UNLOCKING POTENTIAL FOR GROWTH

Assetline Finance Limited

Annual Report 2023/24

ASSETLINE
Assetline Finance Limited

Assetline Finance Limited

UNLOCKING POTENTIAL FOR GROWTH

At Assetline Finance, we are much more than a financial services company, but a partner in progress who is deeply invested in the welfare of the people that we serve. We are committed to understand the unique challenges by providing personalised financial services to elevate the aspirations of our stakeholders. We measure our success by the positive impact that we have on people's lives.
As we expand our presence we remain steadfast in our commitment to deliver sustainable and inclusive growth.

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In an industry that is rapidly evolving and increasingly competitive, our commitment to customer-centric innovation remains steadfast.

Review of the Chief Executive Officer

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In the financial year 2023/24, we achieved strong financial performance, with net interest income reaching Rs. 6.7 billion, up by 96% compared to 2022/23.

VISION

To be the preferred financial service organization, which provides innovative, trustworthy, and proactive experiences that enrich the livelihood and lifestyle of the individuals and assists entrepreneurism.

MISSION

- **Maximize the stakeholder value by capturing opportunities in the financial services industry through an inspired and dedicated team that is committed to excellence.**
- **Develop a highly skilled workforce capable of working with team spirit and a high degree of professionalism and commitment.**
- **Conduct all transactions through well-established systems and processes; sound ethical practices and ensure complete transparency in all aspects of the business.**
- **Adopt modern and innovative technology for better customer convenience and pursue continuous improvements.**

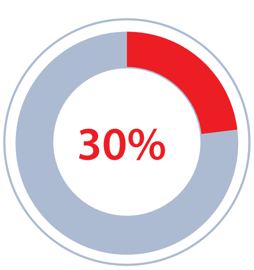
FINANCIAL HIGHLIGHTS

Indicator	2023/24	2022/23	Growth
Operating Performance (Rs. Mn)			
Gross Income	**10,351**	7,992	30%
Interest Income	**9,938**	7,845	27%
Net Interest Income	**6,680**	3,414	96%
Profit Before Tax	**2,122**	285	644%
Profit After Tax	**1,288**	905	42%
Total Comprehensive Income	**2,537**	995	155%
Financial Position (Rs. Mn)			
Total Assets	**37,416**	33,598	11%
Lease & Loan Receivables	**29,210**	26,000	12%
Due to Depositors	**681**	201	238%
Borrowings	**20,741**	21,066	-2%
Equity	**13,896**	11,359	22%
Investor Related Information			
Earnings Per Share (Rs.)	**9.62**	6.76	42%
Net Assets Value Per Share (Rs.)	**103.73**	84.79	22%
Regulatory Ratios (%)			
Tier 1 Capital Adequacy Ratio (Minimum 8.5%)	**32.8%**	29.4%	
Total Capital Adequacy Ratio (Minimum 12.5%)	**32.8%**	30.4%	
Capital Funds to Deposit Liabilities Ratio (Minimum 10%)	**1844.8%**	5597.7%	
Liquidity Ratio (Minimum 10%)	**33.1%**	24.6%	
Ratios on Performance (%)			
Return on Assets	**3.6%**	2.8%	
Return on Equity	**10.2%**	8.0%	
Net Interest Margin (NIM)	**19.8%**	10.9%	
Cost to Income Ratio	**37.8%**	60.3%	
Ratios on Portfolio Quality (%) *			
Gross Stage 3 Loans Ratio	**11.2%**	21.5%	
Net Stage 3 Loans Ratio	**7.3%**	15.5%	
Net Stage 3 Loans to Core Capital Ratio	**18.1%**	41.2%	
Stage 3 Impairment Coverage Ratio	**37.7%**	32.7%	
Total Impairment Coverage Ratio	**6.6%**	9.1%	

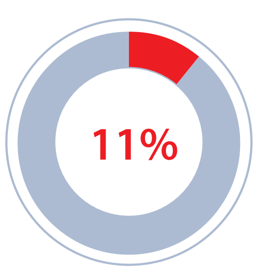
** The Company, in line with the Central Bank of Sri Lanka (CBSL) guidelines, implemented the DPD 90 defaulting point, effective from 01.04.2023. Accordingly, the financial figures for the current reporting period is presented in accordance with the DPD 90 criteria, while the comparative figures as of 31.03.2023 adhere to the DPD 120 criteria*

