue Assurance and Fraud Management.

Previously, he served as Chief Financial Officer (Deputy General Manager) at Regional Development Bank, a fully state-owned bank with a branch network of 272, and as Assistant General Manager at Pan Asia Bank. He was also an Independent Non-Executive Director and Chairman of the Audit and Related Party Transactions Review Committees at Lanka Hospitals Corporation PLC and Lanka Hospitals Diagnostics (Pvt) Ltd.

Mr. Kalupahana has participated in numerous international workshops and training programs in banking, finance, auditing, telecommunications, and education further enhancing his global business acumen.

Viresh Nanayakkara

Independent Non- Executive Director (Appointed w.e.f 02nd May 2024)

Mr. Nanayakkara, Attorney-at-Law, is a legal professional with over a decade of experience in criminal law. He holds an L.L.M. from the University of Colombo and a Certificate in Shipping Law and Practice from ICLP and the Ceylon Chamber of Commerce. He previously served at the Attorney General's Department as a prosecutor in the criminal division for seven years and now engages in private practice, specializing in criminal law and writ matters before the apex courts.

Naresh Abeyesekera

Non-Independent Non-Executive Director (Appointed w.e.f 23rd October 2024)

Mr. Abeyesekera is an entrepreneur and seasoned financial strategist and transformation leader with over two decades of international experience across consulting, transaction structuring, private equity, debt advisory, transformation and governance. As CEO of SECQUORO and Quadrillion Capital, he leads cutting-edge advisory platforms with a strong footprint across the Middle East, Europe, and Asia.

He previously served as CFO of the London Stock Exchange Group's Market Services & Technology Sector a USD 60 billion FTSE 100 Conglomerate operating in over 40 markets globally where he was a member of the global leadership team and led several finance transformation initiatives.

Mr. Abeyesekera also served as Acting Chairman and Audit Committee Chair of the Bank of Ceylon, Sri Lanka's largest bank and a systemically important financial institution with a balance sheet exceeding USD 20 billion. The Bank is the country's single largest holder of state-owned enterprise debt, exceeding LKR 1 trillion. During a pivotal time in Sri Lanka's economic history, he played a central role in shaping the domestic debt restructuring framework with optimum financial solutions together with key local and international stakeholders. During this period, the Bank delivered a record profit of LKR 109 billion the highest ever recorded by a corporate entity in Sri Lanka.

Appointed as Commissioner of the Securities and Exchange Commission (SEC) of Sri Lanka in 2020, he chaired the SEC-CSE Digitalization Task Force, leading the transformation of the country's capital markets and the stock exchange through innovations such as e-KYC which today is the backbone for all online account opening in the country including all financial institutions. He conceptualized the multi-award-winning Colombo Stock Exchange Mobile App.

Mr. Abeyesekera is a fellow member of the Institute of Chartered Accountants of Sri Lanka, Chartered Management Accountant (United Kingdom) and Holds a Master of Business Administration from the Prestigious Postgraduate Institute of Management (PIM).

Corporate Management Profile

Dhanushka Fonseka

Chief Executive Officer

(Appointed w.e.f. 01st June, 2025)

Mr. Fonseka brings over 25 years of leadership experience in lending, marketing, and corporate strategy within Sri Lanka's financial services industry. He has established a strong track record of driving sustainable business growth, leading operational transformations, and promoting financial inclusion.

Before joining Softlogic Finance PLC, Mr. Fonseka held several senior leadership roles at Mercantile Investments and Finance PLC, serving as Director (Non-Board) from 2013 and subsequently as Chief Operating Officer (COO) from 2019. During this period, he played a pivotal role in strengthening the company's market position, operational efficiency, and customer engagement strategies.

Beyond his contributions to financial services, he has served as a Director at Fairview Hotels Ltd and Mercantile Fortunes Insurance Brokers Ltd. He has also been an active industry advocate, serving on the Council of the Finance Houses Association (FHA) and holding the office of Vice President during the 2022–2023 financial year. His expertise spans strategic planning, credit evaluation, risk management, and regulatory engagement.

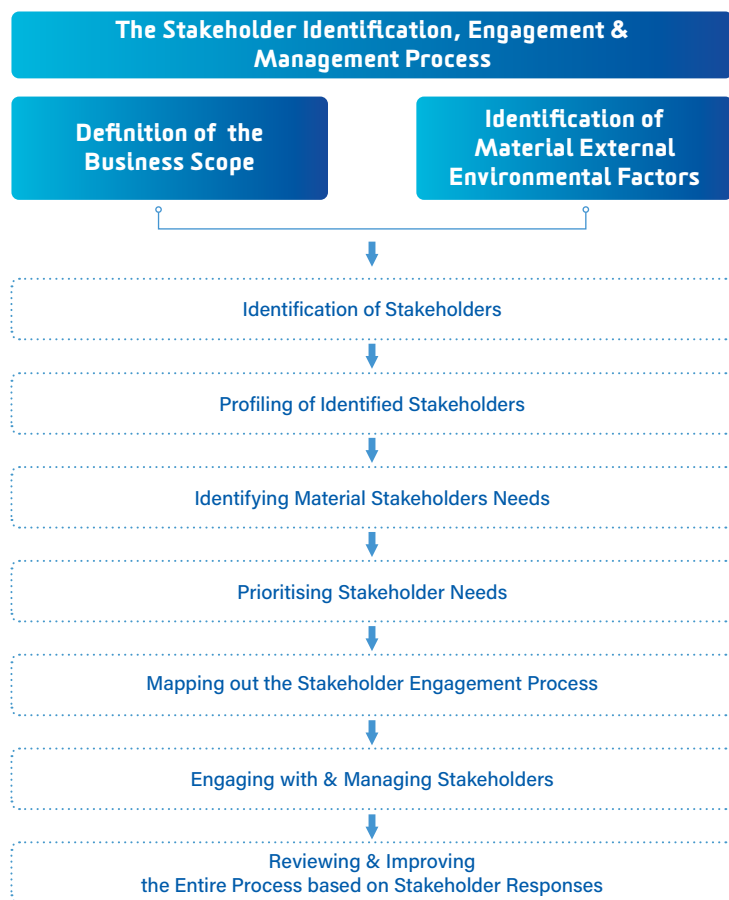
Internationally, Mr. Fonseka gained valuable exposure to the financial sector in South Australia between 2024 and 2025, further broadening his perspective on global best practices.

He is a Fellow of the Chartered Institute of Marketing (CIM), UK, holds an MBA from the University of Wales, UK, and earned an MSc in Digital Marketing from Asia e University.

Our Approach to Value Creation

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Stakeholder Identification and Engagement



The Need for Stakeholder Identification

Our value creation process is strengthened by a structured stakeholder identification and engagement framework, which has enabled us to adopt an inclusive approach to meeting stakeholder expectations. This process, led by our Executive Committee, is continuous in nature and ensures that we anticipate and respond proactively to stakeholder needs and concerns.

Recognizing that our stakeholders have diverse priorities and face varied challenges in engaging with us, this framework allows us to engage actively, transparently, and responsibly. It also enhances our awareness of the external impacts of our operations, ensuring that our growth remains sustainable and aligned with stakeholder interests.

Through this approach, we gain a comprehensive understanding of all parties who interact with our business and how their expectations can influence our performance. The structured activities we have adopted help us move beyond a narrow, shareholder-centric perspective, reinforcing a balanced view of value creation that considers the needs of all stakeholders.

Built-in monitoring mechanisms further ensure accountability by tracking whether engagement outcomes are achieved, corrective actions are taken where necessary, and improvements are sustained. Collectively, these practices strengthen our role as a responsible corporate citizen committed to long-term value creation.

Stakeholder Identification Mechanism

We have developed an internal stakeholder identification and filtration system that enables us to systematically recognize our key stakeholders, evaluate the degree of influence and interest they hold over our value creation process, and determine the level of impact they may have on our activities.

The stakeholders identified as "key" through this process are those with whom we engage most frequently and meaningfully, as their perspectives are critical to our strategy and operations. These groups are discussed in detail within this Annual Report. At the same time, we continue to monitor all other stakeholder groups to track changes in their influence, interests, or expectations. Should their characteristics evolve to warrant higher prioritization, they are incorporated into our key stakeholder category to ensure our engagement approach remains dynamic and responsive.

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 implemented a two-dimensional approach to evaluate and prioritize stakeholder issues.

Recognizing that the significance of these issues may evolve over time, this assessment is conducted on an ongoing basis.

Key stakeholder issues are identified based on two broad criteria.

- Impact on the company: How significantly the issue affects the company's operations, performance, or value creation.
- Importance to the stakeholder: How critical the issue is from the stakeholder's perspective and the priority they assign to it.

These guiding questions form the basis for determining the significance of stakeholder issues and the priority the company should place on addressing them. In line with this approach, the

company continuously monitors and takes appropriate action on issues that meet these criteria.

Stakeholder Engagement Process

Based on the outcomes of the stakeholder identification and filtration process, we determine the appropriate level, frequency, and methods of engagement with our key stakeholders. This involves forming broad stakeholder groupings according to the results of the initial identification process.

Moreover, this process also involves the development of specific expected outcomes, in addition to the specific engagement approaches, in order to ensure that all stakeholder interactions are purposeful, goal-oriented, and measurable.

| Stakeholder Type | Engagement Approach | Expected Outcomes |
|-------------------------------------|---|--|
| Shareholders & Investors | <ul style="list-style-type: none"> ▪ Annual Financial Statements ▪ Quarterly Financial Statements ▪ Annual General Meeting ▪ Extraordinary General Meetings as and when statutorily necessary ▪ Media Releases ▪ CSE Website ▪ Company Website | <p>From company perspective</p> <ul style="list-style-type: none"> ▪ Increased Shareholder confidence in the Board <p>From stakeholder perspective</p> <ul style="list-style-type: none"> ▪ Increase in Share Price ▪ Regulatory Compliance ▪ Declaration of Dividends ▪ Adoption and maintenance of best practices in corporate governance ▪ Adoption of industry best practices |
| Customers | <ul style="list-style-type: none"> ▪ Personalized interactions ▪ Customer complaint handling process ▪ Customer Satisfaction Surveys ▪ Market Surveys ▪ Communication through multiple media platforms | <p>From company perspective</p> <ul style="list-style-type: none"> ▪ Customer Loyalty ▪ Enhanced Brand Value and Brand Penetration ▪ Increased Customer Satisfaction ▪ Increased Cross Selling <p>From stakeholder perspective</p> <ul style="list-style-type: none"> ▪ 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 | <ul style="list-style-type: none"> 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 | <p>From company perspective</p> <ul style="list-style-type: none"> Increase employee productivity Compliance with internal processes Professional conduct Reduced turnover Motivated workforce <p>From stakeholder perspective</p> <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 | <p>From company perspective</p> <ul style="list-style-type: none"> Favourable funding facilities Seamless execution of outsourced services <p>From stakeholder perspective</p> <ul style="list-style-type: none"> Strategic partnerships to obtain competitive advantages Long term service contracts |
| Regulators | <ul style="list-style-type: none"> 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 | <p>From company perspective</p> <ul style="list-style-type: none"> Compliance with regulatory requirements Adoption of industry best practices to improve internal core and supporting processes <p>From stakeholder perspective</p> <ul style="list-style-type: none"> Development of the industry to maintain public confidence Dissemination of industry best practices Collection of state revenue |
| Society and the Environment | <ul style="list-style-type: none"> Establishment of a CSR Committee Implementing projects to benefit the society and the environment Company website Media releases | <p>From company perspective</p> <ul style="list-style-type: none"> Contribution to community development and environmental conservation Ensuring the long-term sustainability of the business <p>From stakeholder perspective</p> <ul style="list-style-type: none"> Maintenance of ethical business practices Employment generation Avoidance of any negative impacts on the environment |

Economic Review

Global Economic Environment and Outlook

Global economic uncertainty remained elevated in 2024, driven by rising geopolitical tensions, evolving trade policies, and increasing geoeconomic fragmentation. According to the IMF's January 2025 World Economic Outlook, global growth moderated to 3.2% in 2024 from 3.3% in 2023 and is projected to remain subdued at 3.3% in both 2025 and 2026 below the historical average of 3.7% recorded during 2000–2019.

Recent global developments particularly policy shifts in the United States have added further volatility to the global outlook. The US government has formally announced the implementation of a reciprocal tariff regime, including a final tariff rate of 20%, as part of its broader import substitution strategy. These measures have heightened concerns over the disruption of global value chains, a weakening of international cooperation, and the erosion of multilateral trade norms. In parallel, the US has confirmed its withdrawal from key international commitments, including USAID, the WHO, and the Paris Agreement decisions that threaten to undermine global progress in health, climate action, and sustainable development.

These shifts are reshaping global trade dynamics, capital flows, and inflation pressures. Broad-based US tariffs and retaliatory measures by affected countries could suppress investment, distort trade flows, and fuel inflationary spikes, particularly for commodity-based inputs such as steel and aluminium. According to projections by the US Federal Reserve, domestic growth in the US is expected to decelerate from 2.5% in 2024 to 1.7% in 2025, with likely spillovers to trade-linked economies. While the Euro area may experience limited direct effects, the elevated uncertainty could still weigh on growth sentiment. China, for its part, may

introduce aggressive fiscal stimulus to partially offset the economic drag from US trade actions.

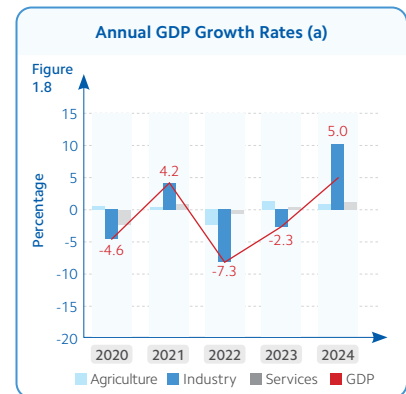
Amid these external pressures, central banks globally began shifting from tight to more accommodative monetary stances by late 2024 and into 2025, in response to easing headline inflation and slowing economic activity. Nonetheless, persistent core inflation and strong labour markets in many advanced economies prompted a cautious, data-driven approach to policy easing. Emerging market economies exhibited divergent policy paths based on domestic inflation trends and growth needs.

Sri Lanka, as a small open economy, remains susceptible to these global headwinds through several channels. The United States continues to be a key trading partner, with Sri Lankan exports averaging USD 3 billion annually, yielding a notable trade surplus. Any escalation in tariff-based measures could significantly affect Sri Lanka's export competitiveness. In response to these risks, Sri Lanka initially proposed a 44% tariff rate as part of a broader domestic policy adjustment. However, following stakeholder consultations and international feedback, the government revised the proposed tariff first to 30%, and subsequently to 20%, which was ultimately adopted. This measured reduction was aimed at avoiding potential retaliatory action, protecting export markets, and preserving investor confidence amid global uncertainty.

Furthermore, prolonged weakness in the global economy could adversely affect remittances and dampen tourism recovery both key foreign exchange sources for Sri Lanka. Monetary policy divergence among advanced economies could also influence capital flows into Sri Lanka's financial markets, underscoring the need for macroprudential vigilance.

On a positive note, global energy prices are projected to decline over the medium term, driven by softening demand particularly from China and increased supply from major oil-exporting countries. However, inflation risks persist, stemming from supply chain disruptions, tariff-related cost pressures, and exchange rate fluctuations.

In this context, Sri Lanka, like many other economies, must pursue policies that strengthen resilience and adaptability. Strategic initiatives include enhancing regional trade cooperation, expanding free trade agreements, and actively engaging in trade diversion opportunities. Reassessing tariff structures in response to evolving global trends, alongside maintaining fiscal discipline and monitoring emerging vulnerabilities, will be critical in navigating a fragmented and uncertain global economic landscape.

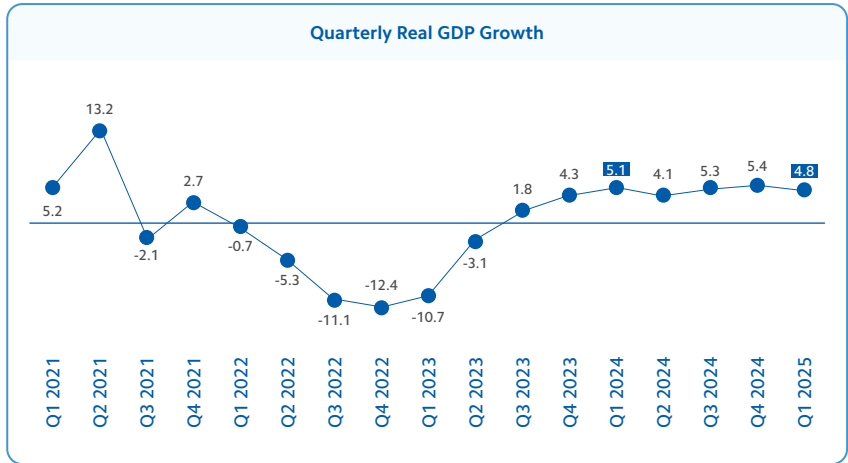


Source: Central Bank of Sri Lanka – Microeconomics Development

Economic Review

Economic Growth

The Sri Lankan economy rebounded in 2024, achieving a robust real GDP growth of 5.0%, marking a clear turnaround after two consecutive years of contraction. This recovery was broad-based and steady, with all four quarters registering positive growth for the first time since 2017.



Source: Central Bank of Sri Lanka – Microeconomics Development

Growth was primarily driven by Industry activities, supported by the revival of manufacturing and construction sectors. Services activities made a significant contribution as well, led by sustained expansion in accommodation and transport services. Additionally, Agriculture activities recorded a positive performance, reinforcing the overall growth momentum.

GDP at current market prices reached Rs. 29,898.6 billion in 2024, supported by real growth and a GDP deflator of 3.8%. Gross National Income (GNI), which adjusts GDP for net primary income flows with the rest of the world, rose to Rs. 29,153.9 billion at current prices.

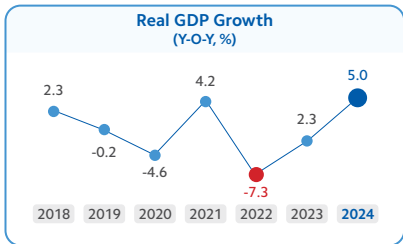
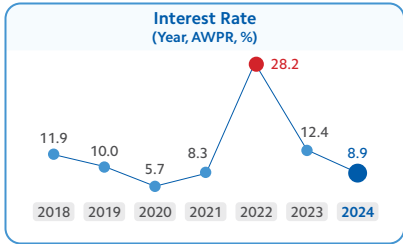
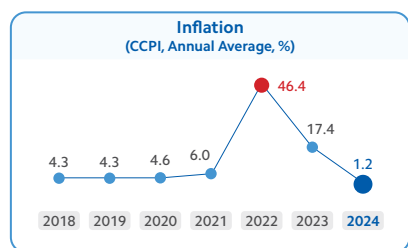
In US dollar terms, nominal GDP increased to USD 99.0 billion in 2024, compared to USD 83.8 billion in 2023, reflecting both economic expansion and the appreciation of the Sri Lanka rupee.

GDP per capita rose to Rs. 1,364,235 in 2024, up from Rs. 1,244,262 in 2023, driven by nominal GDP growth and a decline in mid-year population. Similarly, GNI per capita increased to Rs. 1,330,255 from Rs. 1,206,441. In USD terms, GDP per capita reached USD 4,516 in 2024,

compared to USD 3,801 in 2023, while GNI per capita rose to USD 4,404 from USD 3,685, supported by currency appreciation and nominal income growth.

Inflation Trends and Projections

Global headline inflation continued to moderate, while domestic inflation in Sri Lanka followed a distinct trajectory in 2024. After an initial uptick driven by the increase in Value Added Tax (VAT), removal of VAT exemptions, and notable food inflation, headline inflation in Sri Lanka entered a persistent downward trend from March 2024 onwards. The reduction in electricity tariffs in March and July, along with subdued demand conditions, mitigated the inflationary effects of VAT-related adjustments.



Source: Central Bank of Sri Lanka – Microeconomics Development

As a result, year-on-year (Y-O-Y) inflation fell below the Central Bank's target of 5% from March 2024 and reached deflationary levels from September 2024, aided by the statistical base effect, moderation in global commodity prices, and the appreciation of the Sri Lanka rupee. By end-2024, Y-O-Y headline inflation, as measured by the Colombo Consumer Price Index (CCPI, 2021=100), stood at -1.7% compared to 4.0% at end-2023, while annual average inflation declined sharply to 1.2% from 17.4% in 2023. The National Consumer Price Index (NCPI, 2021=100) also recorded Y-O-Y inflation of -2.0% at end-2024, with annual average inflation falling to 1.6% from 16.5% in the previous year.

The disinflationary trend continued into early 2025, further supported by the downward revision of electricity tariffs in January 2025 and lingering base effects. By March 2025, Y-O-Y CCPI inflation reached -2.6%, while NCPI inflation declined to -3.9% by February 2025.

Table 1.1 Movements of Inflation (Y-O-Y)

| Category | | 2013 =100 | | | 2021 =100 | | | | |
|---------------------------|------|-----------|----------|----------|-----------|----------|----------|----------|----------|
| | | Dec-2020 | Dec-2021 | Dec-2022 | Dec-2023 | Dec-2024 | Jan-2025 | Feb-2025 | Mar-2026 |
| Headline Inflation - CCPI | CCPI | 4.2 | 12.1 | 57.2 | 4.0 | -1.7 | -4.0 | -4.2 | -2.6 |
| | NCPI | 4.6 | 14.0 | 59.2 | 4.2 | -2.0 | -4.0 | -3.9 | |
| Core Inflation - CCPI | CCPI | 3.5 | 8.3 | 47.7 | 0.6 | 2.7 | 1.2 | 0.7 | 0.7 |
| | NCPI | 4.7 | 10.8 | 57.5 | 0.9 | 1.3 | -0.2 | -0.6 | |
| Food Inflation - CCPI | CCPI | 9.2 | 22.1 | 64.4 | 0.3 | 0.8 | -2.6 | -0.2 | 0.6 |
| | NCPI | 7.5 | 21.5 | 59.3 | 1.6 | -1.0 | -2.5 | -1.1 | |
| Non-Food Inflation - CCPI | CCPI | 2.0 | 7.5 | 53.4 | 5.8 | -3.0 | -4.7 | -6.1 | -4.1 |
| | NCPI | 2.2 | 7.6 | 59.0 | 6.3 | -2.9 | -5.2 | -6.0 | |

Note : The Department of Census and Statistics commenced publishing NCPI and CCPI with the new base year 2021 = 100, from the data releases of January 2023 and February 2023, respectively, and discontinued the publication of NCPI and CCPI with the old base year, 2013 = 100.

Source: The Department of Census and Statistics

Core inflation, which excludes volatile food and energy prices, rose mildly in early 2024 due to VAT-related increases in non-food categories, but remained below the headline inflation target throughout the year. It subsequently eased in the latter part of 2024, reflecting deflation in the food category of the core basket and the downward revision of water tariffs. Accordingly, CCPI-based Y-O-Y core inflation was recorded at 2.7% by end-2024 (0.6% at end-2023), with the annual average at 3.3% (down from 14.5% in 2023). NCPI-based core inflation followed a similar trend, ending 2024 at 1.3% (0.9% in 2023), with an annual average of 2.5%, compared to 15.8% in the previous year.

Looking ahead, domestic inflation is projected to remain subdued in the near term, supported by favorable external conditions, the lagged effects of administered price reductions, and the ongoing appreciation of the Sri Lanka rupee.

| | 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 | | | 13.0 | | |
| National Consumer Price Index (NCPI, 2013=100) | 21.5 | | | 17.3 | | |

Source: Central Bank of Sri Lanka – Microeconomics Development

Current Year Outlook

Amidst persistent global risks including geopolitical tensions, trade fragmentation, and policy uncertainties the Sri Lankan economy is expected to maintain its recovery trajectory in 2025, supported by restored macroeconomic stability, low inflation, and a favorable interest rate environment. While global developments such as retaliatory tariffs, regional conflicts, and climate-related disruptions could pose downside risks, the impact on Sri Lanka is expected to be mitigated through proactive policy measures, healthy external inflows, and continued fiscal and financial sector reforms under the IMF-EFF framework. Growth prospects remain positive in the near to medium term, contingent upon sustained domestic stability and resilience to global spillovers.

Agricultural Sector

| Sector | Sector Contribution to GDP (%) | |
|-------------|--------------------------------|------|
| | 2023 | 2024 |
| Agriculture | 7.8 | 7.5 |
| Industry | 25.3 | 26.7 |
| Services | 60.7 | 59.2 |

Central bank of Sri Lanka - Annual economic review 2024

Agricultural activities recorded a moderate growth of 1.2% in 2024, compared to a 1.6% expansion in 2023. While the sector sustained its recovery path following the 2.6% rebound in 2023, overall momentum remained subdued due to both structural and weather-related challenges.

Growth in 2024 was primarily supported by improvements in animal production and the continued expansion in the cultivation of fruits. However, the prolonged contraction in coconut production and adverse weather conditions particularly in the fourth quarter curtailed the sector's performance. These climatic disruptions adversely affected the cultivation of rice, other cereals, and fishing activities, offsetting gains in other segments.

Despite the availability of key agricultural inputs such as fertilizers and fuel improving since 2023, the sector remains vulnerable to climatic volatility and structural inefficiencies. The tea and rubber sub-sectors continued to face pressure, while the fishing sector, which contributed to the recovery in 2023, was hampered in 2024 by unfavorable marine conditions during key months.

Industry Sector

Industry activities recorded a strong rebound in 2024, expanding by 11.0%, in sharp contrast to the significant contraction of 9.2% witnessed in 2023. This recovery was underpinned by the gradual strengthening of both domestic and external demand conditions, supported by improved macroeconomic stability and a more favourable operating environment.

Manufacturing activities, which constitute the largest share of the industry sector, were the primary drivers of growth. Sustained expansion in the manufacture of food, beverages, and tobacco products alongside the recovery in the manufacture of textiles, apparel, leather, and related products contributed significantly to the sector's performance.

Economic Review

These improvements reflected both rising domestic consumption and renewed external demand, particularly from key export markets.

Construction activities, which had experienced a marked downturn in 2023 due to the postponement or suspension of projects, also showed signs of revival in 2024. The sector benefited from the initiation of new construction projects and improved investor sentiment, supported by a more stable macroeconomic climate.

Overall, the industrial sector's strong recovery in 2024 marks a positive shift in Sri Lanka's post-crisis economic trajectory, reflecting improving business confidence and the gradual restoration of productive capacity across key sub-sectors.

Services Sector

The Services sector recorded a notable recovery in 2024, expanding by 2.4% compared to the marginal contraction of 0.2% in 2023. This rebound was driven by the gradual normalisation of economic conditions, resurgence in tourism-related activities, and improved confidence across key service industries.

The sustained growth in tourism had a broad-based positive impact, stimulating activity in accommodation, food and beverage services, transport, and wholesale and retail trade sectors. The increase in tourist arrivals during the year not only supported these industries but also revitalised supply chains and service networks disrupted in prior years.

Financial services and real estate activities, which were subdued in 2023 due to elevated interest rates, experienced a turnaround in 2024. The declining interest rate environment, along with improved credit flows and investor sentiment, supported a revival in lending and property market activity. Additionally, the recovery in computer programming and telecommunications contributed positively to overall

services sector growth. After prolonged weakness in digital services, 2024 saw renewed demand and investment in ICT infrastructure and software development.

Overall, the services sector played a pivotal role in sustaining the post-crisis recovery, reflecting improved domestic activity and increased external engagement, particularly through tourism and IT-enabled services.

1.4.4 Exchange Rate Movements and Influencing Factors

The Sri Lankan Rupee (LKR) appreciated notably against the US Dollar (USD) from April 2023 through 2024, supported by improved foreign exchange liquidity, policy measures, and favorable external sector flows.

Starting in April 2023, the LKR strengthened due to enhanced market sentiment, export proceeds conversions, and remittances, gaining 22.9% by May. Despite some depreciation in mid-2023 amid tighter liquidity, the rupee continued to appreciate, ending March 2024 with a 7.6% gain. The Real Effective Exchange Rate (REER) remained below the 100-index, indicating sustained external competitiveness.

In 2024, the LKR's appreciation continued, driven by current account surpluses and steady foreign inflows from remittances, tourism, and exports. The Central Bank purchased a record USD 2,846 million to bolster reserves, moderating even stronger appreciation pressures. The rupee closed the year at Rs. 292.58 per USD, appreciating 10.7% annually, and gained against other major currencies including the euro, pound sterling, and Japanese yen.

The Central Bank maintained a market-based exchange rate policy, intervening mainly to accumulate reserves and reduce excessive volatility. The Nominal and Real Effective Exchange Rate indices rose by approximately 14-15% and 9-10%, respectively, yet remained below 2017 base levels, reflecting improved external competitiveness.

Reverse Position

International Investment Position (IIP):

Sri Lanka's net IIP recorded a higher net liability position in 2024 as total external liabilities increased to USD 68.0 bn (from USD 63.4 bn in 2023), outpacing the rise in total external assets. This was driven by higher portfolio investment liabilities mainly due to elevated market prices of newly issued post-restructuring debt and increased foreign loan inflows from the IMF, World Bank, and ADB. External assets rose to USD 14.5 bn (from USD 12.5 bn), but this was insufficient to offset the liability growth, resulting in a net liability position of USD 53.5 bn at year-end.

Reserve Assets:

Gross Official Reserves (GOR) increased to USD 6.1 bn by end-2024 (from USD 4.4 bn), supported by strong foreign exchange market purchases, multilateral inflows, and IMF disbursements. Although GOR declined slightly from USD 6.5 bn in November due to restructuring-related payments, the Central Bank exceeded the IMF-EFF net reserve targets. The banking sector's net foreign asset position also improved, contributing to a rise in total international reserves to USD 11.2 bn (from USD 9.4 bn in 2023).

Overall Balance:

The overall balance of payments recorded a surplus of USD 2.9 bn in 2024 (compared to USD 2.8 bn in 2023), reflecting a stronger net international reserve position. This was supported by reserve buildup, repayment of legacy liabilities, and the extension of the PBOC swap facility, though subject to conditional usability.

Fiscal Sector Developments

From an expenditure perspective, the Sri Lankan economy recorded a notable expansion in 2024. Domestic demand grew by 9.5% at current prices, primarily driven by a strong 19.6% increase in investment expenditure and a more moderate 6.4% rise in consumption expenditure. The resurgence in investment activity was underpinned by the recovery in construction, resulting in a rebound in gross fixed capital formation. In contrast, the slower growth in consumption expenditure reflected a moderation in private sector spending, as price pressures eased during the year.

However, the increase in import expenditure, stemming from higher import volumes, led to a contraction in net external demand in 2024, partially offsetting the gains in domestic demand.

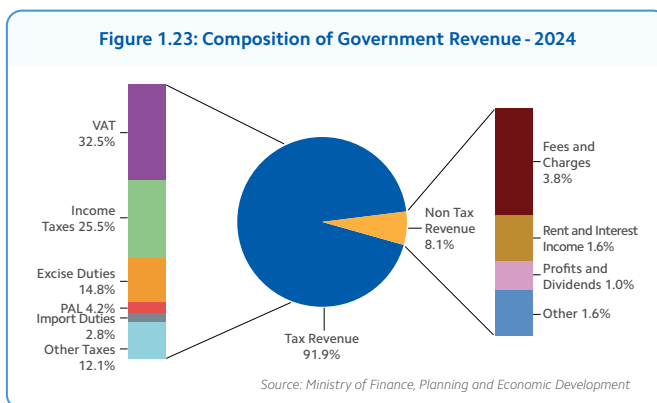
At constant prices, domestic demand posted a solid recovery, supported by a 21.1% increase in investment expenditure, again largely attributable to the revival in construction activities. Real consumption expenditure also grew by 3.2%, mainly driven by improvements in private consumption amidst better economic conditions and easing inflation. Nevertheless, net external demand declined in real terms during the year due to the surge in import volumes outpacing export growth.

National savings continued to improve in 2024, increasing by 17.3% at current prices. This was largely supported by an 18.3% growth in domestic savings and a favorable turnaround in both net primary income and net secondary income from the rest of the world. As a result, the national savings investment gap remained positive for the second consecutive year, reflecting an improved external balance and enhanced domestic resource mobilization.

Income

According to the income approach, Gross Mixed Income remained the largest contributor to Gross Value Added (GVA) in 2024, accounting for 37.4% at current market prices. It grew by 6.0% during the year, reflecting a deceleration compared to the double-digit growth seen in the previous year.

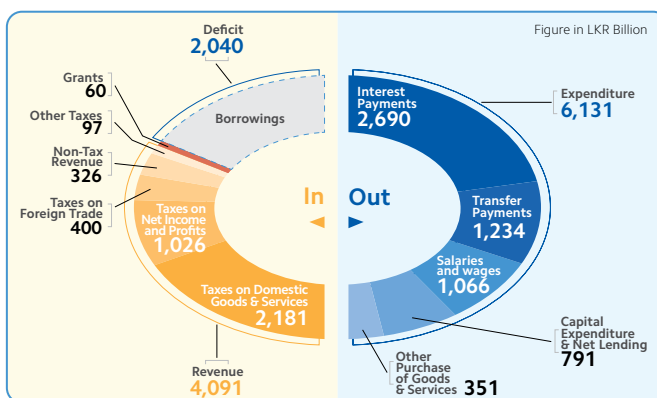
Gross Operating Surplus, the second-largest income component, recorded a growth of 6.8% in 2024, also marking a slowdown compared to the 21.2% increase observed in 2023. Meanwhile, Compensation of Employees grew by 5.2%, reversing the contraction experienced in 2023 and indicating a gradual recovery in labor market conditions, particularly within the Non-Financial Corporations (NFC) sector.



Source - National Accounts Estimates - Quarter 1, 2025

A notable development in 2024 was the 30.4% increase in Other Taxes less Subsidies on Production, reflecting higher government revenue collection efforts amidst fiscal consolidation and economic normalization.

In terms of institutional sector contributions to GVA, Non-Financial Corporations continued to be the largest income generator, followed by Households and Non-Profit Institutions Serving Households, Financial Corporations, and the General Government.



Source - CBSL Annual Economics Review 2024

Economic Review

Monetary Sector Developments and Interest Rates

Market Interest Rates

Market interest rates maintained a downward trend throughout 2024, supported by the accommodative monetary policy stance adopted since June 2023. The Central Bank of Sri Lanka (CBSL) implemented a cumulative reduction of approximately 775 basis points in policy rates from mid-2023, including a further 125 basis points cut in 2024. Notably, the introduction of the Overnight Policy Rate (OPR) in November 2024 marked a transition from a dual policy rate system to a single policy interest rate framework, further enhancing monetary policy transmission.

Consequently, the Average Weighted Call Money Rate (AWCMR) adjusted downward in line with the easing policy and improved liquidity conditions in the domestic money market, stabilizing around 8% by the end of the year. The decline in market interest rates was underpinned by subdued inflation, moderated inflation expectations, and diminished risk premia following near-completion of the debt restructuring process.

Deposit rates exhibited a consistent downward trajectory during the year. Interest rates on outstanding rupee deposits held by Licensed Commercial Banks (LCBs), including the Average Weighted Deposit Rate (AWDR) and Average Weighted Fixed Deposit Rate (AWFDR), declined by 4.1 to 5.6 percentage points. Similarly, rates on new deposits mobilized by LCBs reduced by 4.5 to 4.8 percentage points, reflecting swift adjustments to monetary easing in early 2024.

Lending rates also moderated, with the Average Weighted Prime Lending Rate (AWPR) a key benchmark for short-term loans to prime customers declining by 3.2 percentage points. Broader lending rates based on all outstanding and new rupee loans by LCBs also decreased, albeit at a slower pace than in 2023. Notwithstanding these reductions, maximum lending rates on certain

products remained elevated, signaling room for further easing.

Interest rates on loans to Micro, Small, and Medium Enterprises (MSMEs) declined alongside general market lending rates. However, rates for micro and small borrowers remained relatively rigid due to the inherent risks associated with such lending.

Real interest rates stayed positive during 2024, supported by low and even deflationary inflation trends from September onwards. With inflation expected to converge towards the target level by mid-2025, a gradual decline in real rates is anticipated. The easing trend in market lending rates persisted into early 2025, reflecting the lagged effects of policy rate reductions implemented in the latter half of 2024.

Yields on Government Securities

Yields on government securities declined overall during 2024, reflecting notable improvements in fiscal performance, the easing of monetary policy, and a gradual reduction in risk premia. However, the trajectory of yields was not uniform throughout the year, with intermittent increases observed between June and September. This temporary rise was primarily driven by heightened auction supply to meet significant government funding needs amid large market maturities, compounded by political uncertainties that influenced market sentiment.

From mid-September onwards, yields resumed a steady downward trend, indicating a more balanced market adjustment to evolving economic conditions. The sustained decline was supported by prudent fiscal management, maintenance of adequate fiscal buffers, continued progress in public debt restructuring, and favorable inflation developments amid monetary easing and enhanced market liquidity.

Net foreign inflows into the government securities market towards the end of 2024 further reinforced downward pressure on yields, alongside subdued inflation and benign inflation

expectations. Treasury bill yields across all maturities fell significantly, declining by 4.0 to 5.9 percentage points during the year. Similarly, Treasury bond yields adjusted downwards, with the majority of issuances concentrated in the medium tenor. Yields on Treasury bonds declined by approximately 1.0 to 4.0 percentage points across various maturities.

Compared to the flatter secondary market yield curve observed at the end of 2023, the yield curve shifted downward and normalized to a more typical upward-sloping shape in 2024. Nonetheless, the adjustment in yields on longer-term Treasury bonds remained relatively sluggish, suggesting cautious investor sentiment towards extended maturities amid ongoing macroeconomic and political considerations.

Domestic Money Market Liquidity

Liquidity in the domestic money market expanded significantly during 2024, primarily driven by liquidity injections following substantial net purchases of foreign exchange by the Central Bank. Reflecting the improved liquidity conditions and increased market activity, the restrictions imposed in early 2023 on the usage of the Central Bank's Standing Facilities by participating institutions were gradually relaxed in February 2024 and fully lifted by April 2024.

Key contributors to the enhanced rupee liquidity included the Central Bank's net foreign currency purchases amounting to approximately Rs. 858 billion from the domestic forex market, net foreign loan disbursements to the Government especially from bilateral partners and net foreign currency swaps between the Central Bank and Licensed Commercial Banks (LCBs). These inflows were partially offset by liquidity absorptions such as coupon payments on Treasury bonds held by the Central Bank, maturities of Treasury bills, net currency withdrawals, and maturities of term reverse repos.

Consequently, liquidity conditions improved markedly, shifting from an average deficit of around Rs. 70 billion in 2023 to a surplus of approximately Rs. 120 billion by mid-2024, further expanding to around Rs. 168 billion by the end of the year. Despite this overall surplus, liquidity distribution among market participants remained uneven, limiting interbank market activity, particularly during the first half of 2024. Large surpluses held by foreign banks were not readily accessible to deficit banks due to counterparty transaction limits, although the sovereign rating upgrade towards the end of 2024 helped alleviate some of these constraints.

In line with the accommodative monetary policy stance, the Central Bank maintained regular interventions in the domestic money market through Open Market Operations (OMOs), providing liquidity injections on a needs basis to mitigate the asymmetric liquidity distribution among participants. However, as liquidity remained robust and market activity improved, the Central Bank progressively scaled down OMOs and discontinued overnight reverse repo operations from early December 2024.

Credit Aggregates

Credit extended to the private sector by Licensed Commercial Banks (LCBs) recorded a notable expansion in 2024, reflecting a gradual recovery in economic activity and improving market conditions. While credit growth was uneven in early 2024 due to cautious lending and subdued demand amid evolving economic uncertainties, a sustained uptrend emerged from mid-year onwards. This recovery was driven largely by the Central Bank's continued monetary policy easing, which improved liquidity and lowered borrowing costs, alongside increased business confidence and revitalised domestic economic activity from May 2024.

Accordingly, outstanding credit to the private sector by LCBs increased by Rs. 789.6 billion in 2024, marking a year-on-year growth of 10.7% by December,

reversing the contraction recorded at the end of 2023. In contrast, credit to the private sector by Licensed Specialised Banks (LSBs) showed marginal growth, expanding by Rs. 27.9 billion (2.5%) over the year. Finance Companies (FCs), however, exhibited significant credit growth of Rs. 277.1 billion (21.0%), supported mainly by rising consumer credit demand especially gold and personal loans as well as vehicle leasing, underpinned by improved sector liquidity.

Credit to key economic sectors showed encouraging growth in 2024, highlighting a broad-based recovery:

- **Industry Sector** (39.7% of outstanding credit) grew by 8.4% year-on-year. Within this, the construction subsector accounting for the largest share of industrial credit expanded by 5.5%, signalling a gradual rebound in construction activities after a prolonged lull. Other subsectors such as textiles and apparel, chemicals, petroleum, pharmaceuticals, rubber and plastics, fabricated metals, machinery, transport equipment, and food and beverages also contributed to the expansion.
- **Services Sector** (27.4% of outstanding credit) expanded by 12.3%, with notable credit increases in wholesale and retail trade, financial and business services, communication and information technology, and shipping, aviation, and freight forwarding. These reflect the revival of services-related economic activity.
- **Agriculture Sector** (9.0% of outstanding credit) recorded a 12.6% growth, led by increased financing to tea, coconut, paddy, and fisheries, underpinning improved primary production and export-oriented agriculture.

Personal loans and advances, representing 23.9% of outstanding credit, also grew by 11.3%. Pawning-related credit continued its robust upward trajectory, expanding by 20.5%, driven by rising gold prices and pawning's status as a fast, accessible credit source. Credit card loans likewise

increased, reflecting a revival in consumer spending and financial sector activity.

Maturity-wise, growth in short-term and medium-term credit outpaced that of long-term credit, although sustained economic recovery is expected to foster further expansion in mid-term to long-term financing.

Credit to State-Owned Business Enterprises (SOBEs)

Contracted further in 2024, continuing the trend observed in the prior year. Outstanding credit declined by Rs. 113.1 billion, primarily due to net repayments by major SOBEs amid improved financial performance bolstered by cost-reflective pricing and ongoing reforms. Notably:

- Ceylon Petroleum Corporation (CPC), having transferred its debt obligations to the Government in 2023, repaid Rs. 59.4 billion, markedly reducing its banking sector dependence.
- The Ceylon Electricity Board (CEB) repaid Rs. 27.2 billion, supported by pricing adjustments.
- Other entities such as the Road Development Authority (RDA) and Colombo Commercial Fertilizer also made net repayments.

Additionally, appreciation of the Sri Lankan Rupee against the US Dollar lowered the rupee-equivalent value of some foreign currency borrowings by SOBEs, further contributing to credit contraction.

Net Credit to Government (NCG) by the banking system marginally contracted by Rs. 14.9 billion in 2024, driven mainly by a significant reduction in NCG by the Central Bank, partially offset by an increase in NCG by LCBs.

- NCG by the Central Bank declined notably by Rs. 602.7 billion, mainly due to the offloading of Treasury bills held by the Central Bank and reduced reliance on the Central Bank's Standing Lending Facility by financial institutions.

Economic Review

- Conversely, NCG by LCBs increased by Rs. 587.8 billion, reflecting higher investments in government securities, albeit at a slower pace than the previous year due to lower returns on such instruments.
- According to the Financial Survey (M4), overall NCG contracted by Rs. 37.6 billion, with a Rs. 79.0 billion reductions by Finance Companies and a Rs. 56.3 billion expansions by Licensed Specialised Banks, the latter driven by increased investments in government securities.

Money Aggregates

Reserve money recorded a notable expansion in 2024, reflecting a marked recovery compared to the previous year. This growth was primarily driven by an increase in currency in circulation (CIC), which surged significantly during key periods such as the April festival season and remained elevated throughout the year. Election-related expenditures and year-end festive demand further bolstered CIC, alongside a gradual shift towards cash-based transactions, which may have been influenced by tax evasion motives. Overall, CIC increased by Rs. 172.2 billion in 2024.

The first quarter of the year saw volatile fluctuations in reserve money, largely due to irregularly high excess reserves held by Licensed Commercial Banks (LCBs). These anomalies were linked to the Central Bank's earlier administrative restrictions on LCBs' access to standing facilities, which were fully lifted by April 2024, restoring stability to reserve money dynamics. Additionally, the growth in LCBs' rupee deposit liabilities contributed to higher reserve holdings with the Central Bank, supporting the expansion of reserve money. By year-end, reserve money stood at Rs. 1,539.3 billion, reflecting a robust year-on-year growth of 15.8%.

On the asset side, the expansion in reserve money was entirely attributed to a substantial improvement in the Central Bank's Net Foreign Assets (NFA), which turned positive in October 2024 for the first time since July 2021. NFA increased by Rs. 1,059.5 billion over the year, driven by higher foreign currency assets, mainly through net foreign exchange purchases in the domestic market, and a reduction in foreign liabilities, including servicing of foreign debt and the RBI swap facility. Meanwhile, Net Domestic Assets (NDA)

of the Central Bank contracted by Rs. 848.9 billion, influenced chiefly by a decline in net claims on the government notably the reduction in Treasury bill holdings and the full repayment of Liquidity Assistance Facility (LAF) extended to LCBs.

Broad money supply (M2b) expanded in tandem with these developments, supported by improved NFA at the Central Bank and a significant increase in private sector credit extended by LCBs. Although the overall banking system's NFA improved by Rs. 1,029.0 billion, the NFA of LCBs declined due to the appreciation of the Sri Lankan rupee and lower foreign assets, partially offset by reduced foreign liabilities. Reflecting these factors, M2b recorded a year-on-year growth of 8.6% in 2024, accelerating from 7.3% in 2023. Correspondingly, the broader M4 money supply, as measured by the Financial Survey, expanded at a similar pace.

| Trends in Interest Rates | 2023 | 2024 | 2025 |
|---|-------|-------|-------|
| Treasury Bill Rate (364 days) (%) | 24.31 | 10.28 | 8.25 |
| Standing Deposit Facility Rate/ Repurchase Rate (%) | 15.5 | 8.5 | 7.25 |
| Standing Lending Facility Rate (SLFR) (%) | 16.5 | 9.5 | 8.25 |
| Average Weighted Deposit Rate (AWDR) (%) | 15.06 | 10.3 | 7.15 |
| Average Weighted Fixed Deposit Rate (AWFDR) (%) | 19.8 | 13.1 | 8.79 |
| Average Weighted Lending Rate (AWLR) (%) | 18.29 | 13.43 | 11.80 |
| Average Weighted Prime Lending Rate (AWPLR) (%) | 22.42 | 11.11 | 8.39 |

Source: Commercial Bank Lending and Deposit Rates

Industry Review

Introduction

The Non-Banking Financial Institutions (NBFIs) sector in Sri Lanka remains a vital component of the financial ecosystem, offering services such as leasing, factoring, and microfinance. These institutions play a key role in promoting financial inclusion, especially among underserved populations, and in supporting small and medium enterprises (SMEs).

Overview of the NBFi Sector

The sector comprises Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs), regulated by the Central Bank of Sri Lanka (CBSL). The CBSL's NBFi Master Plan continues to guide sector consolidation and resilience-building efforts.

Key Statistics

| Indicator | 2023 | 2024 (2QFY25) | Change |
|------------------------------|------------------|--------------------|------------------------|
| Total Assets | LKR 1.5 Trillion | LKR 1.838 Trillion | ↑ 22.5% |
| Credit Growth | LKR 1.2 Trillion | LKR 1.32 Trillion | ↑ 10% |
| Gross NPL Ratio | 7.50% | 12.80% | ↑ (Due to legacy NPLs) |
| Capital Adequacy Ratio (CAR) | 14.20% | 23.80% | ↑ Strong buffers |

Source: Central Bank of Sri Lanka – Macroeconomic Chart Pack

Credit Portfolio Composition

- **Vehicle Leasing:** 44% of total loans, supported by easing import restrictions and lower interest rates
- **Microfinance:** LKR 150 billion, continuing to empower low-income households and women entrepreneurs.
- **SME Financing:** 25% of total loans, aiding business expansion and job creation.

Profitability Trends

The sector's profitability rebounded in 2024, with PAT rising to LKR 26.3 billion. Improved asset quality, lower provisioning, and operational efficiencies contributed to this growth. ROA and ROE improved to 5.7% and 12.3%, respectively.