GROWTH MOMENTUM

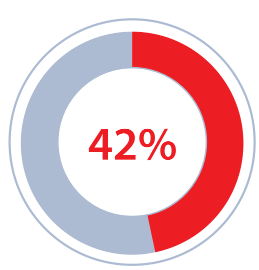
Gross Income



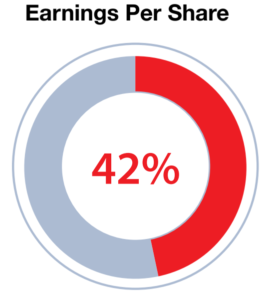
Total Assets

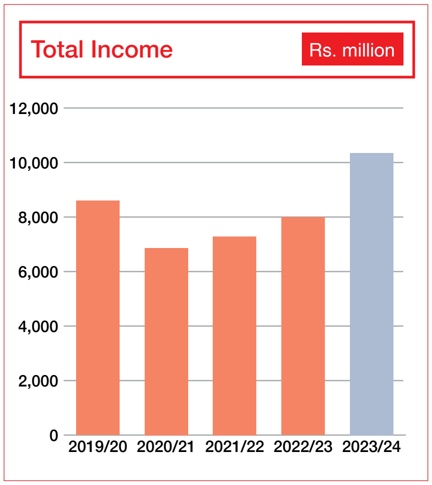


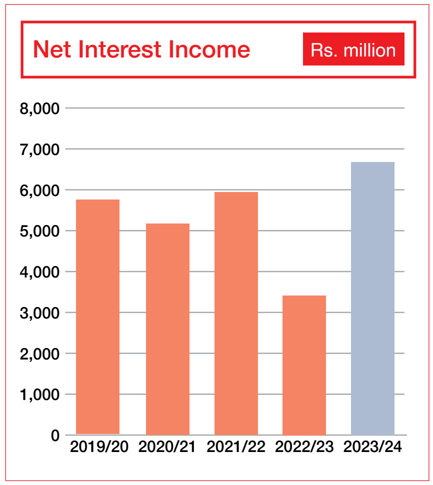
Profit After Tax

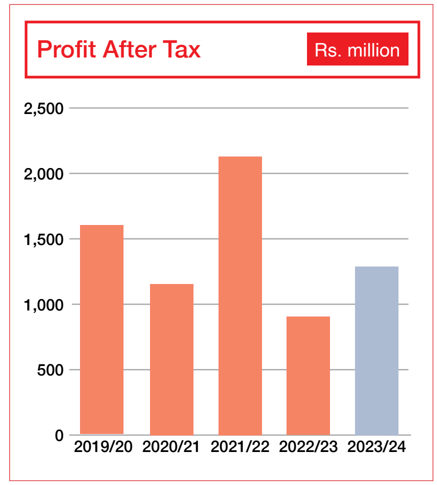


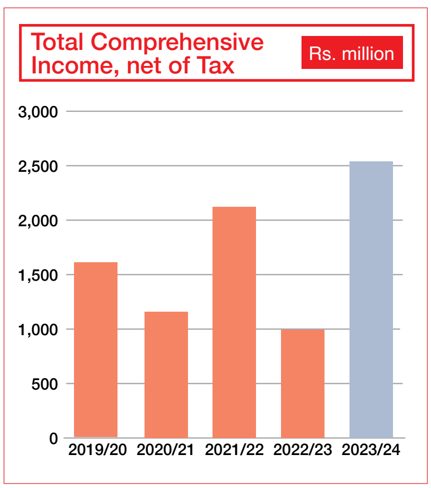
Earnings Per Share

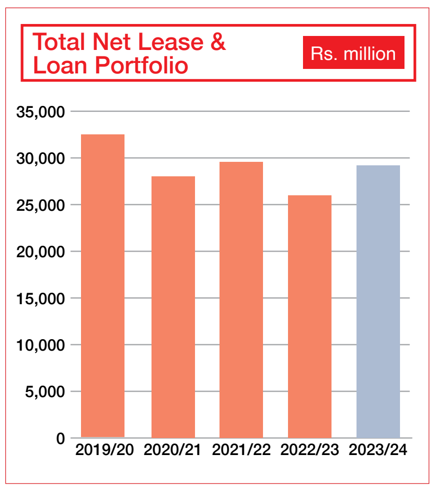


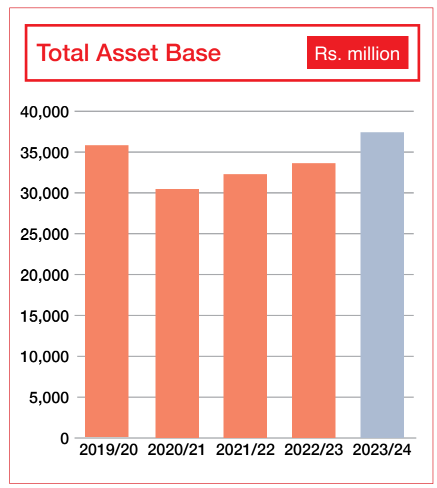

Total Income
Rs. million
12,000
10,000
8,000
6,000
4,000
2,000
0
2019/20
2020/21
2021/22
2022/23
2023/24

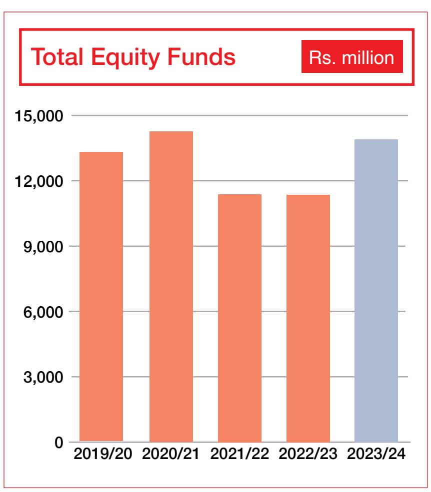

Net Interest Income
Rs. million
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2019/20
2020/21
2021/22
2022/23
2023/24

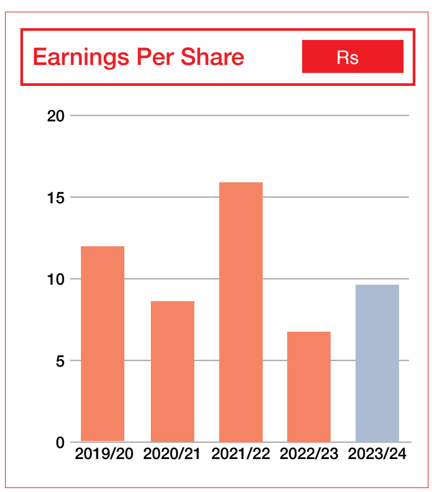

Profit After Tax
Rs. million
2,500
2,000
1,500
1,000
500
0
2019/20
2020/21
2021/22
2022/23
2023/24

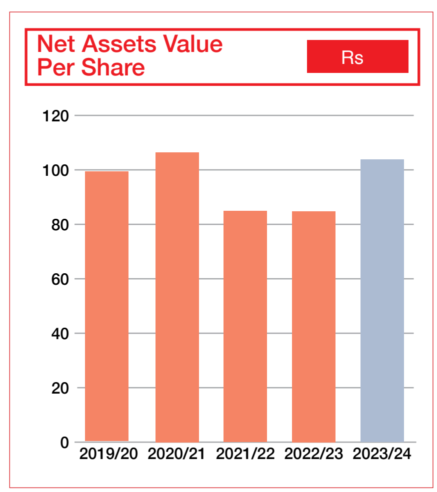

Total Comprehensive Income, net of Tax
Rs. million
3,000
2,500
2,000
1,500
1,000
500
0
2019/20
2020/21
2021/22
2022/23
2023/24


Total Net Lease & Loan Portfolio
Rs. million
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
2019/20
2020/21
2021/22
2022/23
2023/24


Total Asset Base
Rs. million
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
2019/20
2020/21
2021/22
2022/23
2023/24


Total Equity Funds
Rs. million
15,000
12,000
9,000
6,000
3,000
0
2019/20
2020/21
2021/22
2022/23
2023/24


Earnings Per Share
Rs
20
15
10
5
0
2019/20
2020/21
2021/22
2022/23
2023/24


Net Assets Value Per Share
Rs
120
100
80
60
40
20
0
2019/20
2020/21
2021/22
2022/23
2023/24

Delivering financial inclusivity

Powered by the strength of our parent company, we are geared to provide a wide spectrum of financial services to serve the evolving needs of our stakeholders.

1 AFL JOURNEY

ASSETLINE JOURNEY & KEY MILESTONES

2023
- Expanded branch network to 56
- Introduced Assetline Green Loan & Home Plus Loans
- Rated A- (Stable) by Lanka Rating Agency

2022
- **Obtained Finance business license and renamed as Assetline Finance Limited**
- Introduced Asset Draft and "Liya Diriya"
- Expanded branch network to 55.

2021
- Expanded branch network to 54.
- Recognized at SLIM People's Awards
- Partnered with Cargills Food City to accept repayment at their branches

2019
- Declared as an Approved Credit Agency'

2018
- Expanded branch network to 52
- Introduced Trade Finance

2017
- Awarded ISO 9001:2015
- Expanded branch network to 50.
- Introduced Wedding Loans & Factoring

2016
- Introduced Sisudiriya Education Loans

2014
- **Under the direction of the Central Bank of Sri Lanka, acquired Lisvin Investments Ltd**
- **Introduced Assetline easy pay machines for customer convenience**

2013
- Expanded branch network to 43
- Development finance product diversification

2012
- Expanded branch network to 38

2011
- Expanded branch network to 34

2010
- Relocated to new headquarters in Battaramulla
- Expanded branch network to 28

2009
- opened 25th branch

2008
- **Successfully concluded the first lease securitisation**

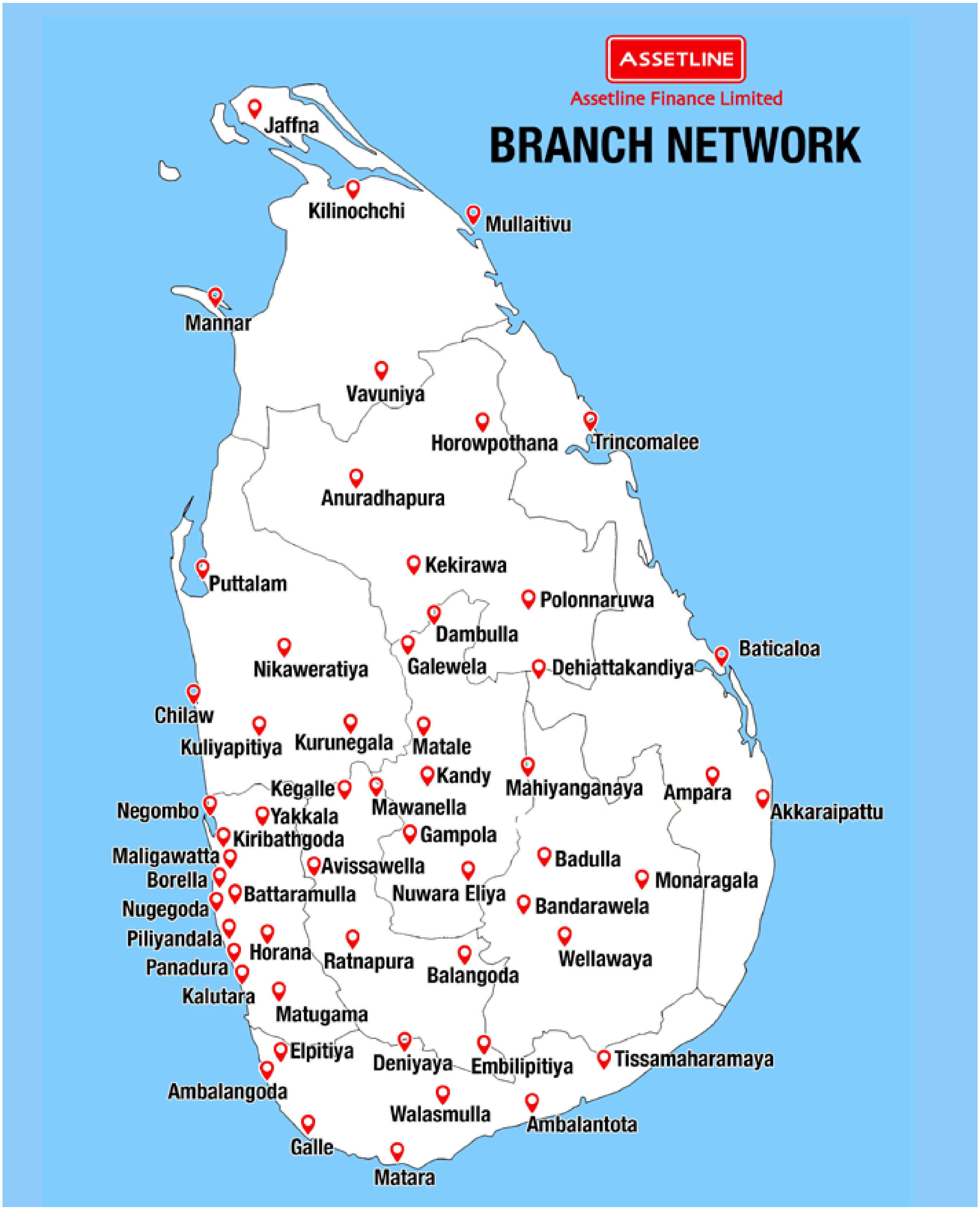
2005
- Market leader in the Motorcycle and Three-Wheeler Leasing