Asset Quality

Despite improvements, challenges remain.

- **Legacy NPLs:** Particularly in the household sector, with LFCs holding 56.8% of household NPLs.
- **Credit Risk:** Concentrated exposures in microfinance and SME segments require vigilant risk management.

Capital Strength

With a CAR of 23.8%, the sector remains well-capitalized. This strength supports future growth and cushions against potential shocks. Capital infusions and retained earnings have bolstered financial stability.

Market Structure

The top 12 entities control 80% of sector assets, indicating high concentration. However, niche players continue to innovate in microfinance and digital lending.

Digital Transformation

Fintech Adoption: Mobile apps and digital lending platforms are enhancing customer experience.

AI & Analytics: Used for credit scoring and fraud detection, improving operational efficiency.

Geographical Reach

NBFIs maintain a strong presence in rural and semi-urban areas through:

- Branch networks
- Mobile financial units
- Agent banking models

Capital Adequacy

The NBFi sector maintained a robust Capital Adequacy Ratio (CAR) of approximately 23.8% as of 2QFY25, significantly above the regulatory minimum of 10%.

This strong capital base, totalling around LKR 358 billion, underscores the sector's resilience and capacity to absorb potential losses while supporting future growth.

Key drivers of capital strength include:

- **Regulatory Compliance:** Alignment with CBSL's NBFi Master Plan, which mandates a minimum stability score of 60 by 2027 for standalone operations.
- **Capital Infusions:** Several institutions have undertaken equity injections and retained earnings strategies to bolster their capital positions.

Market Share and Competition

The sector remains highly concentrated:

- Top 12 entities control approximately 80% of total assets (LKR 1,478 billion).
- Top 6 entities contribute over 82% of sector profits.

Despite this concentration, smaller and niche players continue to thrive by focusing on:

- Microfinance
- SME lending
- Innovative financial products

Digital Transformation and Innovation

The sector is undergoing a steady digital evolution:

- **Fintech Integration:** Mobile apps and digital lending platforms are increasingly used to enhance customer experience and operational efficiency.
- **Data Analytics:** Institutions are leveraging advanced analytics for credit scoring, fraud detection, and personalized financial services.
- **Regulatory Adaptation:** The CBSL is actively updating frameworks to accommodate digital financial services, ensuring secure and inclusive innovation.

Industry Review

Geographical Distribution

NBFIs maintain a widespread presence across Sri Lanka, particularly in rural and semi-urban areas. This reach is facilitated by:

- **Branch Networks:** Ensuring accessibility to financial services.
- **Agent Banking & Mobile Units:** Enhancing outreach and convenience for remote communities.

Market Segments

1. Leasing and Hire Purchase

This remains the largest segment, accounting for 44% of the total loan portfolio in 2024, up from 41% in 2023.

Key Drivers:

Vehicle Leasing:

- **Consumer Demand:** Increased preference for motorcycles and three-wheelers due to affordability.
- **Business Needs:** SMEs and corporates rely on leasing for commercial vehicles.
- **Flexible Products:** Balloon payments and residual value agreements are gaining traction.
- **Machinery & Equipment Leasing:**
 - Supports sectors like construction, agriculture, and manufacturing.
 - Enables operational upgrades without heavy upfront investment.

2. Microfinance

Microfinance continues to be a cornerstone of financial inclusion in Sri Lanka, targeting low-income individuals and micro-entrepreneurs who lack access to traditional banking services.

Key Highlights (2024)

- **Loan Portfolio:** Estimated to exceed LKR 160 billion, reflecting sustained growth and outreach

- **Institutions:** Includes Licensed Microfinance Companies (LMFCs), NGOs, co-operatives, and community-based organizations
- **Target Demographic:** Women entrepreneurs, small-scale farmers, and rural households.
- **Entrepreneurship:** Enables micro-entrepreneurs to start and grow businesses.
- **Poverty Alleviation:** Provides income-generating opportunities.
- **Women Empowerment:** A significant share of loans directed toward women.

Challenges

- **High Operational Costs:** Due to outreach in remote areas.
- **Credit Risk:** Elevated default rates require robust credit assessment and monitoring.
- **Regulatory Oversight:** The proposed Microfinance and Credit Regulatory Authority Bill aims to unify governance across all microfinance providers, including NGOs and CBOs

3. SME Financing

SMEs are vital to Sri Lanka's economic fabric, and NBFIs play a key role in supporting their growth.

Key Highlights

- **Portfolio Share:** Approximately 25% of total NBFIs loans.
- **Loan Products:** Working capital loans, Term loans for capital expenditure, Trade finance facilities.

Economic Contribution

- **Expansion:** Financing enables SMEs to scale operations and enter new markets.
- **Competitiveness:** Supports technology upgrades and operational efficiency.
- **Job Creation:** SMEs are major contributors to employment.

Risk Management

- **Collateral Requirements:** Securing loans to mitigate default risk.
- **Credit Scoring Models:** Advanced analytics used to assess borrower creditworthiness.
- **Monitoring & Support:** Continuous engagement ensures effective fund utilization

4. Factoring and Trade Finance

These services are essential for liquidity management and trade facilitation, especially for SMEs.

Factoring Services

- **Receivables Financing:** Converts invoices into immediate cash.
- **Market Demand:** Growing among manufacturing, wholesale, and export-oriented businesses.
- **Benefits:** Improved cash flow, Reduced credit risk, Operational focus

Trade Finance Products

- Letters of credit
- Export financing
- Trade credit insurance

Impact

- **Transaction Facilitation:** Ensures smooth domestic and international trade.
- **Risk Mitigation:** Protects against non-payment and currency fluctuations.
- **Market Expansion:** Enables businesses to explore new trade opportunities

5. Digital Finance and Innovation

The NBFIs sector in Sri Lanka is embracing digital transformation to enhance efficiency, customer experience, and financial inclusion.

Key Trends

- **Digital Lending Platforms:** Many NBFIs now offer fully digital loan application and disbursement processes, using AI-driven credit scoring and real-time approvals.
- **Mobile Banking:** Mobile apps provide customers with 24/7 access to services such as loan applications, repayments, and account management.
- **Credit Scoring:** Leveraging alternative data and machine learning to assess borrower risk.
- **Customer Insights:** Personalizing services based on behavioural analytics.
- **Risk Management:** Using predictive models to monitor and mitigate credit and operational risks.

FinTech Regulatory Sandbox

The CBSL's FinTech Regulatory Sandbox, launched in 2020, continues to support innovation by allowing FinTechs to test new products in a controlled environment. This initiative:

- Encourages collaboration between FinTechs and licensed financial institutions.
- Helps identify regulatory barriers and refine policies.
- Enhances consumer protection by ensuring products are tested before full rollout.

Regulatory Developments

The Central Bank of Sri Lanka (CBSL) has introduced several reforms to strengthen the NBFi sector's resilience and promote responsible financial practices.

1. Stricter NPL Management

- **Enhanced Provisioning:** Institutions must set aside higher reserves for at-risk loans.
- **Early Warning Systems:** Mandated for proactive identification of deteriorating assets.

- **Loan Restructuring Framework:** Enables flexible repayment options for distressed borrowers.

2. Increased Capital Requirements

Under the Masterplan for Consolidation, CBSL has raised capital thresholds to:

- Strengthen solvency and shock absorption capacity.
- Support sustainable growth and market confidence.
- Ensure alignment with international standards.

As of 2024, several NBFIs have infused over LKR 12.56 billion in fresh capital to meet these requirements.

3. Consumer Protection Frameworks

CBSL's National Financial Inclusion Strategy (NFIS) includes robust consumer protection measures:

- **Transparent Lending:** Clear disclosure of terms, interest rates, and fees.
- **Fair Debt Collection:** Prohibits coercive recovery practices.
- **Grievance Redress:** Institutions must establish dedicated units to handle complaints.

4. Digital Finance Regulation

Recognizing the rapid growth of digital finance, the Central Bank of Sri Lanka (CBSL) has introduced a regulatory framework to ensure innovation is balanced with security and compliance.

Key Regulatory Elements

- **Licensing and Supervision:** Digital financial service providers must obtain licenses and undergo regular audits to ensure compliance with cybersecurity and data protection standards.

- **AML/CFT Compliance:** NBFIs are required to implement robust systems to monitor and report suspicious transactions, aligning with global anti-money laundering and counter-terrorism financing standards.
- **Consumer Data Protection:** Institutions must adopt secure data storage, encryption, and access control mechanisms to safeguard customer information.

5. Corporate Governance and Risk Management

In 2024, CBSL issued Banking Act Directions No. 05 of 2024, significantly strengthening governance standards across financial institutions.

Governance Enhancements

- **Board Composition:** Boards must include a diverse mix of skills and at least 50% independent directors.
- **Chairperson Independence:** The Chairperson must be a non-executive independent director.
- **Sub-Committee Oversight:** Strengthened independence and roles of audit, risk, and related party transaction committees.
- **Risk Governance:** Institutions must define risk appetite, implement three lines of defense, and ensure independent internal audit functions.

Risk Management Frameworks

- Comprehensive systems to manage credit, market, operational, and liquidity risks.
- Regular board-level reviews of risk exposure and mitigation strategies.

6. Enhanced Reporting and Transparency

CBSL has emphasized transparency and accountability through new reporting standards.

Industry Review

Key Measures

- **Regular Reporting:** NBFIs must submit financial statements, risk assessments, and compliance reports periodically.
- **Public Disclosures:** Institutions are required to disclose governance practices, financial metrics, and risk policies.
- **Stress Testing:** Mandatory scenario analysis to assess resilience under adverse conditions, with results reported to CBSL.

Challenges Facing the Sector

- **Economic Uncertainty:** Inflation, exchange rate volatility, and macroeconomic instability continue to pressure asset quality and profitability.
- **Credit Risk:** Elevated NPL ratios necessitate stronger credit assessment and recovery mechanisms.
- **Regulatory Compliance:** Continuous investment in systems and training is required to meet evolving standards.
- **Competition:** Fintechs and traditional banks are intensifying competition, pushing NBFIs to innovate.

Opportunities for Growth

- **Financial Inclusion:** Expanding services to rural and low-income populations through microfinance and digital platforms.
- **Technology Adoption:** Embracing AI, mobile banking, and digital lending to streamline operations and enhance customer experience.
- **Green Financing:** Developing products that support environmentally sustainable projects.
- **Strategic Partnerships:** Collaborating with fintechs, banks, and other institutions to diversify offerings and improve service delivery.

NBFI Sector – 2023 Summary & Outlook

- **Loans and Advances Breakdown:** Finance leasing, hire purchase, loans, real estate-backed loans, and pawning advances.
- **Customer Deposits vs Borrowings:** Shows the shift toward deposit-based funding.
- **Profitability:** Profit After Tax trends from 2020 to 2024.
- **Capital Adequacy:** Growth in capital base and ratios.
- **Liquidity Surplus:** Strong liquidity position exceeding regulatory requirements.

Future Outlook – 2024

The Non-Banking Financial Institutions (NBFI) sector in Sri Lanka is on a path of recovery and expansion, supported by improving macroeconomic conditions, easing monetary policy, and rising demand for credit. Strategic priorities for NBFIs in 2024 include digital transformation, financial inclusion, and regulatory compliance. As vehicle import restrictions ease and consumer confidence improves, leasing and secured lending are expected to rebound. Challenges such as elevated non-performing loan (NPL) ratios and subdued real income levels continue to pose risks.

Strategic priorities for NBFIs in 2024 include:

- Digital transformation to enhance operational efficiency and customer experience.
- Financial inclusion through diversified product offerings targeting underserved segments.
- Regulatory compliance and risk management to strengthen sector resilience.

As vehicle import restrictions ease and consumer confidence improves, leasing and secured lending are expected to rebound. However, challenges such as elevated non-performing loan (NPL) ratios and subdued real income levels continue to pose risks. Innovation, prudent credit practices, and adaptive strategies will be key to navigating the evolving landscape.

Loans and Advances – NBFI Sector Performance in 2024

In 2024, the NBFI sector showed signs of recovery, reversing the contraction seen in 2023. The total loan portfolio expanded modestly, driven by increased demand for vehicle financing and SME lending. Key highlights include.

- **Finance Leasing:** Rebounded to account for 44% of total sector loans, up from 41% in 2023, supported by lower interest rates and easing import restrictions.
- **Hire Purchase:** Continued its upward trend, reflecting growing consumer demand for flexible financing options.
- **Secured Loans:** Including vehicle loans, maintained a stable share, though growth was moderate due to cautious lending practices.
- **Gold-backed Loans:** Experienced a slight uptick as households leveraged assets for liquidity amidst economic recovery.
- **Other Assets:** Investments in government securities and bank balances increased, enhancing liquidity and asset quality.

Product-wise Asset Breakdown (Rs. Bn) and Growth %

| Product | 2020 | 2021 | 2022 | 2023 | 2024* | Growth % (2024) |
|---------------------------|------|------|------|------|-------|-----------------|
| Finance Leasing | 622 | 608 | 549 | 531 | 558 | 5.10% |
| Hire Purchase | 12 | 21 | 31 | 38 | 45 | 18.40% |
| Loans | 451 | 489 | 493 | 463 | 475 | 2.60% |
| Loans against Real Estate | 2 | 13 | 16 | 27 | 34 | 25.90% |
| Pawning Advances | 71 | 129 | 230 | 219 | 225 | 2.70% |

* Source: 2024 figures are provisional estimates based on mid-year data and sector reports

Customer Deposits and Total Borrowings – NBFIs Sector (2024)

Customer deposits continued to be the dominant funding source for Licensed Finance Companies (LFCs), accounting for approximately 57.1% of total liabilities by mid-2024, up from 55.3% in 2023. Deposits grew by 6.8% year-on-year, reaching Rs. 998.9 billion, reflecting sustained public confidence and attractive deposit rates in a declining interest rate environment.

Conversely, total borrowings declined further by 8.4%, falling to Rs. 242.4 billion by mid-2024. This reduction is attributed to:

- A strategic shift toward deposit-based funding.
- Reduced reliance on external borrowings due to improved liquidity.
- Higher costs and limited availability of wholesale funding

This evolving liability structure highlights a growing preference for stable, long-term funding sources, with deposits offering greater resilience amid economic fluctuations.

Funding Composition (Rs. Bn)

| Year | Customer Deposits | Total Borrowings |
|-------|-------------------|------------------|
| 2020 | 748.6 | 328.0 |
| 2021 | 783.3 | 325.9 |
| 2022 | 864.5 | 322.6 |
| 2023 | 935.3 | 264.6 |
| 2024* | 998.9 | 242.4 |

* Source: Central Bank of Sri Lanka - Quarterly Banking Sector Performance Reports

Liquidity Risk – NBFIs Sector (2024)

In 2024, the NBFIs sector maintained a strong liquidity position, continuing to exceed regulatory requirements despite a slight reduction in surplus compared to the previous year. By the end of 2024:

- Available regulatory liquid assets stood at Rs. 220.9 billion, down from Rs. 254.9 billion in 2023.
- Required minimum liquid assets increased to Rs. 115.8 billion, up from Rs. 103.4 billion in 2023.
- This resulted in a liquidity surplus of Rs. 105.1 billion, lower than the Rs. 151.5 billion recorded in 2023

The liquidity ratio remained healthy, estimated at 15.2% by mid-2024, slightly below the 16.0% recorded in 2023, but still well above the regulatory threshold. This reflects prudent liquidity management practices, supported by increased holdings in government securities and reduced reliance on short-term borrowings

However, the sector continues to face liquidity-related risks, including:

- Potential early withdrawals due to economic uncertainty.
- Loan defaults, particularly in high-risk segments.
- Limited access to external funding, especially in foreign currency markets.

Despite these challenges, the Central Bank's accommodative monetary policy and improved macroeconomic conditions have helped stabilize liquidity across the financial system

| Regulatory Liquidity Indicators (Rs. Bn) | 2020 | 2021 | 2022 | 2023 | 2024* |
|--|-------|-------|-------|-------|-------------|
| Available Liquid Assets | 139.7 | 155.9 | 184.9 | 254.9 | 220.9 |
| Required Liquid Assets | 50.7 | 89.9 | 98.0 | 103.4 | 115.8 |
| Liquidity Surplus | 89.0 | 66.0 | 86.9 | 151.5 | 105.1 |
| The liquidity ratio | 13.0 | 14.1 | 15.6 | 16.0 | 15.2 (est.) |

* Source: Central Bank of Sri Lanka - Statistical Tables - Financial Sector

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

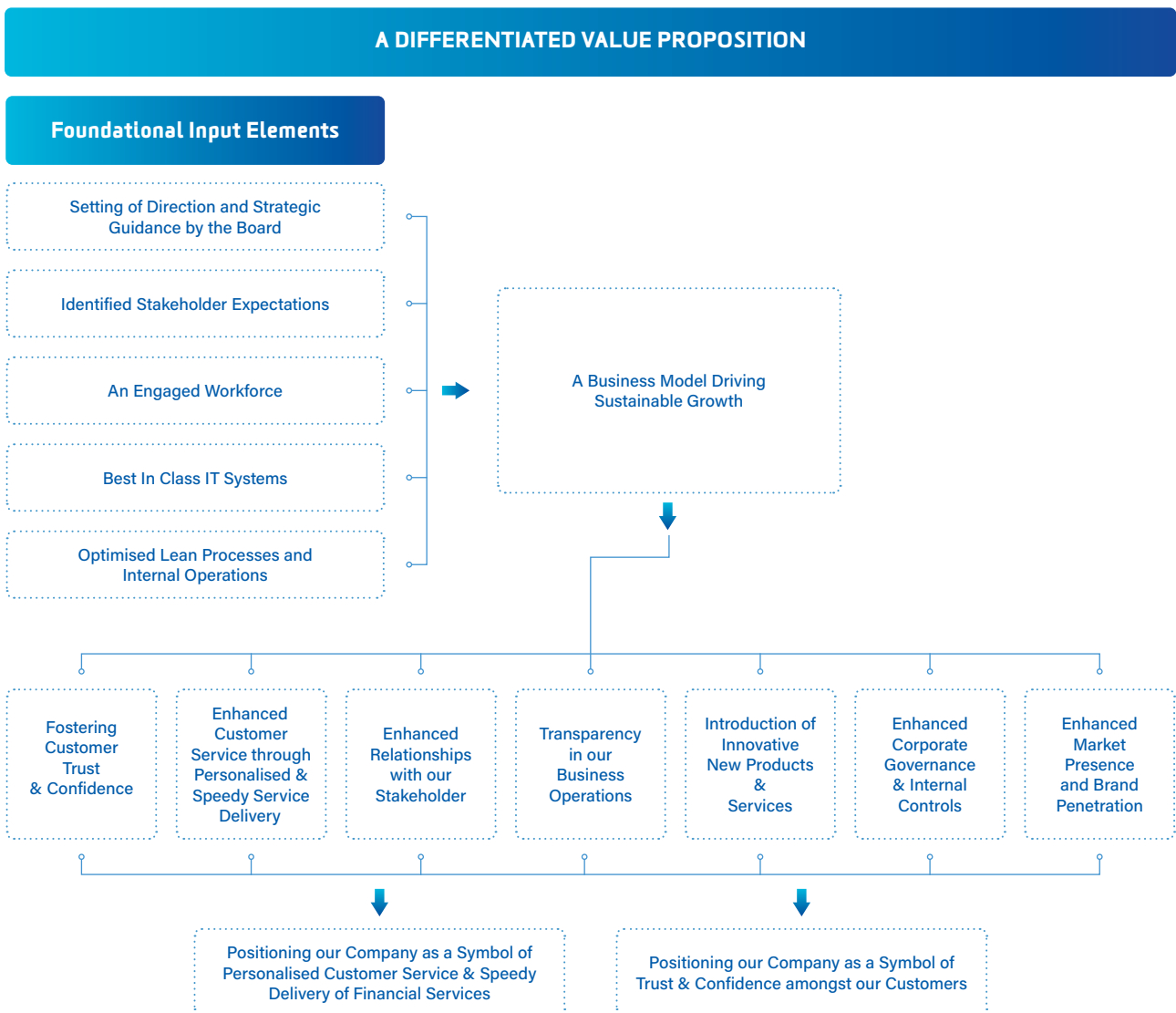
Corporate Strategy Behind Value Creation

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.

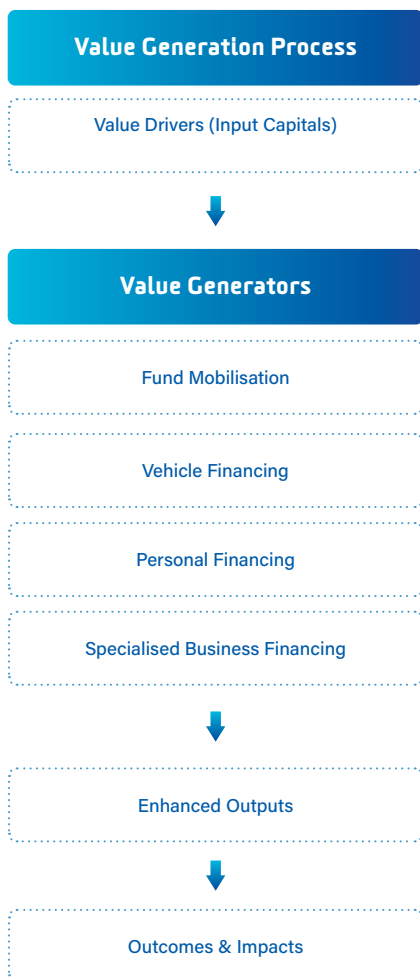
Corporate Strategy Behind Value Creation

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 & Analysis

| | |
|-----------------------------------|----|
| <u>Financial Capital</u> | 38 |
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| <u>Human Capital</u> | 50 |
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Financial Capital

Overview

In FY 2024/25, Sri Lanka's economy showed signs of stabilization and modest growth following two years of contraction. This recovery was supported by easing inflation, stronger agricultural performance, and a gradual rebound in services and exports. The external sector remained resilient, buoyed by steady remittances and improved tourism earnings.

The financial sector operated in a cautious but improving environment. Credit growth was initially subdued due to weak private demand and conservative lending practices, but gradually it picked up as liquidity conditions improved, aided by lower interest rates and stronger external inflows.

For the Company, the review period marked notable progress in both asset quality and profitability. The partial transfer of the loan portfolio to a Special Purpose Vehicle (SPV) resulted in the removal of regulatory restrictions on lending. This facilitated the recognition of suspended interest income, reversal of impairment provisions, and a significant recovery in the non-performing portfolio, all of which contributed to improved profitability and asset quality.

The SPV arrangement formed a central component of the Company's alternative capital restoration plan, agreed with the Central Bank, to strengthen capital compliance and restructure the balance sheet. The transactions completed during the year ensured full compliance with capital adequacy ratio requirements for FY 2024/25 and enabled the lifting of regulatory lending caps.

Looking ahead, the Company's immediate priorities are to complete the remaining SPV transactions, achieve full compliance with core capital requirements, stabilize operations, lift the regulatory cap on deposits, and re-commence leasing and deposit

mobilization. Internal processes and structures have already been scaled up to support the expected business recovery. The target is to achieve break-even by FY 2025/26, with the focus shifting towards renewed growth and sustainable profitability from FY 2026/27 onwards.

Interest Income

During the year under review, the company experienced a substantial decline in total interest income, which fell by Rs. 1.44 billion, or 56.0%, to Rs. 1.13 billion. This decrease was primarily due to a significant reduction in both gold loan, SME and leasing income.

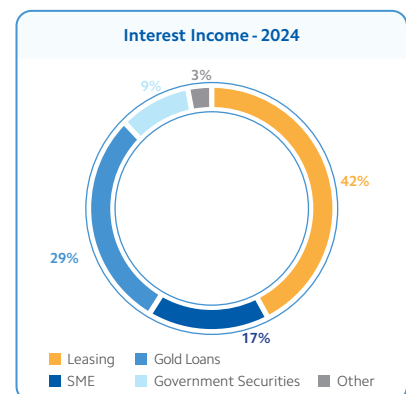
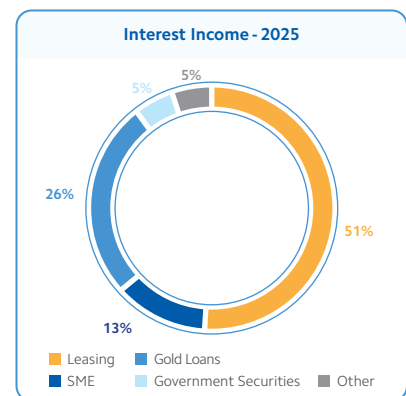
The company's efforts to achieve sustainable year-over-year growth were hampered by regulatory caps imposed by the Central Bank on its lending, deposits, and commercial paper (CP) products. These caps were a response to the company's failure to meet capital adequacy requirements. The Central Bank tightened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

The Company successfully complied with the capital adequacy ratios requirement during the year through transferring the beneficial ownership of a part of the Company's loan portfolio to a Special Purpose Vehicle (SPV), S R One (Private) Limited, a fully owned subsidiary of Softlogic Capital PLC (the parent), for a cash consideration of Rs.1.1 billion during the year. Accordingly, the Central Bank lifted the regulatory restrictions imposed on lending in November 2024. However, regulatory restriction imposed on the deposits continued resulting in which hampered our ability to step up on lending and thereby, improve interest income.

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 leasing decreased by Rs. 518.7 million, or 46.6%, to Rs. 1,091.13 million and interest income from gold loan fell by Rs. 465.61 million, or 61.27%, to Rs. 294.33 million.

The company also experienced a notable decrease in interest income from government securities. This income declined by Rs.169.93 million, to Rs.51.33 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.



The Company has taken proactive measures to strengthen its capital position and stabilize operations. In July 2025, the remaining portion of

the portfolio transfer to the SPV was completed, enabling compliance with the regulatory core capital requirement. To support this, the Company has engaged its external auditors to issue a certificate of profit and changes in equity for the four-month period ended 31st July 2025, which is currently under audit.

The primary objective of this process is to obtain regulatory approval to resume the mobilization of deposits, following compliance with the core capital requirement. This step is vital for managing funding effectively and driving the Company's lending growth to optimize returns.

Going forward, the Company will place strategic emphasis on the expansion of gold loans, which are expected to deliver steady income while maintaining asset quality and mitigating risks prudently. In parallel, the Company will focus on growing its leasing portfolio to secure sustainable profitability and establish a reliable, year-over-year income stream. To preserve the quality of leasing assets, a rigorous customer screening process will be implemented, supported by the development of a system-driven customer onboarding process designed to enhance service standards and improve cost efficiencies.

Through these initiatives, the Company aims to sustain revenue growth while containing credit costs, thereby ensuring a stable and sustainable bottom line over the long term.

Interest Expense

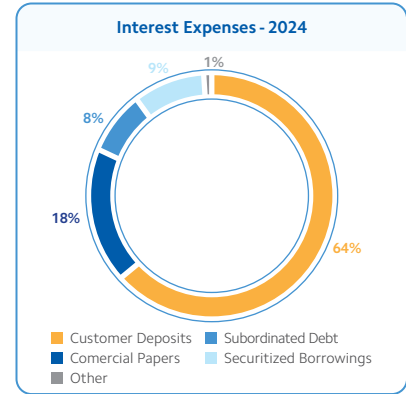
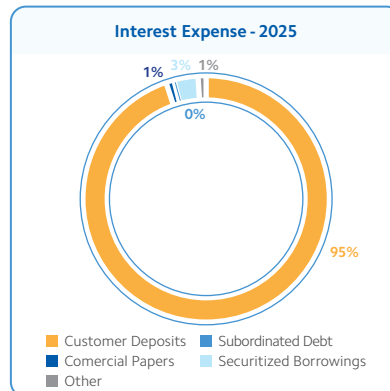
The Company was compelled to suspend its deposit-based borrowings due to regulatory caps imposed by the Central Bank. By 31st July 2025, this cap was reduced to Rs. 4.7 billion, exerting sustained pressure on the Company to repay maturing customer deposits.

Consequently, the deposit base contracted by Rs. 3.21 billion or 42.88% compared to the previous year. While

this significant reduction created considerable challenges in meeting the Company's funding requirements, it also led to a notable decline in interest expenses on time deposits, owing to both the shrinking deposit base and lower market interest rates. Interest expenses on time deposits fell by Rs. 970.96 million or 55.09%, reaching Rs. 791.42 million, supported by repricing benefits at renewals.

In parallel, the discontinuation of borrowings through Commercial Papers (CPs) required the Company to prioritize their settlement as they matured. The CP base consequently fell by Rs. 281.81 million or 98.75%, leaving an outstanding balance of only Rs. 3.58 million. This near elimination of CP borrowings resulted in a steep reduction in related interest expenses, which declined by Rs. 490.94 million or 98.92% to Rs. 5.35 million.

Additionally, the Central Bank restricted securitization borrowings exclusively to corporate customers, placing further pressure on liquidity management. In response, the Company fully repaid its securitization borrowings during the year, leading to an interest expense reduction of Rs. 725.41 million or 96.32% on these loans. Borrowings from financial institutions were also constrained due to group exposure limits, leaving the Company with no choice but to rely entirely on internally generated cash flows to meet regulatory obligations and service liabilities.



The liquidity management became critical in the 1H of the financial year so the focus of the company in this period was to slow down its lending growth (gold loan) and instead go on aggressive collection on the maturities. This strategy enabled the company to bolted its liquidity position in the 1H so that adequate liquidity will be available to facilitate business operation smoothly. The company moved into aggressive expansion of gold loans in the 2H of the financial year upon completion of the SPV transaction.

Moving forward, the company will concentrate on complying with core capital requirement and resuming customer deposit activities in the 2H of the FY 2025/26. In the interim, it will manage with the internally generated cash through recoveries and strategic portfolio divestments planned for the FY 2025/26. 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.

Financial Capital

Net Interest Income (NII)

The sharp reduction in interest expenses more than offset the decline in interest income during the year. In fact, the decrease in interest expenses significantly outpaced the fall in interest income, resulting in a positive Net Interest Income (NII) for the year. Accordingly, NII improved to Rs. 299.56 million in the financial year, compared to a negative Rs. 205.13 million in the previous year. This turnaround also led to an improvement in the Net Interest Margin (NIM), which increased to 4.2% from negative 1.5% a year earlier.

Looking forward, the Company's transformative strategy is anchored on building a lending portfolio capable of generating an average NIM of around 9%. This vision is underpinned by a redefined operating model, which includes:

- Consolidation of delivery channels to approximately 15 strategically located branches, including the creation of a flagship branch at the head office through the relocation of the city office branch.
- Expansion into gold loans and micro-leasing as near-term priorities, followed by a gradual shift into more stable four-wheeler leasing to accelerate sustainable growth.

To support the streamlined operational model, the Company is focusing on right sizing its workforce, complemented by the strategic recruitment of new talent and the strengthening of its management team, with a clear emphasis on driving sustainable business growth.

Through these initiatives, the Company aims to deliver improved profitability, sustainable growth, and enhanced stakeholder value.

Operating Expenses

The Company recorded a notable reduction in operating expenses, which declined to Rs. 847.81 million in the year under review, compared to Rs. 1.07 billion in the previous year, a decrease of Rs. 223.53 million or 20.86%. This improvement reflects the prudent management and rationalization of expenses implemented throughout the financial year.

As part of the corrective measures communicated to shareholders at the Extraordinary General Meeting (EGM) in July 2023, the Company further downsized its branch network from 18 to 15 branches during the year. This strategic step ensured the retention of key delivery channels required to support portfolio expansion once business operations fully resume.

In line with this restructuring, the Company also realigned its workforce to match the consolidated branch network and head office operations. Staff strength was further adjusted from 251 in the previous financial year to 243, with replacements limited to critical positions, filled at a lower cost. Although the headcount remained broadly stable, these initiatives delivered a significant reduction in personnel expenses, which fell by Rs. 68.27 million or 18.62%.

We have undertaken a comprehensive operational restructuring, focused on consolidating our delivery channels to 15 strategically located branches and optimizing our workforce through rightsizing initiatives and the strategic recruitment of new talent, including key management roles. These measures are designed to position the Company for sustainable business growth following compliance with capital requirements.

At the same time, we are leveraging group synergies to accelerate technological advancements, with a strong emphasis on streamlining operational processes and enhancing customer engagement. Key initiatives

include the development of user-friendly mobile platforms to improve customer interaction and onboarding. We have already deployed a dedicated mobile platform for recovery monitoring, visit tracking, and progress reviews.

We are confident that the successful execution of these strategies will deliver significant gains in productivity and cost efficiency, enabling further streamlining of operating expenses and ultimately strengthening the Company's profitability and long-term sustainability.

Credit Loss Expense

The credit loss expense on financial and other assets recorded a significant improvement, decreasing by Rs. 1.07 billion or 166.14% and resulting in a reversal of Rs. 426.07 million during the year. This positive turnaround was largely driven by reversals of impairments on term loans, SME loans, and leasing facilities, which together contributed Rs. 507.48 million in credit loss reversals.

The Company's intensified recovery efforts across its lease and loan portfolios played a pivotal role in this outcome. These efforts were further reinforced by the recruitment of specialized recovery talent and the introduction of a series of reforms to strengthen monitoring and follow-up processes. Key initiatives included:

- Execution of the SPV transaction to streamline non-performing exposures.
- Repossessing or accepting voluntary surrenders of vehicles tied to non-performing assets, followed by disposal through the auction process.
- Strengthened legal recovery actions and negotiations on legal loan facilities, leading to improved settlements.
- Enhanced monitoring and corrective measures on non-performing assets, resulting in better recoveries and a reduction in the NPL portfolio.

Collectively, these actions not only curbed further deterioration in the NPL portfolio but also boosted interest income through the recovery of suspended interest. They also contributed directly to operating profit by generating a reversal of credit loss expenses.

Looking ahead, the Company expects further reductions in credit losses as these measures continue to gain traction. Proactive legal actions on NPLs have accelerated negotiations and settlements with defaulting customers, and early results already indicate tangible improvements in recoveries.

Profitability

Despite generating a positive Net Interest Income (NII), the year under review posed significant challenges for the Company's interest-earning activities, primarily due to regulatory restrictions and curtailed lending operations. Nevertheless, the adverse impact on profitability was effectively mitigated through strategic initiatives, scaling down of liability products, tighter control of interest expenses, and enhanced asset recoveries, which collectively enabled a reversal of credit losses.

As a result, the Company reported a net operating income of Rs. 110 billion, marking a substantial turnaround from the loss of Rs. 705.40 million recorded in the previous year, an improvement of Rs. 1.81 billion. Through prudent expense management, operational downsizing, restructuring efforts including the SPV transaction, and strengthened recovery initiatives, profit after tax (PAT) rose to Rs. 145.13 million, compared to a loss of Rs. 1.78 billion in the prior year. This remarkable achievement reflects an improvement of Rs. 1.92 billion or 1,324.22%, underscoring the effectiveness of the Company's corrective actions.

Looking ahead, the Company will continue to evaluate its financial position carefully and adapt proactively to changing market conditions. While talent acquisition, including filling critical managerial positions, along with rebranding and repositioning efforts to drive growth, may add pressure on expenses in the near term, a series of measures are being implemented to strengthen profitability and manage risks. These include cost rationalization, process streamlining, technological advancements, and fintech-driven solutions.

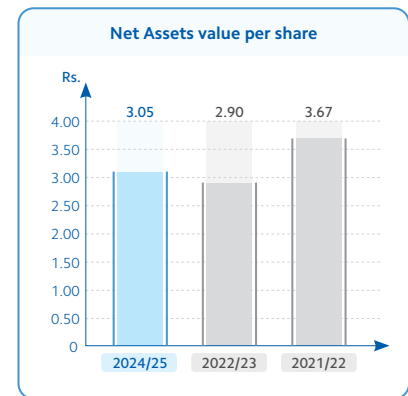
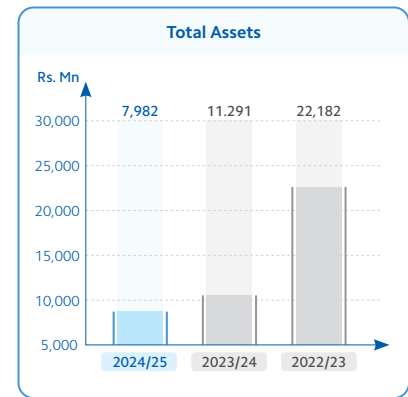
By focusing on operational efficiency, reducing non-essential costs, and boosting overall performance, the Company aims to stabilize operation and reach breakeven in FY 2025/26 and achieve sustainable profitability thence after.

Total Assets

The company experienced a significant reduction in its total assets, which fell by Rs. 3.31 billion, or 29.30%, to Rs. 7.98 billion. However, as a result of the profit reported, the net asset value per share improved to Rs. 3.05 from Rs. 2.90 the previous year. This decline in assets was primarily due to decreases in lease and loan portfolios. The lease and hire purchase receivables dropped by Rs. 2.51 billion, or 62.85%, to Rs. 1.48 billion, while loan receivables fell by Rs. 1.05 billion, or 42.71%, to Rs. 1.40 billion. In contrast, the aggressive expansion of the gold loan portfolio in the 2H of the year drove an increase of Rs. 464.48 million or 34.00%, bringing the portfolio to Rs. 1.83 billion.

This substantial reduction highlights a notable shift in the Company's financial position. To address these challenges, the Company will continue to closely monitor its asset composition while implementing strategic measures to stabilize and strengthen its financial position. Ensuring compliance with the

core capital requirement and securing the lifting of the regulatory cap on deposits will be critical enablers for achieving the Company's targeted portfolio expansion and long-term financial resilience.



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 gold loans, which were not subject to regulatory caps, leading to remarkable growth in this segment during the last three years. In FY 2022/23, our gold loan assets grew by Rs. 1.66 billion, or 57.32%, reaching Rs. 4.55 billion. However, due to continuous downsizing of regulatory caps on both lending and liability products in FY 2023/24, we were forced to scale back our gold loan operations and shift our focus toward recoveries to manage liquidity to repay liabilities. As a result,

Financial Capital

our gold loan portfolio declined by Rs.3.18 billion or 69.97%, reaching 1.37 billion. This situation continued further in the 1H of the FY 2024/25.

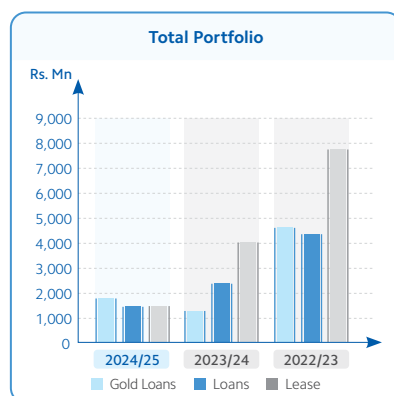
With the completion of the part of SPV transaction amounting to Rs.1.1 billion in the 1H of the financial year significantly improved the company's liquidity position. This improvement assisted us to aggressively drive the growth of the gold loan portfolio in the 2H of the FY2024/25. As a result, the gold loan portfolio improved by Rs.464.48 million or 34.0%, reaching Rs.1.83 billion as of the end of FY 2024/25.

In addition, 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. 1.49 billion from Rs. 4.0 billion, a reduction of Rs. 2.51 billion, or 62.85%.
- A significant improvement in the gold loan portfolio, which improved to Rs. 1.83 billion from Rs. 1.37 billion, an improvement of Rs. 464.48 million, or 34.0%.
- A sizable reduction in loan receivables, which fell to Rs. 1.41 billion from Rs. 2.45 billion, representing a decrease of Rs. 1.05 billion, or 42.71%..

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.



The Company successfully met the regulatory capital adequacy ratio requirements following the completion of the SPV transaction amounting to Rs. 1.1 billion during the 1H of the financial year. Strengthened by this transaction, the Company's capital position improved, enabling the Central Bank to remove the regulatory cap on lending in November 2024. This milestone created an opportunity to re-commence leasing operations. However, progress was constrained by liquidity challenges stemming from the suspension of borrowing through deposits and CPs, which limited the pace of reactivation.

In July 2025, the Company finalized the remaining SPV transaction. Further details of this are disclosed under note no. 43, Events after the Balance Sheet Date, and note no. 40.5, Capital Management. With this completion, the Company fully executed the SPV transaction illustrated in the alternative capital restoration plan submitted to the Central Bank in May 2024.

Following the regulatory cap's revision in July 2024, the Company remained fully compliant with the regulatory cap on deposits and CPs. This compliance reflects our firm commitment to maintaining responsible, regulation-aligned practices while effectively managing lending activities in line with evolving Central Bank directives.

Looking ahead, our strategic focus will pivot towards a finance leasing and gold loan-driven model, with a deliberate rationalization of other loan products. This sharper focus will allow us to strengthen our core business areas, enhance profitability, and improve operational efficiency. At the same time, we intend to introduce innovative financial products and services within this refined framework, differentiating our value proposition and driving sustainable sales growth.

Total Liabilities

During the year, the company saw a significant reduction in its total liabilities, which fell by Rs. 3.45 billion, or 40.63%, bringing the total liabilities down to Rs. 5.05 billion. This decrease represents a substantial shift in the company's financial obligations.

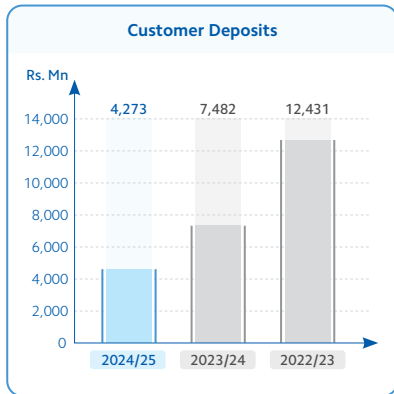
Customer Deposits

The Central Bank progressively tightened restrictions on deposits, reducing the cap to Rs. 5.0 billion by the end of the previous year and further to Rs. 4.7 billion during the year under review. These measures also included suspending the acceptance of new deposits and mandating interest rates 100 basis points below the Central Bank ceiling. Consequently, the Company was compelled to repay maturing deposits to the maximum extent possible, based on its monthly liquidity position, while renewing the remainder under the prescribed interest rate restrictions.

Customer deposits have historically been the Company's primary source of funding for asset expansion and working capital requirements. However, under these stringent regulatory constraints, the Company was unable to mobilize new deposits and was compelled to settle existing deposits as they matured. As a result, customer deposits declined by Rs. 3.21 billion, or 42.88%, bringing the balance down to Rs. 4.27 billion by year-end.

The sharp downsizing in the deposit cap during FY 2023/24 posed significant challenges in sustaining adequate liquidity to settle maturing deposits, particularly in the 1Q of the financial year. Despite intensified collection efforts, internal cash generation remained insufficient to meet repayment obligations to adhering to the Rs. 5.0 billion regulatory limit. This pressure was alleviated following July 2024, enabling the Company to successfully comply with the revised cap of Rs. 4.7 billion.

Looking ahead, the Company expects to fully meet the core capital requirement during the 1H of FY 2025/26. This will be achieved upon completion of the remaining SPV transaction in July 2025, obtaining certification of profit and changes in equity from the external auditors for the period ended July 31, 2025, and receiving Central Bank approval to incorporate the reported profit and the reversal of the RLAR for capital compliance purposes.



Other Borrowings

The Company classifies bank loans, commercial papers (CPs), securitized facilities, loans or debts from the parent company, and borrowings from other institutions under the category of "other borrowings." As of March 31, 2025, this category comprised solely of CPs.

During the year under review, the securitized facilities obtained in the previous financial year were fully settled.

Due to Central Bank restrictions, the Company was compelled to discontinue raising funds through securitized facilities, except from corporate customers, which significantly curtailed access to this funding source.

Similarly, the suspension of CP issuances by the Central Bank required the Company to repay outstanding CPs at maturity. Consequently, CP borrowings fell drastically to Rs. 3.58 million, a reduction of Rs. 281.81 million or 98.75% compared to the previous year. Furthermore, group exposure limits restricted access to alternative borrowings, further constraining the Company's ability to secure critical operational funding.

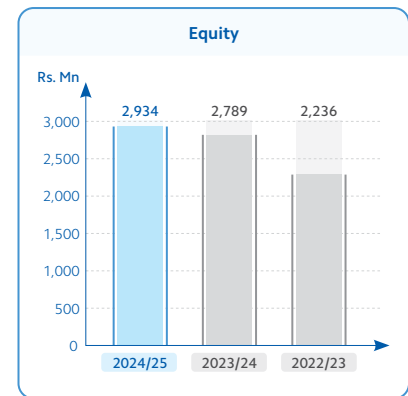
Overall, other borrowings contracted by Rs. 554.31 million, representing a steep 99.36% decline year-on-year, bringing the balance down to Rs. 3.58 million from Rs. 557.89 million. To mitigate these funding constraints, the Company adopted an aggressive collection strategies focusing on leases and loans, and gold loans in the 1Q to meet operational liquidity requirements.

These developments underscore the resilience and adaptability of the management team and the steadfast commitment of our liability teams, whose efforts in navigating these constraints are clearly reflected in the year's results.

Equity

The Company's equity increased to Rs. 2.93 billion in FY 2024/25, up from Rs. 2.79 billion in the previous year, reflecting a growth of 5.22%. This improvement was primarily driven by the profit reported during the financial year. The strengthened equity position and sharp contraction in borrowings contributed to a healthier balance sheet, with the debt-to-equity ratio improving to 1.71 times, compared to 3.04 times in the prior year.

Meanwhile, the Regulatory Loss Allowance Reserve (RLAR) declined to Rs. 970.07 million from Rs. 1.74 billion a year earlier, supported by stronger NPL recoveries and reversals arising from the SPV transaction.



Liquidity

The Company encountered unprecedented challenges in the 1Q of the financial year, with FD maturities exceeding Rs. 3.0 billion. Meeting these obligations required the full use of available liquidity. However, the completion of the Rs. 1.1 billion SPV transaction during the 1H of the year enabled the Company to rebuild its liquidity buffer and restore compliance with regulatory total liquid asset requirement.

The pressures on repaying the FD and CP maturities while maintaining liquidity compliance were further intensified by Central Bank restrictions on deposits and CPs. Despite such severe constraints, the unwavering commitment and strategic actions of the Treasury Division were instrumental in ensuring timely repayment of deposits and borrowings, while safeguarding uninterrupted working capital management.

Total liquidity, comprising cash reserves, bank balances, unit trust investments, and government securities, stood at Rs. 1.10 billion at year-end, down from Rs. 1.32 billion the previous year, a decline of Rs. 217.05 million or 16.49%.

Financial Capital

Encouragingly, liquidity ratios demonstrated marked improvement. The ratio of available liquid assets to minimum required liquid assets surged to 222.8%, compared to 97.7% in the previous year, driven largely by the contraction of the deposit and borrowing base. Likewise, the ratio of liquid assets to external funds improved to 22.1% from 9.5% a year earlier.

Capital Adequacy

Driven by the profit reported during the year and the reversal of the RLAR, both Tier I and Tier II capital ratios improved to 25.46% by year-end. This notable improvement was primarily supported by profits from the de-recognition of financial assets through the SPV transaction, as well as RLAR reversals stemming from stronger NPL recoveries and the SPV transaction.

Subsequent to the reporting date, the Company successfully completed the final tranche of the SPV transaction amounting to Rs. 700.0 million. With this completion, the Company's capital adequacy ratios have further improved to 48.53%, while core capital has increased to Rs. 2.5 billion, subject to external audit confirmation and approval by the Central Bank. Comprehensive details on the Company's capital compliance are presented under Note No. 40.5, Capital Management, of this Annual Report.

Future Plans

The cornerstone of the Alternative Capital Restoration Plan submitted to the Central Bank was the completion of the SPV transaction amounting to Rs. 1.8 billion. Of this, Rs. 1.1 billion was successfully executed during the year under review, with the remaining Rs. 700.0 million completed subsequent to the reporting date. This achievement not only provided a critical capital infusion but also reaffirmed the parent company's commitment to strengthening the Company's financial stability and ensuring its long-term operational viability.

Looking ahead, the Company remains committed to building a sustainable future for its stakeholders by aligning with regulatory benchmarks while pursuing sustainable growth and profitability. Key strategic initiatives include:

- Redefining the product mix with a sharper focus on a finance leasing and gold loan-driven model.
- Expanding gradually into untapped regions while introducing innovative products to meet evolving customer needs.
- Investing in digital infrastructure, advanced analytics, and fintech solutions, including AI, to enhance service delivery and operational efficiency.

- Driving efficiency through optimized resource allocation and disciplined cost management while maintaining operational effectiveness.
- Streamlining the branch network to ensure optimal geographic coverage aligned with market dynamics, product mix, and customer needs.

With determination and resilience, the Company continues to strengthen its performance metrics, positioning itself as a more attractive destination for new equity and potential investors. Despite prevailing challenges, we are confident that our persistent efforts will further reinforce our financial standing, deliver sustainable value, and achieve greater milestones in the years ahead.

Customer Capital

Management Approach

At Softlogic Finance PLC, our customers remain at the heart of all we do. Guided by a steadfast commitment to service excellence, we have embedded a customer-centric ethos across all touchpoints of our organization, from front-end engagement to back-office operations. Every business decision is informed by the singular objective of delivering an exceptional, seamless and memorable customer experience.

We actively listen to our customers and take their feedback seriously. Insights gathered through continuous engagement enable us to refine our processes, re-engineer workflows and enhance service delivery. This approach ensures that we consistently meet and exceed customer expectations.

Fund Mobilization Products

- Fixed Deposits
- Savings

Achieving Service Excellence

Service excellence is a cornerstone of our organizational culture. We take a proactive approach to monitoring and enhancing service quality across all operational layers. By fostering a company-wide commitment to continuous improvement, we ensure that our service delivery model remains robust, responsive, and agile.

To institutionalize this commitment, we have implemented the following strategic initiatives:



An Overview of Measures taken to drive Customer Excellence

Ongoing training and performance evaluation in customer service best practices for all employees, including front-line, support, and back-office personnel

Process re-engineering using Lean Management techniques, supported by end-to-end digital transformation to streamline operations and eliminate inefficiencies

Enhancement of our integrated IT platform, enabling better customer relationship management (CRM), efficient product rollouts, and improved support functions

Systematic operational reviews and process audits, ensuring all workflows remain optimized for high-quality service delivery

Product Diversity

In alignment with our customer-centric strategy, we have leveraged both internal insights and external market intelligence to curate a diverse product portfolio. Our offerings are tailored to address the unique financial needs of different customer segments, while also ensuring sustainable profitability and long-term value creation.

Our product suite addresses both Lending and Fund Mobilization requirements, ensuring financial inclusion and accessibility:

Lending Products

- Finance Leases
- Vehicle Loans
- Personal & Consumer Loans
- Gold Loans
- Factoring

We have also launched a comprehensive customer complaints management system, featuring a dedicated hotline and a specialized team trained to address issues promptly and empathetically. These mechanisms ensure that every customer concern is addressed efficiently, with solutions delivered in a timely and transparent manner.

Additionally, we have initiated a strategic branch redesign programme, aimed at transforming our physical spaces into

Customer Capital

welcoming, efficient, and customer-friendly environments. Each branch is being reimagined to support a relaxed and professional atmosphere conducive to superior service engagement.

Product Responsibility

Softlogic Finance PLC is aligned with the Customer Protection Framework prescribed by the Central Bank of Sri Lanka. We are committed to conducting all transactions in an ethical, transparent and customer-friendly manner. Our product development and customer engagement processes are guided by the principles of fairness, clarity and accountability.

Our customer relationship teams are trained to ensure that every financial product is clearly explained, including the associated terms, conditions and legal implications. We prioritize informed decision-making by empowering customers with the necessary knowledge to make sound financial choices.

Fairness and Transparency in Customer Interactions

All customer interactions are guided by a strong commitment to transparency and objectivity. We ensure that clients are fully informed of:

- Product features and associated risks
- Terms and conditions of service
- Credit assessment criteria and lending decisions

Our recovery processes are equally transparent, designed to uphold customer dignity while ensuring clarity and openness throughout the process.

Anti-Competition

We are committed to fair competition and fully comply with all regulatory guidelines governing financial services. Our pricing strategies adhere to Central Bank policy rates, and we continuously educate our teams on ethical conduct in a competitive market. We believe sustainable business success must be built on a foundation of fairness and responsible corporate conduct.

Anti-Corruption

A comprehensive Code of Ethics is enforced across all levels of the organization to prevent any unethical, illegal, or corrupt activities. All employees undergo regular training on ethical conduct, and a structured internal control and risk management framework is in place to detect and deter misconduct.

We have also instituted a whistleblower mechanism, enabling employees to report any concerns confidentially, thus reinforcing accountability and transparency across the organization.

Customer Privacy

Customer privacy and data protection are of paramount importance to us. We maintain stringent information security protocols and do not disclose customer information to third parties unless mandated by law. Our IT infrastructure is continuously assessed and upgraded to prevent data breaches and maintain the highest standards of data integrity.

Product Portfolio Compliance

All products and services offered by Softlogic Finance are subject to ongoing regulatory review and internal audits. Employees are trained on relevant legal and regulatory frameworks, ensuring customers receive accurate, up-to-date information at all times. Our risk management and internal control systems serve as a first line of defense against regulatory breaches, supporting our commitment to responsible financial stewardship.

Future Outlook

As we look ahead, our strategic focus remains on building long-term customer relationships, driven by excellence in service delivery, innovative product development and enhanced brand value.

The ongoing digitalization of processes, alongside the implementation of our integrated IT system and structured staff training programmes, will further embed a service culture focused on responsiveness, reliability, and relevance. This transformation will enable us to:

- Improve customer acquisition and retention
- Enhance operational efficiency
- Accelerate product innovation
- Drive sustainable business growth

We firmly believe that our unwavering commitment to customer-centricity will continue to serve as the engine of our growth. By investing in people, processes and technology, we are positioning Softlogic Finance PLC to be the preferred non-bank financial institution in Sri Lanka.

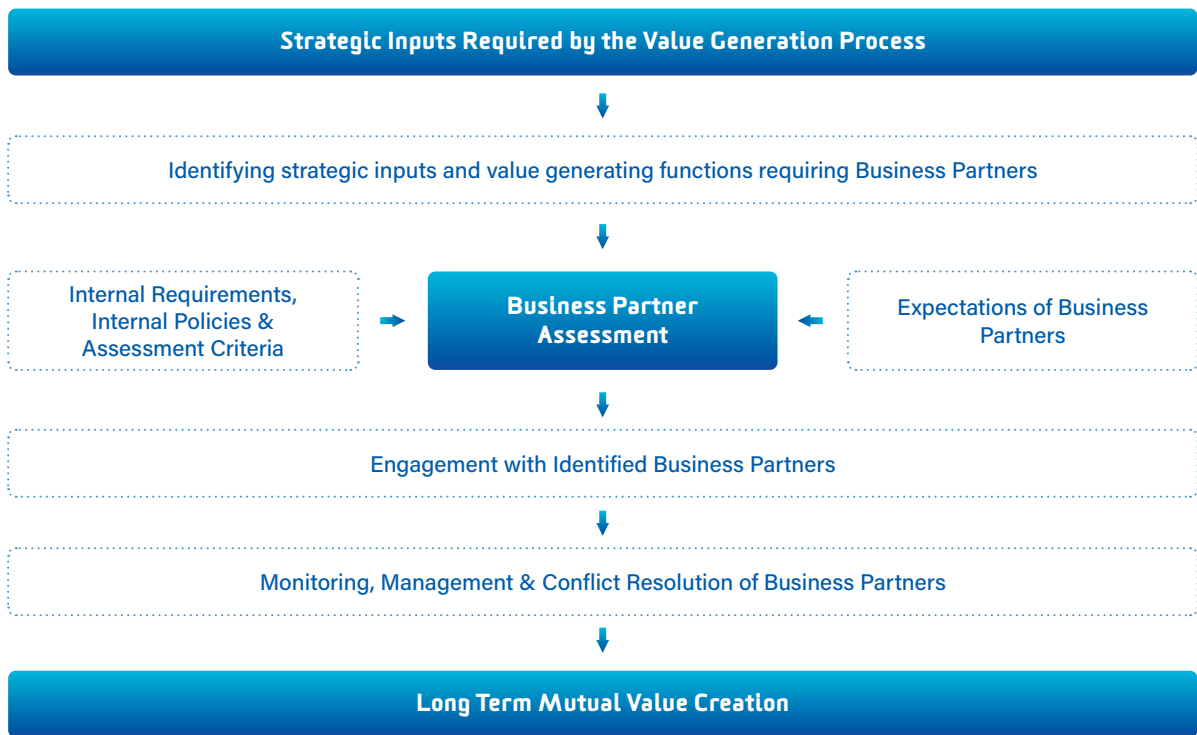
Business Partner Capital

Management Approach

At Softlogic Finance PLC, we recognize that the strength and quality of our relationships with business partners are critical to sustaining service excellence, driving operational efficiency and enhancing our overall competitive positioning in the market. These strategic partnerships form an integral component of our broader value creation framework, enabling us to deliver consistent and sustainable value to all stakeholders.

Our approach to managing Business Partner Capital is underpinned by a philosophy of cultivating partnerships that yield long-term strategic value. Guided by formalized procurement and engagement policies, we maintain robust oversight of partner selection, evaluation, and ongoing performance. We actively leverage intra-group procurement channels within the wider Softlogic Group to capitalize on synergies that deliver both cost and quality advantages.

Moreover, we are committed to contributing to the socio-economic upliftment of the regions in which we operate. As such, our procurement practices prioritize engagement with regional and local suppliers, thereby fostering local entrepreneurship, generating employment and embedding sustainability at the core of our supply chain.



Business Partner Engagement

Our engagement with business partners is rooted in a collaborative, transparent and mutually beneficial model. We aim to establish enduring relationships built on trust, accountability and shared values. By partnering with service providers and consultants whose capabilities and ethics align with our corporate vision, we ensure the consistency, reliability and resilience of our operations.

Continuous and personalized engagement with each business partner ensures that mutual expectations are met and that partnerships remain responsive to evolving business needs. This approach allows us to co-create value and generate innovative solutions across diverse functional areas, thereby supporting long-term business sustainability.

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 Capital

Business Partner Evaluation & Assessment

All major procurement decisions are governed by a centralized procurement framework that ensures consistency, accountability and alignment with corporate objectives. The relevant departments, in collaboration with subject matter experts, define quality and performance standards for goods and services procured.

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 |

This rigorous evaluation ensures that all business partnerships are aligned with the strategic imperatives of the Company and are capable of supporting long-term growth.

Business Partner Classification and Management

In line with our evolving strategic priorities, business partners are classified into four distinct categories to facilitate targeted engagement strategies.

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-term and long-term growth of the company and help achieve operational excellence through their expertise. The focus in this instance is on the medium-term 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
- 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.

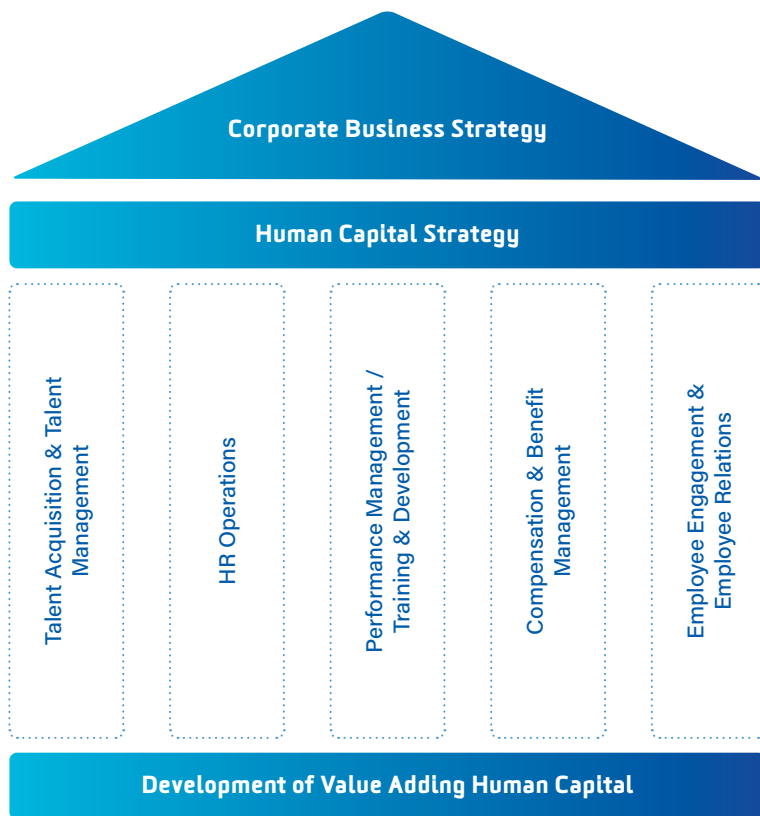
- Central Bank of Sri Lanka
- Department of Inland Revenue
- Securities and Exchange Commission of Sri Lanka
- Colombo Stock Exchange

Future Outlook

Looking ahead, the role of business partners will continue to be instrumental in enabling our strategic aspirations and operational effectiveness. Whether supporting branch network expansion, enhancing digital platforms or facilitating daily operational workflows, our partners will remain integral to achieving scalable, efficient and sustainable growth.

As we continue to evolve our business model, we will deepen our focus on building resilient, agile and value-driven partnerships. Emphasis will be placed on aligning with partners who are committed to innovation, compliance and mutual value creation, ensuring that our extended enterprise is equipped to meet the challenges and opportunities of tomorrow.

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 Policy

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

- Succession Plan for Key Positions

2. Continuous Training & Development

Conducted 27 training programs during the year, which were designed to deliver returns in the form of increased productivity, commitment, and loyalty from our team members.

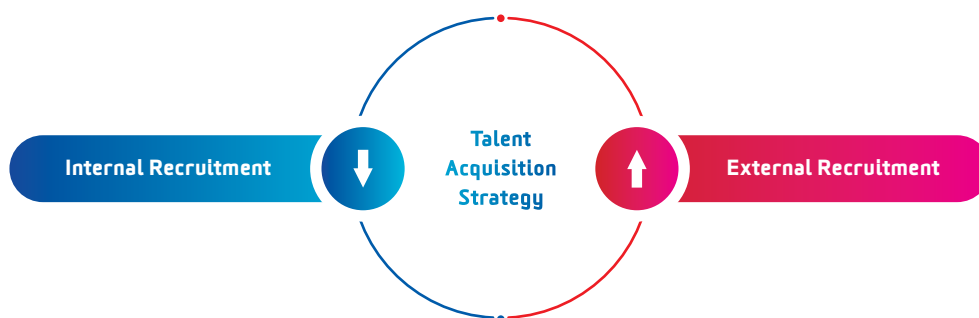
3. Employee Engagement Activities

Whilst remaining within safety guidelines outlined by authorities, during the year. We conducted six 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 | 2024/25 | 2023/24 |
|------------------------------|-----------|-----------|
| Sales & Direct Sales Support | 05 | 25 |
| Recovery | 01 | 07 |
| Support Services | 25 | 28 |
| Total | 31 | 60 |

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 | 2024/25 | 2023/24 |
|------------------------------|------------|------------|
| Sales & Direct Sales Support | 77 | 33 |
| Recovery | 22 | 37 |
| Support Services | 60 | 45 |
| Total | 159 | 115 |

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.

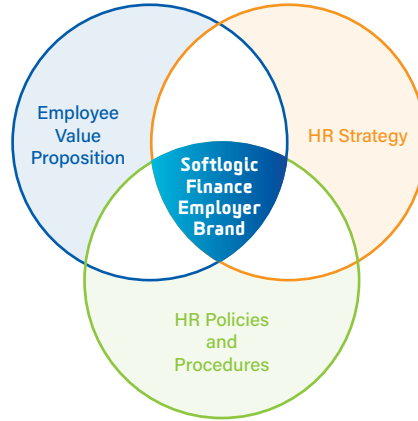
- HR Analytics
- Managing Time & Attendance of People
- Managing Employee Movements – Transfers and Promotions
- Employee Exit Process
- Conducting HR Audits
- Human Resource Administration Functions

Key HR Indicators

| Key HR Indicators | 2024/25 | 2023/24 |
|---------------------------------|---------|---------|
| Employee Head Count | 243 | 251 |
| New Recruitments | 159 | 115 |
| Internal Transfers | 49 | 79 |
| Promotions | 08 | 15 |
| No. of Training Programs | 27 | 14 |
| No. of Training Hours | 3,607 | 2,441 |
| Total Income Per Employee (Rs.) | 6.2 Mn | 10.8 Mn |
| Staff Costs Per Employee (Rs.) | 1.5 Mn | 1.8 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 2024/25

| Sales | Collection & Recovery | Support Services |
|-------|-----------------------|------------------|
| 22% | 26% | 52% |

Sales & Direct Sales Support

| 2024/25 | 2023/24 | 2022/23 |
|---------|---------|---------|
| 54 | 68 | 182 |
| 22% | 27% | 42% |

Collections & Recovery

| 2024/25 | 2023/24 | 2022/23 |
|---------|---------|---------|
| 62 | 72 | 77 |
| 26% | 29% | 18% |

Support Services

| 2024/25 | 2023/24 | 2022/23 |
|---------|---------|---------|
| 127 | 111 | 171 |
| 52% | 44% | 40% |

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

Human Capital

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 2024/25

| Below 30 Years | 31-40 Years | 41 Above |
|----------------|-------------|----------|
| 46% | 27% | 27% |

Below 30 Years

| 2024/25 | 2023/24 | 2022/23 |
|---------|---------|---------|
| 111 | 91 | 190 |
| 46% | 36% | 44% |

31-40 Years

| 2024/25 | 2023/24 | 2022/23 |
|---------|---------|---------|
| 66 | 85 | 150 |
| 27% | 34% | 35% |

41 Above

| 2024/25 | 2023/24 | 2022/23 |
|---------|---------|---------|
| 66 | 75 | 90 |
| 27% | 30% | 21% |

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

| 2024/25 | 2023/24 |
|---------|---------|
| 08 | 07 |

Total Employees as at 31st March

| 2024/25 | 2023/24 |
|---------|---------|
| 152 | 153 |

REST OF THE COUNTRY

New Employment Opportunities

| 2024/25 | 2023/24 |
|---------|---------|
| 05 | 12 |

Total Employees as at 31st March

| 2024/25 | 2023/24 |
|---------|---------|
| 91 | 98 |

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 2025

| No of Years with the company | No of Staff in each category | | |
|------------------------------|------------------------------|--------------------------|-----------|
| | Senior Management | Manager/ Executive Level | Others |
| 15 & Above | 03 | 07 | - |
| 10-15 | 06 | 12 | - |
| 5-10 | 02 | 16 | 01 |
| 1-5 | 08 | 90 | 02 |
| Below 1 year | 03 | 93 | - |
| Total | 22 | 218 | 03 |

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 | 2024/25 | 2023/24 |
|------------------------------|-----------|-----------|
| Sales & Direct Sales Support | 04 | - |
| Recovery | 02 | 05 |
| Support Services | 02 | 10 |
| Total | 08 | 15 |

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.

Human Capital

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 | |
|--------------------------|-----------------|-----------|
| | 2024/25 | 2023/24 |
| External | 11 | 08 |
| Internal | 16 | 06 |
| Total | 27 | 14 |

Gross No. of Employees Trained By Employee Category

| Employee Category | No. of Programs | |
|------------------------------|-----------------|------------|
| | 2024/25 | 2023/24 |
| Sales & Direct Sales Support | 331 | 426 |
| Recovery | 90 | 12 |
| Support Services | 52 | 71 |
| Total | 473 | 509 |

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 legislation 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 financial year, the following employee engagement activities were conducted:

- "TOWNHALL" get-together and fellowship evening
- Annual Day Outs
- Women's Day Celebration 2025
- Christmas 2024
- New year celebrations
- Head Office Opening

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.

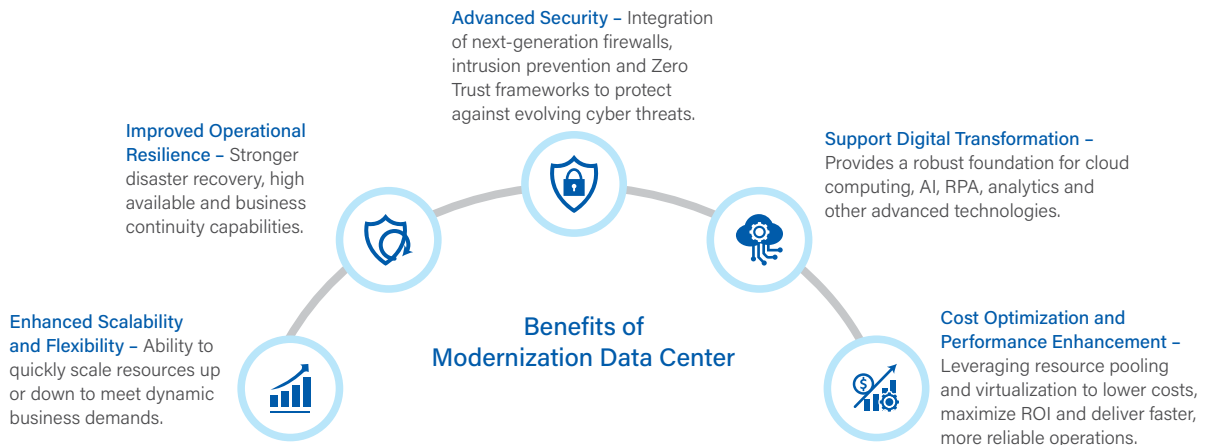
Infrastructure Capital

Infrastructure Capital

Softlogic Finance remains committed to strengthening its technological foundation through strategic capital investments in infrastructure. These investments are essential to sustaining operational efficiency, meeting evolving regulatory requirements, enhancing customer experience, and supporting the company's long-term digital transformation objectives.

During the financial year, the company undertook a series of key infrastructure upgrades and modernization initiatives, including.

1) Data Center Modernization



The company successfully hosted and operationalized its primary and disaster recovery (DR) data centers, both of which achieved ISO 22301:2019 Business Continuity Management certification and ISO/IEC 27001:2013 Information Security Management certification. These globally recognized accreditations underscore the company's strong governance framework and its commitment to ensuring operational resilience, regulatory compliance, and the highest standards of information security.

To further enhance scalability, agility, and cost efficiency, the infrastructure was integrated with local cloud services, enabling on-demand resource allocation and hybrid deployment models. This integration allows the company to rapidly scale operations, optimize

workloads, and achieve greater flexibility in managing IT resources while ensuring compliance with local data residency requirements.

The deployment of the latest generation of virtualization technologies streamlined infrastructure management, improved resource utilization, and delivered enhanced performance across critical systems. Storage systems were modernized with high-speed solid-state drive (SSD) arrays, providing faster data access, reduced latency, and greater reliability for core banking and customer-facing applications.

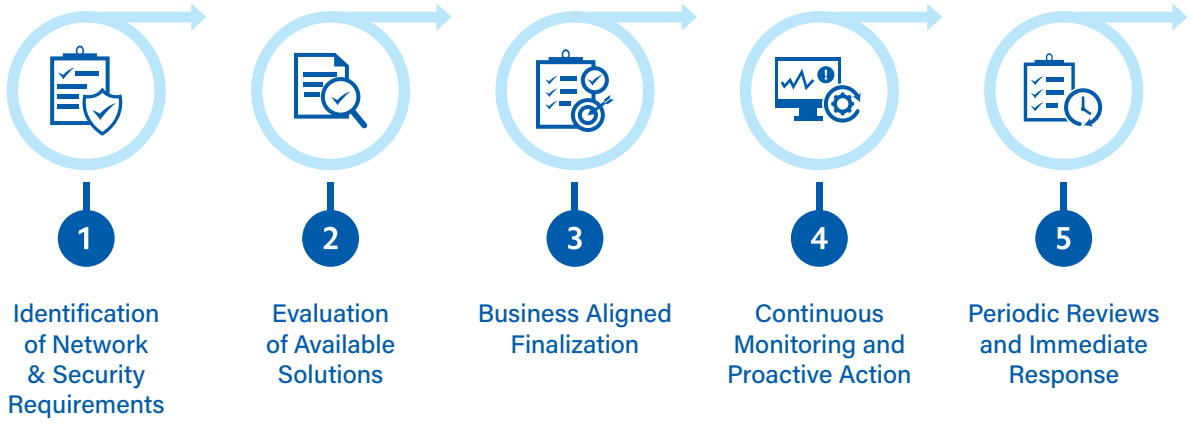
In alignment with business continuity objectives, near-zero Recovery Point Objective (RPO) standards were established for all mission-critical

services, ensuring data integrity and minimal loss in the event of system disruptions. Advanced recovery frameworks and automated failover mechanisms were also implemented, providing seamless transition between the primary and DR sites. This ensures uninterrupted service delivery even under adverse conditions such as hardware failures, natural disasters, or cyber incidents.

Collectively, these enhancements represent a significant milestone in strengthening the company's technological backbone, enabling uninterrupted operations, improved customer experience, and long-term scalability to support business growth.

2) Network and Security Infrastructure

Network and Security Infrastructure Implementation Process



Upgrades to the company’s network and security infrastructure were carried out with a comprehensive focus on strengthening resilience against rapidly evolving cyber threats and ensuring compliance with international information security standards.

The program included the deployment of next-generation firewalls (NGFWs) with deep packet inspection, intrusion blocking, and integrated threat intelligence feeds, allowing proactive detection and prevention of advanced persistent threats (APTs) and zero-day exploits. These firewalls also incorporated application-layer filtering and encrypted traffic analysis to provide end-to-end visibility and control over network traffic.

In parallel, Intrusion Detection and Prevention Systems (IDPS) were implemented to continuously monitor network flows, detect anomalies, and automatically block malicious activities in real time. This system was integrated with centralized logging and Security Information and Event Management (SIEM) tools to strengthen auditability and enable faster incident response.

To enhance secure connectivity across geographically distributed locations, Virtual Private Networks (VPNs) were upgraded with Software-Defined Wide Area Network (SD-WAN) solutions.

This integration not only improved performance and bandwidth utilization but also enabled dynamic path selection and built-in encryption, thereby ensuring highly secure and reliable communication between branch offices, data centers, and cloud environments.

Furthermore, the company deployed advanced endpoint security solutions across all employee devices, including laptops, desktops and other mobility support devices. These solutions combine multiple defense layers such as anti-malware, next-gen antivirus, behavioral analytics, and endpoint detection and response (EDR) capabilities. This ensures proactive protection against ransomware, phishing attempts, insider threats, and other sophisticated attack vectors targeting end-user devices.

Collectively, these initiatives have created a multi-layered defense architecture that significantly strengthens the company’s cybersecurity posture, enhances operational resilience, and reduces the risk of service disruptions or data breaches.

In addition, the company strengthened its cybersecurity framework through a series of proactive initiatives. Regular security assessments, including vulnerability scans, configuration reviews, and third-party penetration testing, were conducted to identify

potential weaknesses and ensure timely remediation. These assessments not only validated compliance with regulatory standards but also reinforced the company’s ability to withstand sophisticated cyberattacks.

Alongside technical assessments, periodic user awareness and training programs were delivered across all business units to cultivate a strong security culture. These programs included phishing simulations, secure password management practices, and data protection training, ensuring that employees remain in the first line of defense against cyber threats.

To further enhance resilience, the company adopted a Zero Trust Security Model, which requires continuous verification of every user, device, and application before granting access to critical resources. This model minimizes reliance on traditional perimeter-based defenses by applying the principle of “never trust, always verify,” thereby reducing the risk of unauthorized access, insider threats, and credential-based attacks.

Collectively, these measures have created a robust, multilayered security posture that combines advanced technology, governance controls, and human vigilance to safeguard the company’s digital assets and maintain stakeholder trust.

Infrastructure Capital

3) Cloud Integration and Automation

Key Benefits of RPA (Robotic Process Automation)



As part of the company's digital transformation journey, significant progress was made in integrating cloud-based solutions with automation technologies to improve efficiency and scalability. A key initiative in this area was the introduction of Robotic Process Automation (RPA) to streamline high-volume, repetitive back-office processes, including reconciliations, routine validations, and report generation.

Through RPA deployment, tasks that were previously performed manually are now executed automatically with greater speed and accuracy. This has led to a substantial reduction in manual intervention, minimizing the likelihood of human error, and accelerated overall processing cycles.

The integration of automation within a cloud-enabled environment has further enhanced scalability and flexibility, enabling the company to expand automation capabilities quickly and cost-effectively. This hybrid model allows for seamless workload management, efficient resource utilization, and the ability to adapt rapidly to changing business requirements.

Overall, the adoption of cloud integration and RPA represents a transformative step toward building a more agile, efficient, and resilient operating model,

aligning with the company's long-term vision of achieving operational excellence through technology-driven innovation.

4) End-User Computing Upgrades –

During the year, the company initiated a structured program to replace aging desktops, laptops, and peripherals with new, energy-efficient, high-performance devices. This initiative is being carried out in phases to ensure smooth transition, minimal disruption to operations, and optimal cost management.

The upgrade program is designed to modernize the company's end-user computing environment by introducing the latest device models equipped with enhanced processing power, improved battery efficiency, and advanced security features. These replacements not only enhance employee productivity by reducing system lag and downtime but also contribute to overall business continuity through reliable and resilient hardware.

Furthermore, the adoption of energy-efficient devices supports the company's commitment to environmental sustainability by reducing power consumption and lowering the organization's carbon footprint. The upgraded hardware also enables

compatibility with modern software applications, cloud platforms, and cybersecurity tools, ensuring that employees are better equipped to work efficiently in both office-based and remote working environments.

5) System Enhancements – The company continued to strengthen its technology landscape by implementing comprehensive system enhancements across multiple operational areas, aligning them with evolving core banking requirements, regulatory compliance needs, and business process optimization. These initiatives have not only streamlined operations but also enhanced decision-making, customer service, and overall organizational resilience.

The company's core banking platform continues to serve as the central system for all customer accounts and liabilities, supporting end-to-end banking operations. The platform has been customized to meet evolving business needs while ensuring all customer information is maintained centrally, enabling real-time transaction processing and reporting. In addition, system integrations between the core banking solution and other operational systems have been implemented to strengthen process flows, reduce redundancies, and ensure that each

department has the independence and flexibility to operate efficiently while maintaining consistency across the organization.

All systems available within the SFP core banking platform are managed through a Single Sign-On (SSO) framework, providing users with seamless and secure access to applications while reducing the complexity of managing multiple credentials. The SSO mechanism is directly integrated with the company's Human Resources (HR) management processes, ensuring that user access rights are automatically aligned with employee status and role changes in real time.

Through this integration, system privileges are provisioned, modified, or revoked instantly based on HR activities such as new hires, transfers, promotions, or resignations. This approach significantly strengthens information security, eliminates unauthorized access risks, and ensures compliance with regulatory and audit requirements. Additionally, the centralized access control mechanism improves operational efficiency by reducing administrative overheads and providing a transparent, auditable record of all user access events.

The existing Anti-Money Laundering (AML) System was enhanced to fully comply with regulatory requirements and to support decentralized operational teams with centralized access privileges. This system enables users to conduct customer due diligence through real-time screening across multiple sources, manage Know Your Customer (KYC) profiles, monitor suspicious transactions, and generate automated regulatory and compliance reports. By consolidating all critical data into a centralized database,

the system has empowered teams with greater visibility and control, ensuring timely detection and mitigation of financial crime risks.

A robust workflow automation system was deployed to streamline end-to-end processes across call-center, recoveries, and legal departments. The system provides real-time visibility of customer interactions and case progress, enabling business units to assess the actual position of contracts, track obligations, and make informed decisions on time. To further strengthen field operations, a mobile application for recovery officers was introduced. This app enables officers to access customer details instantly, record customer feedback, capture geo-tagged data for site visits, and optimize future recovery routes. It also facilitates promise-to-pay tracking and broken promise identification, ensuring accurate performance monitoring. The system's real-time data capture capability has delivered significant operational benefits, including more precise decision-making and improved efficiency in collections.

A centralized customer call recording system was established to ensure service quality and compliance with both regulatory and audit requirements. The system allows the company to monitor service levels, analyze customer inquiries, and provide timely responses to customer needs. This initiative has also created a valuable data source for understanding customer behavior and improving the overall customer experience.

An upgraded IT Helpdesk platform was deployed to serve as a centralized point for capturing, categorizing, and resolving IT issues. This has significantly

improved the company's ability to monitor incidents, track resolution times, and proactively address recurring system challenges. The centralized issue-tracking process has contributed to greater system stability, higher user satisfaction, and enhanced IT governance.

The Softlogic Finance corporate website was enhanced to facilitate secure online customer payments through a robust validation process designed to prevent un-reconciled transactions. In addition, the platform was extended with a self-service portal, enabling customers to conveniently access and monitor the status of their lending facilities and fixed deposit (FD) accounts. These enhancements were implemented in line with standard security practices, ensuring both reliability and data protection while improving overall customer experience.

These system enhancements collectively demonstrate the company's commitment to leveraging technology to achieve operational excellence, regulatory compliance, and customer-centric service delivery. By combining automation, centralized data management, and real-time reporting, the company has created a robust, scalable, and future-ready digital ecosystem that will continue to support growth and efficiency in the years ahead.

6) Data Analytics and Business Intelligence



Softlogic Finance has established a robust data analytics ecosystem to strengthen decision-making and business insights. Data is analyzed through Power BI, supported by a well-structured infrastructure that includes a centralized data lake, seamless cloud synchronization, and automation workflows to ensure accurate, real-time data availability. This integrated framework facilitates the timely extraction and visualization of critical insights, enabling management to identify business trends, monitor performance indicators, and address emerging challenges with precision. By leveraging these capabilities, the company ensures that strategic and operational decisions are data-driven, evidence-based, and aligned with long-term business objectives, thereby enhancing overall organizational efficiency and competitiveness.

Future Capital Projects

Looking ahead, Softlogic Finance has outlined a forward-focused infrastructure investment roadmap to ensure sustained growth and competitiveness. Planned initiatives for the coming years include

- **Mobile-Friendly Web Applications and End-to-End Process Automation**

Softlogic Finance is planning a series of strategic digital initiatives aimed at further enhancing customer experience and operational efficiency. As part of these initiatives, the company will develop mobile-friendly web applications to provide customers with seamless access to financial services, including the granting, management, and monitoring of Fixed Deposits (FDs). These applications will be built with responsive, user-centric designs to ensure compatibility across multiple devices, thereby improving accessibility, convenience, and engagement for a diverse customer base.

In addition, the company will implement full automation of the loan origination lifecycle, covering all critical stages from application submission and credit assessment to approval and disbursement. By leveraging advanced analytics, rule-based decision engines, and workflow automation, the solution will minimize manual intervention, reduce processing errors, and accelerate turnaround times. This will ensure greater accuracy, transparency, and consistency in lending decisions while strengthening risk management practices.

- **Implementation of a Systemized Fixed Asset Management Module**

As part of its digital transformation roadmap, Softlogic Finance is planning to implement a comprehensive Systemized Fixed Asset Management Module to strengthen the governance, accuracy, and efficiency of asset management across the organization. This module will enable structured tracking, monitoring, and reporting of assets throughout their entire lifecycle, covering acquisition, internal movement, reallocation, and disposal. All asset-related transactions will be systematically recorded in alignment with corporate policies and regulatory requirements, ensuring transparency and audit readiness.

The project also includes the automation of asset depreciation processes, applying standardized accounting practices for accurate and consistent calculations across all asset categories. This will ensure compliance with financial reporting standards, while also providing management with real-time visibility into asset valuation, utilization, and lifecycle status.

- **Adoption of UiPath for Process Automation**

As part of its ongoing digital transformation strategy, Softlogic Finance plans to adopt UiPath, a leading Robotic Process Automation (RPA) platform, to drive future automation initiatives across critical business functions. The initial phase of this project will focus on automation of data verification processes, where UiPath robots will be configured to validate, cross-check, and reconcile large volumes of transactional and operational data with minimal manual intervention.

This initiative is expected to deliver significant efficiency gains, including faster processing times, improved data accuracy, and reduced dependency on human resources for repetitive tasks. By eliminating manual errors

and delays, the system will also enhance compliance, audit readiness, and operational reliability.

Beyond data verification, UiPath will serve as a scalable automation foundation to expand into more advanced use cases, such as regulatory reporting, customer onboarding, loan processing, and real-time exception handling. Through workflow automation and integration with core systems, Softlogic Finance aims to streamline operations, reduce turnaround times, and deliver a superior customer experience.

Furthermore, the project will incorporate intelligent automation capabilities such as AI-powered document understanding, predictive analytics, and rule-based decision-making. This will enable the organization to transition from task-level automation toward end-to-end digital workflows, ultimately driving agility, scalability, and long-term cost optimization.

- **Introduction of a Centralized Multi-Platform Mobile Application Hosting**

Softlogic Finance is planning to introduce a mobile application hosting framework that seamlessly operates across multiple platforms, including both mobile devices and web browsers. This future initiative is designed to provide customers with unified, convenient, and secure access to the company's financial services through a single, centralized application environment.

By adopting a multi-platform architecture, the solution will ensure consistent user experiences regardless of the device being used whether smartphones, tablets, or desktop browsers. Customers will benefit from greater flexibility and ease of access, allowing them to manage services. The centralized hosting method will also streamline access management by consolidating all customer interactions into a single digital gateway. This not only enhances

usability but also strengthens security through unified authentication, encryption, and monitoring practices.

- **Integration of Applications with Third-Party Systems via APIs**

Softlogic Finance plans to implement a comprehensive integration framework where all core and customer-facing applications will be seamlessly connected with third-party platforms through Application Programming Interfaces (APIs). This initiative is designed to support regulatory compliance, data verification, and real-time updates, ensuring that critical processes are executed with accuracy and efficiency.

This interconnected ecosystem will significantly reduce manual intervention, minimize redundancy, and save valuable organizational resources. By automating routine tasks and eliminating repetitive data handling, employees can redirect their efforts toward more strategic and value-driven activities.

In addition, the API-driven model ensures scalability and adaptability, allowing the company to integrate with emerging technologies, fintech partners, and regulatory platforms as requirements evolve.

- **Automated Payment Processing and Secure Bank Integration**

Softlogic Finance is planning to implement a comprehensive payment automation system where all financial transactions will be seamlessly processed and communicated to partner banks using secure communication protocols. This initiative aims to ensure that every payment, settlement, and reconciliation is executed with the highest levels of security, accuracy, and efficiency.

- **Continuous Renewal of End-User Assets**

Softlogic Finance plans to continuously upgrade and replace end-user fixed assets such as laptops,

desktops, and mobile devices to ensure operational efficiency and maintain a secure digital workplace. To strengthen this initiative, the allocation of funds has already been approved in the current year's budget, ensuring that asset replacement is carried out in a structured and timely manner.

This proactive approach not only enhances employee productivity through modern, reliable devices but also reinforces the company's security posture by minimizing vulnerabilities associated with outdated hardware. By standardizing and refreshing end-user assets, the company can ensure compliance with security protocols, reduce downtime, and support the adoption of advanced technologies in the long term.

- **Continuation of Security Programs**

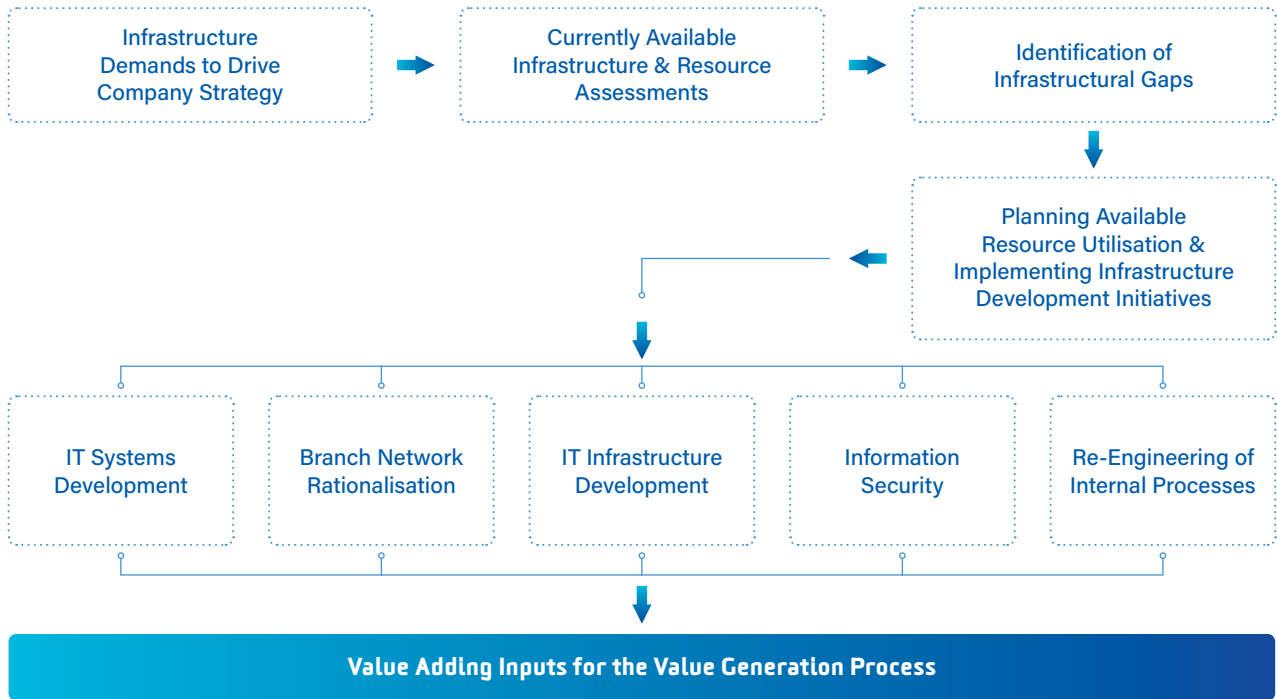
Softlogic Finance will continue to strengthen its cybersecurity framework through the ongoing execution of Vulnerability Assessment (VA) and Vulnerability Assessment & Penetration Testing (VAPT) programs. These initiatives are designed to proactively identify, evaluate, and mitigate security risks across all critical IT systems, applications, and networks.

The continuation of these programs ensures that Softlogic Finance maintains a robust, proactive, and adaptive security posture, aligned with international standards and best practices. This approach will safeguard critical digital assets, ensure compliance with regulatory requirements, and build stronger trust with customers and stakeholders.

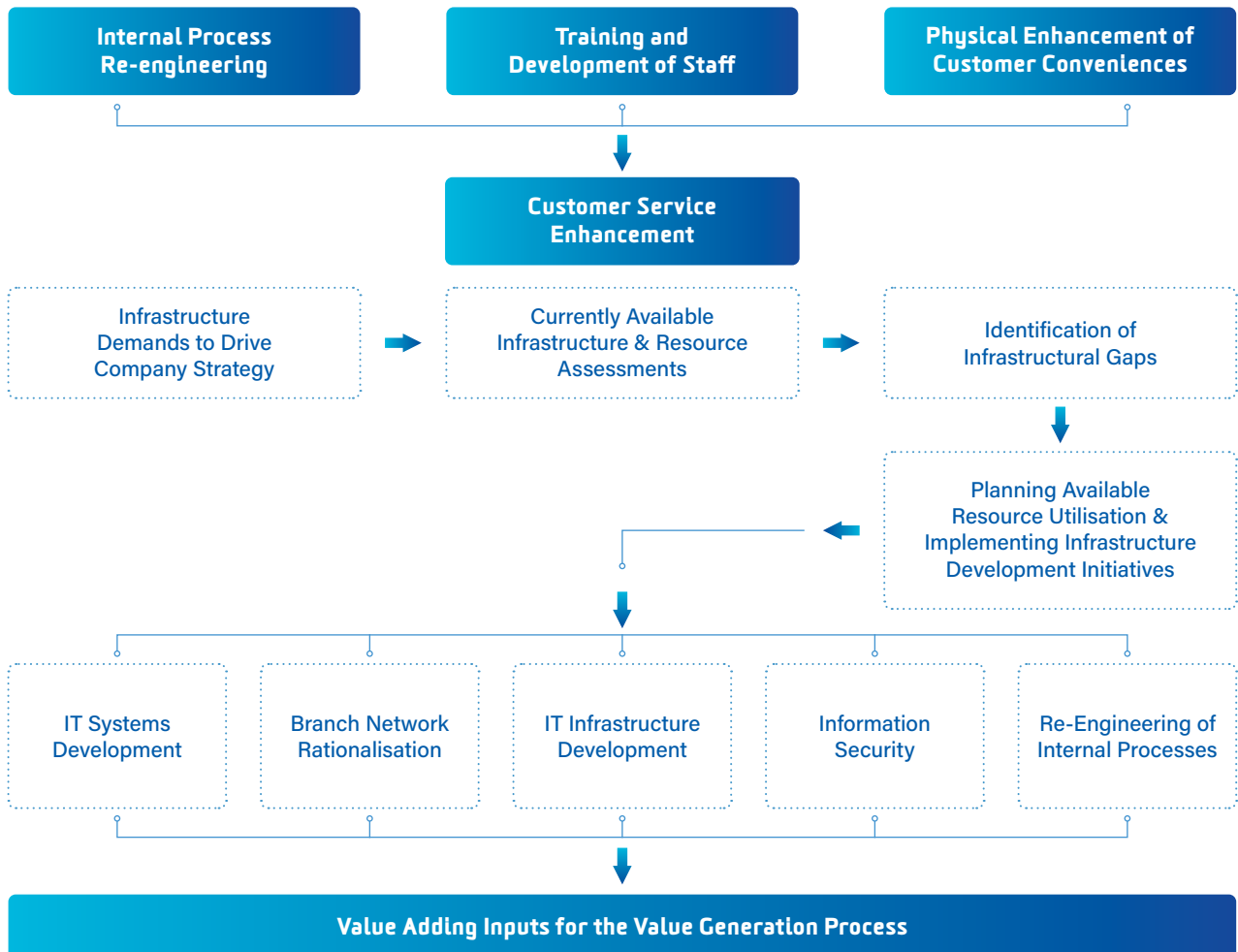
These infrastructure capital initiatives represent a strategic commitment to technological excellence, ensuring that Softlogic Finance remains resilient, agile, and customer-centric in a rapidly evolving financial landscape. The Board will continue to assess and approve investments based on strategic alignment, cost efficiency, and long-term value creation for stakeholders.

Infrastructure Capital

Illustrations & Diagrams

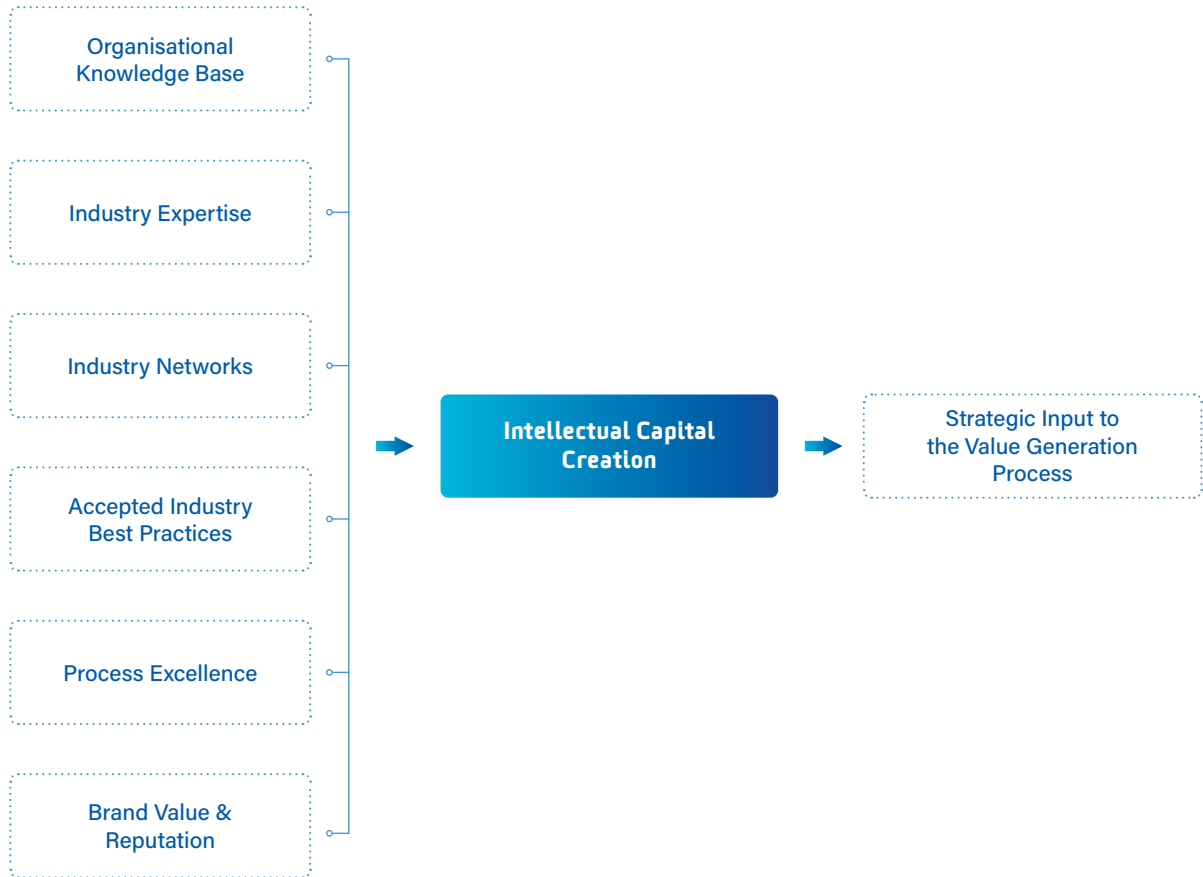


Customer Service Enhancement



Intellectual Capital

At Softlogic Finance, intellectual capital forms a cornerstone of our long-term value creation strategy. It represents the collective knowledge, expertise, relationships, and reputation that strengthen our competitive advantage and drive sustainable growth. Our intellectual capital extends beyond individual capabilities, encompassing organizational learning, industry insights, and trusted networks that position us as a responsible and innovative financial services provider.



Enhancement of the Organizational Knowledge Base

We, as a regulated finance company, operate in an intensely competitive environment shaped by industry challenges and regulatory pressures. Nevertheless, we remain strongly positioned to outpace competition, guided by the expertise and versatility of our accomplished senior management team. With extensive industry knowledge, strong networks, and specialized expertise, this team plays a pivotal role in cultivating internal capabilities and providing strategic guidance to navigate industry challenges and shape the company's future.

To foster a culture of continuous learning, we share industry insights and success stories through in-house workshops and structured training programs. This dual approach not only disseminates existing knowledge but also gathers insights from operational teams, enabling proactive responses to evolving industry dynamics. By facilitating the exchange of market information, we continuously refine our knowledge base and enhance our ability to adapt and thrive in a rapidly changing financial landscape.

IT Knowledge Base and Training Initiatives

We have strengthened our IT knowledge base through a structured, "Train-the-Trainer" program, designed to enable seamless transfer of technical knowledge and system expertise across internal teams. This approach ensures that key IT skills, system functionalities, and best operational practices are effectively shared, while additional training needs are identified through annual performance reviews. Appropriate training programs are coordinated with the HR department to ensure timely and targeted skill development.

Intellectual Capital

The IT-focused training sessions cover a wide range of critical areas, including:

- **System and Application Knowledge:** In-depth understanding of internal IT systems, including core banking applications and digital platforms, enabling staff to use systems efficiently and troubleshoot effectively.
- **IT Process Implementation:** Training on standardized IT processes, change management protocols, and system workflows to ensure operational consistency, accuracy, and efficiency.
- **Cybersecurity and Regulatory Compliance:** Awareness of IT security best practices, data protection requirements, and regulatory guidelines to safeguard organizational and customer data.
- **Automation and Digital Tools:** Guidance on the use of automation tools, Robotic Process Automation (RPA), and other digital solutions to streamline operations and enhance productivity.
- **Data Management and Reporting:** Training on data handling, reporting tools, and analytics systems to support informed decision-making and operational transparency.

A core objective of these initiatives is to ensure that IT knowledge is not only understood but also applied to support the financial prosperity of customers and enhance internal stakeholder operations. Employees are encouraged to leverage system capabilities, adopt digital tools, and contribute to process improvements across the organization.

Through continuous IT training and knowledge sharing, we foster a technologically proficient workforce capable of driving operational excellence, maintaining robust IT

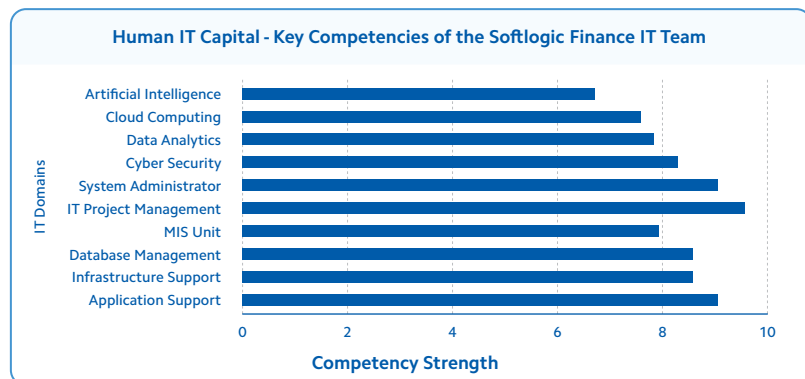
infrastructure, and supporting innovative digital solutions. These initiatives strengthen the organization's ability to deliver secure, efficient, and high-quality financial services, while ensuring sustainable growth and long-term competitive advantage.

Industry Expertise

Our industry expertise is a key pillar of our intellectual capital, enabling us to navigate the dynamic financial services landscape with confidence and foresight. Our team possess extensive knowledge of the financial sector, strengthened by years of practical experience and continuous professional development. This expertise empowers us to design innovative financial solutions, implement effective risk management strategies, and deliver services that consistently align with evolving customer needs and regulatory requirements.

By leveraging industry insights and globally accepted best practices, we ensure that our products, processes, and operations remain competitive, resilient, and future-ready. Our industry expertise not only strengthens decision-making and operational efficiency but also enhances our ability to generate sustainable value for customers, shareholders, and stakeholders.

Within this framework, our IT team plays a critical role by contributing specialized expertise across multiple domains. The IT function encompasses application support, infrastructure management, database administration, and the MIS unit, ensuring seamless operations across the organization. In addition, the team demonstrates strong capabilities in IT project management, systems administration, cybersecurity, data analytics, cloud computing, and artificial intelligence. These competencies are strategically harnessed to support corporate objectives, enhance operational resilience, and drive digital transformation in line with the company's long-term growth agenda.



Industry Networks

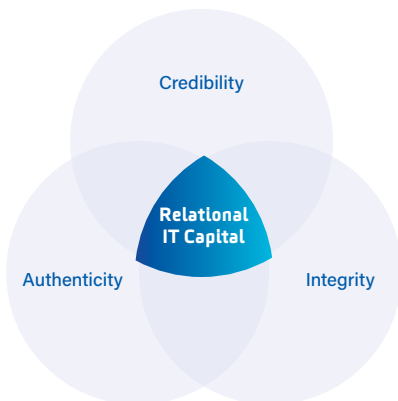
Our strong industry networks constitute a vital component of our intellectual capital, fostering collaboration, knowledge exchange, and strategic partnerships. By maintaining close relationships with regulators, financial institutions, technology partners, and industry associations, we stay well-informed of emerging trends, policy developments, and market opportunities. These networks enable us to align with industry standards, adopt innovative practices, and respond proactively to the evolving financial services landscape.

Through these trusted connections, we strengthen our reputation, reinforce stakeholder confidence and position ourselves as an active contributor to the growth and stability of the financial services sector.

In addition, our Relational IT Capital reflects the value generated from technology-enabled relationships with customers, partners, vendors, and internal stakeholders. This is demonstrated through continuous enhancements to our customer support systems that provide timely assistance, as well as vendor integration platforms that streamline supplier interactions and enhance collaboration. By leveraging digital solutions to strengthen connectivity and trust, we focus to build sustainable partnerships that create long-term value for the organization and its stakeholders.

Also, we maintain active participation in annual national IT conferences and financial sector meetings organized by industry vendors. These engagements foster collaboration, knowledge sharing, and strategic networking with peers and key stakeholders across the financial services and technology ecosystem, reinforcing our commitment to continuous learning, innovation, and industry leadership.

Essential Qualities of Relational IT Capital



Accepted Industry Best Practices

We adhere to recognize industry best practices across all aspects of our operations, ensuring efficiency, compliance, and operational excellence. By benchmarking our processes, policies, and technology implementations against established standards, we maintain high levels of governance, risk management, and service quality.

The adoption of these best practices enables us to optimize workflows, enhance decision-making, and consistently deliver value to customers and stakeholders. Through continuous monitoring and improvement, we ensure alignment with regulatory requirements, industry trends, and emerging innovations.

To reinforce operational integrity and stakeholder trust, we have implemented policies in line with ISO guidelines and ensure that our servers are hosted in certified data centers. When obtaining services, we assess vendor positioning, review service levels, and consider local references to maintain high standards. In addition, we follow best practices recommended by authorized entities to ensure reliability, transparency, and confidence in all our operations.

Through the systematic application of these practices, we strengthen our process excellence, build trust, and drive sustainable growth while maintaining our commitment to operational and service integrity.

Process Excellence

At Softlogic Finance, process excellence is a cornerstone of operational efficiency and organizational performance. We are committed to designing, implementing, and continuously refining processes that are efficient, transparent, and aligned with industry standards. By embedding

process excellence across all functions, we ensure consistency, accuracy, and reliability in service delivery.

Our approach involves systematically reviewing workflows, adopting best practices, and leveraging technology to automate and streamline operations wherever possible. This enhances our operational efficiency while strengthening governance, risk management, and compliance throughout the organization.

By prioritizing process excellence, we ensure that all functions from customer service and financial operations to IT systems and risk management operate at the highest standards. This focus enables us to deliver superior value to customers, maintain stakeholder confidence, and drive sustainable growth in a competitive financial services landscape.

During the year, we implemented several key IT initiatives to further strengthen its IT infrastructure and support operational excellence

- Introduced mobile-compatible web applications to support customers, recovery processes, and internal operations.
- Implemented a Robotic Process Automation (RPA) solution for internal reconciliation processes.
- Migrated all primary and disaster recovery (DR) servers to a certified data center with the latest technology, maintaining a near-zero Recovery Point Objective (RPO).
- Introduced a Fixed Asset Management module covering the lifecycle from acquisition to disposal.
- Introduced secure payment gateways integrated with the corporate website, enabling customers to make payments more conveniently.
- Deployed a new Helpdesk system to track internal issues and provide faster resolutions within agreed Service Level Agreements (SLAs).

Intellectual Capital

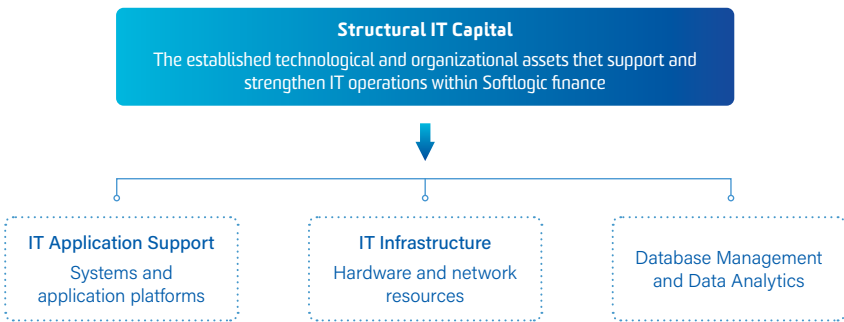
- Enhanced the core banking system with additional value-added controls and improved workflow management.
- Upgraded the Management Information System (MIS) to align with evolving management requirements.
- Reviewed existing IT policies and ensured alignment with ISO standards.
- Upgraded network infrastructure to an SD-WAN framework and established Wi-Fi zones to enhance mobility and operational efficiency.
- Enhanced the change management process in alignment with industry standards.
- Implemented a Single Sign-On (SSO) solution across all systems.

Through these initiatives, we have reinforced our commitment to process excellence, operational efficiency, and technology-driven innovation, ensuring that the organization remains agile, resilient, and capable of delivering sustained value to its customers and stakeholders.



In addition, Structural IT Capital forms the foundation of our technology-driven operations. It encompasses IT infrastructure, systems, databases, protocols, and documented processes that ensure smooth and efficient organizational functioning. This includes software architecture, IT frameworks, knowledge repositories, standard operating procedures, and automation systems that enhance operational efficiency and knowledge management. Our structural IT Capital include, core banking systems, IT security frameworks, and cloud-based solutions, all of which play a vital role in ensuring our resilience, scalability, and business continuity.

By integrating process excellence with robust Structural IT Capital, we continue to build a technologically strong, well-governed, and future-ready organization capable of delivering superior financial services.



Enhancement of our Brand Value & Reputation

As a reputed finance company in the NBFi industry, we are committed to redefining the perception of traditional finance companies by positioning our brand as a comprehensive financial solutions provider. In today’s fast-paced digital transformation landscape, simplicity and accessibility are more crucial than ever.

To meet these evolving demands, we are transforming our approach by integrating innovative fintech solutions that enhance our operations and streamline our processes. This holistic strategy will allow us to offer total financial solutions tailored to the diverse needs of our customers, making financial services more intuitive and user-friendly.

By focusing on technology-driven solutions, we empower our customers to navigate their financial journeys with ease, ultimately simplifying their lives and enhancing their overall experience with us.

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

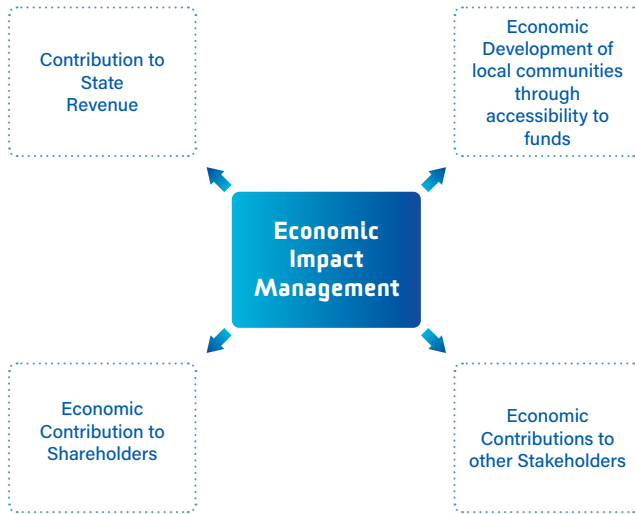
Our sustainability philosophy comes to life through a careful and systematic approach that begins with identifying our valued stakeholders and understanding their diverse needs. We then thoughtfully assess the importance of these needs and their implications for our business model.

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.

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.

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.

Creating Sustainable Value

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

During FY 2024/25, the company navigated unprecedented risk management hurdles amid intensifying market volatility and strategic uncertainty.

Throughout our daily operations, the company encounters a wide spectrum of risks stemming from our products, services, and core business activities. Effective risk management is essential to safeguarding our operations, protecting assets, upholding compliance, and maintaining stakeholder confidence.

Our primary focus during the period was on managing collections within the existing lending portfolio, as regulatory restrictions limited new loan disbursements. As part of our liquidity management strategy, the collections process was streamlined, with regular monitoring to ensure efficiency and track results.

Special attention was directed towards the gold loan portfolio, the only segment with active new lending, with continuous monitoring of local and international gold prices, competitor performance, and portfolio quality.

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.

The Board assumes ultimate responsibility for risk management and oversees the adequacy and effectiveness of our internal control processes. Our Risk Appetite is defined at the highest level and cascaded across business activities through both quantitative limits and qualitative guidance. This enables us to deliver superior stakeholder value while maintaining a prudent balance between risk and return. Our integrated risk management approach is structured to provide reasonable but not absolute assurance that assets are protected, risks are properly identified and managed, and all relevant information is escalated to senior management and the Board in a timely manner.

Our risk metrics are designed to balance regulatory mandates and shareholder expectations around risk-adjusted returns. We remain committed to managing our capital, liquidity, and funding with discipline to support

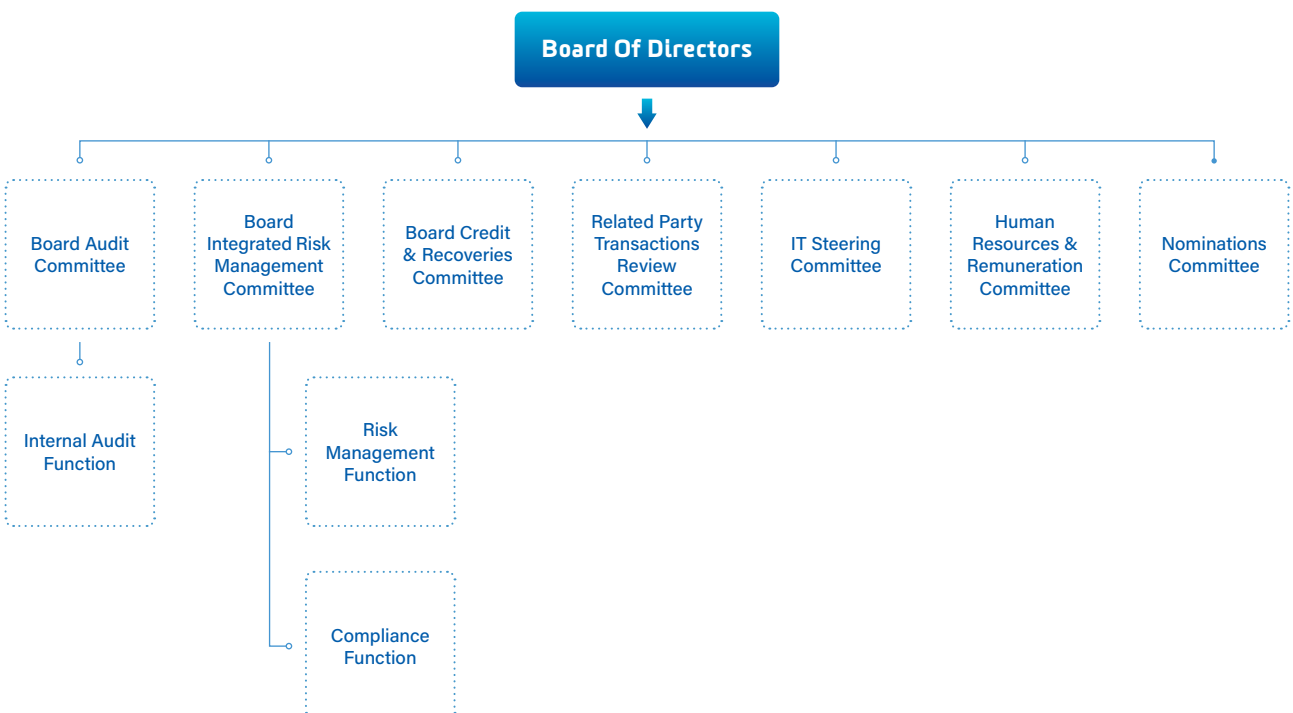
sustainable business growth, uphold customer confidence, and deliver value to shareholders.

Risk governance structure

A cornerstone of SFP's Integrated Risk Management Framework is the structured governance and stewardship of risk across the organization. The Board of Directors holds ultimate responsibility for risk governance, approving the Company's risk strategy and establishing risk appetite boundaries for all key risk categories, based on recommendations from the Board Integrated Risk Management Committee (BIRMC).

As the highest authority in risk management, the Board sets guidelines for managing and controlling the Company's principal risks, ensuring that appropriate risk policies and limits are established for all significant risk areas. Aligned with SFP's business model and strategic objectives, the Board has approved risk policies for key risk areas, which are subject to review by the BIRMC and subsequent approval by the Board.

Risk Management Framework



Risk Management

The day-to-day stewardship of risk at SFP is operationalized through the “Three Lines of Defense” model, reflecting our commitment that “managing risk is everyone’s responsibility.” This model delineates clear roles and responsibilities across the organization to ensure effective risk management.

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

Risk Culture

At SFP, we are committed to cultivating a risk-conscious culture that permeates every level of the organization. This culture is grounded in guiding principles that define the expected behaviors of our staff. To reinforce this commitment, we encourage the following key behaviors.

1. Proactive Risk Identification and Reporting

Employees are encouraged to actively identify and report potential risks without delay, fostering an environment where issues are addressed promptly.

2. Open Communication and Transparency

We promote open dialogue across all levels, ensuring that information flows freely and that concerns are raised and addressed constructively.

3. Accountability and Ownership

Each staff member takes responsibility for their actions and decisions, understanding the impact on the organization’s risk profile.

4. Continuous Learning and Improvement

Employees are supported in their ongoing development, with opportunities to enhance their risk management skills and knowledge.

5. Encouragement of Constructive Challenge

We value and encourage respectful questioning and challenge of decisions and processes to ensure thorough risk assessments.

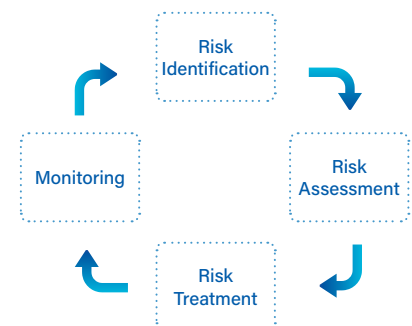
6. Recognition and Reward of Risk-Aware Behaviors

Staff members who demonstrate exemplary risk management practices are acknowledged and rewarded, reinforcing the importance of a risk-conscious approach.

By embedding these behaviors into our daily operations, we aim to create an environment where risk management is integral to our success and sustainability.

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.



Regular dialogues among department heads during Board Integrated Risk Management Committee (BIRMC) meetings facilitate comprehensive assessments of potential risks and their impacts. These discussions ensure that all perspectives are considered in the risk management process.

Following each BIRMC meeting, a detailed risk assessment report is prepared, covering key risk areas such as credit risk, deposit risk, liquidity risk, market risk, operational risk, compliance risk, and IT risk. This report outlines the identified risks and the corresponding mitigatory actions.

The Board of Directors reviews these reports to ensure that the company's risk management strategies are effective and aligned with its objectives. The Board provides guidance and recommendations to further strengthen the risk management process, ensuring continuous improvement and resilience in the face of evolving risks.

The Company's Risk Management Department working closely with Heads of Business Units and Functional Heads monitors all major risk categories, including credit, deposit, market, liquidity, operational, compliance, and IT risks. Acting under the oversight of the Chief Risk Officer, the Risk Management Department promotes and drives implementation of the Integrated Risk Management framework across the organization. It supports risk owners in identifying, assessing, and controlling risks, aggregates enterprise-wide risk information, and prepares consolidated reports for senior management and the Board. This collaborative structure ensures that risks are managed consistently, aligned with risk appetite, and subject to ongoing oversight and improvement.

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.

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

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.

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.

Risk Management

Key actions taken by SFP for the credit risk mitigation during FY 2024/25 are ;

- Since there had been restrictions on lending, the sole focus was on the gold loan product. Gold prices were monitored daily and the advances allowed were revised to manage the risk involved with the product.
- 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 SFP'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
- Rigorous borrower due diligence, portfolio diversification, secured lending, use of guarantees, early-warning systems and forward-looking provisioning under IFRS 9 or local standards.

Liquidity Risk

Potential risk arises when the Company cannot meet obligations promptly as they fall due primarily due to maturity mismatches between its assets and liabilities. To address this, SFP employs a comprehensive liquidity risk management framework that encompasses policies and procedures, quantitative measurement, mitigation strategies, stress testing, and contingency funding arrangements.

Effective liquidity management hinges on controlling timing mismatches in cash flows. SFP gives high priority to this area to ensure uninterrupted operations. Accordingly, the Company continuously monitors key indicators such as the liquid asset ratio, maturity gap analysis, and funding concentration levels with particular attention to the liquidity buffer provided by high quality assets.

Liquidity serves as a critical line of defense not only against funding risk, but also against reputational, compliance, and broader financial stresses. Accordingly, SFP rigorously ensures compliance with liquidity ratio requirements prescribed by the relevant central bank regulations.

The Company maintains well defined and tested liquidity management policies and procedures to ensure sufficient funds are available at all times. Responsibility for liquidity risk management rests with the Asset and Liability Committee (ALCO), while the Treasury department executes policy implementation and maintenance.

Key actions taken by SFP for the liquidity risk mitigation during FY 2024/25 are;

- Liquidity risk was a standing agenda item at the Company's weekly and daily ALCO meetings conducted as and when required.

- 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.
- Collection process was closely monitored with a view of improving the liquidity position of the company.
- During the period under review, we have taken a strategic decision to transfer part of our distressed loan portfolio amounting to Rs. 4.24 Bn for a cash consideration of Rs. 1.80 Bn.
- Part of the portfolio transfer amounting to Rs. 2.57 Bn for a cash value of Rs. 1.10 Bn fulfilled during the period under review.
- Balance transfer was fulfilled in July 2025 for a cash value of Rs. 700.0 Mn in total.
- By end of 31st March 2025, company managed to fulfil the regulator capital adequacy ratio's of 8.5% Tier 1 capital and 12.5% total capital ratio.

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.

Key actions taken by SFP for the market risk mitigation during FY 2024/25 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
- Comprehensive analysis on the market variables were done by the Risk management team and educated the Senior management and Board of directors quarterly. This structured reporting ensures that decision makers remain informed about emerging market risks, evolving trends, and potential impacts

Operational Risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, people, systems, or external events. This definition, based on Basel II and widely adopted in financial industry frameworks, explicitly includes legal risk (the risk of loss due to non-compliance, litigation, or regulatory penalties) but typically excludes strategic and reputational risk .

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.

Key actions taken by SFP for the operational risk mitigation during FY 2024/25 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 Deloitte & FinCERT to ensure IT/Cyber security whilst strengthening server configuration and patch updates by monitoring regular assessments.

Strategic Risk

Strategic risk refers to the risk that arises from strategic decisions or the failure to adapt effectively to evolving market dynamics. At SFP, this risk may materialize as loss of market share or failure to achieve strategic objectives if the Company fails to respond to shifts in the competitive, regulatory, or technological environment

The Company's primary mechanism for managing strategic risk is an annual, Board approved Strategic Plan, which defines the long term direction, goals, objectives, and priorities aligned with the Company's overarching purpose. This foundational document establishes the resources, initiatives, and actions required to execute strategic objectives and serves as the leadership team's tool for guiding resource allocation and strengthening competitive positioning.

A Strategic decision had been taken to appoint a new CEO with industry expertise and few KMP's to drive the future business initiatives. Decision taken during the period under review and the new CEO already assigned duties as of reporting date.

Risk Management

Compliance Risk

Compliance and regulatory risk refers to the potential adverse impact on the Company arising from failures to comply with applicable laws, regulations, internal standards, or codes of conduct resulting in regulatory sanctions, financial loss, operational disruption, and reputational harm.

To mitigate this, the Company has established a dedicated compliance function that reports directly to the Board Integrated Risk Management Committee (BIRMC). This structure ensures independence and direct oversight of compliance risks and activities.

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.

- With the commencement of lending activities in FY 2025/26, SFP's risk management strategy will shift to prioritize credit risk in terms of both origination and ongoing portfolio oversight.
- 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

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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.

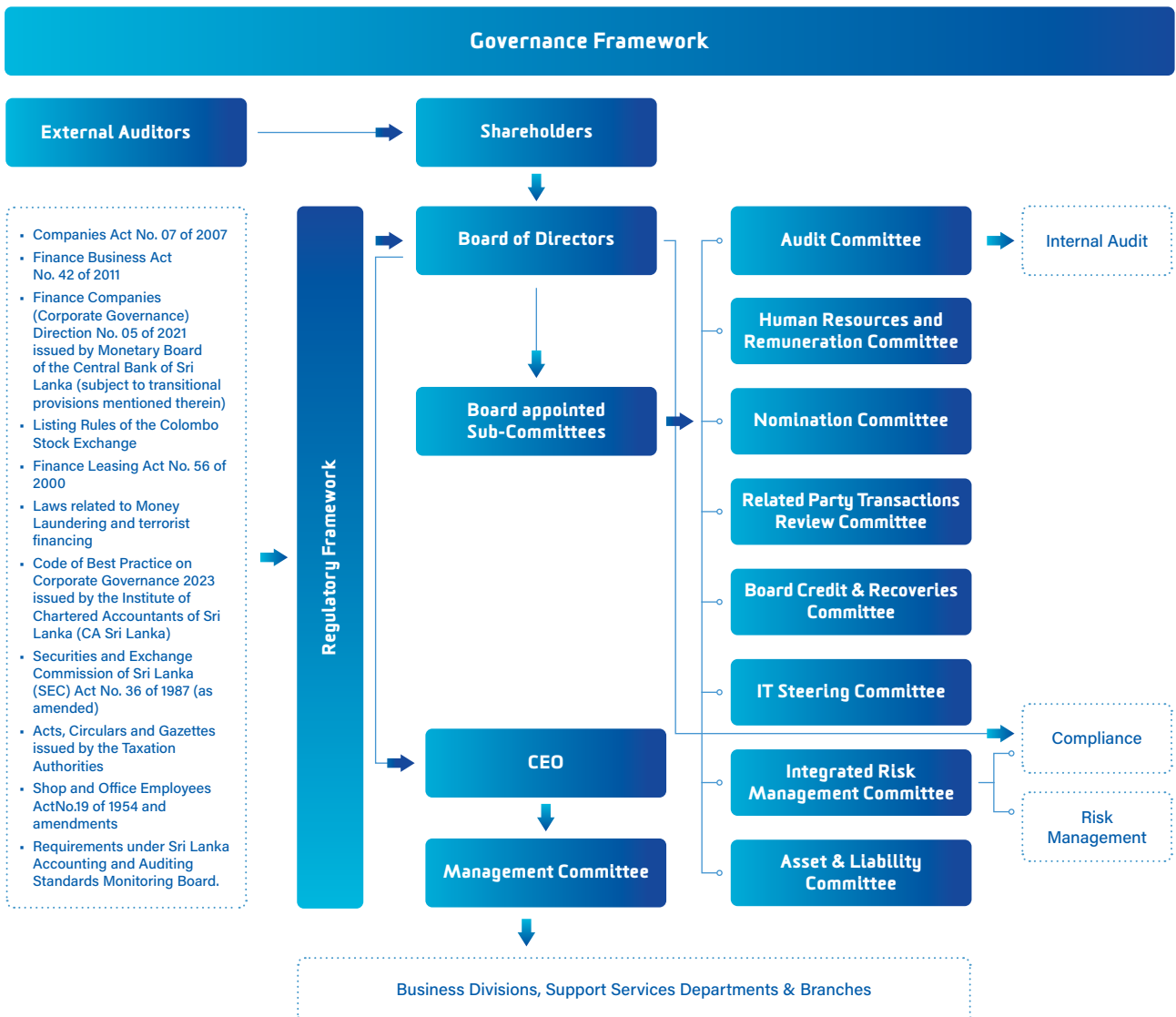
The overall responsibility and oversight on sound corporate governance rests with the Board. The regulatory framework under which the company operates provides the scope for the definition of this governance mandate. The governance framework that is in place highlights the policies, processes and the 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 pages 151 to 152 and the statement of Directors' responsibilities is given in page 163.

The table at the end of this section provides the attendance details of each director at Board meetings.

Internal Audit Function

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

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

Compliance Management

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

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

| Name | Designation | Attendance |
|---|--|------------|
| A.K. Pathirage (Appointed w.e.f 01.08.2024) | Non-Independent Non-Executive Director | 9/9 |
| D.P. Renganathan (Retired w.e.f 02.05.2024) | Independent Non-Executive Director | 0/1 |
| H.S.S. Dabare | Senior Independent Director | 11/13 |
| H.K. Kaimal | Non-Independent Non-Executive Director | 13/13 |
| R.J. Perera | Non-Independent Non-Executive Director | 13/13 |
| C. Kalupahana | Independent Non-Executive Director | 13/13 |
| V.B. Nanayakkara (Appointed w.e.f 02.05.2024) | Independent Non-Executive Director | 12/12 |
| N.C.A. Abeyesekera (Appointed w.e.f 23.10.2024) | Non-Independent Non-Executive Director | 4/7 |

Corporate Governance Disclosures

Disclosures mandated by the Companies Act No. 07 of 2007

| Applicable Section | Disclosure Requirements | Disclosure Reference Page |
|--------------------|--|---------------------------|
| 168 (1)(a) | The nature of the business of the company and any change thereof during the accounting period | Page 164 |
| 168 (1)(b) | Signed financial statements of the company for the accounting period completed | Page 177 to 253 |
| 168 (1)(c) | Auditor's report on the financial statements of the company | Page 173 to 176 |
| 168 (1)(d) | Applicable accounting policies and any changes therein made during the accounting period | Page 182 to 201 |
| 168 (1)(e) | Particulars of entries in the interests register made during the accounting period | Page 166 |
| 168 (1)(f) | Remuneration and other benefits of directors during the accounting period | Page 243 |
| 168 (1)(g) | Total amount of donations made by the company during the accounting period | Page 164 |
| 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 165 |
| 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 169 |
| 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 169 |
| 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 169 |

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 165 |
| 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 164 and also in pages 167 to 169 |
| 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 256 to 257 |
| 7.6 (iv) | The Public Holding percentage | Compliant | This is stated in the Investor Information section in page 256 |
| 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 166 |
| 7.6 (vi) | Information pertaining to material foreseeable risk factors of the Entity | Compliant | This is stated in the Integrated Risk Management section from page 73 to 78 and in the Integrated Risk Management Committee Report in page 160 to 161 |
| 7.6 (vii) | Details of material issues pertaining to employees and industrial relations of the Entity | Compliant | Details relating to employees and employee relations are stated in the Human Capital section from page 50 to 57. 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: 25 in page 216 |
| 7.6 (ix) | Number of shares representing the Entity's stated capital | Compliant | This is stated in Note No: 33 in page 221 |
| 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 256 |
| 7.6 (xi) | Ratios and market price information on: | Compliant | This is stated in the Investor Relations section in page 257 |
| | 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 Financial Highlights section in page 8 |
| | Any changes to the credit rating | Compliant | Not applicable |

Corporate Governance Disclosures

| 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 | The Company does not hold any freehold land and building during the period under review. |
| 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 | The Company did not raise any funds either through a public issue, rights issue or a private placement during the year. |
| 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 page 85 to 96 |
| 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 | The SPV transactions carried out during the financial year, totaling to Rs.11 billion, exceeded 10% of the Equity and approximated to 5% of the Total Assets as per the latest audited financial statements of the Company. Accordingly, the Company made immediate disclosures to the Colombo Stock Exchange under Section 9.14.7 (1) and Section 8.1, Appendix 8A, item number 30. The details of the SPV transactions are disclosed under note no: 40.5 -Capital Management and the note no: 43 -Events After the Reporting Date of this Annual Report. |

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 | <p>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;</p> <p>(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</p> | <p>Complied with.</p> <p>All approved policies have been uploaded to the website.</p> |
| 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 | <p>Listed Entities shall disclose in its Annual Report:</p> <p>(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.</p> | <p>Complied with.</p> <p>Listed policies and changes have been adopted.</p> |
| 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 | <p>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;</p> <p>(a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee.</p> | 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. | <p>Complied with.</p> <p>Chairperson is not involved in board committees.</p> |

Corporate Governance Disclosures

| 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 | <p>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.</p> <p>(a) The number of shares in respect of which proxy appointments have been validly made;</p> <p>(b) The number of votes in favour of the resolution;</p> <p>(c) The number of votes against the resolution; and</p> <p>(d) The number of shares in respect of which the vote was directed to be abstained.</p> | The Company retains comprehensive records of all resolutions under consideration at the Annual General Meeting. |
| 9.4.2 | <p>Communication and relations with shareholders and investors</p> <p>(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.</p> <p>(b) Listed Entities shall disclose the contact person for such communication.</p> <p>(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.</p> <p>(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.</p> | <p>The Company has a Board-approved Communication Policy.</p> <p>Complied with.</p> |

| Rule No. | Applicable Requirement | Extent of Compliance |
|----------|--|--|
| 9.5 | Policy on matters relating to the Board of Directors | |
| 9.5.1 | <p>Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall:</p> <p>(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.</p> <p>(b) where a Listed Entity decides to combine the role of the Chairperson and CEO,</p> <p>(i) set out the rationale for combining such positions; and,</p> <p>(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.</p> <p>(iii) set out the measures implemented to safeguard the interests of the SID.</p> <p>(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.</p> <p>(d) stipulate the maximum number of Directors with the rationale for the same</p> <p>(e) specify the frequency of Board meetings, having regard to the requirements under the Listing Rules.</p> <p>(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.</p> <p>(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.</p> <p>(h) provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements.</p> <p>(i) specify the maximum number of directorships in Listed Entities that may be held by Directors.</p> <p>(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.</p> | <p>The Company maintains several Board policies concerning matters pertaining to the Board of Directors.</p> <p>Complied with.</p> |
| 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. | |

Corporate Governance Disclosures

| 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. | |

| Rule No. | Applicable Requirement | Extent of Compliance |
|------------------|--|---|
| 9.7 | Fitness of Directors and CEOs | |
| 9.7.3 | Fit and Proper Assessment Criteria: | The Company has complied with the listing rules requirements. |
| 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 consisted of minimum 5 members through the year and 7 members since 23 rd October 2024. Further the company complies with the minimum number of Independent Directors during financial 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. No such instances occurred during the year. |

Corporate Governance Disclosures

| Rule No. | Applicable Requirement | Extent of Compliance |
|-------------|--|--|
| 9.9 | Alternate Directors | |
| | Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment. | |
| | Alternate Director is appointed by an Independent Director, the person so appointed should meet the criteria of independence specified in these Rules and the Listed Entity shall satisfy the requirements relating to the minimum number of Independent Directors specified in these Rules. | 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 its 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. | Minimum no of directorships has been Complied with. |
| 9.10.2 | Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following; | No such matters occurred during the year under review. |
| 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 12 to 13. |
| 9.11 | Nominations And Governance Committee | |
| | Listed Entities shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee. | Board Nomination Committee is in operation. Complied with. |
| 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. | |

| Rule No. | Applicable Requirement | Extent of Compliance |
|-------------|---|---|
| 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 | <p>Composition</p> <p>(1) The members of the Remuneration Committee shall;</p> <p>(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.</p> <p>(b) not comprise of Executive Directors of the Listed Entity.</p> <p>(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.</p> <p>(3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.</p> | <p>The Committee is comprised of three directors, out of which two are Independent Non-Executive Directors.</p> <p>Complied with.</p> |
| 9.12.7 | <p>Functions</p> <p>(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.</p> <p>(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.</p> | 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 BHRRC is given in page 157. |
| 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 | The committee comprised of 4 members of whom 3 are independent. Refer page no. 155. |

Corporate Governance Disclosures

| Rule No. | Applicable Requirement | Extent of Compliance |
|----------|---|--|
| 9.13.4 | <p>Functions</p> <p>(1) The functions of the Audit Committee shall include the following:</p> <p>(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.</p> <p>(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:</p> <p>(a) changes in or implementation of major accounting policy changes;</p> <p>(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;</p> <p>(c) compliance with accounting standards and other legal requirements;</p> <p>(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;</p> <p>(e) any letter of resignation from the external auditors of the Listed Entity; and,</p> <p>(f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re-appointment</p> | <p>The functions of the Audit Committee are detailed in 'Report of the Audit Committee' on pages 155 to 156.</p> |

| 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. | Quarterly Financial Statements as well as year-end Financial Statements are discussed and recommended to the Board for approval by the Audit Committee. A detailed discussion focused on major judgmental areas, changes in accounting policies, significant audit judgements in the Financial Statements, going concern assumption, and compliance with Accounting Standards and other legal requirements take place, and required clarifications are obtained in respect to all areas before being recommended for Board's approval. | |
| | (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. | | Currently this aspect is addressed by the BRPTRC. |
| | (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. | | Complied with |
| | (x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors. | | The Board Audit Committee and the Board Integrated Risk Management Committee executes its tasks relevant to respective committees. |

Corporate Governance Disclosures

| Rule No. | Applicable Requirement | Extent of Compliance |
|----------|---|--|
| 9.13.4 | <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> | <p>The Board Audit Committee and the Board Integrated Risk Management Committee executes its tasks relevant to respective committees.</p> |
| 9.13.5 | <p>Disclosures in Annual Report</p> <p>(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.</p> <p>(2) The Audit Committee Report shall contain the following disclosures:</p> <p>(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);</p> | <p>The Reports of the Board Audit Committee (BAC) and the Board Intergrated Risk Management Committee (BIRMC) are given on pages 155 to 156 and pages 160 to 161 respectively.</p> |

| Rule No. | Applicable Requirement | Extent of Compliance |
|----------|---|---|
| | (b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable). | The Reports of the BAC and BIRMC are given on pages 155 to 156 and 160 to 161 respectively. |
| | (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. | |
| 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 BAC and BIRMC are given on pages 155 to 156 and 160 to 161 respectively. |

Corporate Governance Disclosures

| Rule No. | Applicable Requirement | Extent of Compliance |
|----------|---|---|
| 9.14 | Related Party Transactions Review Committee | The Company has established its own BRPTRC. BRPTRC comprises a total of three Non- Executive Directors, out of which two of them are Independent Directors. The Chairperson is an Independent Director. Complied with . |
| 9.14.7 | Disclosures | None |
| | (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; | Directors' interest registers and Directors' interest in contracts or proposed contracts given in page 166. |
| | (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 151 to 152. |
| | (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 in Statement of Directors' the Annual Report of the board of Directors on the affairs of the company in pages 164 to 169. Given in Corporate Governance Report - 'Governance Framework' section given in page 80. |
| | (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 business strategy, which includes measurable goals for the four FYs from 2025/26 to 2028/29. 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. | The company has developed a comprehensive corporate governance framework in line with specified guidelines. Heretofore, material none compliances have not been recorded. |
| 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. |

Corporate Governance Disclosures

| 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. | <p>The Board actively promotes sustainable finance by integrating environmental, social, and governance (ESG) considerations into the Company's business strategies.</p> <p>At present, the Company has implemented measures to offer Gold Loans as part of its sustainable finance initiatives. The Company intends to expand its sustainable finance product portfolio once the Central Bank lifts the deposit restrictions and full-scale lending operations are restored.</p> |
| 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. | <p>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.</p> <p>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.</p> |
| 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 and testing periodically as per guidelines. |
| 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. |

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
|---------------------------------------|---|--|
| 1.5 (c) | The Board shall regularly review and agree the training and development needs of all the members. | <p>The board of directors acknowledge the imperative of ongoing training and actively engage in professional development endeavors, recognizing its significance in effectively executing their responsibilities as directors.</p> <p>The Board will undertake necessary measures to conduct regular reviews and agree the training and development needs of all its members.</p> |
| 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. | <p>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</p> <p>The Board has carried out a self-assessment of each director on individual performance of its Board as a whole during the FY 2024/25.</p> |
| 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. | <p>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.</p> <p>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.</p> |

Corporate Governance Disclosures

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
|--|---|---|
| 1.6 (e) | Ensuring the FC has an appropriate succession plan for senior management. | <p>The board approved succession plan, established on August 29, 2024, is in place.</p> <p>This plan was initially developed with a limited scope, focusing on limited senior management positions, due to resource constraints and capabilities at the time, arising from the series of reforms and restructuring undertaken by the Company during the year.</p> <p>With the onboarding of a new senior management team, including the CEO, the succession plan will now be revisited and comprehensively redeveloped to ensure adequate coverage of key positions and alignment with the Company's strategic needs.</p> |
| 1.6 (f) | Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives. | <p>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.</p> |
| 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. | <p>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.</p> |
| 1.7 (b) | Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards. | <p>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.</p> |
| 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 | <p>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.</p> |

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
|------------------------------------|---|---|
| 2. Governance Framework | | |
| 2.1 | <p>Board shall develop and implement a governance framework in with these directions and including but not limited to the following;</p> <ul style="list-style-type: none"> 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 established in accordance with regulatory directives. |
| 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 consisted of 7 members since 23rd October 2024. |
| 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 2024/25 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. | <p>In 2024/2025, no such circumstance transpired.</p> <p>All non-executive directors have not exceeded the 9-year period.</p> |

Corporate Governance Disclosures

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
|------------------------------------|--|--|
| 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 2024/2025, no executive director was nominated, elected, or appointed. |
| 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 2024/2025, 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 2024/25, no such circumstance transpired. |
| 3.5 (d) | All Executive directors shall have a functional reporting line in the organization structure of the FC. | In 2024/25, no such circumstance transpired. |
| 3.5 (e) | The executive directors are required to report to the Board through CEO. | In 2024/25, no such circumstance transpired. |
| 3.5 (f) | Executive directors shall refrain from holding executive directorships or senior management positions in any other entity. | In 2024/25, no such circumstance transpired. |
| 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. |

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
|--|---|--|
| 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 comprised three independent directors w.e.f. 02nd May 2024. As of the reporting date, the proportion of independent directors exceeded one-third of the total Board composition. |
| 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. |
| | 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. company 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 company or exceeding 20% of the voting rights of another FC. | The company conforms to the stated section. |

Corporate Governance Disclosures

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
|---------------------|---|--|
| | 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. in which any of the other directors of the FC is employed or 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 FC, which has a transaction with the FC as defined in direction 12.1(c), company as defined in direction 12.1(c), or in which any of the other directors of the FC company 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; <ul style="list-style-type: none"> 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 2024/2025, 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 2024/2025, no such circumstance transpired. |
| 3.8 (c) | A person appointed as an alternate director to one of the directors cannot extend his role as an alternate director to one of the directors cannot extend the role as an alternate director to and other director in the same board, and by acting as an alternate director to another director in the same Board. | In 2024/2025, no such circumstance transpired. |
| 3.8 (d) | An alternate director cannot be appointed to represent an executive director. | In 2024/2025, 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 2024/2025, 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 2024/2025. |

Corporate Governance Disclosures

| 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 2024/2025. |
| 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 31 st 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 2024/2025, 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 2024/2025, no such appointments were made. |
| 4.3 (b) | Prior approval of the Monetary Board based on the assessment of the Director/ Department of Supervision of Non-Bank Financial Institutions in 4.3(a). | In 2024/2025, no such appointments were made. |

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
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| 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 2024/2025, 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 2024/2025, 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. Ashok Pathirage, serves as a non-independent director. His appointment was made on 01st August 2024 with the approval of the Central Bank. |
| 6.3 | <p>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.</p> <p>Senior director will serve as the intermediary for other directors and shareholders.</p> <p>Non-executive directors including senior director shall assess the chairperson's performance at least annually.</p> | Mr. H.S.S Dabare was appointed as a Senior Independent Director w.e.f. 11th September 2024. |

Corporate Governance Disclosures

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
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| 6.4 Responsibilities of the Chairperson | | |
| 6.4 | <p>The responsibilities of the chairperson shall at least include the following:</p> <ol style="list-style-type: none"> Provide leadership to the Board. Maintain and ensure a balance of power between executive and non-executive directors. Secure effective participation of both executive and non-executive directors. Ensure the Board works effectively and discharges its responsibilities. Ensure all key issues are discussed by the Board in a timely manner. Implement decisions/directions of the regulator. 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. Not engage in activities involving direct supervision of senior management or any other day to day operational activities. Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO. | <p>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.</p> <p>The Chairman of the Board conducted the annual assessment of the performance and contributions of both the Board of Directors and the CEO for the FY 2024/25.</p> <p>Company Secretaries are in the process of collating assessment forms relevant to the FY 2024/2025.</p> |

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| 6.5 Responsibilities of the CEO | | |
| The CEO shall function as the apex executive-in-charge of the day-to-day- management of the FCs 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. |
| 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. | 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. |
| 6.5 (c) | Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior. | 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. |
| 6.5 (d) | Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator. | However, the CEO's responsibilities are included in the Board-approved charter. |
| 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 13 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. |

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| 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 of the number of directors that constitute the quorum at such meeting are independent directors. | In 2024/2025, no such incidents occurred. |
| 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 Board does not comprise of any executive directors requiring for this compliance. |
| 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 2024/2025, no such instances 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

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| 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 Company obtained approval from the Central Bank to appoint a qualified Company Secretary on a secondment basis from within the Softlogic Group. Accordingly, the Board appointed a qualified secretary from Softlogic Corporate Services (Pvt) Limited to serve as the Company Secretary. Following the resignation of the Company Secretary, the Board has been in discussion with Softlogic Corporate Services (Pvt) Limited and is closely monitoring the process to appoint a suitably qualified individual as the Company Secretary. As of the reporting date, the appointment remains pending, with Softlogic Corporate Services (Pvt) Limited continuing to function as the Company Secretary until such time a formal appointment is made. |
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| 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 Board has been in discussion with Softlogic Corporate Services (Pvt) Limited and is closely monitoring the process to appoint a suitably qualified individual as the Company Secretary. |
| 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. | |

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| 8.6 | <p>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:</p> <p>a. A summary of data and information used by the Board in its deliberations.</p> <p>b. The matters considered by the Board.</p> <p>c. The fact-finding discussions and the issues of contention or dissent, including contribution of each individual director.</p> <p>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.</p> <p>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.</p> <p>f. The decisions and Board resolutions.</p> | <p>The minutes of Board meetings are meticulously recorded, ensuring sufficient detail and accuracy.</p> |
| 8.7 | <p>The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.</p> | <p>Minutes are readily available for inspection by Directors upon request.</p> |
| 9. Delegation of Functions by the Board | | |
| 9.1 | <p>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.</p> | <p>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).</p> |
| 9.2 | <p>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.</p> | <p>Board sub-committees are in operation.</p> |
| 9.3 | <p>The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.</p> | <p>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.</p> |

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
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| 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. |
| 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

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 Rs. 20 bn considered as category A and as FCs with asset base of less than Rs. 20 bn to be considered as category B, subject to the transitional provision stated in direction 19.3.

10.1 Board Sub-Committees

FCs with asset base of more than Rs. 20 bn

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| 10.1 (a) | <p>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</p> <p>Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually.</p> | <p>As of 31st March 2025, the asset base is below 20 billion and is recorded at 7.98 billion at the end of the financial year.</p> <p>The company has established the Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination and Governance Committee, Human Resource and Remuneration Committee, and Related Party Transactions Review Committee.</p> <p>During the FY 2024/25, the Board Audit Committee (BAC) convened fifteen (15) meetings, excluding two closed-door sessions with the Company's External Auditors. The Board Integrated Risk Management Committee (BIRMC) held four (04) meetings.</p> |
| 10.1 (b) | 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 (c) | 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. |

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| 10.1 (d) | 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. | <p>The Company Secretary functions as the Secretary to both the Board Nomination and Governance Committee and the Board Related Party Transactions Review Committee.</p> <p>The Head of Internal Audit and the Head of Risk serve as Secretaries to the Board Audit Committee and the Board Integrated Risk Management Committee, respectively.</p> <p>In addition, the Company Secretary serves as the Secretary to the Board Human Resources and Remuneration Committee.</p> |
| 10.1 (e) | Each board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the board sub-committees. | All Board subcommittees are composed of Board members who are experts in their respective areas of responsibility. The performance, duties, and functions of all subcommittees are meticulously managed and executed. |
| 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. |
| 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 a 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 comprises four members, of whom three are independent. |
| 10.2 (c) | The secretary to the audit committee shall preferably be the chief internal auditor (CIA) or the company secretary. | The Company Secretary serves as the secretary to the Committee |
| 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 for audit services to be provided in compliance with the relevant statutes are determined and recommended by the BAC. |
| 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 complied with the stated section |

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
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| 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. | <p>The committee has approved the engagement of the external auditor to provide non audit services those are permitted under the relevant regulatory framework.</p> <p>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.</p> <p>The appointment of auditors and their fee proposal for these services have been thoroughly reviewed and approved by the BAC and the Board.</p> |
| 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 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. |

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| 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 BAC held two closed-door meetings with the External Auditors on 14th October 2024 and 26th March 2025 to discuss relevant audit and financial matters. |
| 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 BAC reviewed the External Auditor's Management Letter for the financial year ended 31st March 2024, along with the corresponding management responses, at its meeting held on 14th October 2024. |
| 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 during the 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. |
| 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. |

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
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| 10.2 (g) (iii) | <p>The BAC shall take the following steps with regard to the internal audit function of the company;</p> <ol style="list-style-type: none"> 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. ; | <ol style="list-style-type: none"> 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. |
| 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. | The BAC held two closed-door meetings with the External Auditors on 14th October 2024 and 26th March 2025 to discuss relevant audit and financial matters. |

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| 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 Head of Risk attends the meeting as Secretary to the meeting. The CEO and the senior management 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 assigned to the committee. |
| 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 |
| 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. |

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| 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 |
| 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. | <p>Although the Company's total assets remain below Rs. 20 billion, it operates with two independent departments dedicated to Risk and Compliance.</p> <p>Following the resignation of the former Compliance Officer on 25th May 2025, the Company appointed a new Compliance Officer w.e.f. 25th August 2025 following the approval of the Central Bank.</p> |
| 10.3 (i) (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. | Please refer to the above section 10.3 (i) (ii). |

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| 10.3 (i) (iv) | <p>The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following.</p> <ol style="list-style-type: none"> 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 | <ol style="list-style-type: none"> 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 dedicated Risk Management Department has been established, headed by the Head of Risk, despite the Company's total asset base being below Rs. 20 billion as at 31st March 2025. The total assets of the Company were recorded at Rs. 7.98 billion as at the same date. Reports and observations from the Risk Management Department are submitted to the BIRMC. |
| 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. |

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
|----------------------------------|--|--|
| 10.3 (j) (iv) | <p>The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers:</p> <ol style="list-style-type: none"> 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 reports are submitted to BIRMC quarterly covering Credit, Market, Capital, Liquidity, Deposits, Operations and IT risk. The BIRMC's quarterly summary is presented to the Board at the next scheduled meeting, usually held in the month immediately following the committee's review. |
| 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 Non-Executive Directors, of whom two are independent. The CEO is attending meetings by invitation. |
| 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 (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. |

Corporate Governance Disclosures

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
|---------------------|---|---|
| 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 committee 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 (j) | The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management. | <p>A Board-approved succession plan is in place, which has been reviewed and recommended by the Board Human Resources and Remuneration Committee in August 2024.</p> <p>Due to significant changes in senior management positions, the Company is in the process of revisiting the existing plan. This review is intended to address succession arrangements for newly required expertise as well as the replacement of retired directors. The Committee will ensure that any revisions or updates to the succession plan are subject to its review and recommendation prior to submission to the Board.</p> |
| 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, independent 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 committee. |
| 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. This policy will have to be periodically reviewed and recommended by the HRRC 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. |

Corporate Governance Disclosures

| 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 adhere to the aforementioned section |
| 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: <ul style="list-style-type: none"> (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) | <p>The business transactions with a related party that are covered in this Direction shall be the following:</p> <ol style="list-style-type: none"> Granting accommodation; Creating liabilities to the company in the form of deposits, borrowings and any other payable; Providing financial or non-financial services to the company or obtaining those services from the company; or 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. | <p>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.</p> |
| 12. 2 | <p>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.</p> <ol style="list-style-type: none"> Directors and senior management. Shareholders who directly or indirectly hold more than 10% of the voting rights of the company. 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. Directors and senior management of legal persons in paragraph (b) or (c). Relatives of a natural person described in paragraph (a), (b) or (d). 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. | <p>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.</p> |

Corporate Governance Disclosures

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
|-----------------------------|---|--|
| 12.3 | <p>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:</p> <ul style="list-style-type: none"> 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. | <p>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.</p> |
| 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) | <p>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,</p> <ol style="list-style-type: none"> 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. |

Corporate Governance Disclosures

| Paragraph Reference | Guiding Principle | Status & Details of Compliance |
|------------------------|--|---|
| 16. Disclosures | | |
| 16.1 | <p>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.</p> <p>The Board shall ensure that at least following disclosures are made in the Annual Report of the FC.</p> | <p>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.</p> <p>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.</p> |

| Subject | Disclosure | Status |
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| i. Financial statements | <p>In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include,</p> <ul style="list-style-type: none"> 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. | Refer page 163 |
| ii. Chairperson, CEO and Board related disclosures | <ul style="list-style-type: none"> Name, qualification and a brief profile. Whether executive, non-executive and/ or independent director. Details of the director who is serving as the senior director, if any. The nature of expertise in relevant functional areas. Relatives and/or any business transaction relationships with other directors of the company. Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity. Number/percentage of board meetings of the FC attended during the year; and Names of board committees in which the director serves as the Chairperson or a member. | <p>Refer pages 12 to 14</p> <p>Refer page 165</p> <p>Refer page 165</p> <p>Refer pages 12 to 14</p> <p>Refer page 242 to 243</p> <p>Refer pages 12 to 14</p> <p>Refer page 81</p> <p>Refer pages 167 to 168</p> |

| Subject | Disclosure | Status |
|---|--|---|
| 16.1 iii. Appraisal of board performance | <ul style="list-style-type: none"> An overview of how the performance evaluations of the Board and its committees have been conducted | Refer pages 136 to 138. |
| iv. Remuneration | <ul style="list-style-type: none"> 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) The aggregate values of remuneration paid by the FC to its directors and senior management. | Refer page 157 and 243. The aggregate values of Rs. 64,777,367/- paid to the Senior Management and Rs. 11,541,040/- paid to the Directors during the financial year respectively. . |
| v. Related party transactions | <ul style="list-style-type: none"> 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. 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. 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 relationship. Related party transactions carried out during the year is given on pages 242 to 249. Net accommodation outstanding of Rs. 93,856,207/- as at 31 st March 2025 (Refer note no. 45.2 on pages 244 to 248), as a percentage of Core capital is 4.77% No transaction has been carried out with the Senior Management during year under review. |
| vi. Board appointed committees | <ul style="list-style-type: none"> The details of the chairperson and members of the board committees and attendance at such meetings | Refer pages 150, 167 to 168. |
| vii. Group Structure | <ul style="list-style-type: none"> The group structure of the FC within which it operates. The group governance framework. | Refer page 259. Refer page 80. |

Corporate Governance Disclosures

| Subject | Disclosure | Status |
|-----------------------------------|--|---|
| 16.1 viii. Director's report | <p>A report, which shall contain the following declarations by the Board;</p> <ul style="list-style-type: none"> • The FC has not engaged in any activity, which contravenes laws and regulations. • The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. • The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. • The business is a going concern with supporting assumptions; and • The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness. | <p>Refer pages 151 to 152.</p> <p>Refer page 159.</p> <p>Refer pages 16 to 18 and 126 to 127.</p> <p>Refer page 183.</p> <p>Refer pages 151 to 152.</p> |
| ix. Statement on Internal Control | <ul style="list-style-type: none"> • 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. • The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. • 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. | <p>Refer pages 151 to 152.</p> <p>Refer pages 153 to 154.</p> <p>Refer pages 151 to 152.</p> |
| x. Corporate governance report | <ul style="list-style-type: none"> • 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. | <p>The Corporate Governance Report is set out on pages 97 to 131 of the Annual Report of the Company.</p> |

| Subject | Disclosure | Status |
|---------------------------------------|---|--|
| 16.1 xi. Code of Conduct | <ul style="list-style-type: none"> 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 126 to 127. |
| xii. Management report | <ul style="list-style-type: none"> Industry structure and developments Opportunities and threats Risks and concerns Sustainable finance activities carried out by the company Prospects for the future | Refer pages 19 to 31 & pages 38 to 69. |
| xiii. Communication with shareholders | <ul style="list-style-type: none"> The policy and methodology for communication with shareholders. The contact person for such communication. | Refer page 100. Refer page 263. |

Corporate Governance Disclosures

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 | | |
| <i>A.1. The Board:- Every public company should be headed by an effective Board, which should direct, lead and control the company</i> | | |
| A.1.1. | The Board should meet regularly, at least once every quarter in a financial year | During the year, the Board met 13 times, generally on a monthly basis. |
| A.1.2. | The Board's role and responsibilities | |
| | Ensuring the formulation and implementation of a sound business strategy | The Board sets the strategy of the company and drives and constantly monitors the company's 4-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 4-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 70 to 72 discusses this in detail. Further the company has adopted the "integrated reporting" methodology in its reporting. |

| Ref No: | Guiding Principle | Degree of Compliance |
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| 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 pages 173 to 176 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. |

Corporate Governance Disclosures

| Ref No: | Guiding Principle | Degree of Compliance |
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| 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. | <p>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.</p> <p>Board of directors have been assigned with responsibilities and dedicates time to resolving of conflicts.</p> |
| <p>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.</p> | | |
| 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 two separate individuals. |
| <p>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.</p> | | |
| A.3.1. | The Chairman should conduct Board proceedings in a proper manner with the effective participation of all members of the Board. | <ul style="list-style-type: none"> ▪ 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. ▪ Agenda for board meetings is developed in consultation with the CEO, directors and the company secretary, and detailed information on matters are provided. ▪ Directors are made aware of their duties and responsibilities. all directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the company, ▪ Directors are encouraged to seek information considered necessary to discuss matters on the agenda. Furthermore, a balance of power between executive and nonexecutive directors is maintained |
| <p>A.4. Financial Acumen</p> | | |
| | 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. |
| <p>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.</p> | | |
| 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. | <p>Complied with</p> <p>The Board contains 7 Non-Executive Directors as at 31st March 2025, who are highly experienced professionals in their respective fields.</p> <p>The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding annual general meeting.</p> |

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| 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 31 st March 2025, the Board contained Three Independent Non-Executive Directors. |
| A.5.3. | For a Director to be deemed independent such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment. | The Independent Non-Executive Directors of the company fulfil these 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'. A director to be independent he/ she should. | 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 165 of the Annual Report. <ul style="list-style-type: none"> ▪ Should not have been employed by the company, subsidiary or parent of the company during the period of three years immediately preceding appointment ▪ Should not be appointed immediately as a director within last three years. ▪ Should not have a close family member who is a director or chief executive officer or key management personnel. ▪ Should not be a significant shareholder of the company. ▪ Should not have served the board of the company continuously for a period exceeding nine years or has reached an age stipulated in an applicable regulation. ▪ Should not be a director of another company or employed in another company or business or have a material business relationship or a significant shareholding in another company or business. ▪ Remuneration to be based on individual or corporate performance. |
| A.5.6. | Appointment of an alternate director by a non-executive independent director. | No alternative Directors were appointed during the year under review. |

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| 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. <ul style="list-style-type: none"> The senior independent director should provide guidance to the chairman. The senior independent director should provide guidance to the chairman on matters of governance of the company. Senior director should meet at least twice each year with the non-executive directors and at least once a year with the executive directors. |
| 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. | <ul style="list-style-type: none"> The Senior Independent Director is available for confidential discussions as necessary. The senior independent director should participate in all meetings. A report from the senior independent director should be included in the annual report. |
| A.5.9. | The Chairman should hold meetings with the Non- Executive Directors only, without the Executive Directors being present, as necessary and at least once each year. | The Chairman consults the Non-Executive Directors to obtain their assessments on matters of importance as and when the need arises. |
| A.5.10. | Where Directors have concerns about the matters of the company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes. | The Directors always exercise independent, unfettered judgement when expressing their views during meetings and their concerns when matters cannot be unanimously resolved, are recorded in the Board minutes. |
| A.6. Supply of Information: - The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties. | | |
| A.6.1. | Management has an obligation to provide the Board with appropriate and timely information. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings. | The management ensures that the Board is provided with Board papers well in advance of the meetings and the Chairman ensures that all Directors are adequately briefed in all arising issues. |
| A.6.2. | The minutes, agenda and papers required for a Board meeting should ordinarily be provided to Directors at least seven (7) days before the meeting. | All necessary material for a Board meeting is normally provided to the Board, at least seven days before the meeting. |
| 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. |

| Ref No: | Guiding Principle | Degree of Compliance |
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| 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. | The committee should ensure that there is a succession plan for the chief executive officer and for all key management personnel and determine the training and development requirements for those identified for succession. | A succession plan is in place effective Aug 2024 and reviewed annually. |
| A.7.4. | 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. Even if a director is appointed as an alternate director, the disclosures stated above should be made. | All new appointments are immediately disclosed to the shareholders through the disclosures to the Colombo Stock Exchange. |
| A.7.5. | The chairman and members of the nomination committee should be identified in the annual report. A separate section of the annual report should describe the work of the nomination committee. | Complied with in the annual report. Refer page no 162. |
| 7.6 | Terms of reference for Nomination committees are set out in schedule E | Terms of reference for Nomination committee are set out in page no 162. |
| 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. |

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| <i>A.9. Appraisal of Board Performance: - Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.</i> | | |
| A.9.1. | The Board should annually appraise itself on its performance | The Board has in place a system of self-assessment and appraisal. |
| A.9.2. | The Board should also undertake an annual self-evaluation of its own performance and that of its committees. | The Board undertakes annual self-evaluations of its own performance and that of its committees. |
| A.9.3. | The Board should have a process to review the participation, contribution and engagement of each director at the time of re-election. | The Board has appropriate processes in place to appraise the participation, contribution and engagement of directors. |
| 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. |
| <i>A.10. Disclosure of Information in respect of Directors: - Shareholders should be kept advised of relevant details in respect of Directors.</i> | | |
| A.10.1. | Details with regard to each Director to be disclosed in the Annual Report. | The Directors' profiles are stated in pages 12 to 13. |
| <i>A.11. Appraisal of the CEO:- The Board should be required, at least annually, to assess the performance of the CEO.</i> | | |
| 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 | | |
| <i>B.1. Remuneration Procedure:- Companies should establish a formal and transparent procedure for developing a policy on executive remuneration</i> | | |
| <i>B.2 Remuneration Committee - 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.</i> | | |
| B.2.1. | 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 157 of the Annual Report. |
| B.2.2. | 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. |

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| B.2.3. | The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice | As per the terms of reference of the Remuneration Committee, it has access to professional advice and is free to consult the Chairman and/or CEO as it feels fit. |
| B.2.4. | 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 HR & Board HR and Remuneration committee. |
| B.2.5. | 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 Group Chairman. |
| B.2.6. | 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.2.7. | 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.2.8. | The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the company. Transparent procedures recommended by them and approved by the board for evaluating senior managements' performance and revising their remuneration, benefits and other payments. | The performance related elements of remuneration have been designed in a way that individual performance and increases in company performance are positively linked. |
| B.2.9. | 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.2.10. | 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.2.11 | Remuneration Committee should consider what compensation commitments (including pension contributions) their directors' contracts of service, if any, entail in the event of early termination. | These have been adequately considered when determining remuneration. |

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| B.2.12. | Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committee should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances. | The Remuneration Policy of the company has been designed to be in line with all applicable legal requirements. |
| B.2.13. | 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.2.14. | 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.2.15 | 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 157 of the Annual Report. |
| 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 157. The remuneration policy has been set out in page 157. |
| B. 3.2 | The annual report should also contain the number and aggregate remuneration Of the senior management personnel reporting directly to the chief executive officer including that of the chief executive officer, if he/she is not an executive director. | The aggregate remuneration of the senior management personnel and the directors are set out in page no. 243 Section 16.1 (iv) |
| 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. |

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| 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. |
| 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. |

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| <i>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.</i> | | |
| 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. | Limited liability companies should in addition comply with section 185 (1),(2),(3) and any other provisions of the companies Act 07 of 2007 and articles of association of the company. | There are no such major transactions reported during the financial year 2024/2025. |
| C.3.3. | 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 | | |
| <i>D.1. Financial Reporting: - The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.</i> | | |
| 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. |
| 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. |

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| 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 164 to 169 for the Annual Report of the Board of Directors and page 152 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 164 to 169. The statement issued by the Auditors is in page 173. The Statement of Directors Responsibilities is in page 163. The Statement on Internal Controls is in pages 151 to 152. |
| D.1.6. | Annual Report should contain a Management Discussion & Analysis | The Management Discussion & Analysis is from page 38 to 72. |
| 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 31 March 2023. The net assets of the Company represented 29% of stated capital as of 31 March 2023. 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. |
| 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 242 to 249. Company secretary maintains records on related party transactions and make necessary disclosures accordingly. Related party transaction copies are maintained in both forms. |
| 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 board should adopt a Framework for risk management and the processes to identify, assess, monitor and manage risks with clear delegation of responsibilities to ensure its effectiveness in supporting achievement of the strategic, operational, and financial objectives of the company. | 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 155 to 156 and the Integrated Risk Management Committee report in page 160 to 161. |
| D.2.1.1. | 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 164 to 169. The Statement of Directors Responsibilities is in page 163. The Statement on Internal Controls is in page 151 and Integrated Risk Management Committee Report in pages 160 to 161. |
| D.2.1.2 - D 2.1.8 | The board should describe the risk management framework, processes, responsibilities and explain in the annual report how they are being managed or mitigated. | Complied with Refer pages 73 to 78 for Risk Management framework and refer page no. 149 for Risk Management processes and responsibilities. |

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| D.2.2. | The board should establish a process to ensure internal controls are designed, implemented and monitored, to provide reasonable assurance of the achievement of an entity's objectives on reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. | Complied with Refer the Annual Report of the Board of Directors, pages 164 to 169 and the Statement of Internal Control in page 151 and Statement of Directors' Responsibilities in page 163. |
| D.2.2.1 | The board should ensure that an effective system of internal controls is establish in respect of financial, operational and compliance system, processes, and practices and are monitored regularly. Further, at least annually the board should Obtain a review of the effectiveness of the internal control systems and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls. | Complied |
| D.2.2.2 | The company should have an Internal Audit function | The company has a separate Internal Audit department that reports directly to the Audit Committee. |
| D.2.2.3 | 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.2.2.4 | 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, pages 164 to 169 and the Statement of Internal Control in page 151. |

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.

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| 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 possesses the required qualifications and high level of recent relevant experience in financial reporting and control. |
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| 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. | A detailed version of the Audit committee duties is written in terms of reference. |
| 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 155 to 156. |

D 4 RISK COMMITTEE

D 4 The board should establish a procedure for risk management including how they determine, risk culture, risk appetite, risk identification and classification, rating and management of risk.

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| D.4.1. | The board should establish a risk committee which should comprise of a minimum three members, a majority of whom should be non-executive directors and be chaired by an independent non-executive Director and should address written terms of reference dealing clearly with its authority and duties. The committee will meet at least four times a year, The annual report should contain a report of the risk committee, setting out its role and how it discharged its responsibilities | Complied with Committee complies with the no of members Committee meets every quarter. Refer the Risk Committee report in page 160 to 161. |
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D.5. 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.

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| D.5.1. | A related party and related party transactions will be as defined in LKAS 24. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. | Complied With The company has adopted these definitions as per LKAS 24 with regard to related parties and related party transactions. |
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|--|--|---|
| D.5.2. | 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. | <p>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 12 to 13 of the Annual Report.</p> <p>The Chairman of the committee is an Independent Non-Executive Director.</p> |
| D.5.3. | <p>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.</p> <p>Details of their close family members and entities in which the aforementioned parties have control, joint control, significant influence or serve as a key management personnel and, transactions if any, in accordance with the listing rules of Colombo Stock Exchange.</p> | <p>Complied with</p> <p>The company has a formal RPT Policy and a separate Board approved Terms of Reference in place.</p> |
| D.6. 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.6.1. | 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.6.2. | 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.6.3. | 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.6.4. | The company should establish a procedure to deal with complaints received from whistle-blowers such as employees, customers, suppliers and any other parties in relation to non-compliance with company's code of business conduct and ethics | Company shas already establish a procedure to deal with complaints received from whistle-blowers. |
| D.6.5. | The company should conduct training on the code of business conduct and ethics as part of induction training of new employees and require confirmation of compliance at least on annual basis from all Employees. | Ethics as part of the induction is covered. |

| Ref No: | Guiding Principle | Degree of Compliance |
|---|---|--|
| D.6.6. | The process for companywide dissemination of the policy, training arrangements, violations/non compliances (if any) with actions taken should be reported to the board on a regular basis. | Training is provided to all staff centrally and at regional locations. |
| D.6.7. | The Chairman must affirm in the Company's Annual Report that a code of conduct and ethics has been introduced companywide 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 164 to 169. |
| D.7. 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.7.1. | 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. |

Corporate Governance Disclosures

| Ref No: | Guiding Principle | Degree of Compliance |
|--|---|--|
| Section 3 | | |
| Other Matters | | |
| <i>G. Internet of Things and Cyber security</i> | | |
| 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. |
| 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 73 to 78. |
| <i>H. Sustainability: ESG Risk and Opportunities</i> | | |
| H.1.1 | The board and key management personnel should continuously engage with and consider the views of its stakeholders to better understand and manage the company's sustainability/ ESG risk and opportunities, as stakeholder expectations are heightening across various sustainability/ESG issues relating to the protection of environment and other ESG issues. Many institutional investors consider these factors in their investment decision making. | In the "Our Approach to Value Creation", "Management Discussion & Analysis" and "Accountability & Transparency" sections in its annual report, the referred material is adequately covered. Refer the Environmental Contribution section from page 71. |

| Ref No: | Guiding Principle | Degree of Compliance |
|---|---|--|
| I. SPECIAL CONSIDERATIONS FOR LISTED ENTITIES | | |
| <i>I.1 ESTABLISHMENT AND MAINTENANCE OF POLICIES - Listed entities shall establish and maintain policies relating to its governance 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.</i> | | |
| I.1.1 | Policies relating to following areas are essential: | All policies have been drafted approved and in practice as below, <ul style="list-style-type: none"> a) Policy on 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 Whistleblowing l) Policy on Anti-bribery and corruption |
| I.1.2 | 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 waivers from compliance with the internal code of business conduct and ethics nor exemptions have been granted by the Company during the period under review. |
| I.1.3 | Listed entities shall disclose in its annual report: <ul style="list-style-type: none"> (i) the list of policies that are in place with reference to its website, (ii) details pertaining to any changes to policies adopted by them. | All policies that are in practice have been uploaded in the corporate website. |
| I.1.4 | Listed entities shall make available all such policies to shareholders upon a written request being made for any such policy | Will be complied with on a written request made by shareholders. |

Governance Reports

Directors Attendance - Board & Sub Committees In A Snapshot

Attendance of Directors at Board & Sub-Committee Meetings from April to March 2024/25

| Directors | Executive | Non-Executive | Independent | Non-Independent | Attendance (Board Meetings) | Attendance (BAC) Regular Meetings * | Attendance (BIRMC) | Attendance (RPT) | Attendance BHRRC | Attendance BNC | Attendance BCRC | Attendance BITSSC |
|---------------------------------------|-----------|---------------|-------------|-----------------|-----------------------------|-------------------------------------|--------------------|------------------|------------------|----------------|-----------------|-------------------|
| Mr. A.K. Pathirage ⁽¹⁾ | | √ | | √ | 9/9 | | | | | | | |
| Mr. H.S.S. Dabare | | √ | √ | | 11/13 | 13/15 | 4/4 | - | 6/6 | 5/5 | 11/11 | 1/1 |
| Mr. H.K. Kaimal | | √ | | √ | 13/13 | | 4/4 | 4/4 | | 4/5 | | 3/3 |
| Mr. R.J. Perera | | √ | | √ | 13/13 | | 3/4 | | | | 10/11 | 1/1 |
| Mr. C. Kalupahana | | √ | √ | | 13/13 | 15/15 | | 4/4 | 4/4 | 5/5 | | 2/3 |
| Mr. V.B. Nanayakkara ⁽²⁾ | | √ | √ | | 12/12 | 14/14 | | 4/4 | 6/6 | | 10/11 | |
| Mr. N.C.A. Abeyesekera ⁽³⁾ | | √ | | √ | 4/7 | 3/7 | | | 2/2 | | 5/11 | 1/1 |
| Mr. D.P. Renganathan ⁽⁴⁾ | | √ | √ | | 0/1 | - | | | - | | | |

(1) Mr. A.K. Pathirage (Appointed w.e.f 01st August 2024)

(2) Mr. V.B. Nanayakkara (Appointed w.e.f 02nd May 2024)

(3) Mr. N.C.A. Abeyesekera (Appointed w.e.f 23rd October 2024)

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

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

BITSSC – Board IT Security and Steering Committee

* Excluding closed door meetings held with Auditor

Directors' Statement on Internal Controls

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 Principal 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 the business environment or regulatory guidelines. The process is regularly reviewed by the Board and subcommittees appointed by the Board, to maintain its 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 process in reviewing the design and operating effectiveness of the system of internal controls with regard to financial reporting including the following:

- Specialised 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, and 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 155 to 156.
- 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.

Directors' Statement on Internal Controls

- 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 31 March 2025 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 page 153 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 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 164 to 169)
- Capital Management (note no. 40.5, pages 236 to 238)
- Serious Loss of Capital (note no. 40.6, page no. 238)
- Events After the Reporting Date (note no. 43, page no. 242)

By order of the Board,

(Sgd.)

A.K. Pathirige
Chairman

(Sgd.)

C. Kalupahana
Chairman - Board Audit Committee

07th August 2025
Colombo

Independent Assurance Report



Shape the future
with confidence

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ey.com

PNS/KMW/KM/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 2025 ("The Statement") included in the annual report for the year ended 31 March 2025.

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 Chartered Accountants of Sri Lanka.

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

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of work performed

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

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paravitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp), M U M Mansoor ACA

A member firm of Ernst & Young Global Limited

Independent Assurance Report

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.

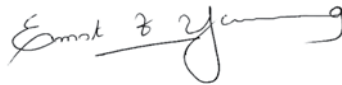
SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control 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.



07th August 2025

Colombo

Report of the Audit Committee

Composition of the Audit Committee

The Board Audit Committee comprised of the following Non-Executive Directors of the Company during the financial year and as at the date of these financial statements.

- Mr. C. Kalupahana – Chairman
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
Senior Independent Director
- Mr. V.B. Nanayakkara
Independent Non-Executive Director
(Appointed w.e.f 03rd May 2024)
- Mr. N.C.A. Abeyesekera
Non-Independent, Non-Executive
Director
(Appointed w.e.f 23rd October 2024)

The composition meets the requirements stipulated in the Listing Rules of the Colombo Stock Exchange.

The board is satisfied that current members of the committee possess strong financial expertise and a diverse mix of skills in finance, audit, legal, and banking matters.

Terms of Reference of the Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its responsibilities of ensuring the integrity of financial reporting, the adequacy of the system of internal control and the assessment of the Company compliance with legal and regulatory requirements.

Role of the Board Audit Committee

The committee is empowered to oversee:

- The Committee reviews the Preparation, presentation and adequacy of disclosures in the financial statements, in accordance with the Sri Lanka Accounting Standards.

- Overseeing the integrity of the Financial Statements.
- 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.
- Reviewing the effectiveness and resource allocation of the Internal Audit function.

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

The committee reviews the Company's Interim and Annual Financial Statements and recommend to the Board for approval 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 are monitored in accordance with the following measures and in line with applicable guidelines, including the CSE Rules:

- Monitoring the duration of engagement of both the external audit firm and the individual audit partner.
- Allowing the closed-door meetings between the Board Audit Committee and the external auditors, without the presence of management.
- Independently reviewing and approving the audit fees.
- Establishing and monitoring the policy governing non audit services provided by the external auditors.

Accordingly, the company's external auditors for the financial year 2024/2025 are Ernst & Young. This marks their ninth consecutive year of engagement since 04 July 2016.

However, a new audit partner was assigned during the previous financial year.

The audit committee has prudently ensured the objectivity and independence of the external auditors by reviewing compliance with the established policy on non-audit services, including an assessment of fees paid to the auditors and it's affiliates. No non-audit services were provided by the external auditors during the financial year.

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.

Report of the Audit Committee

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 15 times (excluding two Board Audit Committee meetings held during the year with external auditors without the presence of any executive director) during the year 2024/25. Two closed door meeting held with external auditors as required. The attendance of the members at Audit Committee meetings was as follows:

| Name | Designation | Attendance |
|---|--|------------------------------|
| Mr. C. Kalupahana – Chairman | Independent Non-Executive Director | 15/15 * 2/2 (Closed Door) |
| Mr. H.S.S. Dabare | Senior Independent Director | 13/15 * 2/2 (Closed Door) |
| Mr. V.B. Nanayakkara (Appointed w.e.f 03 rd May 2024) | Independent Non-Executive Director | 14/14 * 2/2 (Closed Door) |
| Mr. N.C.A. Abeyesekera (Appointed w.e.f 23 rd October 2024) | Non-Independent, Non-Executive Director | 3/7 * 1/1 (Closed Door) |
| Mr. D.P. Renganathan (Retired w.e.f 02 nd May 2024) | Independent Non-Executive Director | - |

* Excluding closed door meetings held with Auditor

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.

On behalf of the Audit Committee

(Sgd.)

Mr. C. Kalupahana

Chairman

Board Audit Committee

07th August 2025

Colombo

Report of the Human Resources and 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. H.S.S. Dabare – Chairman
Senior Independent Director
(Appointed w.e.f. 30th October 2024)
- Mr. V.B. Nanayakkara – Former
Chairman
Independent Non-Executive Director
(Appointed w.e.f. 03rd May 2024
reconstituted w.e.f. 30th October 2024
and after 30th October 2024, only a
member)
- Mr. C. Kalupahana
Independent Non-Executive Director
(Appointed w.e.f. 03rd May 2024
resigned w.e.f. 30th October 2024 and
currently not a member)
- Mr. D. P. Renganathan
Independent Non-Executive Director
(Retired w.e.f. 02nd May 2024)
- Mr. H.K. Kaimal
Non-Independent Non-Executive
Director
(Resigned w.e.f. 03rd May 2024)
- Mr. N.C.A. Abeyesekera
Non-Independent, Non-Executive
Director
(Appointed w.e.f. 30th October 2024)

Meetings

During the year under review, two (2) committee meetings were held. The attendance of the meetings is given on page 150 of this annual 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 Committee has the authority to discuss issues under its purview and report back to the Board with recommendations, enabling the Board to take a final decision on the matter. The Committee is authorized by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary.

Remuneration Policy

The Remuneration Policy of Softlogic Finance determines the formulation of all remuneration based on the job profile, industry remuneration levels and practices, and the country's cost of living situation. The Remuneration Policy of the company is developed with a comprehensive compensation and benefit grid. The grid has been developed in line 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's 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 organization, enabling fair and competitive remuneration.

(Sgd.)

Mr. H.S.S. Dabare

Chairman – Board Human Resources & Remuneration Committee

07th August 2025
Colombo

Report of the Related Party Transactions Review Committee

Introduction

Pursuant to the requirements of the Code of Best Practices on Related Party Transactions 2023 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 12 to 13 of the Annual Report,

| Name | Designation |
|---|--|
| Mr. C. Kalupahana – Chairman | Independent Non-Executive Director |
| Mr. H.S.S. Dabare – Former Chairman (Resigned w.e.f 03 rd May 2024) | Senior Independent Director |
| Mr. H.K. Kaimal | Non-Independent Non-Executive Director |
| Mr. V.B. Nanayakkara (Appointed w.e.f 02 nd May 2024) | Independent Non-Executive Director |

M/s. 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 assess 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.

| Name | Designation | Attendance |
|--|--|------------|
| Mr. C. Kalupahana – Chairman | Independent Non-Executive Director | 4/4 |
| Mr. H.S.S. Dabare (Resigned w.e.f. 03rd May 2024) | Senior Independent Director | - |
| Mr. H. K. Kaimal | Non-Independent Non-Executive Director | 4/4 |
| Mr. V.B. Nanayakkara (Appointed w.e.f. 02 nd May 2024) | Independent Non-Executive Director | 4/4 |

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 45 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, other than the SPV transactions disclosed under note no: 40.5 -Capital Management, note no: 43 -Events After the Reporting Date and under Section Reference 7.6 (xvi) on page no. 84 of this Annual Report. 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 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, 2025 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 declaration 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 244 to 249 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

07th August 2025

Colombo

Report of the Integrated Risk Management Committee

The Board Integrated Risk Management Committee (BIRMC) 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. H.S.S. Dabare – Chairman
Senior Independent Director
(Appointed as the Chairman to the committee w.e.f. 03rd May 2024)
- Mr. H.K. Kaimal
Non-Independent, Non-Executive Director
- Mr. N.C.A. Abeyesekera
Non-Independent, Non-Executive Director
(Appointed w.e.f. 30th October 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 150 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

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 Board 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 2024/25

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 2025/26

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. H.S.S. Dabare

Chairman

Integrated Risk Management Committee

07th August 2025

Colombo

Report of the Nomination and Governance Committee

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 12 to 13. The Committee's attendance at meetings are provided below.

| Name | Designation | Attendance |
|--|--|------------|
| Mr. C. Kalupahana – Chairman | Independent Non-Executive Director | 5/5 |
| Mr. H.S.S. Dabare | Senior Independent Director | 5/5 |
| Mr. H.K. Kaimal | Non-Independent, Non-Executive Director | 4/5 |
| Mr. D. P. Renganathan – Former Chairman (Retired w.e.f. 2 nd May 2024) | Independent, Non - Executive Director | - |

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

Chairman - Nomination and Governance Committee

07th August 2025

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 173 to 176.

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 177 to 252 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;

(Sgd.)
Mr. A.K. Pathirage
Chairman

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

07th August 2025
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 31st March 2025.

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 are 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.

The principle activities of the Company during the year were restricted to granting lease, loans, renewal of fixed deposits and operation of savings accounts for loan collection due to regulatory restrictions.

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 Statements.

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 173 to 252.

Auditor's Report

The Report of the Auditors on the Financial Statements of the Company is given on pages 173 to 176.

Material 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 182 to 201. 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. 25 to the Financial Statements on pages 215 to 216.

Investments

Details of quoted and unquoted investments made by the Company as of 31st March 2025 are given in Note No. 24 to the Financial Statements on page 214.

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 180.

Stated Capital

The stated capital of the Company as of 31st March 2025 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. 45 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 page no. 158. 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 12 to 13)

Non-Executive Directors

- **Mr. A. K. Pathirage – Chairman**
Non-Independent Non-Executive Director
(Appointed as Chairman w.e.f. 01st August 2024)
- **Mr. H.S.S. Dabare**
Senior Independent Director
(Appointed as Senior Independent Director w.e.f. 11th September 2024)
- **Mr. H. K. Kaimal**
Non-Independent Non-Executive Director
- **Mr. R. J. Perera**
Non-Independent Non-Executive Director
- **Mr. C. Kalupahana**
Independent Non-Executive Director
- **Mr. V. B. Nanayakkara**
Independent Non-Executive Director
(Appointed w.e.f. 02nd May 2024).
- **Mr. N.C.A. Abeysekera**
Non-Independent Non-Executive Director
(Appointed w.e.f. 23rd October 2024)
- **Mr. D. P. Renganathan**
Independent Non-Executive Director
(Retired w.e.f. 02nd May 2024)

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.K. Kaimal retire and being eligible, offer himself for re-election.

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

In terms of Article 97 of the Article of Association of the Company Mr. N.C.A. Abeysekera retire and being eligible, offer himself for election.

CEO's Shareholding

The Chief Executive Officer of the Company, who held office during the year under review, did not hold any shares in the Company as of 31st March 2025 or 31st March 2024.

Directors' Shareholding

The relevant interests of Directors who held Office during the year under review, and as at the reporting date of these financial statements, in the shares of the Company as of 31st March 2025 and 31st March 2024 are as follows:

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

| Name | No. of Shares as at 31 st March 2025 | No. of Shares as at 31 st March 2024 |
|--|---|---|
| Mr. A. K. Pathirage (Appointed as Chairman w.e.f. 01 st August 2024) | 1,653,822 | 1,653,822 |
| Mr. H.S.S. Dabare (Appointed as Senior Independent Director w.e.f. 11 th September 2024) | Nil | Nil |
| Mr. C. Kalupahana (Appointed w.e.f. 24 th October 2023) | Nil | Nil |
| Mr. V.B. Nanayakkara (Appointed w.e.f. 02 nd May 2024) | Nil | Nil |
| Mr. R.J. Perera (Appointed w.e.f. 02 nd June 2023) | 9,600 | 9,600 |
| Mr. H.K. Kaimal (Appointed w.e.f. 01 st August 2017) | Nil | Nil |
| Mr. N.C.A. Abeysekera (Appointed w.e.f. 23 rd October 2024) | Nil | Nil |

Mr. N.C.A. Abeysekera is a Director of Softlogic Capital PLC and 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 directly, 597,145,240 shares (62.04%) and 5,657,598 shares (0.59%) respectively, in Softlogic Finance PLC as of 31 March 2025.

Directors' Remuneration

Directors' remuneration in respect of the Company for the financial year ended 31st March 2025 is disclosed under the transactions with key managerial personnel in Note No. 45.1 to the Financial Statements on page 243.

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 page 256 to 257 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 155 to 156.

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 73 to 78 sets out the processes currently practiced by the Company to identify and manage the risks.

Contingent Liabilities

Except as disclosed in Note No. 42 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 Companies (Corporate Governance-Amendments) Direction No.05 of 2020 issued by the Central Bank of Sri Lanka.

VI. Finance Business Act Direction (Corporate Governance) No. 05 of 2021 issued by the Central Bank of Sri Lanka.

VII. 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 80 to 150.

An Audit Committee, Human Resource and Remuneration Committee, Related Party Transaction Review Committee, Credit Committee, IT Security 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 Security 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 151 to 152.

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
- Mr. H.S.S. Dabare
- Mr. V.B. Nanayakkara (Appointed w.e.f. 03rd May 2024)
- Mr. D.P. Renganathan (Retired w.e.f. 02nd May 2024)
- Mr. N.C.A. Abeyesekera (Appointed w.e.f. 30th October 2024)

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

Human Resources and Remuneration Committee

- Mr. H.S.S. Dabare – Chairman (Reconstituted as Chairman w.e.f. 30th October 2024)
- Mr. V.B. Nanayakkara (Appointed as Chairman w.e.f. 03rd May 2024 and reconstituted as a member w.e.f. 30th October 2024)
- Mr. C. Kalupahana (Appointed w.e.f. 03rd May 2024 and resigned w.e.f. 30th October 2024)
- Mr. D. P. Renganathan (Retired w.e.f. 02nd May 2024)
- Mr. H.K. Kaimal (Resigned w.e.f. 03rd May 2024)
- Mr. N.C.A. Abeyesekera (Appointed w.e.f. 30th October 2024)

Nomination and Governance Committee

- Mr. C. Kalupahana – Chairman (Appointed w.e.f. 03rd May 2024)
- Mr. H.S.S. Dabare
- Mr. H.K. 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.S. Dabare – Former Chairman (Resigned w.e.f. 03rd May 2024)
- Mr. H.K. 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.S. Dabare – Chairman (Appointed w.e.f. 03rd May 2024)
- Mr. H.K. Kaimal
- Mr. R.J. Perera (Appointed w.e.f. 03rd May 2024 and resigned w.e.f. 30th October 2024)
- Mr. D.P. Renganathan (Retired w.e.f. 02nd May 2024)
- Mr. N.C.A. Abeyesekera (Appointed w.e.f. 30th October 2024)

Credit and Recoveries Committee

- Mr. H.S.S. Dabare – Chairman
- Mr. R.J. Perera (Appointed w.e.f. 03rd May 2024)
- Mr. V.B. Nanayakkara (Appointed w.e.f. 03rd May 2024)
- Mr. D.P. Renganathan (Retired w.e.f. 02nd May 2024)
- Mr. N.C.A. Abeyesekera (Appointed w.e.f. 30th October 2024)

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 and resigned w.e.f. 30th October 2024)
- Mr. H.S.S. Dabare (Resigned w.e.f. 02nd May 2024)
- Mr. N.C.A. Abeyesekera (Appointed w.e.f. 30th October 2024)

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.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.

The Company successfully completed the initial tranche of the loan portfolio transfer to the SPV, S R One (Pvt) Limited, a fully owned subsidiary of Softlogic Capital PLC, in July 2024, amounting to LKR 100,093,222.95, which was finalized on July 31, 2024. This was followed by a second tranche of LKR 1,000,172,933.75, completed on September 6, 2024. Both transactions involved the transfer of beneficial ownership of the portfolio through the execution of a Participation Agreement with the SPV.

The successful completion of the above portfolio transfers enabled the Company to meet the required capital adequacy ratios (Tier I and Total Capital ratios). Both the Tier I and Total Capital Ratios of the Company stood at 25.46% as of 31st March 2025. Furthermore, the portfolio transfers strengthened the Company's core capital, which increased to Rs. 1.9 billion as of 31st March 2025, compared to Rs. 1.0 billion as of 31st March 2024.

The detail measures undertaken by the Board of Directors to address the Company's regulatory capital compliance requirements are disclosed in Note No. 40.5 – Capital Management, and in Note No. 43 – Events after the Reporting Date, of these financial statements.

Statutory Compliance

The Company's net assets fell below fifty percent of the stated capital as of 31st 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 disclosed a Report by the Board of Directors in terms of section 220 of the Companies ACT No. 07 of 2007, to the Colombo Stock Exchange via market announcement dated June 26, 2023, stating the remedial actions that would be taken by the Company to address the issues stated in the Report. 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.

The remedial actions undertaken by the Board of Directors to address the Company's serious loss of capital requirement are disclosed in Note 40.6 – Serious Loss of Capital, of these financial statements.

Code of Conduct

The Company has instituted a comprehensive Code of Conduct that sets out a broad framework of ethical principles and behavioural standards. This Code serves as a guiding document for responsible and transparent business practices, ensuring alignment with regulatory requirements and corporate governance standards. The Board of Directors and the Management strictly adhere to the provisions and ethical guidelines set forth in the Code, reinforcing the Company's commitment to integrity, accountability, and ethical conduct across all operations.

Dividends

There was 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 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. 6,883,400/- is payable to the Auditors by the Company. This amount includes the audit fee for the annual statutory audit, fees for the certification of profit and changes in equity for the six-month period ended September 30, 2024, and any reimbursable expenses.

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 Tuesday the 30th September 2025 at 10.00 a.m. at the Auditorium of Central Hospital Limited (4th Floor), No.114, Norris Canal Road, Colombo 10. The Notice of the Annual General Meeting is on page 264 of this 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

(Sgd.)

Mr. A.K. Pathirage
Chairman

(Sgd.)

Mr. H.K. Kaimal
Director

(Sgd.)

M/s. Softlogic Corporate Services (Pvt) Ltd
Secretaries

07th August 2025
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 Senior Independent Director, the principal role of the Senior Independent Director is to support the Chairman in his role and duties, acting as an intermediary 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 Senior Independent Director 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.

Serving as the Senior Independent Director has been a privilege, as it has allowed me to ensure sharing collective opinions of independent directors with Chairman relating to key decisions and actions taken by the Board of Directors. I believe it is crucial for maintaining transparency of our governance processes.

(Sgd.)

H.S.S. Dabare

Senior Independent Director

07th August 2025
Colombo

Financial Statements

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Financial Calendar

FINANCIAL CALENDAR 2024/25

| | |
|--|--|
| Publication of Audited Financial Statements for the year ended 31 st March 2024 | 27 th September 2024 |
| 16 th Annual General Meeting held on | 30 th October 2024 |
| Publication of half yearly Financial Statements (1 st half of the year 2024/25) (Unaudited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Languages | 04 th November 2024 |
| Publication of half yearly Financial Statements (2 nd half of the year 2024/25) (Audited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Languages | 11 th August 2025, 15 th August 2025 |

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

| | |
|---|--------------------------------|
| 1 st Quarter ended 30 th June 2024 | 15 th August 2024 |
| 2 nd Quarter ended 30 th September 2024 | 04 th November 2024 |
| 3 rd Quarter ended 31 st December 2024 | 24 th January 2025 |
| 4 th Quarter ended 31 st March 2025 | 30 th May 2025 |

PROPOSED FINANCIAL CALENDAR 2025/2026

| | |
|---|---|
| Publication of Audited Financial Statements for the year ended 31 st March 2025 | 07 th August 2025 |
| 17 th Annual General Meeting to be held on | 30 th September 2025 |
| Publication of half yearly Financial Statements (1 st half of year 2025/26) (Unaudited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language | On or before 30 th November 2025 |
| Publication of half yearly Financial Statements (2 nd half of year 2025/26) (Audited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language | On or before 30 th June 2026 |

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

| | |
|---|---|
| 1 st Quarter ended 30 June 2025 | 14 th August 2025 |
| 2 nd Quarter ended 30 September 2025 | On or before 15 th November 2025 |
| 3 rd Quarter ended 31 December 2025 | On or before 15 th February 2026 |
| 4 th Quarter ended 31 March 2026 | On or before 31 st May 2026 |

Independent Auditors' Report



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

Tel : +94 11 246 3500
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ey.com

PNS/KMW/KM/DW

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 2025, and the income statement, 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 2025, 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 40.5 to the financial statements which describes the status of compliance with regulatory capital requirements of the Company as at the date of our audit opinion. 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 the auditor's 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.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhthivel B.Com (Sp), M U M Mansoor ACA

A member firm of Ernst & Young Global Limited

Independent Auditors' Report

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Allowances for expected credit losses of loans and lease receivables measured at amortised cost</p> <p>Allowance for expected credit losses of loans and lease receivables measured at amortised as stated in notes 19 to 22 respectively is determined by management on the accounting policies described in note 3.1.9 to the financial statements.</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none"> • The involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating future cashflows to recover such loans and lease receivables; and • The materiality of the reported amount of allowances for expected credit losses <p>Key areas of significant judgements, assumptions and estimates used by management in the assessment of the allowances for expected credit losses for loans and lease receivables include forward-looking macroeconomic scenarios and their associated weightages. These are subject to inherently heightened levels of estimation uncertainty and subjectivity.</p> <p>Further information on the key estimates, assumptions and judgments is disclosed in note 3.1.9.</p> | <p>In addressing the adequacy of the Allowance for expected credit losses of loans and lease receivables ,our audit procedures included the following key procedures.</p> <ul style="list-style-type: none"> • 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, on the best available information up to the date of our report. • Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level oversight, review and approval of allowances for expected credit losses, policies and procedures by the board and the management. • Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss 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. • In addition to the above, following procedures were performed. <p>For Loans and lease receivables assessed on an individual basis for impairment</p> <ul style="list-style-type: none"> • Tested the arithmetical accuracy of the underlying individual impairment calculations. • Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery actions of the collaterals. <p>For Loans and lease receivables assessed on a collective basis for impairment</p> <ul style="list-style-type: none"> • Tested the key inputs and the calculations used in the impairment of expected credit losses. • Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario. • Assessed the adequacy of the related financial statement disclosures set out in notes 19 to 22, and 3.1.9. |

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p>Information Technology (IT) systems related internal controls over financial reporting.</p> <p>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.</p> <p>Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.</p> | <p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> ▪ 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 affecting the company and the actions taken to address these risks primarily through inquiry. <p>Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.</p> |

Other information included in The Company's 2025 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The 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 do not express any form of assurance conclusion thereon.

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

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:

Independent Auditors' Report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists,

we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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.



07th August 2025
Colombo

Income Statement

| <i>For the year ended 31 March</i> | Note | 2025 Rs. | 2024 Rs. |
|---|------|----------------------|------------------------|
| Interest income | | 1,133,204,770 | 2,575,898,810 |
| Less: Interest expenses | | (833,646,073) | (2,781,033,747) |
| Net interest income | 5 | 299,558,698 | (205,134,937) |
| Fee and commission income | 6 | 55,490,221 | 70,258,794 |
| Other operating income | 7 | 321,758,937 | 73,628,601 |
| Total operating income | | 676,807,856 | (61,247,542) |
| Less: Credit loss expense on financial assets and other losses | 8 | 426,068,012 | (644,151,003) |
| Net operating income | | 1,102,875,868 | (705,398,546) |
| Less: Operating expenses | | | |
| Personnel expenses | 9 | (298,412,168) | (366,686,672) |
| Other operating expenses | 10 | (549,399,189) | (704,652,014) |
| Operating profit / (Loss) before taxes on financial services | | 255,064,511 | (1,776,737,232) |
| Less: Taxes on financial services | 11 | (109,932,087) | - |
| Profit / (Loss) before income tax | | 145,132,424 | (1,776,737,232) |
| Less: Income tax expense | 12 | - | - |
| Profit / (Loss) for the year | | 145,132,424 | (1,776,737,232) |
| Basic / Diluted earnings / (loss) per share (Rs.) | 13 | 0.15 | (2.83) |
| Dividend per share (Rs.) | 14 | - | - |

The Material Accounting Policies and Notes to the Financial Statements from pages 182 to 252 form an integral part of these Financial Statements.

Statement of Comprehensive Income

| <i>For the year ended 31 March</i> | Note | 2025 Rs. | 2024 Rs. |
|---|------|--------------------|------------------------|
| Profit / (Loss) for the year | | 145,132,424 | (1,776,737,232) |
| 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 | 32.3 | 472,528 | (580,057) |
| Deferred tax effect on actuarial gain / (loss) | | (141,758) | 174,017 |
| | | 330,770 | (406,040) |
| Surplus from revaluation of property, plant & equipment | | - | - |
| Deferred tax effect on revaluation surplus | | - | - |
| | 35 | - | - |
| Other comprehensive income / (Expenses) for the year, net of tax | | 330,770 | (406,040) |
| Total comprehensive income / (Loss) for the year, net of tax | | 145,463,193 | (1,777,143,272) |

The Material Accounting Policies and Notes to the Financial Statements from pages 182 to 252 form an integral part of these Financial Statements.

Statement of Financial Position

| As at 31 March | Note | 2025 Rs. | 2024 Rs. |
|--|------|----------------------|-----------------------|
| Assets | | | |
| Cash and bank balances | 16 | 297,129,594 | 333,866,263 |
| Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) | 17.2 | - | 378,632,877 |
| Securities purchased under repurchase agreements | 18 | 801,814,765 | 603,494,798 |
| Financial Assets at Amortised Cost - Factoring receivables | 19 | 14,553,693 | 20,191,635 |
| Financial Assets at Amortised Cost - Gold loan receivables | 20 | 1,830,574,174 | 1,366,092,813 |
| Financial Assets at Amortised Cost - Loan receivables | 21 | 1,405,799,320 | 2,453,870,529 |
| Financial Assets at Amortised Cost - Lease and hire purchase receivables | 22 | 1,485,514,985 | 3,998,539,625 |
| Other assets | 23 | 1,218,639,050 | 1,355,458,490 |
| Equity Instruments at fair value through other comprehensive income | 24 | 30,600 | 30,600 |
| Property, plant & equipment | 25.3 | 32,112,488 | 34,257,042 |
| Intangible assets | 25.5 | 71,786,205 | 71,614,222 |
| Investment Property | 26 | 103,237,000 | 103,237,000 |
| Right of Use Assets | 27 | 178,876,574 | 62,277,245 |
| Deferred Tax | 31 | 542,181,021 | 509,265,174 |
| Total Assets | | 7,982,249,471 | 11,290,828,313 |
| Liabilities | | | |
| Bank overdraft | | 92,003,501 | 22,550,392 |
| Financial Liabilities at Amortised Cost - Due to other customers | 28 | 4,273,387,713 | 7,481,717,550 |
| Financial Liabilities at Amortised Cost - Other borrowed funds | 29 | 3,577,581 | 557,885,592 |
| Other payables | 30 | 644,391,158 | 405,271,743 |
| Retirement benefit obligations | 32.1 | 34,527,309 | 34,504,021 |
| Total Liabilities | | 5,047,887,262 | 8,501,929,298 |
| Equity | | | |
| Stated capital | 33 | 9,930,116,800 | 9,930,116,800 |
| Statutory reserve fund | 34 | 267,705,353 | 260,448,732 |
| Non-Distributable Regulatory Loss Allowance Reserve | 36 | 970,074,987 | 1,736,237,951 |
| Retained earnings | 37 | (8,233,534,931) | (9,137,904,469) |
| Total Equity | | 2,934,362,209 | 2,788,899,015 |
| Total Liabilities and Equity | | 7,982,249,471 | 11,290,828,313 |
| Net asset value per share (Rs.) | | 3.05 | 2.90 |
| Commitments and contingencies | 42 | 53,260,393 | 93,005,215 |

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

(Sgd.)
Deshantha de Alwis
Head of Finance

(Sgd.)
Dhanushka Fonseka
Chief Executive Officer

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

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

(Sgd.)
H.K. Kaimal
Director

The Material Accounting Policies and Notes to the Financial Statements from pages 182 to 252 form an integral part of these Financial Statements.

07th August 2025
Colombo

Statement of Changes In Equity

| | Note | Stated Capital Rs. | Statutory Reserve Fund Rs. | Non-Distributable Regulatory Loss Allowance Reserve Rs. | Revaluation Reserve Rs. | Retained Earnings Rs. | Total Rs. |
|---|------|-----------------------|-------------------------------|--|----------------------------|--------------------------|----------------------|
| 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) |
| Transfer to Non-Distributable Regulatory Loss Allowance Reserve | 36 | - | - | (12,736,293) | - | 12,736,293 | - |
| Transfer to Statutory Reserve Fund | 34 | - | - | - | - | - | - |
| 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 |
| Balance as at 01 April 2024 | | 9,930,116,800 | 260,448,732 | 1,736,237,951 | - | (9,137,904,468) | 2,788,899,016 |
| Profit for the year | | - | - | - | - | 145,132,424 | 145,132,424 |
| Other comprehensive income, net of tax | | - | - | - | - | 330,770 | 330,770 |
| Transfer to Non-Distributable Regulatory Loss Allowance Reserve | 36 | - | - | (766,162,965) | - | 766,162,965 | - |
| Transfer to Statutory Reserve Fund | 34 | - | 7,256,621 | - | - | (7,256,621) | - |
| Balance as at 31 March 2025 | | 9,930,116,800 | 267,705,353 | 970,074,987 | - | (8,233,534,931) | 2,934,362,209 |

The Material Accounting Policies and Notes to the Financial Statements from pages 182 to 252 form an integral part of these Financial Statements.

Statement of Cash Flows

| <i>For the year ended 31 March</i> | Note | 2025 Rs. | 2024 Rs. |
|---|------|----------------------|------------------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 145,132,424 | (1,776,737,232) |
| Depreciation | 10.1 | 13,857,450 | 27,310,351 |
| Amortization | 10.1 | 20,085,650 | 18,983,976 |
| Profit on disposal of property, plant & equipment (Profit) / Loss on sale of real estate | | (5,656,673) | 19,322,807 |
| Impairment charge | 8.1 | (426,068,013) | 644,151,003 |
| Provision for defined benefit plans | 9 | 7,939,840 | 13,664,733 |
| Amortisation expenses on right-of-use assets | 10.1 | 54,606,514 | 50,018,096 |
| Interest Expenses | 5.2 | 833,646,073 | 2,781,033,747 |
| | | 290,781,754 | 3,554,484,715 |
| Operating profit before working capital changes | | 435,914,178 | 1,777,747,483 |
| (Increase)/Decrease in Financial Assets at Amortised Cost - lease and hire purchase receivables | | 2,668,039,384 | 3,948,948,289 |
| (Increase)/Decrease in Financial Assets at Amortised Cost - factoring receivables | | (28,905,422) | 60,198,724 |
| (Increase)/Decrease in Financial Assets at Amortised Cost - gold loan receivables | | (464,468,729) | 3,199,518,206 |
| (Increase)/Decrease in Financial Assets at Amortised Cost - loan receivables | | 1,649,971,167 | 1,233,324,914 |
| (Increase)/Decrease in Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) | | 378,632,877 | (62,166,077) |
| (Increase)/Decrease in Placements with banks, Other Financial companies, Repo investments | | (198,319,967) | 1,287,187,173 |
| (Increase)/Decrease in right of use assets | | (171,205,843) | 19,155,378 |
| (Increase)/Decrease in other assets | | 15,216,723 | (53,468,365) |
| Increase/(Decrease) in Financial Liabilities at Amortised Cost - due to other customers | | (3,208,329,837) | (4,949,229,407) |
| Increase/(Decrease) in other payables | | 325,056,682 | (48,667,887) |
| | | 965,687,034 | 4,634,800,947 |
| Cash generated from operating activities | | 1,401,601,212 | 6,412,548,431 |
| Interest expense paid | | (833,646,073) | (2,781,033,747) |
| Gratuity paid | 32.1 | (7,444,025) | (21,573,618) |
| Net cash outflow from operating activities | | 560,511,114 | 3,609,941,066 |
| Cash flow from investing activities | | | |
| Purchase of property, plant and equipment and intangible assets | 25 | (34,326,066) | (16,987,961) |
| Proceeds from sale of property, plant and equipment | | 8,012,210 | 355,546,753 |
| Net cash inflow/(outflow) from investing activities | | (26,313,856) | 338,558,792 |
| Net cash outflow before financing activities | | 534,197,258 | 3,948,499,858 |
| Cash flow from financing activities | | | |
| Rights issue of shares | 33 | - | 2,332,191,761 |
| Expenses related to share issue | | - | (2,196,556) |
| Proceeds from bank loans and securitizations loans | 29.1 | - | 1,837,024,605 |
| Repayments of bank loans and securitizations loans | 29.1 | (290,425,036) | (2,149,703,513) |
| Proceeds from subordinated debt | 29.1 | - | 109,640,262 |
| Repayment of Subordinated debt | 29.1 | - | (1,119,280,525) |
| Proceeds from commercial papers | 29.1 | - | 1,207,252,040 |
| Repayment commercial papers | 29.1 | (263,882,975) | (6,243,226,569) |
| Repayment of principal portion of lease liabilities | 30.2 | (86,079,025) | (67,292,916) |
| Net cash inflow from financing activities | | (640,387,036) | (4,095,591,412) |
| Net increase/(decrease) in cash and cash equivalents | | (106,189,778) | (147,091,553) |
| Cash & cash equivalents as at the beginning of the year | | 311,315,871 | 458,407,424 |
| Cash and cash equivalents as at end of the year | | 205,126,094 | 311,315,871 |
| Analysis of the cash and cash equivalents at the end of the year | | | |
| Cash and bank balances | 16 | 297,129,594 | 333,866,263 |
| Bank overdraft | | (92,003,501) | (22,550,392) |
| | | 205,126,094 | 311,315,871 |

The Material Accounting Policies and Notes to the Financial Statements from pages 182 to 252 form an integral part of these Financial Statements.

Material Accounting Policies

1. CORPORATE INFORMATION

1.1 General

Softlogic Finance PLC ("The Company"), is a public limited liability Company incorporated and domiciled in Sri Lanka under the Companies Act No. 17 of 1982. The Company was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No.7 of 2007 and it is a Licensed Finance Company under the Finance Business Act No.42 of 2011 and amendments thereto and has listed in the Colombo Stock Exchange on 22 January 2009. The registered office of the Company is located at 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 2025 was 243 (251 as at 31 March 2024).

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 2025 were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 07 August 2025.

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 24)
- 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 25)
- 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 32)

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 47.

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 03 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 43 to the Financial Statements.

2.11 Going Concern

The Company has reported a net interest income of Rs. 299,558,698, a net operating income of Rs. 1,102,875,868 (2024: (705,398,546)) and a net profit of Rs. 145,132,424 (2024: (1,776,737,232)) during the year ended 31 March 2025. Accumulated losses of the Company amounted to Rs. 8,233,534,931 (2024: 9,137,904,469) as of that date.

Despite a decline in interest income—primarily due to regulatory lending caps excluding gold loan operations—the company successfully managed its liability portfolio, reducing exposure by Rs. 3,102,252,429 as of 31 March 2025. This strategic reduction led to a decrease in interest expenses by Rs. 1,947,387,674, contributing to a positive net interest income of Rs. 299,558,698 for the year ended 31 March 2025.

During the year, the company entered into a participation agreement with S R One (Private) Limited, a wholly owned subsidiary of Softlogic Capital PLC, for the transfer of beneficial ownership of a portion of its loan portfolio in exchange for cash. S R One (Private) Limited functions as a Special Purpose Vehicle (SPV) established jointly by the company and its parent, in line with the alternative capital restoration plan submitted to the Central Bank of Sri Lanka in May 2024, to support compliance with capital adequacy requirements. The company successfully completed the first and second tranche of the portfolio transfer in July and September 2024, respectively. The total consideration received from these transfers amounted to Rs. 1,100,266,156.70, representing the net receivable value of the portfolio (i.e., gross receivables less credit loss expense).

The transfer of the beneficial ownership of a part of the loan portfolio of the company to the SPV boosted the Company's core capital and the capital adequacy ratios during the year (Please refer note 40.5)

The SPV transaction facilitated the reversal of gross Non-Performing Loans (NPLs) amounting to Rs. 2,573,293,356. Additionally, the company achieved a further reduction of Rs. 561,915,076 million in NPLs through timely recoveries and the disposal of leased vehicles taken over. Consequently, total NPLs declined by Rs. 3,135,208,432 million during the year ended 31 March 2025. This proactive and effective management of the NPL portfolio led to

a marked reduction in the NPL portfolio and improvement in the overall quality of the company's lease and loan portfolios.

Further, the company achieved a notable reduction in operating expenses, which decreased to Rs. 847,811,357 in FY 2025 from Rs. 1,071,338,686 in FY 2024, marking a decrease of Rs. 223,527,329 compared to the previous financial year.

This improvement reflects the company's prudent expense management and disciplined cost rationalization throughout the financial year. As part of the corrective measures communicated to shareholders at the Extraordinary General Meeting (EGM), the company strategically downsized its branch network—from 30 to 18 branches during the financial year ended 31 March 2024, and further to 15 branches by 31 March 2025. This rationalization was aimed at retaining key delivery channels critical to supporting portfolio growth once full business operations resume.

The company continued its workforce optimization strategy by aligning staffing levels with the streamlined branch network and head office operations. Staff count was reduced from 430 to 251 during the year ended 31 March 2024, and further to 243 by 31 March 2025. Although the headcount reduction during the year was marginal, personnel costs decreased by Rs. 68,274,504. This was mainly driven by the realignment of responsibilities among existing staff and the selective replacement of vacated positions based on operational requirements.

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 transfer of the beneficial ownership of a part of the company's loan portfolio is stated in note 43.2.

Material Accounting Policies

b. Scaling down of Operation

The company shrunk its branch network to 15 as of 31 March 2025 from 18 as of 31 March 2024.

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 vehicle loans 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 38 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 38 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 38 "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 38 "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 31 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 32 to the Financial Statements.

2.12.6 Fair value of Property, plant & Equipment

The Company does not hold any free hold land & building as at reporting date to determine fair value of free hold land in terms of Sri Lanka Accounting Standard –SLFRS 13, (Fair Value Measurement).

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 42 to the Financial Statements.

3. GENERAL ACCOUNTING 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 01 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

Material Accounting Policies

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 01 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 01 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 the minimum 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 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 24 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.

Material Accounting Policies

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 2025.

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.

Material Accounting Policies

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 38 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 40.

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 an 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 POCl, 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.

POCl: Purchased or originated credit impaired (POCl) assets are financial assets that are credit impaired on initial recognition. POCl 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 result from default events on a financial instrument that are possible within 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

Material Accounting Policies

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 40. 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 unlikelihood 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 rumours 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 (hereinafter 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.

Material Accounting Policies

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 27 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. However as at reporting date Company does not hold any Freehold Land and Building.

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.

Material Accounting Policies

3.3.9 De-recognition

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

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.3.10 Depreciation

Depreciation is recognized in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment. Since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The company has changed the usable period of motor vehicle from 04 years to 05 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:

| | 2025 | 2024 |
|------------------------|--------------|--------------|
| 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 2025 carried at cost model and details of the Investment property is given in Note 26 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 asset's 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'.

Material Accounting Policies

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 2025 & 2024.

The income profit total assets and total liabilities of the Company's operating segments are presented in Note 46 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 2025 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 12 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 12.1 to the Financial Statements.

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

Material Accounting Policies

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

All Licensed Finance Companies are required to insure their deposit liabilities in the "Sri Lanka Deposit Insurance Scheme" in terms of the Banking (Special Provisions) Act Direction No. 1 of 2023, issued on 15th November 2023.

A premium of 0.15% per annum payable monthly, within 15 days from the end of the respective month, calculated on total amount of all eligible deposits, inclusive of any interest accrued, as at the end of the month.

Eligible deposits to be insured shall include demand deposits, time deposits including certificate of deposits and savings deposits, other than;

- The deposit liabilities specified in the Section 43 (3) of the act,
- Debt instruments including any promissory notes and hybrid equity.

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 42.

4. SRI LANKA ACCOUNTING STANDARDS NOT YET EFFECTIVE AS AT 31 MARCH 2025

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

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. 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 01 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.

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

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 01 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

Notes to the Financial Statements

5. NET INTEREST INCOME

5.1 Interest Income

| <i>For the year ended 31 March</i> | 2025 Rs. | 2024 Rs. |
|---|----------------------|----------------------|
| Interest income on lease receivables | 582,690,113 | 1,091,128,873 |
| Interest income on hire purchase receivables | 16,675 | 364,711 |
| Interest income on factoring receivables | 32,325,606 | 30,785,785 |
| Interest income on SME and other loan receivables | 148,962,518 | 426,718,699 |
| Interest income on personal loan receivables | 23,551,259 | 45,702,388 |
| Interest income on gold loan receivables | 294,325,693 | 759,936,013 |
| Interest income on government securities | 51,332,906 | 221,262,340 |
| Total interest income | 1,133,204,770 | 2,575,898,810 |

5.2 Interest Expenses

| <i>For the year ended 31 March</i> | 2025 Rs. | 2024 Rs. |
|---|--------------------|----------------------|
| Due to customers | | |
| Interest expenses on time deposits | 791,421,915 | 1,762,383,801 |
| Interest expenses on savings deposits | 2,995,432 | 3,701,375 |
| Due to banks | | |
| Interest expenses on bank borrowings | 11,512,971 | 35,564,544 |
| Other borrowed funds | | |
| Interest expenses on securitised borrowings | 27,715,755 | 753,127,480 |
| Interest expenses on subordinated debt | - | 226,256,546 |
| Total interest expenses | 833,646,073 | 2,781,033,747 |
| Net interest income | 299,558,698 | (205,134,937) |

6. FEE AND COMMISSION INCOME

| <i>For the year ended 31 March</i> | 2025 Rs. | 2024 Rs. |
|--|-------------------|-------------------|
| Documentation and processing fees | 55,490,221 | 70,258,794 |
| Total fee and commission income | 55,490,221 | 70,258,794 |

7. OTHER OPERATING INCOME

| <i>For the year ended 31 March</i> | 2025 Rs. | 2024 Rs. |
|--|--------------------|-------------------|
| Profit on disposal of property, plant and equipment | 5,656,673 | (19,322,807) |
| Sundry Income | 87,627,375 | 20,529,098 |
| Recovery of bad debts written off | 6,262,818 | 14,309,900 |
| Income from hiring vehicles & properties | (50,000) | 750,000 |
| Income on Money market investment / unit trust/ T bond | 14,404,420 | 57,182,891 |
| Dividend income | 228,565 | 179,520 |
| Profit /(Loss) from Derecognition of Financial Assets | 207,629,087 | - |
| Total other operating income | 321,758,937 | 73,628,601 |

8. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES

8.1 The table below shows the expected credit loss (ECL) charges for financial instruments for the year ended 31.03.2025 recorded in the income statement.

| <i>For the year ended 31 March</i> | 2025 Rs. Stage 1 | 2025 Rs. Stage 2 | 2025 Rs. Stage 3 | 2025 Rs. Total |
|------------------------------------|------------------------|------------------------|------------------------|----------------------|
| Lease & Hire Purchase receivables | (3,233,114) | (21,848,018) | (129,933,611) | (155,014,744) |
| Gold Loans | (5,073) | (6,228) | (1,332) | (12,633) |
| Factoring | (86,978) | - | 34,630,342 | 34,543,364 |
| Loan receivables | (3,093,979) | (2,114,555) | (389,062,337) | (394,270,871) |
| Other Receivable | - | - | 85,114,943 | 85,114,943 |
| Write offs | - | - | 3,571,928 | 3,571,928 |
| | (6,419,144) | (23,968,801) | (395,680,068) | (426,068,013) |

8.2 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.

| <i>For the year ended 31 March</i> | 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 |

9. PERSONNEL EXPENSES

| <i>For the year ended 31 March</i> | 2025 Rs. | 2024 Rs. |
|--|--------------------|--------------------|
| Salaries and bonus | 229,176,327 | 269,602,376 |
| Contribution to defined contribution plan | 32,797,894 | 43,186,087 |
| Gratuity charge for the year | 7,939,840 | 13,664,733 |
| Recovery incentives & staff development cost | 1,471,371 | 7,804,782 |
| Others | 27,026,737 | 32,428,694 |
| | 298,412,168 | 366,686,672 |

Notes to the Financial Statements

10. OTHER OPERATING EXPENSES

| <i>For the year ended 31 March</i> | 2025 Rs. | 2024 Rs. |
|--|--------------------|--------------------|
| Directors' emoluments | 11,925,010 | 9,136,679 |
| Auditors' remuneration | 6,883,400 | 4,800,000 |
| Professional & legal expenses | 23,661,453 | 20,095,164 |
| Deposit insurance premium | 7,313,205 | 12,612,625 |
| Secretarial Fee | 6,393,307 | 4,909,588 |
| Office administration & establishment expenses | 391,361,379 | 564,316,433 |
| Depreciation & amortization expenses (Note 10.1) | 88,549,614 | 96,312,424 |
| Advertising expenses | 7,858,200 | (27,165,156) |
| Other expenses | 5,453,621 | 19,634,257 |
| | 549,399,189 | 704,652,014 |

10.1 Depreciation & Amortization Expenses

| <i>For the year ended 31 March</i> | 2025 Rs. | 2024 Rs. |
|---|-------------------|-------------------|
| Depreciation on property, plant and equipment | 13,857,450 | 27,310,351 |
| Amortization of intangible assets | 20,085,650 | 18,983,976 |
| Amortisation expenses on right-of-use assets | 54,606,514 | 50,018,096 |
| | 88,549,614 | 96,312,424 |

11. TAXES ON FINANCIAL SERVICES

| <i>For the year ended 31 March</i> | 2025 Rs. | 2024 Rs. |
|---------------------------------------|--------------------|-------------|
| Value added tax on financial services | 96,525,735 | - |
| Social Security Contribution Levy | 13,406,352 | - |
| | 109,932,087 | - |

12. INCOME TAX EXPENSE

12.1 The major components of income tax expense for the year ended 31st March are as follows.

| <i>For the year ended 31 March</i> | 2025 Rs. | 2024 Rs. |
|--|-------------------|-------------|
| Income statement | | |
| Current tax expense | | |
| Income tax for the year | - | - |
| Under / (Over) provision of current taxes in respect of previous years | 32,915,847 | - |
| | 32,915,847 | - |
| Deferred tax expense | | |
| Effect of changes in income tax rates | - | - |
| Deferred taxation charge / (reversal) (refer note 33) | (32,915,847) | - |
| | - | - |

12.2 A reconciliation of the Accounting Profit to Current Tax Expense is as follows.

| <i>For the year ended 31 March</i> | 2025 Rs. | 2024 Rs. |
|---|---------------|-----------------|
| Profit Before Income Tax | 145,132,424 | (1,776,737,232) |
| Less : Exempt Amounts, Final withholding payments & Other Sources | (5,885,238) | (19,143,287) |
| Add : Non deductible Expenses | (184,223,209) | 861,986,742 |
| Less : Tax Deductible Expenses | 273,610,565 | (720,206,633) |
| Less : Allowable Credits | - | - |
| Assessable Income | 228,634,542 | (1,654,100,410) |
| Less : Qualifying Payments | - | - |
| Less : C/F Losses claimed | (228,634,542) | - |
| Taxable Income | - | - |

Current Income Tax Expense @ 30% FY 2024/25 (2023/24- 30%)

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

| <i>For the year ended 31 March</i> | 2025 | 2024 |
|---|-------------|-----------------|
| Profit attributable to ordinary shareholders (Rs.) | 145,132,424 | (1,776,737,232) |
| Weighted average number of ordinary shares during the year (15.1) | 962,573,191 | 627,605,009 |
| Basic/Diluted earnings/(Loss) per ordinary share (Rs.) | 0.15 | (2.83) |

13.1 Weighted Average Number of Ordinary Shares (basic)

| <i>For the year ended 31 March</i> | Outstanding No: of Shares | | Weighted Average No: of Shares | |
|--|---------------------------|-------------|--------------------------------|-------------|
| | 2025 | 2024 | 2025 | 2024 |
| Number of shares in issue as at 1 April | 962,573,191 | 609,210,803 | 962,573,191 | 609,210,803 |
| Add: New shares from Rights Issue | - | 353,362,388 | - | 18,394,206 |
| Number of shares in issue / weighted average number of ordinary shares at 31st March | 962,573,191 | 962,573,191 | 962,573,191 | 627,605,009 |

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.

14. DIVIDEND PAID

| <i>For the year ended 31 March</i> | 2025 | 2024 |
|------------------------------------|-------------|-------------|
| Number of Ordinary Shares | 962,573,191 | 962,573,191 |
| Dividends per Ordinary Share (Rs.) | - | - |

15. 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.

Notes to the Financial Statements

15. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (Contd.)

15.1 Analysis of Financial Instruments by Measurement Basis

| <i>As at 31 March 2025</i> | 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 | - | - | 297,129,594 | 297,129,594 |
| Securities purchased under repurchase agreements | - | - | 801,814,765 | 801,814,765 |
| Financial Assets at Amortised Cost - Factoring receivables | - | - | 14,553,693 | 14,553,693 |
| Financial Assets at Amortised Cost - Gold loan receivables | - | - | 1,830,574,174 | 1,830,574,174 |
| Financial Assets at Amortised Cost - Loan Receivables | - | - | 1,405,799,320 | 1,405,799,320 |
| Lease & hire purchase receivables | - | - | 1,485,514,985 | 1,485,514,985 |
| Equity instruments at fair value through OCI | - | 30,600 | - | 30,600 |
| Other Assets | - | - | 795,918,743 | 795,918,743 |
| Total Financial Assets | - | 30,600 | 6,631,305,275 | 6,631,335,875 |
| Financial Liabilities | | | | |
| Bank overdraft | - | - | 92,003,501 | 92,003,501 |
| Financial Liabilities at Amortised Cost - Due to other customers | - | - | 4,273,387,713 | 4,273,387,713 |
| Financial Liabilities at Amortised Cost - Other borrowed funds | - | - | 3,577,581 | 3,577,581 |
| Other payables | - | - | 644,391,158 | 644,391,158 |
| Total Financial Liabilities | - | - | 5,013,359,953 | 5,013,359,953 |

| <i>As at 31 March 2024</i> | 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 |

16. CASH AND BANK BALANCES

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|---------------------------|--------------------|--------------------|
| Cash in hand | 48,821,510 | 72,104,070 |
| Balances with local banks | 248,308,084 | 261,762,193 |
| | 297,129,594 | 333,866,263 |

17. PLACEMENTS WITH BANKS & OTHER FINANCE COMPANIES

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|-----------------------|-------------|-------------|
| Placements with banks | - | - |

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

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|---|-------------|-------------|
| Balance as at 01st April | - | - |
| Charge / (Reversal) for the year | - | - |
| Balance as at 31st March | - | - |
| Net of Placements with banks & other finance companies | - | - |

17.2 Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|---|-------------|--------------------|
| Unquoted unit investment in unit trusts | - | 378,632,877 |
| | - | 378,632,877 |

18. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENTS

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|--|--------------------|--------------------|
| Securities purchased under repurchase agreements | 801,814,765 | 603,494,798 |
| | 801,814,765 | 603,494,798 |

19. FINANCIAL ASSETS AT AMORTISED COST - FACTORING RECEIVABLES

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|---|-------------------|-------------------|
| Gross factoring receivable | 117,710,994 | 88,805,571 |
| Less : Allowance for expected credit losses | (103,157,301) | (68,613,936) |
| | 14,553,693 | 20,191,635 |

Notes to the Financial Statements

19. FINANCIAL ASSETS AT AMORTISED COST - FACTORING RECEIVABLES (Contd.)

19.1 Analysis of Factoring Receivables on Maximum Exposure to Credit Risk

| As at 31 March 2025 | Stage 1 Rs. | Stage 2 Rs. | Stage 3 Rs. | Total Rs. |
|--|----------------|----------------|-------------------|-------------------|
| Gross factoring receivable | 85,937 | - | 117,625,057 | 117,710,994 |
| Allowance for expected credit losses (ECL) | (294) | - | (103,157,007) | (103,157,301) |
| | 85,644 | - | 14,468,049 | 14,553,693 |

19.2 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 |

19.3 Allowance for Expected Credit Losses/Impairment Provision

subject to collective impairment

| As at 31 March | 2025 Rs. | 2024 Rs. |
|--|--------------------|-------------------|
| Balance as at 01st April | 68,613,936 | 36,729,169 |
| Credit Loss Expense / (Reversal) on Financial Assets | 34,543,365 | 31,884,767 |
| Balance as at 31st March | 103,157,301 | 68,613,936 |

19.4 Movement in Allowance for Expected Credit Losses

| As at 31 March 2025 | Stage 1 Rs. | Stage 2 Rs. | Stage 3 Rs. | Total Rs. |
|---|----------------|----------------|--------------------|--------------------|
| Balance as at 01st April 2024 | 87,272 | - | 68,526,665 | 68,613,937 |
| Credit Loss Expense / (Reversal) on Financial Assets (Note 8.1) | (86,978) | - | 34,630,342 | 34,543,364 |
| Balance as at 31st March 2025 | 294 | - | 103,157,007 | 103,157,301 |

19.5 Movement in Allowance for Expected Credit Losses

| | Stage 1 Rs. | Stage 2 Rs. | Stage 3 Rs. | Total Rs. |
|---|----------------|----------------|-------------------|-------------------|
| Balance as at 01st April 2023 | 2,756,796 | 3,818,301 | 30,154,073 | 36,729,170 |
| Credit Loss Expense / (Reversal) on Financial Assets (Note 8.1) | (2,669,524) | (3,818,301) | 38,372,592 | 31,884,767 |
| Balance as at 31st March 2024 | 87,272 | - | 68,526,665 | 68,613,937 |

19.6 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 2024 | 13,014,940 | - | 75,790,631 | 88,805,571 |
| New assets originated or purchased | - | - | 41,834,426 | 41,834,426 |
| Assets derecognised or repaid (Excluding write offs) | (7,448,859) | - | - | (7,448,859) |
| Transfer to Stage 3 | (5,480,143) | - | - | (5,480,143) |
| Gross carrying amount as at 31st March 2025 | 85,937 | - | 117,625,057 | 117,710,994 |

20. FINANCIAL ASSETS AT AMORTISED COST - GOLD LOAN RECEIVABLES

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|--|----------------------|----------------------|
| Gold loan receivables | 1,830,578,973 | 1,366,110,244 |
| Less : Allowance for expected credit losses/ collective impairment (Note 20.3) | (4,799) | (17,432) |
| | 1,830,574,174 | 1,366,092,813 |

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

| <i>As at 31 March 2025</i> | Stage 1 Rs. | Stage 2 Rs. | Stage 3 Rs. | Total Rs. |
|---|----------------------|--------------------|-------------------|----------------------|
| Gross Gold loan receivable subject to collective impairment | 1,432,707,980 | 376,099,912 | 21,771,081 | 1,830,578,973 |
| Allowance for expected credit losses(ECL) | (2,908) | (1,607) | (284) | (4,799) |
| | 1,432,705,072 | 376,098,305 | 21,770,797 | 1,830,574,174 |

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

| <i>As at 31 March 2024</i> | 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 |

20.3 Allowance for Expected Credit Losses/Impairment Provision

subject to collective impairment

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|--|--------------|---------------|
| Balance as at 01st April | 17,432 | 16,259,422 |
| Credit Loss Expense / (Reversal) on Financial Assets | (12,633) | (16,241,990) |
| Balance as at 31st March | 4,799 | 17,432 |

20.4 Movement in Allowance for Expected Credit Losses

| <i>As at 31 March 2025</i> | Stage 1 Rs. | Stage 2 Rs. | Stage 3 Rs. | Total Rs. |
|---|----------------|----------------|----------------|--------------|
| Balance as at 01st April 2024 | 7,980 | 7,835 | 1,616 | 17,432 |
| Credit Loss Expense / (Reversal) on Financial Assets (Note 8.1) | (5,073) | (6,228) | (1,332) | (12,633) |
| Balance as at 31st March 2025 | 2,908 | 1,607 | 284 | 4,799 |

20.5 Movement in Allowance for Expected Credit Losses

| <i>As at 31 March 2024</i> | 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 |
| Credit Loss Expense / (Reversal) on Financial Assets (Note 8.1) | (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 |

Notes to the Financial Statements

20. FINANCIAL ASSETS AT AMORTISED COST - GOLD LOAN RECEIVABLES (Contd.)

20.6 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 2024 | 881,925,583 | 452,378,789 | 31,805,872 | 1,366,110,244 |
| New assets originated or purchased | 1,432,351,347 | 374,403,561 | 6,950,378 | 1,813,705,286 |
| Assets derecognised or repaid (Excluding write offs) | (880,400,120) | (452,029,564) | (16,358,118) | (1,348,787,802) |
| Transfer to Stage 2 | (1,099,366) | 1,347,126 | - | 247,760 |
| Transfer to Stage 3 | (69,464) | - | (627,051) | (696,515) |
| Gross carrying amount as at 31st March 2025 | 1,432,707,980 | 376,099,912 | 21,771,081 | 1,830,578,973 |

21. FINANCIAL ASSETS AT AMORTISED COST - LOAN RECEIVABLES

| As at 31 March | 2025 Rs. | 2024 Rs. |
|---|----------------------|----------------------|
| Revolving loan receivables | 35,434,167 | 768,066,284 |
| Vehicle loan receivables | 28,769,178 | 88,670,433 |
| Personal/Business loan receivables | 3,366,861,867 | 5,489,697,774 |
| Gross loan receivables | 3,431,065,212 | 6,346,434,491 |
| Less : Allowance for expected credit losses / individual impairment (Note 21.3) | (1,294,870,240) | (2,110,698,526) |
| Less : Allowance for expected credit losses / collective impairment (Note 21.4) | (730,395,652) | (1,781,865,436) |
| | 1,405,799,320 | 2,453,870,529 |

21.1 Analysis of Loan Receivables on Maximum Exposure to Credit Risk

| As at 31 March 2025 | Stage 1 Rs. | Stage 2 Rs. | Stage 3 Rs. | Total Rs. |
|---|--------------------|------------------|----------------------|----------------------|
| Gross loan receivables-subject to collective impairment | 286,877,609 | 5,129,623 | 3,139,057,980 | 3,431,065,212 |
| Allowance for expected credit losses (ECL) | (779,199) | (217,177) | (2,024,269,515) | (2,025,265,891) |
| | 286,098,411 | 4,912,446 | 1,114,788,465 | 1,405,799,321 |

21.2 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 |

21.3 Allowance for Expected Credit Losses/Impairment

Individually impaired loans

| | 2025 Rs. | 2024 Rs. |
|--|----------------------|----------------------|
| Balance as at 01st April | 2,110,698,526 | 1,650,704,318 |
| Credit Loss Expense / (Reversal) on Financial Assets & Derecognition | (815,828,286) | 459,994,208 |
| Balance as at 31st March | 1,294,870,239 | 2,110,698,526 |

21.4 Allowance for Expected Credit Losses/Impairment

Loans subject to collective impairment

| | 2025 Rs. | 2024 Rs. |
|--|--------------------|----------------------|
| Balance as at 01st April | 1,781,865,436 | 1,747,910,759 |
| Credit Loss Expense / (Reversal) on Financial Assets & Derecognition | (1,051,469,785) | 33,954,677 |
| Balance as at 31st March | 730,395,652 | 1,781,865,436 |

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 2024 | 3,873,178 | 2,331,732 | 3,886,359,053 | 3,892,563,963 |
| Derecognition of financial assets | - | - | (1,473,027,201) | (1,473,027,201) |
| Credit Loss Expense / (Reversal) on Financial Assets (Note 8.1) | (3,093,979) | (2,114,555) | (389,062,337) | (394,270,871) |
| Balance as at 31st March 2025 | 779,199 | 217,177 | 2,024,269,515 | 2,025,265,891 |

21.6 Movement in Allowance for Expected Credit Losses

| | Stage 1 Rs. | Stage 2 Rs. | Stage 3 Rs. | Total Rs. |
|---|------------------|------------------|----------------------|----------------------|
| Balance as at 01st April 2023 | 6,384,453 | 11,891,615 | 3,380,339,009 | 3,398,615,077 |
| Credit Loss Expense / (Reversal) on Financial Assets (Note 8.1) | (2,511,275) | (9,559,883) | 506,020,043 | 493,948,886 |
| Balance as at 31st March 2024 | 3,873,178 | 2,331,732 | 3,886,359,053 | 3,892,563,963 |

21.7 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 2024 | 453,411,151 | 21,920,557 | 5,871,102,783 | 6,346,434,491 |
| New assets originated or purchased | 203,381,551 | | 241,440,304 | 444,821,855 |
| Assets derecognised or repaid (Excluding write offs) | (357,426,681) | (8,255,448) | (2,980,765,978) | (3,346,448,107) |
| Transfer to Stage 1 | 1,511,370 | (3,226,628) | (5,133,389) | (6,848,647) |
| Transfer to Stage 2 | (5,985,842) | 2,839,592 | - | (3,146,250) |
| Transfer to Stage 3 | (8,013,941) | (8,148,449) | 12,414,259 | (3,748,131) |
| Gross carrying amount as at 31st March 2025 | 286,877,609 | 5,129,623 | 3,139,057,980 | 3,431,065,212 |

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

At Amortized cost

| | 2025 Rs. | 2024 Rs. |
|--|----------------------|----------------------|
| Total lease & hire purchase rentals receivable | 2,058,895,826 | 5,455,669,311 |
| Less: Unearned interest income | (215,713,677) | (944,447,779) |
| Gross lease & hire purchase receivable | 1,843,182,148 | 4,511,221,532 |
| Less: Allowance for expected credit losses/ collective impairment (Note 22.6 & 22.7) | (357,667,164) | (512,681,907) |
| Net lease receivable (Note 22.3 & 22.4) | 1,485,514,985 | 3,998,539,625 |

Notes to the Financial Statements

22. FINANCIAL ASSETS AT AMORTISED COST - LEASE & HIRE PURCHASE RECEIVABLES (Contd.)

22.1 Maturity Analysis of net Lease & Hire Purchase Receivable

| As at 31 March 2025 | 1 Year Rs. | 1- 5 Year Rs. | Over 5 Years Rs. | Total Rs. |
|---|----------------------|--------------------|---------------------|----------------------|
| Total lease rentals receivable (Net of VAT suspense and prepaid rentals) | 1,482,379,898 | 576,515,928 | - | 2,058,895,826 |
| Less: Unearned lease interest income | (159,872,548) | (55,841,130) | - | (215,713,677) |
| Gross lease receivable | 1,322,507,350 | 520,674,798 | - | 1,843,182,148 |
| Less: Allowance for expected credit losses | | | | (357,667,164) |
| Net lease receivable | | | | 1,485,514,985 |

22.2 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: Provision for collective impairment | | | | (512,681,907) |
| Net lease receivable | | | | 3,998,539,625 |

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

| As at 31 March 2025 | Stage 1 Rs. | Stage 2 Rs. | Stage 3 Rs. | Total Rs. |
|--|--------------------|--------------------|--------------------|----------------------|
| Gross receivables-subject to collective impairment | 649,765,235 | 215,517,577 | 977,899,336 | 1,843,182,148 |
| Allowance for expected credit losses (ECL) | (3,692,543) | (4,564,838) | (349,409,782) | (357,667,164) |
| | 646,072,692 | 210,952,739 | 628,489,554 | 1,485,514,985 |

22.4 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 |

22.5 Allowance for Expected Credit Losses/Impairment

Loans subject to collective impairment

| As at 31 March | 2025 Rs. | 2024 Rs. |
|--|--------------------|--------------------|
| Collective Impairment | | |
| Balance as at 01 st April | 208,364,444 | 410,396,968 |
| Credit Loss Expense / (Reversal) on Financial Assets | (58,611,668) | (202,032,523) |
| Balance as at 31st March | 149,752,777 | 208,364,444 |
| Individual Impairment | | |
| Balance as at 01 st April | 304,317,462 | 233,310,976 |
| Credit Loss Expense / (Reversal) on Financial Assets | (96,403,075) | 71,006,486 |
| Write off during the year | - | - |
| Transfers / Movements | - | - |
| Balance as at 31st March | 207,914,387 | 304,317,462 |

22.6 Movement in Allowance for Expected Credit Losses

| | Stage 1 Rs. | Stage 2 Rs. | Stage 3 Rs. | Total Rs. |
|---|----------------|----------------|----------------|---------------|
| Balance as at 01 st April 2024 | 6,925,657 | 26,412,857 | 479,343,393 | 512,681,907 |
| Credit Loss Expense / (Reversal) on Financial Assets (Note 8.1) | (3,233,114) | (21,848,018) | (129,933,611) | (155,014,744) |
| Transfers / Movements | - | - | - | - |
| Balance as at 31 st March 2025 | 3,692,543 | 4,564,838 | 349,409,782 | 357,667,164 |

22.7 Movement in Allowance for Expected Credit Losses

| | Stage 1 Rs. | Stage 2 Rs. | Stage 3 Rs. | Total Rs. |
|---|----------------|----------------|----------------|---------------|
| Balance as at 01 st April 2023 | 19,568,513 | 75,555,152 | 548,584,280 | 643,707,944 |
| Credit Loss Expense / (Reversal) on Financial Assets (Note 8.1) | (12,642,856) | (49,142,296) | (69,240,886) | (131,026,037) |
| Transfers / Movements | - | - | - | - |
| Balance as at 31 st March 2024 | 6,925,657 | 26,412,857 | 479,343,393 | 512,681,907 |

22.8 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 2024 | 1,542,249,015 | 1,158,242,763 | 1,810,729,754 | 4,511,221,532 |
| Assets derecognized or repaid (Excluding write offs) | (933,926,909) | (690,128,460) | (867,832,142) | (2,491,887,512) |
| Transfer to Stage 1 | 183,711,884 | (260,295,114) | (29,712,301) | (106,295,531) |
| Transfer to Stage 2 | (126,743,797) | 96,182,917 | (7,167,606) | (37,728,486) |
| Transfer to Stage 3 | (15,524,957) | (88,484,530) | 71,881,631 | (32,127,855) |
| Gross carrying amount as at 31st March 2025 | 649,765,235 | 215,517,577 | 977,899,336 | 1,843,182,148 |

23. OTHER ASSETS

| As at 31 March | 2025 Rs. | 2024 Rs. |
|---|---------------|---------------|
| Financial Assets | | |
| Repossessed vehicle stock | 446,792,042 | 326,926,167 |
| Real Estate stock | 801,066,081 | 854,638,009 |
| Amount due from Related Companies (Note 23.3) | 100,909 | 3,210,103 |
| Other receivables | 9,664,488 | 58,773,133 |
| Less: Provision for Financial Assets (Note 23.1 & 23.2) | (461,704,778) | (356,250,855) |
| | 795,918,743 | 887,296,557 |
| Non Financial Assets | | |
| Deposits & Prepayments | 84,327,138 | 107,163,047 |
| Inventories | 3,339,041 | 2,659,512 |
| Income tax receivable | 254,052,137 | 254,052,137 |
| Taxes receivable | 195,120,932 | 197,050,125 |
| Less: Provision for Non - Financial Assets | (114,118,941) | (92,762,888) |
| | 422,720,307 | 468,161,934 |
| | 1,218,639,050 | 1,355,458,490 |

Notes to the Financial Statements

23. OTHER ASSETS (Contd.)

23.1 Provision for Repossessed Stock

| | 2025 Rs. | 2024 Rs. |
|--|-------------|-------------|
| Balance as at 01st April | 334,679,080 | 142,091,485 |
| Credit Loss Expense / (Reversal) on Financial Assets | 112,116,683 | 192,587,595 |
| Balance as at 31st March | 446,795,764 | 334,679,080 |

23.2 Impairment for Real State Stock

| | 2025 Rs. | 2024 Rs. |
|--|-------------|--------------|
| Balance as at 01st April | 21,571,775 | 49,060,822 |
| Credit Loss Expense / (Reversal) on Financial Assets | (3,090,833) | 3,571,928 |
| Write off during the year | (3,571,928) | (31,060,974) |
| Balance as at 31st March | 14,909,014 | 21,571,775 |

23.3 Amount due from Related Companies

| | 2025 Rs. | 2024 Rs. |
|----------------------------|-------------|-------------|
| Softlogic Retail (Pvt) Ltd | 22,243 | 1,142,484 |
| Softlogic Life PLC | 78,667 | 2,067,619 |
| | 100,909 | 3,210,103 |

24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2025 Rs. | 2024 Rs. |
|---|-------------|-------------|
| Equity instruments at fair value through OCI - Unquoted (Note 24.1) | 30,600 | 30,600 |
| | 30,600 | 30,600 |

24.1 Financial Instruments - Un.Quoted

| As at 31 March | 2025 | | |
|--|--------------|-------------|---------------------|
| | No of Shares | Cost Rs. | Market Value Rs. |
| Credit Information Bureau of Sri Lanka | 100 | 30,600 | 30,600 |

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

In financial year 2024/2025, the Company received dividends of Rs.228,565/- (Financial year 2023/2024 - Rs. 179,520/-) from these quoted & unquoted equity investments, and recorded as other operating income.

25. PROPERTY, PLANT AND EQUIPMENT

25.1 Cost/Valuation

| As at 31 March 2025 | Balance as at 31.03.2024 Rs. | Additions / Reclassifications Rs. | Revaluation surplus / Transfers Rs. | Disposals Rs. | Balance as at 31.03.2025 Rs. |
|----------------------|---------------------------------|---|--|---------------------|------------------------------------|
| Owned Assets | | | | | |
| Officer Partitioning | 98,832,635 | 4,760,383 | - | (5,419,902) | 98,173,117 |
| Furniture & Fittings | 83,659,715 | 3,777,614 | - | (4,186,668) | 83,250,661 |
| Office equipment | 292,707,968 | 5,530,435 | - | (13,612,449) | 284,625,953 |
| Motor vehicles | 13,852,504 | - | - | - | 13,852,504 |
| Sub Total | 489,052,822 | 14,068,432 | - | (23,219,019) | 479,902,235 |
| Total Assets | 489,052,822 | 14,068,432 | - | (23,219,019) | 479,902,235 |

25.2 Accumulated Depreciation

| | Balance as at 31.03.2024 Rs. | Charge for the year Rs. | Disposals /Transfers Rs. | Balance as at 31.03.2025 Rs. |
|------------------------------|------------------------------------|-------------------------------|--------------------------------|------------------------------------|
| Owned Assets | | | | |
| Officer Partitioning | 91,706,648 | 2,616,638 | (4,804,589) | 89,518,697 |
| Furniture & Fittings | 80,835,848 | 1,279,285 | (3,469,360) | 78,645,772 |
| Office equipment | 270,974,780 | 9,103,527 | (12,589,533) | 267,488,773 |
| Motor vehicles | 11,278,504 | 858,000 | - | 12,136,504 |
| Total Cost/ Valuation | 454,795,780 | 13,857,449 | (20,863,482) | 447,789,747 |
| Total Depreciation | 454,795,780 | 13,857,449 | (20,863,482) | 447,789,747 |

25.3 Net Book Values

| | 2025 Rs. | 2024 Rs. |
|--|-------------------|-------------------|
| Officer Partitioning | 8,654,420 | 7,125,987 |
| Furniture & Fittings | 4,604,889 | 2,823,867 |
| Office equipment | 17,137,180 | 21,733,188 |
| Motor vehicles | 1,716,000 | 2,574,000 |
| Total carrying amount of Owned Assets | 32,112,488 | 34,257,042 |
| Total carrying amount of Assets | 32,112,488 | 34,257,042 |

25.4 During the financial year, the Company acquired property, plant & equipment to the aggregate value of Rs. 34.33 Mn (2024 Rs.16.20 Mn).

Cost of fully depreciated assets of the Company which are still in use as at 31 March 2025 is Rs. 516.32 Million (2024 - Rs. 534.94 Mn).

Notes to the Financial Statements

25. PROPERTY, PLANT AND EQUIPMENT (Contd.)

25.5 Intangible Assets

| | 2025 Rs. | 2024 Rs. |
|--|--------------------|--------------------|
| Cost as at 01 April | 272,186,315 | 271,781,313 |
| Additions, improvements & Transfers | 20,257,633 | 405,002 |
| Cost as at 31 March | 292,443,948 | 272,186,315 |
| Amortisation as at 01 April | 200,572,093 | 181,588,117 |
| Amortisation for the year | 20,085,650 | 18,983,976 |
| Accumulated amortisation as at 31 March | 220,657,743 | 200,572,093 |
| Net book value as at 31 March | 71,786,205 | 71,614,222 |

26. INVESTMENT PROPERTY

| | 2025 Rs. | 2024 Rs. |
|--|--------------------|--------------------|
| Balance as at the Beginning of the Year | 103,237,000 | 103,237,000 |
| Balance as at the End of the Year | 103,237,000 | 103,237,000 |

No direct operating expenses, including repairs and maintenance, were incurred for the investment property during the financial year under review. Additionally, no depreciation or impairment charges were recognized for the period.

26.1 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 Palispattuwa East of Medadumbara Korale in Kandy District Central Province | 8 Buildings | 22A, 1R, 25.4P | 23,765 sqft | 129,000,000 |

The Company obtained approval from the Board of Directors for the sale of its investment property for a total consideration of LKR 117.45 million. Regulatory approval for the transaction was subsequently received from the Central Bank of Sri Lanka on 29th May 2025. As at the balance sheet date, the full sale consideration had been received from the buyer.

However, the investment property has not been de-recognized as at the reporting date, as the deed of transfer has not yet been executed and legal ownership has not been transferred.

27. RIGHT OF USE ASSETS

| | 2025 Rs. | 2024 Rs. |
|---|-------------|--------------|
| Cost as at 01 April | 317,950,246 | 337,105,624 |
| Additions and improvements | 171,205,843 | (19,155,378) |
| Cost as at 31 March | 489,156,089 | 317,950,246 |
| Accumulated Amortisation as at 01 April | 255,673,001 | 205,654,905 |
| Amortisation expenses for the year | 54,606,514 | 50,018,096 |
| Accumulated amortisation as at 31 March | 310,279,515 | 255,673,001 |
| Net book value as at 31 March | 178,876,574 | 62,277,245 |

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

| | 2025 Rs. | 2024 Rs. |
|-----------------|---------------|---------------|
| Fixed deposits | 4,163,405,675 | 7,385,695,453 |
| Saving deposits | 109,982,038 | 96,022,097 |
| | 4,273,387,713 | 7,481,717,550 |

29. FINANCIAL LIABILITIES AT AMORTISED COST - OTHER BORROWED FUNDS

| | 2025 Rs. | 2024 Rs. |
|-------------------|-------------|-------------|
| Securitized | - | 272,493,671 |
| Commercial Papers | 3,577,581 | 285,391,921 |
| | 3,577,581 | 557,885,592 |

The company has not had any default of principal, interest or other breaches with regard to any liability during 2024 & 2025.

29.1 Movement in other Borrowed Funds

| | 2024 Rs. | Grantings / Accrual Rs. | Repayments Rs. | 2025 Rs. |
|---|-------------|-------------------------------|-------------------|-------------|
| Commercial Papers | 267,432,975 | - | 263,882,975 | 3,550,000 |
| Securitized | 235,100,000 | - | 235,100,000 | - |
| Capital outstanding of debt issued and other borrowed funds | 502,532,975 | - | 498,982,975 | 3,550,000 |
| Interest Payable | 55,352,617 | - | 55,325,036 | 27,581 |
| Total Borrowings | 557,885,592 | - | - | 3,577,581 |

Notes to the Financial Statements

29. FINANCIAL LIABILITIES AT AMORTISED COST - OTHER BORROWED FUNDS (Contd.)

29.2 Loans - on maturity

Detail analysis of loans obtained as follows.

| Lending Institution | Nature of Facility | Interest rate | Repayment Term | 2025 | 2024 | Carrying value of Collaterals Rs. Mn | Security |
|---------------------|--------------------|---------------|---|--------|---------|---|--|
| | | | | Rs.000 | Rs.000 | | |
| NDB Trust 1 | Securitisation | 25.93% | 12 monthly installments commencing after grace period of 07 months starting from Jul 2023 | - | 174,395 | - | 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 | - | Mortgage over Lease receivables of Softlogic Finance PLC |

30. OTHER PAYABLES

| | 2025 Rs. | 2024 Rs. |
|------------------------------------|--------------------|--------------------|
| Non Financial Liabilities | | |
| Accrued Expenses | 40,451,780 | 36,427,344 |
| Related Party Payables (Note 30.1) | 1,974,178 | 1,423,169 |
| Deposit Insurance Premium | 534,044 | 936,060 |
| Lease Liability (Note 30.2 & 30.3) | 197,844,733 | 75,979,132 |
| Tax Related Payables | 195,471,808 | 25,099,953 |
| Other Payables | 208,114,615 | 265,406,086 |
| | 644,391,158 | 405,271,743 |

30.1 Related Party Payables

| | 2025 Rs. | 2024 Rs. |
|--|------------------|------------------|
| Softlogic Information Technologies (Pvt) Ltd | - | 27,300 |
| Softlogic Life PLC | - | 267,821 |
| Softlogic Retail (Pvt) Ltd | - | 1,015,546 |
| Future Automobiles Pvt Ltd | - | 112,502 |
| SR One Pvt Ltd | 1,974,178 | - |
| | 1,974,178 | 1,423,169 |

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

| | 2025 Rs. | 2024 Rs. |
|--------------------------|--------------------|-------------------|
| Balance as at 01 April | 75,979,132 | 129,509,240 |
| Additions | 167,429,321 | (17,920,378) |
| Accretion of interest | 40,515,306 | 31,683,186 |
| Payments during the year | (86,079,025) | (67,292,916) |
| Balance as at 31 March | 197,844,733 | 75,979,132 |

30.3 Gross Maturity Analysis of Lease Liabilities

| | 2025 Rs. | 2024 Rs. |
|---|--------------------|-------------------|
| Less than one year | 75,465,949 | 40,980,534 |
| One to five years | 188,657,765 | 54,319,276 |
| Total lease liabilities as at 31 March | 264,123,715 | 95,299,811 |

31. DEFERRED TAX ASSETS / (LIABILITIES)

| | 2025 Rs. | 2024 Rs. |
|-------------------------------|--------------------|--------------------|
| Deferred tax assets | 543,234,752 | 511,305,895 |
| Deferred tax liabilities | (1,053,731) | (2,040,721) |
| Total net deferred tax | 542,181,021 | 509,265,174 |

Summary of Net Deferred Tax Liability

| | 2025 | | 2024 | |
|---|-------------------------|--------------------|-------------------------|--------------------|
| | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect |
| Deferred tax assets on: | | | | |
| Gratuity Provision As At 31st March | 34,527,309 | 10,358,193 | 34,504,020 | 10,351,206 |
| Disallowed Impairment Provision | 7,956,043 | 2,386,813 | 39,630,695 | 11,889,209 |
| Unutilised Tax Losses | 1,787,248,368 | 536,174,510 | 1,643,920,156 | 493,176,047 |
| Right of use assets | (18,949,213) | (5,684,764) | (13,701,887) | (4,110,566) |
| | 1,810,782,507 | 543,234,752 | 1,704,352,984 | 511,305,895 |
| Deferred tax liabilities on: | | | | |
| Accelerated depreciation for tax purpose - Own assets | 3,512,436 | 1,053,731 | 6,802,404 | 2,040,721 |
| Revaluation of land & building | - | - | - | - |
| Accelerated depreciation for tax purpose - Lease assets | - | - | - | - |
| | 3,512,436 | 1,053,731 | 6,802,404 | 2,040,721 |
| Net Deferred tax liabilities / assets | 1,807,270,071 | 542,181,021 | 1,697,550,580 | 509,265,174 |

32. RETIREMENT BENEFIT OBLIGATIONS

An actuarial valuation of the gratuity fund of the Company was carried out as at 31 March 2025 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).

32.1 Defined Benefit Obligation Reconciliation

| | | 2025 Rs. | 2024 Rs. |
|--|------|-------------------|-------------------|
| Balance as at 01st April | | 34,504,021 | 41,832,849 |
| Amount recognised in the income statement | 32.2 | 7,939,840 | 13,664,733 |
| Amounts recognised in other comprehensive income | 32.3 | (472,528) | 580,056 |
| Benefits paid by the plan | | (7,444,025) | (21,573,618) |
| Balance as at 31st March | | 34,527,309 | 34,504,021 |

Notes to the Financial Statements

32. RETIREMENT BENEFIT OBLIGATIONS (Contd.)

32.2 Amount Recognised in the Income Statement

| | 2025 Rs. | 2024 Rs. |
|---|------------------|-------------------|
| Current service cost for the year | 3,799,358 | 4,043,178 |
| Interest on the defined benefit liability | 4,140,483 | 9,621,555 |
| | 7,939,840 | 13,664,733 |

32.3 Amounts Recognised In Other Comprehensive Income (OCI)

| | 2025 Rs. | 2024 Rs. |
|--|------------------|----------------|
| Actuarial (gain)/loss due to changes in assumptions | | |
| - Experience adjustment (Financial and Demographic) | (2,467,535) | (1,910,255) |
| - Financial Assumptions | 1,953,157 | 1,595,007 |
| - Demographic Assumptions | 41,851 | 895,305 |
| Liability experience (gain) losses arising during the year | - | - |
| Total amount recognized in OCI | (472,528) | 580,056 |

32.4 Assumptions

| | 2025 | 2024 |
|--|------------------------------|------------------------------|
| Discount rate * | 9.00% | 12.00% |
| Future salary increment rate * | 8.00% | 8.00% |
| Mortality | A 1967/70 Mortality Table | A 1967/70 Mortality Table |
| Retirement age ** | 60 | 60 |
| Expected average future working life of the active participants (in years) | 2.0 | 2.2 |
| The weighted average duration of the defined benefit obligation | 2.0 | 2.0 |

* 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.

32.5 Distribution of Present Value of Defined Benefit Obligation In Future Years

| | 2025 Rs. | 2024 Rs. |
|---------------------------|-------------------|-------------------|
| Within the next 12 months | 12,970,695 | 11,689,433 |
| between 1 to 2 years | 13,484,143 | 14,328,252 |
| between 3 to 5 years | 5,513,603 | 5,873,286 |
| between 6 to 10 years | 2,423,335 | 2,465,511 |
| beyond 10 years | 135,532 | 147,539 |
| Total | 34,527,309 | 34,504,021 |

32.6 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.

| Variable | Rate Change | 2025 | | 2024 | |
|-----------------------|-------------|---|--|---|--|
| | | 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% | (0.68 Million) | (0.68 Million) | (0.69 Million) | (0.69 Million) |
| Discount rate | -1.00% | 0.71 Million | 0.71 Million | 0.75 Million | 0.75 Million |
| Salary Increment rate | 1.00% | 0.81 Million | 0.81 Million | 0.90 Million | 0.90 Million |
| Salary Increment rate | -1.00% | (0.79 Million) | (0.79 Million) | (0.87 Million) | (0.87 Million) |

33. STATED CAPITAL

| | 2025 | | 2024 | |
|--|--------------------|----------------------|--------------------|----------------------|
| | No. of shares | Value Rs. | No. of shares | Value Rs. |
| Issued and Fully Paid-Ordinary shares | | | | |
| Ordinary shares as at 01st April | 962,573,191 | 9,930,116,800 | 609,210,803 | 7,597,925,039 |
| Rights issue | - | - | 353,362,388 | 2,332,191,761 |
| Ordinary shares as at 31st March | 962,573,191 | 9,930,116,800 | 962,573,191 | 9,930,116,800 |

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.

34. 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 5% of the net profit for the year transferred to Reserve Fund as long as the capital funds are not less than 25% of total deposit liabilities.

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|---------------------------------|--------------------|--------------------|
| Balance as at 01st April | 260,448,732 | 260,448,732 |
| Transfer during the year | 7,256,621 | - |
| Balance as at 31st March | 267,705,353 | 260,448,732 |

Notes to the Financial Statements

35. REVALUATION RESERVE

Revaluation Reserve represents the fair value changes of freehold land & Building as at the date of revaluation.

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|----------------------------------|-------------|---------------|
| Balance as at 01st April | - | 172,788,382 |
| Transferred to Retained Earnings | - | (172,788,382) |
| Balance as at 31st March | - | - |

36. NON-DISTRIBUTABLE REGULATORY LOSS ALLOWANCE RESERVE

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|--|--------------------|----------------------|
| Balance as at 01st April | 1,736,237,951 | 1,748,974,244 |
| Reversed / Transferred out during the year | (766,162,965) | (12,736,293) |
| Balance as at 31st March | 970,074,987 | 1,736,237,951 |

As per section 71.3 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.

37. 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.

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|--|------------------------|------------------------|
| Balance as at 01st April | (9,137,904,469) | (7,544,089,316) |
| Net change in other comprehensive income | 330,770 | (406,040) |
| De-Recognition of Revalued assets | - | 172,788,382 |
| Transferred to Regulatory Loss Allowance Reserve (Note 36) | 766,162,965 | 12,736,293 |
| Expenses related to share issue | - | (2,196,556) |
| Transferred from current years' profit | 145,132,424 | (1,776,737,232) |
| Transfer to Statutory Reserve Fund | (7,256,621) | - |
| Balance as at 31st March | (8,233,534,931) | (9,137,904,469) |

38. 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.

39. FAIR VALUE OF ASSET AND LIABILITIES

| As at 31 March | 2025 Fair value measurement using | | | | Total Fair Value Rs. |
|---|--------------------------------------|---|---|---|-------------------------|
| | Carrying value Rs. | Quoted prices in active markets (Level 1) Rs. | Significant observable inputs (Level 2) Rs. | Significant unobservable inputs (Level 3) Rs. | |
| FINANCIAL ASSETS | | | | | |
| Cash and bank balances | 297,129,594 | 297,129,594 | - | - | 297,129,594 |
| Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) | - | - | - | - | - |
| Securities purchased under repurchase agreements | 801,814,765 | - | 801,814,765 | - | 801,814,765 |
| * Financial Assets at Amortised Cost - Factoring receivables | 14,553,693 | - | - | 14,553,693 | 14,553,693 |
| * Financial Assets at Amortised Cost - Gold loan receivables | 1,830,574,174 | - | - | 1,830,574,174 | 1,830,574,174 |
| ** Financial Assets at Amortised Cost - Loan receivables | 1,405,799,320 | - | - | 3,373,782,650 | 3,373,782,650 |
| ** Financial Assets at Amortised Cost - Lease and hire purchase receivables | 1,485,514,985 | - | - | 1,733,300,651 | 1,733,300,651 |
| Other Financial assets | 795,918,743 | - | - | 795,918,743 | 795,918,743 |
| Equity Instruments at fair value through other comprehensive income | 30,600 | - | 30,600 | - | 30,600 |
| TOTAL FINANCIAL ASSETS | 6,631,335,875 | 297,129,594 | 801,845,365 | 7,748,129,911 | 8,847,104,871 |
| FINANCIAL LIABILITIES | | | | | |
| Financial Liabilities at Amortised Cost - Due to other customers | 4,273,387,713 | - | - | 3,445,524,561 | 3,445,524,561 |
| Financial Liabilities at Amortised Cost - Other borrowed funds | 95,581,082 | - | 95,581,082 | - | 95,581,082 |
| TOTAL FINANCIAL LIABILITIES | 4,368,968,795 | - | 95,581,082 | 3,445,524,561 | 3,541,105,643 |

There were no transfers between levels of fair value hierarchy during 2025 and 2024.

* Due to their short-term nature, the carrying value of Factoring and Gold Loan products closely aligns with their fair value.

** The company has taken fair value of loans and Leases using weighted average (WA) interest rate which is total interest divided by total receivable and comparatives adjusted accordingly.

Notes to the Financial Statements

39. FAIR VALUE OF ASSET AND LIABILITIES (Contd.)

| As at 31 March | 2024 Fair value measurement using | | | | Total Fair Value Rs. |
|---|--------------------------------------|---|---|---|-------------------------|
| | Carrying value Rs. | Quoted prices in active markets (Level I) Rs. | Significant observable inputs (Level 2) Rs. | Significant unobservable inputs (Level 3) Rs. | |
| 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 2025 and 2024.

* Due to their short-term nature, the carrying value of Factoring and Gold Loan products closely aligns with their fair value.

** The company has taken fair value of loans and Leases using weighted average (WA) interest rate which is total interest divided by total receivable and comparatives adjusted accordingly.

40. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Company is exposed to the following risks from financial instruments.

- 01) Market Risk
- 02) Credit Risk
- 03) Liquidity Risk
- 04) Operational Risk
- 05) Currency Risk

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board discharges its governance responsibility through the Board Integrated Risk Management Committee and the Audit Committee. Board Integrated Risk Management Committee consists of four non-executive and executive directors (chaired by an independent non executive director) who report regularly to the board of directors on their activities. Chief Executive Officer, Head of Risk Management & Head of Compliance attend IRMC meeting as the permanent invitees. There are several executive management sub committees such as Board Credit & Recoveries Committee, Asset and Liability Committee (ALCO), IT Steering Committee, which focus on specialised risk areas that support the Board Integrated Risk Management Committee.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. Company current Risk Management practices are listed below.

- Board approved Credit Risk Management policy is in place along with predefined set of risk limits. Any deviations from these risk limits are closely monitored and reported to Board Credit and Recoveries Committee (BCRC) with reasons for such deviations and the corrective actions to be taken.
- Authority limits for credit granting is delegated in accordance with the board approved Delegated Authority limits. Sample checks are carried out monthly to identify any deviations/violations of DA limits and such deviations/violations are reported to BCRC, if any, for corrective actions.
- Loan review mechanism is in place and reviews are carried out at regular intervals. The results and the recommendations are submitted to the BCRC quarterly.
- Early Warning Signal Mechanism has been implemented supporting to identify the problematic loans in advance. Results and the recommendations are submitted to the BCRC quarterly. Instances where the credit risk has increased significantly since initial recognition, the reasons for such increase and the corrective actions to be taken are submitted to the BCRC immediately.
- Detailed credit risk analysis and assessment is carried out on quarterly basis and the results are presented to the IRMC.
- Stress tests are being carried out relating to credit risk as defined in the Stress Testing Policy. The results are submitted to the Board Integrated Risk Management Committee

The Audit Committee is responsible for monitoring compliance with the Company's risk management policies and procedures. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Objectives and policies

Integrated Risk Management Committee (IRM) with the ultimate objective of to deliver superior shareholder value between risk and return. This Committee consists of one independent non executive director, one executive director & Head of Risk Management. Integrated risk management committee oversees market risk, operational risk and credit risk. ALCO committee monitors the market risk in broader aspects including the liquidity risk. Company is exposed to liquidity risk mainly due to interest rate fluctuations in the market. Board Credit & Recoveries Committee involves in monitoring of credit risk by analysing the credit risk using several measurement criteria like 20 largest exposures, 10 largest 3-6 months arrears, 10 largest non performing advances and sectorial exposure. For some of these measures Company has stipulated risk tolerance level and continually monitor the credit exposure in order to ensure superior credit quality.

The Company's principal financial liabilities comprised of borrowings, public deposits, other payables and bank overdrafts. The main purpose of these financial liabilities is to raise finances for the Company's operations. The Company has various financial assets such as lease & hire purchase rental receivables, other investments, loans, investments in government securities and bank & cash balances, which arise directly from its operations.

Notes to the Financial Statements

40. FINANCIAL RISK MANAGEMENT (Contd.)

Responding to COVID-19 pandemic risks

The Company's risk measurement and reporting functions were further strengthened during the year amidst the COVID-19 pandemic. The credit risk of the Company's loan book increased as the loan repayments were impacted by the lock downs and movement restrictions imposed locally and globally. Further, the Company monitored the liquidity position with concern as it was under pressure due to the payment holidays offered under moratoriums. The operational risks too increased owing to the work from home arrangements etc. during the lock down periods.

In this back drop, the Company took additional measures to ensure that the risks caused by the pandemic are adequately managed

Continuous reviews of the limits, policies and performance were carried out during the period. Some of these include;

- Reviewed risk elevated industries in the context of COVID-19 pandemic.
- Assessed the impact of the COVID-19 lock downs and moratoriums (payment holidays) on the portfolio staging.
- Used of a range of additional stress tests to assess the impact on Company's performance and capital.
- Strengthened Cyber Security Management in light of the increase in use of digital platforms.
- Ensured adequate liquidity resources were held to meet Company's obligations, given the uncertainties caused by the pandemic.

The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

40.1 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 | 2025 Carrying amount Rs. | 2024 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 | 2025 Carrying amount Rs. | 2024 Carrying amount Rs. |
|--|--------------------------------|--------------------------------|
| Financial Liabilities at Amortised Cost - Due to other customers | 4,273,387,713 | 7,481,717,550 |
| Financial Liabilities at Amortised Cost - Other borrowed funds | 3,577,581 | 557,885,592 |
| | 4,276,965,294 | 8,039,603,142 |

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 2025 | | |
| Quoted shares – (Colombo Stock Exchange) | + 10% | - |
| | -10% | - |
| 31 March 2024 | | |
| 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 2025 Rs. | 31 March 2024 Rs. |
|-----------------------|-------------------|-------------------|
| Financial assets | 8,024,352,093 | 12,916,066,637 |
| Financial liabilities | 4,368,941,214 | 7,771,700,917 |

Floating interest rate instruments:

| | 31 March 2025 Rs. | 31 March 2024 Rs. |
|-----------------------|-------------------|-------------------|
| Financial assets | - | - |
| Financial liabilities | - | 235,100,000 |

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.

Notes to the Financial Statements

40. FINANCIAL RISK MANAGEMENT (Contd.)

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. |
|------------------------------------|-------------------------|----------------------|
| 2025 | | |
| Floating interest rate instruments | +500 b.p | - |
| | -500 b.p | - |
| 2024 | | |
| Floating interest rate instruments | +500 b.p | 11,755,000 |
| | -500 b.p | (11,755,000) |

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 2025 | 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 | 248,308,084 | - | - | - | 48,821,510 | 297,129,594 |
| Equity Instruments at fair value through other comprehensive income | - | - | - | - | 30,600 | 30,600 |
| Securities purchased under repurchase agreements | 801,814,765 | - | - | - | - | 801,814,765 |
| Financial Assets at Amortised Cost - Lease and hire purchase receivables | 242,335,747 | 722,504,439 | 518,830,233 | 1,844,565 | - | 1,485,514,985 |
| Financial Assets at Amortised Cost - Loans and receivables | 1,955,347,736 | 744,182,503 | 157,358,674 | 394,038,275 | - | 3,250,927,188 |
| Other Financial Assets | - | 795,918,743 | - | - | - | 795,918,743 |
| | 3,247,806,333 | 2,262,605,685 | 676,188,907 | 395,882,840 | 48,852,110 | 6,631,335,875 |
| Financial Liabilities | | | | | | |
| Financial Liabilities at Amortised Cost - Due to customers | 1,490,992,735 | 889,540,123 | 1,743,440,312 | 149,414,544 | - | 4,273,387,713 |
| Financial Liabilities at Amortised Cost - Other borrowed funds | 95,581,082 | - | - | - | - | 95,581,082 |
| | 1,586,573,817 | 889,540,123 | 1,743,440,312 | 149,414,544 | - | 4,368,968,795 |
| Interest Rate sensitivity gap | 1,661,232,516 | 1,373,065,562 | (1,067,251,404) | 246,468,296 | 48,852,110 | 2,262,367,080 |

| 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 | 2,381,224,129 | 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 |

40.2 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.

Notes to the Financial Statements

40. FINANCIAL RISK MANAGEMENT (Contd.)

Management of credit risk

The board of directors has delegated responsibility for the oversight of credit risk to its Board Credit & Recoveries Committee and Credit Risk Committee. Company Credit Risk monitoring Unit reporting to Risk Committee through the Chief Risk Officer who is responsible for management of the Company's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit & Recoveries Committee or the board of directors as appropriate.
- Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer. Refer Concentration of credit risk.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Heads of Credit who may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.
- Regular audits of business units and Company credit processes are undertaken by Internal Audit.

Significant increase in credit risk

The company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the company assesses whether there has been a significant increase in credit risk. Since initial recognition. The assessment should consider reasonable and supportable information that is relevant and available without undue cost or effort. There is a rebuttable presumption in the Standard that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. When an entity determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

The Company is focused on supporting customers who are experiencing financial difficulties because of the COVID 19 pandemic and has offered a range of industry-wide financial assistance measures including the debt moratorium initiated by the Central Bank of Sri Lanka. As per industry guidance given by the Central Bank and the Institute of Chartered Accountants of Sri Lanka, eligibility for the debt moratorium does not automatically result in a significant increase in credit risk (SICR) which moves an exposure from stage 1 (12-month ECL) to stage 2 (lifetime ECL). Accordingly, a case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been moved to stage 2.

Post-model adjustments

Post-model adjustments represent the adjustments in relation to data and model limitations as a result of the Covid-19 economic disruption. The adjustments are based on a combination of portfolio level credit risk analysis and an evaluation of ECL coverage at an exposure level. They include the effect of government and other support programs.

Management overlays

Analyzed the current position of the customers who were applied only the 01st Moratorium relief and expect the same pattern 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 2025 | Stage 1 | Stage 2 | Stage 3 | Total |
|--|------------------|------------------|----------------------|----------------------|
| Financial Assets at Amortised Cost - Factoring receivables | 294 | - | 103,157,007 | 103,157,301 |
| Financial Assets at Amortised Cost - Gold loan receivables | 2,908 | 1,607 | 284 | 4,799 |
| Financial Assets at Amortised Cost - Loan receivables | 779,199 | 217,177 | 2,024,269,515 | 2,025,265,891 |
| Financial Assets at Amortised Cost - Lease and hire purchase receivables | 3,692,543 | 4,564,838 | 349,409,782 | 357,667,164 |
| Other assets | - | - | 461,704,778 | 461,704,778 |
| Total impairment for expected credit losses | 4,474,943 | 4,783,622 | 2,938,541,366 | 2,947,799,932 |

| 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 |

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

| As at 31 March | 2025 Rs. | 2024 Rs. |
|---------------------------------------|----------------------|----------------------|
| Balance as at 01st April | 4,830,128,093 | 4,286,463,918 |
| Net charge to profit or loss (Note 8) | (426,068,013) | 644,151,003 |
| Write-off during the year | (3,571,928) | (31,060,974) |
| Derecognition of Financial Assets | (1,473,027,201) | - |
| Other movements | 20,338,980 | (69,425,855) |
| Balance as at 31st March | 2,947,799,931 | 4,830,128,093 |

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 2025 | | 31 March 2024 | |
|--|--|----------------------|--|----------------------|
| | Maximum exposure to credit risk Rs. | Net exposure Rs. | Maximum exposure to credit risk Rs. | Net exposure Rs. |
| Cash and cash equivalents | 297,129,594 | 248,308,084 | 333,866,263 | 261,762,193 |
| 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 | 801,814,765 | - | 982,127,675 | - |
| Financial Assets at Amortised Cost - Lease and hire purchase receivables | 1,843,182,148 | - | 4,511,221,532 | - |
| Financial Assets at Amortised Cost - Loans and receivables | 5,379,355,179 | 1,420,353,013 | 7,801,350,307 | 2,474,062,164 |
| Other Financial Assets | 795,918,743 | 9,765,398 | 887,296,557 | 61,983,236 |
| Total Financial Assets | 9,117,431,030 | 1,678,457,095 | 14,515,892,934 | 2,797,838,193 |

Notes to the Financial Statements

40. FINANCIAL RISK MANAGEMENT (Contd.)

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)

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|-----------------------|----------------------|-----------------------|
| Agriculture | 494,607,691 | 1,093,067,992 |
| Manufacturing | 713,085,073 | 1,237,794,845 |
| Tourism | 163,071,548 | 307,804,939 |
| Transport | 188,104,462 | 396,294,542 |
| Construction | 337,360,227 | 593,664,420 |
| Trading | 1,918,218,549 | 3,502,545,834 |
| Services | 646,494,113 | 1,936,610,777 |
| Other | 2,761,595,666 | 3,244,788,490 |
| | 7,222,537,328 | 12,312,571,839 |

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

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|------------------------|----------------------|-----------------------|
| Central Province | 1,211,692,412 | 2,312,665,132 |
| North Central Province | 367,569,799 | 1,151,195,204 |
| North Western Province | 426,147,988 | 446,641,085 |
| Northern Province | 85,659,184 | 194,601,342 |
| Sabaragamuwa Province | 584,351,712 | 829,073,640 |
| Southern Province | 934,930,116 | 1,452,736,536 |
| Uva Province | 283,146,240 | 291,094,976 |
| Western Province | 3,329,039,878 | 5,634,563,924 |
| Eastern Province | - | - |
| | 7,222,537,328 | 12,312,571,839 |

40.3 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

| <i>As at 31 March 2025</i> | 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 | 297,129,594 | - | - | - | 297,129,594 |
| Securities purchased under repurchase agreements | 810,227,266 | - | - | - | 810,227,266 |
| Financial Assets at Amortised Cost - Lease and hire purchase receivables | 390,961,893 | 1,091,418,005 | 574,512,231 | 2,003,697 | 2,058,895,826 |
| Financial Assets at Amortised Cost - Loans and receivables | 2,515,402,170 | 2,412,210,809 | 309,693,722 | 695,794,101 | 5,933,100,802 |
| Other Financial Assets | - | 795,918,743 | - | - | 795,918,743 |
| Total financial assets | 4,013,720,924 | 4,299,547,557 | 884,205,953 | 697,797,798 | 9,895,272,231 |
| Financial Liabilities | | | | | |
| Financial Liabilities at Amortised Cost - Due to customers | 2,024,411,133 | 1,407,860,010 | 2,597,518,191 | 249,477,389 | 6,279,266,723 |
| Financial Liabilities at Amortised Cost - Other borrowed funds | 95,878,246 | - | - | - | 95,878,246 |
| Total financial liabilities | 2,120,289,379 | 1,407,860,010 | 2,597,518,191 | 249,477,389 | 6,375,144,969 |
| | | | | | |
| <i>As at 31 March 2024</i> | 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 |

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 2025, subject to various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the Statement of Financial Position.

Notes to the Financial Statements

40. FINANCIAL RISK MANAGEMENT (Contd.)

The following table demonstrates the sensitivity of the impairment provision of the company as at 31st March 2025 to a feasible change in PDs, LGDs and all other information. The loss rate is calculated as follows,

$$\text{Loss rate} = \text{EAD} \times \text{PD} \times \text{LGD} \times \text{DCF} \times \text{EFA}$$

EAD - Exposure at Default

LGD - Loss given Default

EFA - Economic Factor adjustment

PD - Probability of Default

DCF - Discount factor

| 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 | 7,884,474 | 2,206,472 | 21,306,292 | 31,397,238 | 31,397,238 |
| Loss rate 1% decrease across all age buckets | (202,467) | (2,206,472) | (21,306,292) | (23,715,231) | (23,715,231) |

Sensitivity analysis of the expected credit loss model

The uncertainty on the current economic conditions introduced significant estimation uncertainty in relation to the measurement of the Company's allowance for expected credit losses. The rapidly evolving consequences of current economic conditions and government, business and consumer responses could result in significant adjustments to the allowance within the current and next financial years.

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of ECL of collectively assessed assets to key factors used in determining it:

| | Total ECL (Rs) | Impact (Rs) |
|-------------------------------------|----------------|--------------|
| 100% Best Case (Upside) scenario | 1,485,801,283 | (16,763,528) |
| 100% Base Case scenario | 1,495,325,960 | (7,238,852) |
| 100% Worst Case (Downside) scenario | 1,508,978,159 | 6,413,347 |

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 | 2025 Rs. | 2024 Rs. |
|----------------------|-------------|-------------|
| Average for the year | 14.61% | 9.19% |
| Maximum for the year | 22.60% | 12.93% |
| Minimum for the year | 1.66% | 7.01% |

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 | 2025 Rs. | 2024 Rs. |
|--|----------------------|--------------------|
| Cash in Hand & Bank Balances | 297,129,594 | 333,866,263 |
| Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge | 801,814,765 | 603,494,798 |
| Total Liquid Assets as at end of March | 1,098,944,360 | 937,361,060 |

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 | 2025 | | 2024 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Encumbered * Rs. | Unencumbered Rs. | Encumbered * Rs. | Unencumbered Rs. |
| Cash and cash equivalents | - | 297,129,594 | - | 333,866,263 |
| Equity Instruments at fair value through other comprehensive income | - | 30,600 | - | 30,600 |
| Placements with banks & Securities purchased under repurchase agreements | - | 801,814,765 | - | 603,494,798 |
| Financial Assets at Amortised Cost - Lease and hire purchase receivables | 134,734,566 | 1,350,780,419 | 308,551,142 | 3,689,988,483 |
| Financial Assets at Amortised Cost - Loans and receivables | - | 3,250,927,188 | - | 3,840,154,976 |
| Other non financial assets | - | 883,584,922 | - | 997,119,116 |
| Intangible assets | - | 71,786,205 | - | 71,614,222 |
| Property, plant & equipment | - | 32,112,488 | - | 34,257,042 |

* Encumbered- Pledged as collateral in borrowings

40.4 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.

Notes to the Financial Statements

40. FINANCIAL RISK MANAGEMENT (Contd.)

Impact to the Company due to Current Economic Condition

The Company has prepared financial statements for the year ended 31st March 2025 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 2025, based on available information, the management has assessed the prevailing macroeconomic conditions and its impact on the company and the appropriateness of the use of the going concern basis.

The Company is expected to encounter macro-economic challenges such as the continuous devaluation of the rupee, import restrictions, rise in general inflation, down-grade of credit rates, depleting of foreign currency reserves, shortage of essential supplies, impact due to mismatch between lending and deposits rates, increase in policy rates and the resultant pressure on disposable income levels of general public

Accordingly, the Company is expected to encounter numerous challenges in the form of subdued demand for credit and greater credit risk due to the potential loss of income of the customer base.

Towards, mitigating this risk, the company has taken steps to focus on asset backed short term lending, applying strict credit guidelines to minimize credit risk, secured additional liquidity through a broad basing deposit mobilizing to manage possible liquidity issues. The company has adopted strict cost management methods.

Based on these proactive analysis and our operating model, financial strength of the company and the backing of the group, the management is confident that the company has no impact to its business continuity and expects to manage the above challenges effectively.

Impact of current economic condition on Expected Credit Losses

The determination of the allowance for expected credit losses is heavily dependent on the external macro environment and reliant on data and a number of estimates related to statistical models. The Company's expected credit losses for loans and receivables to customers are derived from the statistical models which are based on internally computed data comprising qualitative and quantitative factors including past due information and also incorporating forward looking information. The prevailing uncertain and volatile macroeconomic environment in the country meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgment required by the Company in calculating the ECL.

The Company used a broad range of forward looking information as economic inputs in Company ECL model in calculating the ECL, such as:

- GDP Growth (%)
- Inflation (YoY Average)
- Interest Rate (PLR)
- Unemployment (% of Labor Force)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, Company used qualitative adjustments or overlays as temporary adjustments when such differences are significantly material.

40.5 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.

Regulatory capital requirements and status of compliance

The Company has complied with the regulatory capital ratios for Tier 1 and Total Capital(Tier 2) as of 31 March 2025.

Also, the Company has been able to reach the regulatory requirement for core capital of Rs. 2.5 billion as of the date of approval of these financial statements (as a result of the transactions described below) subject to obtaining a certification of profit and changes in equity from the External Auditors and approval by the Central Bank of Sri Lanka(CBSL).

Details of transactions/events that enabled the company to reach the above stated compliance are as follows:

1. At the beginning of the year: As at 1st April 2024, the Company had recorded a Tier I capital ratio of 4.92% and a Total Capital (Tier 2) ratio of 4.92%, both of which fell short of the regulatory minimum requirements of 8.5% and 12.5%, respectively. Additionally, the Company's core capital stood at LKR 1,053 million, which was below the regulatory minimum threshold of LKR 2,500 million. As of the end of previous year, the Company had existing imposed restrictions by the CBSL on its total deposits (with accrual interest payable), total lending portfolio (net of impairment) and borrowings through commercial papers (CPs) with limits set at Rs 5 Bn, Rs 7 Bn and Rs 1.2 Bn respectively. Additionally Company was subjected to restrictions on offering interest rates 100 basis points lower than the maximum interest rates payable on deposits by Licensed Finance Companies on deposit renewals and restriction on accepting new deposits.

2. Restrictions imposed during the year: The CBSL, by its letter dated 05 July 2024, based on the Finance Business Act Guideline No. 1 of 2020 Prompt Corrective Action (PCA) Framework for Licensed Finance Companies, further increased the imposed restrictions on Total Deposits (with accrued interest payable), Total Lending Portfolio (net of impairment) up to Rs. 4.7 Bn and Rs. 5.0 Bn respectively by 31 July 2024 and cease borrowings through commercial papers by 05 July 2024 while all other restrictions imposed including on deposits remained unchanged. However, the Company was permitted to grant cash back loans, pawning advances, gold loans and other related claims secured by gold.

3. Remedial measures and actions taken by the Company: To address these issues, the Company submitted an alternative capital augmentation plan to the CBSL on May 30, 2024. This plan also looked at other restructuring initiatives in addition to compliance with regulatory capital requirements.

As part of this plan, the Company proposed the sale of a part of its loan portfolio to a Special Purpose Vehicle (SPV) for a cash consideration of LKR 1.8 billion approximately. The planned transaction was scheduled to take place on July 30, 2024. The Governing Board of the CBSL reviewed the proposed plan and conveyed its favorable consideration to the Company through its letter dated June 28, 2024.

S R One (Private) Limited, a fully owned subsidiary of Softlogic Capital PLC was designated as the Special Purpose Vehicle (SPV). The Company successfully completed the initial tranche of the loan portfolio transfer to the SPV (i.e., S R One (Private) Limited) in July 2024, amounting to LKR 100,093,222.95, which was finalized on July 31, 2024. This was followed by a second tranche of LKR 1,000,172,933.75, completed on September 6, 2024. Both transactions involved the transfer of beneficial ownership of the loan portfolio through the execution of a Participation Agreement with the SPV.

Prior to initiation of this process, the Company engaged legal counsel to advise on the structuring and arrangement of the Participation Agreement related to the divestment of the loan portfolio. Additionally, tax and accounting consultants were engaged to provide advisory support for the transaction. All relevant professional opinions were obtained in writing.

The successful completion of the above portfolio transfers enabled the Company to meet the required capital adequacy ratios for Tier 1 and Total Capital (Tier 2). For regulatory reporting and compliance purposes, the External Auditor performed an audit on the Profit and Changes in Equity, which was subsequently submitted to the CBSL. With this submission, the CBSL removed the restrictions imposed on granting of loans and advances by their letter dated November 29, 2024, while all other restrictions imposed remained unchanged.

Through the execution of the capital augmentation plan as described above, the Company has been able to satisfy regulatory capital requirements (except Core Capital) as at 31st March 2025.

| Description | 2025 | 2024 |
|---|--------|-------|
| Capital Adequacy Ratios (As per Central Bank Direction 03 of 2018 Capital Adequacy Requirements) | | |
| Tier 1 Ratio - (Minimum Requirement - 8.5%) | 25.46% | 4.92% |
| Total Capital ratio - (Minimum Requirement - 12.5%) | 25.46% | 4.92% |
| Core Capital Requirement (Minimum Requirement - LKR 2.5 Bn) | 1.9 Bn | 1 Bn |

The CBSL has granted several extensions to facilitate the completion of the remaining portfolio transfer amounting to LKR 700 million approximately. In accordance with the communications received and the granted extensions, the management has taken necessary steps to complete the balance part of the portfolio transfer subsequent to the reporting date.

Notes to the Financial Statements

40. FINANCIAL RISK MANAGEMENT (Contd.)

As per the most recent communication from the CBSL dated April 07, 2025, the deadline for completing the remaining portion of the SPV portfolio transfer was extended to June 30, 2025.

Following the completion of the SPV transaction, the Company is required to undertake an audit on its Profit and Changes in Equity by its External Auditor and submit it to the CBSL for approval, for compliance with the Finance Business Act Direction No. 02 of 2017 on Minimum Core Capital requirements.

The Company successfully completed the remainder of the transfer of the beneficial ownership of part of the Company's loan portfolio to the SPV, during the month of July 2025. The transfers were carried out in three separate segments, namely third, fourth and fifth (final) transfers for cash.

The Participation Agreements were signed on July 03, 2025, July 07, 2025, and July 15, 2025, for the third, fourth and fifth (final) segments, respectively. The transfer of beneficial ownership of the portfolio related to these segments was completed on the same day as the agreements, with cash considerations of LKR 200,188,025.12, LKR 200,057,986.34 and LKR 300,140,426.97 respectively. The transactions were reported to the Colombo Stock Exchange (CSE) on July 08, 2025, July 08, 2025, and July 16, 2025, respectively.

Status of Compliance after the above Transactions

| Capital Requirements | Ratio after the Transaction | As at 31st March 2025 |
|---|-----------------------------|-----------------------|
| Tier 1 Ratio - (Minimum Requirement - 8.5%) | 48.53% | 25.46% |
| Total Capital ratio (Tier 2) - (Minimum Requirement - 12.5%) | 48.53% | 25.46% |
| Core Capital Requirement (Minimum Requirement - LKR 2.5 Bn) | 2.5 Bn** | 1.9 Bn |

** Subject to audit by External Auditor and approval by CBSL.

40.6 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 disclosed a "Report by the Board of Directors" in terms of section 220 of the Companies ACT No. 07 of 2007, to the Colombo Stock Exchange via market announcement dated June 26, 2023, stating the remedial actions that would be taken by the Company to address the issues stated in the Report. 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.

The remedial actions undertaken by the Company include the following:

- I. Completion of the Rights Issue in March 2024, raising a total consideration of Rs. 2,332.19 million, comprising Rs. 191.84 million in cash and Rs. 2,140.35 million through the conversion of a subordinated debt instrument and four short-term revolving loans.
- II. Rationalization of the branch network, reducing the number of branches from 30 as of March 31, 2023, to 15 as of March 31, 2025.
- III. Reduction of customer deposits from Rs. 12,430.95 million as of March 31, 2023, to Rs.4,273.39 million as of March 31, 2025.
- IV. Reduction of borrowings from Rs. 6,916.18 million as of March 31, 2023, to Rs.3.58 million as of March 31, 2025.
- V. Transfer of beneficial ownership of a part of the Company's loan portfolio to a SPV, S R One (Private) Limited, a fully owned subsidiary of Softlogic Capital PLC (the parent company), for cash consideration of Rs. 1,800 million. Further details are provided in Notes 40.5 and 43.2.

The regulatory actions taken by the Central Bank in relation to capital compliance of the Company are provided in Note 40.5.

The Company intends to proceed with a reduction of stated capital in accordance with the provisions given in Section 59 of the Companies Act No.07 of 2007 to address the serious loss of capital issue of the Company.

41. UTILISATION OF FUNDS RAISED VIA CAPITAL MARKET

41.1 The company has raised funds via the capital market through a rights issue on 20th December 2019. The progress of utilisation 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 |
| | | <u>602,495,232</u> | | <u>602,495,232</u> | <u>100%</u> | <u>602,495,232</u> | | |

41.2 The company has raised funds further via the capital market through a rights issue on 15th December 2020. The progress of utilisation 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 |
| | | <u>1,901,994,752</u> | | <u>1,901,994,752</u> | <u>100%</u> | <u>1,901,994,752</u> | | |

41.3 The company has raised funds further via the capital market through a rights issue on 26th August 2021. The progress of utilisation 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 | | | | | | | |
| | | <u>2,239,667,740</u> | | <u>2,239,667,740</u> | <u>100%</u> | <u>2,239,667,740</u> | | |

Notes to the Financial Statements

41. UTILISATION OF FUNDS RAISED VIA CAPITAL MARKET (Contd.)

41.4 The company has raised funds further via the capital market through a rights issue on 08 December 2022. The progress of utilisation 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 |
| | | <u>851,497,316</u> | | <u>851,497,316</u> | <u>100%</u> | <u>851,497,316</u> | | |

41.5 The company has raised funds further via the capital market through a rights issue on 27 March 2024. The progress of utilisation 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 |
| | | <u>2,332,191,761</u> | | <u>2,332,191,761</u> | <u>100%</u> | <u>2,332,191,761</u> | | |

42. COMMITMENTS AND CONTINGENCIES

| <i>As at 31 March</i> | 2025 Rs. | 2024 Rs. |
|--------------------------------------|-------------------|-------------------|
| Commitments | | |
| Commitment for unutilised facilities | 53,260,393 | 93,005,215 |
| | 53,260,393 | 93,005,215 |

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

| <i>As at 31 March 2025</i> | 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 | 53,260,393 | - | - | - | 53,260,393 |
| | 53,260,393 | - | - | - | 53,260,393 |

| <i>As at 31 March 2024</i> | 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 |

42.1 Litigation against the Company

Set out below are the unresolved legal claims against the Company as at March 31, 2025 for which, adjustments to the Financial Statements have not been made due to the uncertainty of its outcome.

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 Mn. Subsequently customer agreed to come for a settlement on this matter accordingly settlement terms were entered in courts and upon completion of the full settlement, the property referenced in Deed No. 6741 shall be transferred to the party named M.N Nislan who is the plaintiff of the above mentioned matter.

Notes to the Financial Statements

43. EVENTS AFTER THE REPORTING DATE

Events after the reporting period are those events, favorable 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.

43.1 Regulatory capital requirements and status of compliance

a) Restrictions Imposed by CBSL

No changes in the restrictions imposed by the Central Bank of Sri Lanka subsequent to the reporting date.

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

Subsequent to the reporting date Company has completed transfer of beneficial ownership of the portfolio amounting to LKR 700Mn approximately. Refer note 40.5 for further details relating to the transactions.

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

"As per the most recent communication from the Central Bank dated April 07, 2025, the deadline for completing the remaining portion of the SPV portfolio transfer has been extended to June 30, 2025.

Following the completion of the SPV transaction, the Company is required to obtain a profit certification and submit it to the Central Bank for approval, for compliance with the Finance Business Act Direction No. 02 of 2017 on Minimum Core Capital requirements.

The Company successfully completed the remainder of the transfer of the beneficial ownership of part of the Company's loan portfolio to the SPV, S R One (private) Limited, a fully owned subsidiary of Softlogic Capital PLC (the parent company), during the month of July 2025. The transfers were carried out in three separate segments, namely third, fourth and fifth (final) transfers for cash.

The Participation Agreements were signed on July 03, 2025, July 07, 2025, and July 15, 2025, for the third, fourth and fifth (final) segments, respectively. The transfer of beneficial ownership of the portfolio related these segments was completed on the same day as the agreements, with cash considerations of LKR 200,188,025.12, LKR 200,057,986.34 and LKR 300,140,426.97 respectively. The transactions were reported to the Colombo Stock Exchange (CSE) on July 08, 2025, July 08, 2025, and July 16, 2025, respectively.

The capital adequacy ratios and core capital after the above transactions, subject to obtaining the Auditor's certification on profit and change in equity are disclosed under note no 40.5.

44. 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 | 2025 | 2024 |
|--|-------------|-------------|
| Financial Assets at Amortised Cost - Lease and hire purchase receivables | 134,734,566 | 308,551,142 |

45. 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.

45.1 Transactions with Key Management Personnel (KMPs)

Key managerial personnel includes CBSL approved KRPs CEO and board of directors of the Company and of its Holding Company.

| As at 31 March | 2025 Rs. | 2024 Rs. |
|------------------------------|-------------------|-------------------|
| Short-term employee benefits | 76,318,407 | 57,827,065 |
| Post-employment benefits | - | - |
| Other long-term benefits | - | - |
| Termination benefits | - | - |
| Share-based payments | - | - |
| | 76,318,407 | 57,827,065 |

45.1.1 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 | 2025 Rs. | 2024 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 | 2,019,677 | - |
| Savings Deposits | Due to customers | 69,918 | - |
| Statement of comprehensive income | | | |
| Interest income on lease & loan receivables | Interest income | - | - |
| Interest expense on customer deposits | Interest expenses | 193,676 | - |
| Other transactions | | | |
| | | - | - |

45.1.2 Transaction summary of KMP during the year

| | Personal Loans | | Lease | |
|------------------------|----------------|-------------|-------------|-------------|
| | 2025 Rs. | 2024 Rs. | 2025 Rs. | 2024 Rs. |
| Opening Balance | - | - | - | - |
| New loans granted | - | - | - | - |
| Interest charged | - | - | - | - |
| Loan repayments | - | - | - | - |
| Other adjustments | - | - | - | - |
| Closing Balance | - | - | - | - |

Notes to the Financial Statements

45. RELATED PARTY DISCLOSURES (Contd.)

45.2 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, 2025.

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/ SPV | Borrowings / Deposits | Income Earned | |
|--|-------------------------|---------|--------------------------|------------------------------------|-----------------------|---------------|--|
| Softlogic Corporate Services (Pvt) Ltd | Affiliated Company | 2024/25 | - | - | - | - | |
| | Affiliated Company | 2023/24 | - | - | - | - | |
| Softlogic Holdings PLC | Ultimate Parent Company | 2024/25 | - | - | - | - | |
| | Ultimate Parent Company | 2023/24 | - | - | - | - | |
| Softlogic Retail (Pvt) Ltd | Affiliated Company | 2024/25 | (22,243) | - | 311 | - | |
| | Affiliated Company | 2023/24 | (126,938) | - | 311 | - | |
| Softlogic Brands (Pvt) Ltd | Affiliated Company | 2024/25 | - | - | 355,656 | - | |
| | Affiliated Company | 2023/24 | - | - | 345,674 | - | |
| Softlogic Information Technologies (Pvt) Ltd | Affiliated Company | 2024/25 | - | - | - | - | |
| | Affiliated Company | 2023/24 | 27,300 | - | - | - | |

* All above transactions are Normal business activity of the company and arm's length transaction

| | Cost Incurred | Plant & Equip. Purchased / (sold) | Sale of equity shares under FVTOCI | Nature and Terms of the Transaction | The Rationale for Entering into the Transaction * |
|--|---------------|-----------------------------------|------------------------------------|--|--|
| | 6,393,307 | - | - | > Cost for secretarial services provided > ROC charges | Normal business activity of the company and arm's length transaction |
| | 4,889,821 | - | - | > Cost for secretarial services provided > ROC charges | Normal business activity of the company and arm's length transaction |
| | 1,010,184 | - | - | > TOP JOBS online recruitment software licence renewal > Reimbursement of directors annual insurance liability premium | Normal business activity of the company and arm's length transaction |
| | 1,200,199 | - | - | > TOP JOBS online recruitment software licence renewal > Reimbursement of directors annual insurance liability premium > Business promotion expenses | Normal business activity of the company and arm's length transaction |
| | 36,179 | - | - | > 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 | Normal business activity of the company and arm's length transaction |
| | 29,952,938 | - | - | > 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 | Normal business activity of the company and arm's length transaction |
| | 10,507 | - | - | > Maintaining savings accounts at a interest rate of 3% | Normal business activity of the company and arm's length transaction |
| | 14,688 | - | - | > Maintaining savings accounts at a interest rate of 5% | Normal business activity of the company and arm's length transaction |
| | 419,768 | - | - | > Equipment maintenance > Maintenance and configuration support agreement cost | Normal business activity of the company and arm's length transaction |
| | 265,300 | - | - | > Equipment maintenance | Normal business activity of the company and arm's length transaction |

Notes to the Financial Statements

45. RELATED PARTY DISCLOSURES (Contd.)

45.2 Transactions with Group Companies (Contd.)

| Company | Relationship | F/Y | (Receivables) / Payables | Loans, Advances & Investments/ SPV | Borrowings / Deposits | Income Earned |
|----------------------------------|--------------------|---------|--------------------------|------------------------------------|-----------------------|---------------|
| Softlogic Life Insurance PLC | Affiliated Company | 2024/25 | (78,667) | - | - | - |
| | Affiliated Company | 2023/24 | (1,799,798) | - | - | - |
| Softlogic BPO Services (Pvt) Ltd | Affiliated Company | 2024/25 | - | 321,748 | - | 112,920 |
| | Affiliated Company | 2023/24 | - | 1,011,953 | - | 208,449 |
| Softlogic Computers (Pvt) Ltd | Affiliated Company | 2024/25 | - | - | - | - |
| | Affiliated Company | 2023/24 | - | - | - | - |
| Softlogic Capital PLC | Parent Company | 2024/25 | - | - | - | - |
| | Parent Company | 2023/24 | - | - | - | - |

* All above transactions are Normal business activity of the company and arm's length transaction

| Cost Incurred | Plant & Equip. Purchased / (sold) | Sale of equity shares under FVTOCI | Nature and Terms of the Transaction | The Rationale for Entering into the Transaction * |
|---------------|-----------------------------------|------------------------------------|---|--|
| 25,523,544 | - | - | <ul style="list-style-type: none"> > Staff insurance premium payments > Staff inclusion & deletion payments | Normal business activity of the company and arm's length transaction |
| 8,116,711 | - | - | <ul style="list-style-type: none"> > Staff insurance premium payments > Staff inclusion & deletion payments | Normal business activity of the company and arm's length transaction |
| 56,527,033 | - | - | <ul style="list-style-type: none"> > 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 | Normal business activity of the company and arm's length transaction |
| 50,192,235 | - | - | <ul style="list-style-type: none"> > 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 | Normal business activity of the company and arm's length transaction |
| 41,300 | - | - | <ul style="list-style-type: none"> > Maintenance cost | Normal business activity of the company and arm's length transaction |
| 801,745 | - | - | - | Normal business activity of the company and arm's length transaction |
| 5,488,433 | - | - | <ul style="list-style-type: none"> > Outsource call center charges > Annual maintenance charges for Company website. > 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 | Normal business activity of the company and arm's length transaction |
| 416,362,278 | - | - | <ul style="list-style-type: none"> > 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% | Normal business activity of the company and arm's length transaction |

Notes to the Financial Statements

45. RELATED PARTY DISCLOSURES (Contd.)

45.2 Transactions with Group Companies (Contd.)

| Company | Relationship | F/Y | (Receivables) / Payables | Loans, Advances & Investments/ SPV | Borrowings / Deposits | Income Earned | |
|-----------------------------------|--------------------|---------|--------------------------|------------------------------------|-----------------------|---------------|--|
| Future Automobiles (Pvt) Ltd | Affiliated Company | 2024/25 | - | - | - | - | |
| | Affiliated Company | 2023/24 | 112,502 | - | - | - | |
| Softlogic Stock Brokers (Pvt) Ltd | Affiliated Company | 2024/25 | - | 93,534,460 | - | - | |
| | Affiliated Company | 2023/24 | - | - | - | - | |
| SR One (Pvt) Ltd | Affiliated Company | 2024/25 | 1,974,178 | 1,100,266,157 | - | - | |
| | Affiliated Company | 2023/24 | - | - | - | - | |

* All above transactions are Normal business activity of the company and arm's length transaction

| | Cost Incurred | Plant & Equip. Purchased / (sold) | Sale of equity shares under FVTOCI | Nature and Terms of the Transaction | The Rationale for Entering into the Transaction * |
|--|---------------|-----------------------------------|------------------------------------|---|--|
| | 112,502 | - | - | > Vehicle repair services | Normal business activity of the company and arm's length transaction |
| | 1,181,382 | - | - | > Vehicle repair services | Normal business activity of the company and arm's length transaction |
| | 1,750,000 | - | - | > Loan granted at a rate of 21% p.a for a period of 12 months | Normal business activity of the company and arm's length transaction |
| | - | - | - | - | Normal business activity of the company and arm's length transaction |
| | 1,870,836 | - | - | > Cost for Legal fees > Maintaining savings accounts at a interest rate of 3% > SPV Transaction | Normal business activity of the company and arm's length transaction |
| | - | - | - | - | Normal business activity of the company and arm's length transaction |

Notes to the Financial Statements

46. 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 | |
|--|--------------------------|----------------------|-------------------|-------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Interest income | 582,706,788 | 1,091,493,584 | 7,681,576 | 40,173,460 |
| Interest expenses | - | - | - | - |
| Net interest income | 582,706,788 | 1,091,493,584 | 7,681,576 | 40,173,460 |
| Fee and commission income | 28,533,703 | 29,770,976 | 376,148 | 1,095,749 |
| Net trading income/(loss) | - | - | - | - |
| Profit/(Loss) from Derecognition of Financial Assets | - | - | - | - |
| Other operating income | - | - | - | - |
| Total operating income | 611,240,491 | 1,121,264,560 | 8,057,724 | 41,269,210 |
| Impairment charges for loan and advances | 155,014,744 | 131,026,037 | 6,650,862 | 14,639,386 |
| Net operating income | 766,255,235 | 1,252,290,597 | 14,708,585 | 55,908,595 |
| Depreciation for property, plant and equipment | (2,578,903) | (9,671,702) | (5,755) | (152,908) |
| Amortisation of intangible assets | (3,737,986) | (6,722,995) | (8,341) | (106,289) |
| Personal cost | - | - | - | - |
| Other operating expenses | (265,053,387) | (278,967,942) | (3,494,086) | (10,267,681) |
| Segment profit before VAT on financial services | 494,884,959 | 956,927,959 | 11,200,403 | 45,381,718 |
| Tax on financial services & Income tax | - | - | - | - |
| Segment profit before tax | 494,884,959 | 956,927,959 | 11,200,403 | 45,381,718 |
| Income tax reversal/(expenses) | - | - | - | - |
| Profit for the year | 494,884,959 | 956,927,959 | 11,200,403 | 45,381,718 |
| Total assets | 1,485,514,985 | 3,998,539,625 | 3,314,893 | 63,216,148 |
| Total Liabilities | 939,423,429 | 3,010,877,524 | 2,096,302 | 47,601,399 |

| | Gold Loans | | Loans and Receivables | | Others | | Total | |
|--|----------------------|----------------------|-----------------------|----------------------|----------------------|------------------------|----------------------|------------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| | 294,325,693 | 759,936,013 | 197,157,808 | 463,033,412 | 51,332,906 | 221,262,340 | 1,133,204,770 | 2,575,898,810 |
| | - | - | - | - | (833,646,073) | (2,781,033,747) | (833,646,073) | (2,781,033,747) |
| | 294,325,693 | 759,936,013 | 197,157,808 | 463,033,412 | (782,313,167) | (2,559,771,407) | 299,558,698 | (205,134,937) |
| | 14,412,398 | 20,727,595 | 9,654,328 | 12,629,444 | 2,513,645 | 6,035,029 | 55,490,221 | 70,258,794 |
| | - | - | - | - | 228,565 | 179,520 | 228,565 | 179,520 |
| | - | - | - | - | 207,629,087 | - | 207,629,087 | - |
| | - | - | - | - | 113,901,285 | 73,449,081 | 113,901,285 | 73,449,081 |
| | 308,738,091 | 780,663,608 | 206,812,135 | 475,662,856 | (458,040,585) | (2,480,107,776) | 676,807,856 | (61,247,542) |
| | 12,633 | 16,241,990 | 244,050,794 | (741,873,050) | 20,338,980 | (64,185,367) | 426,068,012 | (644,151,003) |
| | 308,750,724 | 796,905,598 | 450,862,930 | (266,210,194) | (437,701,605) | (2,544,293,143) | 1,102,875,868 | (705,398,546) |
| | (3,177,937) | (3,304,317) | (2,460,025) | (5,831,375) | (5,634,829) | (8,350,050) | (13,857,450) | (27,310,351) |
| | (4,606,254) | (2,296,897) | (3,565,678) | (4,053,506) | (8,167,391) | (5,804,289) | (20,085,650) | (18,983,976) |
| | - | - | - | - | (298,412,168) | (366,686,672) | (298,412,168) | (366,686,672) |
| | (133,878,690) | (194,227,239) | (89,680,343) | (118,343,781) | (23,349,583) | (56,551,042) | (515,456,089) | (658,357,686) |
| | 167,087,841 | 597,077,144 | 355,156,884 | (394,438,856) | (773,265,576) | (2,981,685,196) | 255,064,511 | (1,776,737,232) |
| | - | - | - | - | (109,932,087) | - | (109,932,087) | - |
| | 167,087,841 | 597,077,144 | 355,156,884 | (394,438,856) | (883,197,663) | (2,981,685,196) | 145,132,424 | (1,776,737,232) |
| | - | - | - | - | - | - | - | - |
| | 167,087,841 | 597,077,144 | 355,156,884 | (394,438,856) | (883,197,663) | (2,981,685,196) | 145,132,424 | (1,776,737,232) |
| | 1,830,574,174 | 1,366,092,813 | 1,417,038,120 | 2,410,846,016 | 3,245,807,298 | 3,452,133,711 | 7,982,249,471 | 11,290,828,313 |
| | 1,157,635,087 | 1,028,660,093 | 896,119,409 | 1,815,353,295 | 2,052,613,035 | 2,599,436,988 | 5,047,887,262 | 8,501,929,298 |

Notes to the Financial Statements

47. 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.

| <i>As at 31 March</i> | 2025 Within 12 Months Rs. | 2025 After 12 Months Rs. | 2025 Total as at Rs. | 2024 Within 12 Months Rs. | 2024 After 12 Months Rs. | 2024 Total as at Rs. |
|--|------------------------------------|-----------------------------------|----------------------------|------------------------------------|-----------------------------------|----------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | 297,129,594 | - | 297,129,594 | 333,866,263 | - | 333,866,263 |
| Equity Instruments at fair value through other comprehensive income | 30,600 | - | 30,600 | 30,600 | - | 30,600 |
| Securities purchased under repurchase agreements | 801,814,765 | - | 801,814,765 | 603,494,798 | - | 603,494,798 |
| Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) | - | - | - | 378,632,877 | - | 378,632,877 |
| Financial Assets at Amortised Cost - Lease and hire purchase receivables | 964,840,187 | 520,674,798 | 1,485,514,985 | 1,962,488,360 | 2,036,051,265 | 3,998,539,625 |
| Financial Assets at Amortised Cost - Loans and receivables | 2,699,530,239 | 551,396,949 | 3,250,927,188 | 2,788,353,430 | 1,051,801,546 | 3,840,154,976 |
| Other assets | - | 1,218,639,050 | 1,218,639,050 | - | 1,355,458,490 | 1,355,458,490 |
| Deferred tax asset | - | 542,181,021 | 542,181,021 | - | 509,265,174 | 509,265,174 |
| Intangible assets | - | 71,786,205 | 71,786,205 | - | 71,614,222 | 71,614,222 |
| Investment Property | - | 103,237,000 | 103,237,000 | - | 103,237,000 | 103,237,000 |
| Right of Use Assets | - | 178,876,574 | 178,876,574 | - | 62,277,245 | 62,277,245 |
| Property, plant & equipment | - | 32,112,488 | 32,112,488 | - | 34,257,042 | 34,257,042 |
| Total Assets | 4,763,345,385 | 3,218,904,086 | 7,982,249,471 | 6,066,866,328 | 5,223,961,984 | 11,290,828,313 |
| Liabilities | | | | | | |
| Bank Overdrafts | 92,003,501 | - | 92,003,501 | 22,550,392 | - | 22,550,392 |
| Financial Liabilities at Amortised Cost - Due to customers | 2,380,532,858 | 1,892,854,855 | 4,273,387,713 | 5,293,225,548 | 2,188,492,003 | 7,481,717,550 |
| Financial Liabilities at Amortised Cost - Other borrowed funds | 3,577,581 | - | 3,577,581 | 244,279,148 | 313,606,444 | 557,885,592 |
| Other non financial liabilities | - | 644,391,158 | 644,391,158 | - | 405,271,743 | 405,271,743 |
| Retirement benefit obligations | - | 34,527,309 | 34,527,309 | - | 34,504,021 | 34,504,021 |
| Deferred tax liabilities | - | - | - | - | - | - |
| Total liabilities | 2,476,113,940 | 2,571,773,322 | 5,047,887,262 | 5,560,055,087 | 2,941,874,211 | 8,501,929,298 |

Supplementary Information

| | |
|------------------------------|-----|
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10 Year Summary

| (Rs:'000) | 2024/25 | 2023/24 | 2022/23 | 2021/22 |
|--|------------------|--------------------|--------------------|-------------------|
| OPERATING RESULTS | | | | |
| Interest income | 1,133,205 | 2,575,899 | 3,925,424 | 2,945,416 |
| Interest Expense | (833,646) | (2,781,034) | (3,891,334) | (1,593,117) |
| Net interest income | 299,559 | (205,135) | 34,090 | 1,352,298 |
| Other Income | 377,249 | 143,887 | 273,744 | 258,862 |
| Operating Income | 676,808 | (61,248) | 307,834 | 1,611,160 |
| Operating expense | (847,811) | (1,071,339) | (1,493,263) | (1,336,645) |
| Operating Profit / (Loss) | (171,004) | (1,132,586) | (1,185,429) | 274,515 |
| Impairment (charge) / Reversal | 426,068 | (644,151) | (1,809,775) | (1,210,261) |
| Taxes on financial Services | (109,932) | - | - | - |
| Profit / (Loss) before taxation | 145,132 | (1,776,737) | (2,995,203) | (935,746) |
| Tax expenses / (Reversal) | - | - | - | - |
| Profit / (Loss) for the year | 145,132 | (1,776,737) | (2,995,203) | (935,746) |
| As at 31 March | | | | |
| ASSETS | | | | |
| Cash and bank balances | 297,130 | 333,866 | 493,668 | 438,009 |
| Financial & Equity Investments | 801,815 | 982,158 | 2,207,179 | 1,457,491 |
| Lease, Loans & Advances | 4,736,442 | 7,838,695 | 16,659,250 | 20,586,710 |
| PPE & Intangible Assets | 103,899 | 105,871 | 510,047 | 609,276 |
| Right of Use Assets | 178,877 | 62,277 | 131,451 | 141,980 |
| Other Assets | 1,864,088 | 1,967,961 | 2,180,078 | 2,145,335 |
| | 7,982,249 | 11,290,829 | 22,181,673 | 25,378,801 |
| LIABILITIES | | | | |
| Public Deposits | 4,273,388 | 7,481,718 | 12,430,947 | 15,599,353 |
| Borrowings | 95,581 | 580,436 | 6,951,440 | 4,844,446 |
| Other Liabilities | 678,918 | 439,776 | 563,239 | 571,582 |
| | 5,047,887 | 8,501,930 | 19,945,626 | 21,015,380 |
| SHAREHOLDERS' FUNDS | | | | |
| Stated Capital | 9,930,117 | 9,930,117 | 7,597,925 | 6,746,428 |
| Reserves & Retained Earnings | (6,995,755) | (7,141,218) | (5,361,878) | (2,383,007) |
| | 2,934,362 | 2,788,899 | 2,236,047 | 4,363,421 |
| Movement in Interest Income (%) | -56.0% | -34.4% | 33.3% | 20.5% |
| Movement Interest Expenses (%) | -70.0% | -28.5% | 144.3% | -15.9% |
| Movement in Operating Profit (%) | 84.9% | 4.5% | 531.8% | 152.8% |
| Movement in Profit After Tax (PAT) (%) | 108.2% | 40.7% | -220.1% | -3.6% |
| Earnings / (loss) Per Share (Rs.) | 0.15 | -2.83 | -5.66 | -2.33 |
| Movement in Advances (%) | -39.6% | -52.9% | -19.1% | 24.5% |
| Movement in Deposits (%) | -42.9% | -39.8% | -20.3% | 6.9% |
| Debt to Equity Ratio (times) | 1.72 | 3.05 | 8.92 | 4.82 |
| Net Assets Per Share (Rs.) | 3.05 | 2.90 | 3.67 | 8.86 |
| OTHER INFORMATION | | | | |
| No. of Employees | 243 | 251 | 430 | 494 |
| Supporting Branch Network | 15 | 18 | 30 | 33 |

| | 2020/21 | 2019/20 | 2018/19 | 2017/18 | 2016/17 Restated | 2015/16 Restated |
|--|--------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| | 2,443,391 | 3,607,234 | 3,674,450 | 3,523,556 | 3,431,752 | 3,558,081 |
| | (1,894,557) | (2,516,527) | (2,490,557) | (2,561,130) | (2,291,408) | (2,002,506) |
| | 548,835 | 1,090,707 | 1,183,892 | 962,426 | 1,140,343 | 1,555,575 |
| | 143,887 | 209,742 | 344,443 | 622,837 | 746,956 | 522,517 |
| | 692,721 | 1,300,450 | 1,528,335 | 1,585,264 | 1,887,299 | 2,078,092 |
| | (1,213,098) | (1,395,845) | (1,274,180) | (1,184,430) | (1,122,141) | (1,208,537) |
| | (520,377) | (95,395) | 254,155 | 400,834 | 765,158 | 869,555 |
| | (491,732) | (390,137) | (189,682) | (108,425) | (440,822) | (711,846) |
| | - | (53,081) | (1,358) | (99,329) | (40,734) | (67,129) |
| | (1,012,108) | (538,613) | 63,115 | 193,079 | 283,603 | 90,581 |
| | 109,257 | 204,654 | 140,854 | 25,686 | (39,268) | (17,438) |
| | (902,851) | (333,959) | 203,969 | 218,766 | 244,335 | 73,142 |
| | | | | | | |
| | 628,090 | 389,597 | 709,895 | 945,104 | 754,813 | 509,281 |
| | 1,544,581 | 2,551,733 | 1,971,432 | 2,110,743 | 1,962,016 | 2,165,798 |
| | 16,532,493 | 16,712,383 | 18,018,225 | 17,377,793 | 17,989,809 | 15,906,349 |
| | 629,248 | 675,587 | 571,205 | 600,609 | 468,884 | 410,783 |
| | 111,013 | 176,873 | - | - | - | - |
| | 1,427,638 | 1,240,418 | 1,133,845 | 645,968 | 530,460 | 950,173 |
| | 20,873,062 | 21,746,592 | 22,404,601 | 21,680,217 | 21,705,982 | 19,942,383 |
| | | | | | | |
| | 14,598,144 | 17,063,396 | 17,115,400 | 16,391,947 | 16,048,474 | 14,055,203 |
| | 2,639,022 | 2,179,026 | 3,342,706 | 2,916,905 | 3,671,392 | 4,076,520 |
| | 608,007 | 463,181 | 189,798 | 90,914 | 144,575 | 154,810 |
| | 17,845,172 | 19,705,603 | 20,647,904 | 19,399,767 | 19,864,440 | 18,286,533 |
| | | | | | | |
| | 4,506,760 | 2,604,765 | 2,002,270 | 2,002,270 | 1,692,615 | 1,692,615 |
| | (1,478,870) | (563,776) | (245,573) | 278,180 | 148,927 | (36,765) |
| | 3,027,890 | 2,040,989 | 1,756,697 | 2,280,450 | 1,841,542 | 1,655,850 |
| | | | | | | |
| | -32.3% | -1.8% | 4.3% | 2.7% | -3.6% | 0.3% |
| | -24.7% | 1.0% | -2.8% | 11.8% | 14.4% | -3.8% |
| | -445.5% | -137.5% | -36.6% | -47.6% | -12.0% | 9.6% |
| | -170.3% | -263.7% | -6.8% | -10.5% | 234.1% | -66.2% |
| | -5.95 | -4.29 | 3.00 | 3.70 | 4.14 | 1.40 |
| | -1.1% | -7.2% | 3.7% | -3.4% | 13.1% | 2.4% |
| | -14.4% | -0.3% | 4.4% | 2.1% | 14.2% | 16.4% |
| | 5.89 | 9.65 | 11.75 | 8.51 | 10.79 | 11.04 |
| | 11.27 | 19.74 | 25.86 | 33.57 | 31.18 | 28.03 |
| | | | | | | |
| | 463 | 475 | 528 | 551 | 490 | 491 |
| | 34 | 35 | 35 | 35 | 31 | 30 |

Investor Information

1. GENERAL

| | As at 31/03/2025 | As at 31/03/2024 |
|----------------------|---------------------|---------------------|
| Stated Capital (Rs.) | 9,930,116,800.21 | 9,930,116,800.21 |

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

| | 2024/25 | 2023/24 |
|--|----------------|----------------|
| Shares held by the public (%) | 3.00% | 2.17% |
| The number of public shareholders | 2,113 | 2,019 |
| Float Adjusted Market Capitalization (Rs.) | 155,832,899.04 | 119,060,677.99 |

In 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 2025

There were 2,119 Registered shareholders as at 31st March 2025 and 2,025 Registered shareholders as at 31st March 2024.

| From | To | No. of Shareholders | | % of Shareholders | | No. of Shares | | % of Shares | |
|----------------|-------------|---------------------|--------------|-------------------|----------------|--------------------|--------------------|----------------|----------------|
| | | 2024/25 | 2023/24 | 2024/25 | 2023/24 | 2024/25 | 2023/24 | 2024/25 | 2023/24 |
| 1 | - 1,000 | 1,366 | 1,328 | 64.46% | 65.58% | 382,592 | 369,362 | 0.04% | 0.04% |
| 1,001 | - 10,000 | 532 | 517 | 25.11% | 25.53% | 1,816,037 | 1,866,190 | 0.19% | 0.19% |
| 10,001 | - 100,000 | 192 | 160 | 9.06% | 7.90% | 5,262,288 | 4,269,629 | 0.55% | 0.44% |
| 100,001 | - 1,000,000 | 18 | 11 | 0.85% | 0.54% | 3,532,271 | 2,666,866 | 0.37% | 0.28% |
| Over 1,000,000 | | 11 | 9 | 0.52% | 0.44% | 951,580,003 | 953,401,144 | 98.86% | 99.05% |
| Total | | 2,119 | 2,025 | 100.00% | 100.00% | 962,573,191 | 962,573,191 | 100.00% | 100.00% |

5. ANALYSIS REPORT OF SHAREHOLDERS AS AT 31ST MARCH 2025

| Category | No. of Shareholders | | % of Shareholders | | No. of Shares | | % of Shares | |
|---------------|---------------------|--------------|-------------------|----------------|--------------------|--------------------|----------------|----------------|
| | 2024/25 | 2023/24 | 2024/25 | 2023/24 | 2024/25 | 2023/24 | 2024/25 | 2023/24 |
| Individual | 2,013 | 1,922 | 95.00% | 94.91% | 14,923,384 | 10,158,774 | 1.55% | 1.06% |
| Institutional | 106 | 103 | 5.00% | 5.09% | 947,649,807 | 952,414,417 | 98.45% | 98.94% |
| Total | 2,119 | 2,025 | 100.00% | 100.00% | 962,573,191 | 962,573,191 | 100.00% | 100.00% |
| Resident | 2,113 | 2,019 | 99.72% | 99.70% | 962,557,491 | 962,557,491 | 99.998% | 99.998% |
| Non-resident | 6 | 6 | 0.28% | 0.30% | 15,700 | 15,700 | 0.002% | 0.002% |
| Total | 2,119 | 2,025 | 100.00% | 100.00% | 962,573,191 | 962,573,191 | 100.00% | 100.00% |

6. TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2025

| No | Name | No. of Shares as at 31-03-2025 | % | No. of Shares as at 31-03-2024 | % |
|----|--|--------------------------------|---------------|--------------------------------|---------------|
| 1 | SOFTLOGIC CAPITAL PLC & PAN ASIA BANKING CORPORATION PLC/SOFTLOGIC CAPITAL PLC | 910,701,778 | 94.61 | 918,701,788 | 95.44 |
| 2 | SOFTLOGIC LIFE INSURANCE PLC-A/C NO. 04 (PARTICIPATING FUND) | 15,688,030 | 1.63 | 15,688,030 | 1.63 |
| 3 | SOFTLOGIC HOLDINGS PLC | 5,657,598 | 0.59 | 5,657,598 | 0.59 |
| 4 | VANIK INCORPORATION LTD | 5,376,068 | 0.56 | 5,376,068 | 0.56 |
| 5 | MR. NIHAL SAMARASURIYA | 3,178,869 | 0.33 | - | - |
| 6 | MR. KULAPPUARACHCHIGE DON DAMMIKA PERERA | 3,154,253 | 0.33 | 3,154,253 | 0.33 |
| 7 | N P CAPITAL LTD | 3,000,000 | 0.31 | - | - |
| 8 | L.B. FINANCE LIMITED | 2,090,000 | 0.22 | 2,090,000 | 0.22 |
| 9 | PEOPLES BANK/ASOKA KARIYAWASAM PATHIRAGE | 1,653,822 | 0.17 | 1,653,822 | 0.17 |
| 10 | MR. SUBRAMANIAM VASUDEVAN | 1,079,585 | 0.11 | 1,079,585 | 0.11 |
| 11 | MERCHANT BANK OF SRI LANKA & FINANCE PLC/B. JANEGAN | 714,564 | 0.07 | 673,174 | 0.07 |
| 12 | PEOPLE S LEASING AND FINANCE PLC/L.PHAPANGAMA | 587,912 | 0.06 | 608,959 | 0.06 |
| 13 | HATTON NATIONAL BANK PLC/ARUNASALAM SITHAMPALAM | 285,783 | 0.03 | 274,303 | 0.03 |
| 14 | SAMPATH BANK PLC/MR. ABISHEK SITHAMPALAM | 159,782 | 0.02 | 159,782 | 0.02 |
| 15 | MRS. WANNIACHCHIGE AYOMA NILMINI FONSEKA | 151,706 | 0.02 | 27,707 | 0.00 |
| 16 | VIANAAR HOMES (PVT) LTD | 150,000 | 0.02 | - | - |
| 17 | DR. WARNAKULASURIYA AMILA CHATHURANGA FERNANDO | 150,000 | 0.02 | - | - |
| 18 | MR. UBESINGHA WEERABADDANA ARACHCHIGE ASANKA LAKMAL | 149,625 | 0.02 | 1,410 | 0.00 |
| 19 | MR. BODIYA BADUGE CHANNA NIMALA PERERA | 142,271 | 0.01 | 14,268 | 0.00 |
| 20 | MR. PULAHINGE KASUN ERANGA RODRIGO | 140,920 | 0.01 | 16,720 | 0.00 |
| | Total of top 20 shareholders | 954,212,566 | 99.13 | 955,177,467 | 99.23 |
| | Other Shareholders | 8,360,625 | 0.87 | 7,395,724 | 0.77 |
| | Total | 962,573,191 | 100.00 | 962,573,191 | 100.00 |

7. SHARE TRADING INFORMATION

| | Quarter Ended | | | | Year Ended | | | |
|----------------------|---------------|------------|---------------|---------------|---------------|--------------|----------|----------|
| | CRL.N000 | | | | CRL.N000 | | CRL.R000 | |
| | 30.06.2024 | 30.09.2024 | 31.12.2024 | 31.03.2025 | 2024/25 | 2023/24 | 2024/25 | 2023/24 |
| Highest (Rs.) | 7.00 | 7.00 | 6.50 | 6.30 | 7.00 | 9.00 | - | 0.10 |
| Lowest (Rs.) | 5.70 | 4.90 | 5.10 | 5.20 | 4.90 | 5.50 | - | 0.10 |
| Closing (Rs.) | 6.10 | 6.10 | 5.90 | 5.40 | 5.40 | 5.70 | - | 0.10 |
| Turnover (Rs.) | 3,351,463.30 | 969,017.00 | 53,740,781.50 | 34,701,754.80 | 92,763,016.60 | 9,657,274.70 | - | 5,572.00 |
| No. of Shares Traded | 547,064 | 175,335 | 9,269,520 | 5,775,700 | 15,767,619 | 1,350,139 | - | 55,720 |
| No. of Trades | 698 | 413 | 1,153 | 1,215 | 3,479 | 1,908 | - | 49 |

Investor Information

8. SELECTED KEY PERFORMANCE INDICATORS

| Item | As at 31.03.2025 | | As at 31.03.2024 | |
|--|---------------------|----------|---------------------|----------|
| | Actual | Required | Actual | Required |
| Regulatory Capital Adequacy (%) | | | | |
| Tier 1 Capital Adequacy Ratio | 25.5% | 8.5% | 4.9% | 8.5% |
| Total Capital Adequacy Ratio | 25.5% | 12.5% | 4.9% | 12.5% |
| Capital Funds to Deposit Liabilities Ratio | 28.9% | 10.0% | 8.0% | 10.0% |
| Quality of Loan Portfolio (%) | | | | |
| Gross Non-Performing Loans Ratio | 61.6% | | 61.0% | |
| Net Non-Performing Loans Ratio | 19.9% | | 17.7% | |
| Net Non-Performing Loans to Core Capital Ratio | 38.2% | | 103.4% | |
| Provision Coverage Ratio, | 52.1% | | 45.7% | |
| Profitability (%) | | | | |
| Net Interest Margin | 4.2% | | -1.5% | |
| Return on Assets | 2.6% | | -10.6% | |
| Return on Equity | 8.9% | | -70.7% | |
| Cost to Income Ratio | 141.5% | | -1749.2% | |
| Liquidity (%) | | | | |
| Available Liquid Assets to Required Liquid Assets (Minimum 100%) | 222.8% | | 97.7% | |
| Liquid Assets to External Funds | 22.1% | | 9.5% | |
| Memorandum information | | | | |
| Number of Branches | 15 | | 18 | |
| External Credit Rating | Nil | | Nil | |
| Regulatory penalties imposed last 6 months | | | | |
| Amount (Rs. Mn) | - | | - | |
| Regulatory Deposit Restrictions | | | | |
| Cap on Total Deposits (Rs. Mn) | 4,700 | | 5,000 | |
| Downsizing of Deposits (Rs. Mn) | - | | - | |
| Freezing of Deposits | Yes * | | Yes * | |
| Regulatory Borrowing Restrictions | | | | |
| Cap on Total Borrowings (Rs. Mn) | ** | | 1,200 ** | |
| Downsizing of Borrowings - per month/ quarter/ year (Rs. Mn) | - | | - | |
| Freezing of Borrowings | Yes ** | | - | |
| Regulatory Lending Restrictions | | | | |
| Cap on Total Lending Portfolio (Rs. Mn) | *** | | 9,000 | |
| Downsizing of Lending Portfolio (Rs. Mn) | - | | - | |
| Freezing of Lending Portfolio | - | | - | |
| Any Other Regulatory Restrictions | | | | |
| Amount (Rs. Mn) | - | | - | |

* CBSL froze acceptance of new deposits w.e.f. 12.08.2022 & imposed a regulatory cap of offering interest rates 100 basis points lower than the maximum interest rates payable on deposits w.e.f. 27.06.2022.

** CBSL imposed a borrowing cap through debt instruments w.e.f. 10.04.2023. Further, CBSL ceased borrowings through Commercial papers w.e.f. 05.07.2024

*** CBSL uplifted the restrictions imposed on granting of loans & advances w.e.f. 29.11.2024

9. RATIOS

| | 2024/25 | 2023/24 |
|--------------------------|---------|---------|
| Dividend per Share (Rs.) | - | - |
| Dividend Yield (%) | - | - |

10. INTEREST RATE OF COMPARABLE GOVERNMENT SECURITIES

| | 2024/25 | 2023/24 |
|----------------------|---------|---------|
| 3 Year Treasury Bond | 11.79% | 11.50% |
| 5 Year Treasury Bond | 10.72% | 12.15% |

11. GROUP STRUCTURE

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 | No: 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 | Kadawatha | No: 139/7D, Kandy Road, Kadawatha | 011-2923011 | 011-2923013 | kadawatha@softlogicfinance.lk |
| 7 | Kandy | No: 165, Kotugodella Street, Kandy | 081-2224912 | 081-2224916 | kandy@softlogicfinance.lk |
| 8 | Kotahena | No: 244, George R De Silva Mawatha, Colombo 13 | 011-2462819 | '011-2337040 | kotahena@softlogicfinance.lk |
| 9 | Kurunegala | No: 13, Rajapihilla Road, Kurunegala | 037-2232875 | 037-2232565 | kurunegala@softlogicfinance.lk |
| 10 | Matale | No: 253, Main Street, Matale | 066-2226461 | 066-2228863 | matale@softlogicfinance.lk |
| 11 | Matara | No: 08A, KKK Building, Station Road Matara | 041-2220195 | 041-2227257 | matara@softlogicfinance.lk |
| 12 | Nawala | No: 305B, Nawala Road, Nawala | 011-2807080 | 011-2807082 | nawala@softlogicfinance.lk |
| 13 | Negombo | No: 86, Josephs Street Negombo | 031-2224714 | 031-2224716 | negombo@softlogicfinance.lk |
| 14 | Weligama | No: 2, Matara Road, Weligama | 041-2252888 | 041-2260523 | weligama@softlogicfinance.lk |
| 15 | Mawanella | No: 131,132, Kandy Road, Mawanella | 035-2247304 | - | mawanella@softlogicfinance.lk |

Other Locations

| | | | | | |
|----|-------------|---|-------------|-------------|--------------------------------|
| 16 | Head Office | JFI Tower - III, Zone B & C, 6th Floor, No 75, Piyadasa Sirisena Mawatha, Colombo 10. | 011-2359700 | 011-2359799 | headoffice@softlogicfinance.lk |
|----|-------------|---|-------------|-------------|--------------------------------|

List of Abbreviations

| | |
|---|--|
| ADO - Asian Development Outlook | CRIB - Credit Information Bureau of Sri Lanka |
| ADB - Asian Development Bank | CRO - Chief Risk Officer |
| AGM - Annual General Meeting | CSE - Colombo Stock Exchange |
| AI - Artificial Intelligence | CSR - Corporate Social Responsibility |
| AIT - Advance Income Tax | DA - Delegation Authority |
| ALCO - Asset Liability Committee | DCF - Discount factor |
| AML - Anti-Money Laundering | DDO - Domestic Debt Optimization |
| AMWCL - AMW Capital Leasing and Finance PLC | DEI - Diversity, Equity, and Inclusion |
| ATM - Automated Teller Machine | DGM - Deputy General Manager |
| AWCMR - Average Weighted Call Money Rate | DRP - Disaster Recovery Plan |
| AWDR - Average Weighted Deposit Rate | EADs - Exposure at default |
| AWFDR - Average Weighted Fixed Deposit Rate | ECL - Expected Credit Loss |
| AWLR - Average Weighted Lending Rate | EFA - Economic Factor adjustment |
| AWPLR - Average Weighted Prime Lending Rate | EFC - Employers' Federation of Ceylon |
| BAC - Board Audit Committee | EFF - Extended Fund Facility |
| BCP - Business Continuity Plan | EGM - Extraordinary General Meeting |
| BCRC - Board Credit and Recoveries Committee | EPS - Earnings / (Loss) Per Share |
| BHRRC - Board Human Resources and Remuneration Committee | ESG - Environmental, Social, and Governance |
| BIRMC - Board Integrated Risk Management Committee | ETF - Employee Trust Fund |
| Bn - Billion | EVP - Employee Value Proposition |
| CAR - Capital Adequacy Ratio | FC - Finance Company |
| CA Sri Lanka - Chartered Accountants of Sri Lanka | FHASL - Finance Houses Association of Sri Lanka |
| CBOs - Community-Based Organizations | FMCG - Fast-Moving Consumer Goods |
| CBSL - Central Bank of Sri Lanka | FVPL - Fair value through profit or loss |
| CCPI - Colombo Consumer Price Index | FVOCI - Fair value through other comprehensive income |
| CEB - Ceylon Electricity Board | FVTPL - Fair Value Through Profit or Loss |
| CEO - Chief Executive Officer | GCCO - Group Chief Compliance Officer |
| CFO - Chief Finance Officer | GDP - Gross Domestic Product |
| CFT - Counter-Terrorism Financing | GNI - Gross National Income |
| CG - Corporate Governance | GOR - Gross Official Reserves |
| CGU - Cash generating unit | GVA - Gross Value Added |
| CIA - Chief Internal Auditor | HR - Human Resources |
| CIC - Currency In Circulation | IBOR - Interbank Offered Rate |
| CIL - Crop Insurance Levy | IBSL - Institute of Bankers of Sri Lanka |
| CISO - Chief Information Security Officer | ICLP - Institute for Development of Commercial Law and Practice |
| COO - Chief Operating Officer | ICM - Institute of Credit Management |
| CPC - Ceylon Petroleum Corporation | ICT - Information and Communications Technology |
| CPs - Commercial Papers | IMF - International Monetary Fund |
| CR - Change Request | IIP - International Investment Position |

List of Abbreviations

| | |
|--|---|
| IRMC - Integrated Risk Management Committee | RAS - Risk Appetite Statement |
| IT - Information Technology | RBI - Reserve Bank of India |
| JDs - Job Descriptions | REER - Real Effective Exchange Rate |
| KMP - Key Managerial Personnel | RDA - Road Development Authority |
| KRI - Key Risk Indicators | RLAR - Regulatory Loss Allowance Reserve |
| KYC - Know Your Customer | ROA - Return on Assets |
| KRP - Key Responsible Personnel | ROC - Registrar of Companies |
| LAF - Liquidity Assistance Facility | ROE - Return on Equity |
| LFCs - Licensed Finance Companies | RFR - Risk-free Interest Rate |
| LGDs - Loss Given Default | RPA - Robotic Process Automation |
| LKAS - Sri Lanka Accounting Standards | RPO - Recovery Point Objective |
| LKR - Sri Lankan Rupee | RPTRC - Related Party Transactions Review Committee |
| LMFCs - Licensed Microfinance Companies | Rs - Rupees |
| LTECL - Lifetime Expected Credit Loss | RTO - Recovery Time Objective |
| MFIs - Microfinance institutions | SCAP - Softlogic Capital PLC |
| MIS - Management Information System | SDFR - Standing Deposit Facility Rate |
| Mn - Million | SDR - Special Drawing Rights |
| NBFIs - Non-Banking Financial Institutions | SEC - Securities & Exchange Commission |
| NCG - Net Credit to Government | SFP - Softlogic Finance PLC |
| NCPI - National Consumer Price Index | SID - Senior Independent Director |
| NDA - Net Domestic Assets | SLCs - Specialized Leasing Companies |
| NDB - National Development Bank | SLFR - Standing Lending Facility Rate |
| NFA - Net Foreign Assets | SLFRS - Sri Lanka Financial Reporting Standards |
| NED - Non-executive directors | SLT - Sri Lanka Telecom |
| NFC - Non-Financial Corporations | SLSAE - Sri Lanka Standard on Assurance Engagements |
| NGOs - Non-Governmental Organization | SME - Small and Medium-sized Enterprise |
| NPA - Non- Performing Assets | SOBES - Credit to State-Owned Business Enterprises |
| NPL - Non- Performing Loans | SSCL - Social Security Contribution Levy |
| NII - Net Interest Income | T-Bill Rate - Treasury Bill Rate |
| NIM - Net Interest Margin | TOR - Terms of Reference |
| OCI - Other Comprehensive Income | US - United States |
| OMOs - Open Market Operations | USAID - United States Agency for International Development |
| OPA - Organization of Professional Associations | USD - United States Dollar |
| PAT - Profit / (Loss) After Tax | VAT - Value Added Tax |
| PBOC - People's Bank of China | WA - weighted average |
| PBT - Profit / (Loss) Before Tax | WAYR - Weighted Average Yield Ratio |
| PCA - Prompt Corrective Action | WHO - World Health Organization |
| PDs - Probability of Default | WHT - Withholding Tax |
| PLC - Public Listed Company | |
| POCI - Purchased or originated credit | |

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 Of 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
E-mail : 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. H. K. Kaimal
- Mr. R.J. Perera
- Mr. C. Kalupahana
- Mr. V.B. Nanayakkara
(Appointed w.e.f. 02nd May 2024)
- Mr. H.S.S. Dabare
- Mr. N.C.A. Abeyesekera
(Appointed w.e.f. 23rd October 2024)

Secretaries

M/s. Softlogic Corporate Services (Pvt) Ltd

Auditors

M/s. Ernst & Young
Chartered Accountants

Legal Advisors to the Company

M/s. 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 17th Annual General Meeting of **SOFTLOGIC FINANCE PLC** will be held on Tuesday, the 30th September 2025 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 2025 together with the Report of the Auditors thereon.
- (2) To re-elect Mr. H. K. Kaimal who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.
- (3) To re-elect Mr. C. Kalupahana 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. N. C. A. Abeyesekera in terms of Article 97 of the Articles of Association, as a Director of the Company
- (5) To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.
- (6) To authorise the Directors to determine and make donations for the year ending 31st March 2026 and up to the date of the next Annual General Meeting.

By Order of the Board,
SOFTLOGIC FINANCE PLC

(Sgd.)

SOFTLOGIC CORPORATE SERVICES (PVT) LTD.

Company Secretaries

30th August 2025
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/Weof
 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.S. Dabare whom failing him
 Mr. V. B. Nanayakkara whom failing him
 Mr. C. Kalupahana whom failing him
 Mr. N. C. A. Abeyesekera whom failing him

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 Tuesday, the 30th September 2025 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 2025 together with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 1.2 To re-elect Mr. H. K. Kaimal who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 1.3 To re-elect Mr. C. Kalupahana who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 1.4 To appoint Mr. N. C. A. Abeyesekera in terms of Article 97 of the Articles of Association, as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 1.5 To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |
| 1.6 To authorise the Directors to determine and make donations for the year ending 31st March 2026 and up to the date of the next Annual General Meeting. | <input type="checkbox"/> | <input type="checkbox"/> |

Signed this day of Two Thousand Twenty-Five.

.....
 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 – 17th 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)(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 :





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