2003
- Assetline Leasing Company Limited incorporated and registered with the Central Bank of Sri Lanka as a Finance Leasing Establishment
- Commenced operations in Colombo and Kandy

BRANCH NETWORK

	Branch	Address	TP No.
1.	Akkaraipattu	Main Street, Akkaraipattu 02	0674 700 100
2.	Ambalangoda	No. 24, Urawatte, Galle Road, Ambalangoda	0914 700 120
3.	Ambalanthota	No. 173/2, Tangalle Road, Thawaluwila, Ambalantota	0474 700 111
4.	Ampara	No. 461, Sadasiri Building, D.S.Senanayaka Street, Ampara	0634 700 100
5.	Anuradhapura	No. 394/7, Harischandra Mawatha, Anuradhapura	0254 700 100
6.	Awissawella	No. 35/1/1, Kudagama Road, Awissawella	0364 700 100
7.	Badulla	No.30, Race Course Road, Badulla	0554 700 111
8.	Balangoda	No. 86/A, Barns Rathwaththe Mawatha, Balangoda	0454 700 111
9.	Bandarawela	No. 505, Badulla Road, Bandarawela	0574 700 100
10.	Batticaloa	No. 60B, New Road, Batticaloa	0654 700 100
11.	Borella	No. 243, Ward Place, Colombo 08	0117 622 522
12.	Chilaw	No. 66, Puttalam Road, Chilaw	0324 700 101
13.	Dambulla	No. 353/A, Matale Road, Dambulla	0664 700 101
14.	Dehiattakandiya	No. 27/E, Shopping Complex, Dehiattakandiya	0274 700 100
15.	Deniyaya	No. 152/B, Akuressa Road, Deniyaya	0414 700 111
16.	Elpitiya	No. 117/B, Ambalangoda Road, Elpitiya	0914 700 110
17.	Embilipitiya	No. 168/A, New Town, Embilipitiya	0474 700 100
18.	Galewela	No. 87, Matale Road, Galewela	0664 700 111
19.	Galle	No. 12/1, Sri Dewamitta Mawatha, China Garden, Galle	0914 700 100
20.	Gampola	No. 133, 135 Nuwaraeliya Road, Gampola	0814 700 101
21.	HQ (Battaramulla)	No. 120, 120A, Pannipitiya Road, Battaramulla	0114 700 100
22.	Horana	No. 257, Rathnapura Road, Horana	0344 658 180
23.	Horowpathana	No. 88, Main Street, Horowpothana	0254 700 101
24.	Jaffna	No. 61, Palali Road, Jaffna	0214 700 100
25.	Kaluthara	No. 425, Galle road, Kalutara North, Kalutara	0344 700 101
26.	Kandy	No. 249/B, Katugastota Road, Kandy	0814 658 252
27.	Kegalle	No. 364, Colombo Rd, Ranwala, Kegalle	0354 700 100
28.	Kekirawa	No. 20, Yakalla Road, Kekirawa	0254 700 111
29.	Kilinochchi	A9 Road, Karadipokku Junction, Kilinochchi	0214 700 101
30.	Kiribathgoda	No. 161/5/F, Makola Road, Kiribathgoda	0114 500 860
31.	Kuliyapitiya	No. 272, Madampe Road, Kuliyapitiya	0374 700 101
32.	Kurunegala	No. 226, Puttalam Road, Kurunegala	0374 700 100
33.	Mahiyanganaya	No. 102A, Padiyathalawa Road, Mahiyanganaya	0554 700 100
34.	Maligawatta	No. 251, Sri Saddarma Mawatha, Maligawatta, Colombo-10	0114 658 000
35.	Mannar	No. 37, Thalvupadu Road, Mannar	0234 700 100
36.	Matale	No. 75, Kandy Road, Matale	0664 700 100
37.	Matara	No. 234/A, Anagarika Dharmapala Mawatha, Matara	0414 658 365
38.	Mathugama	No. 191/193, Agalawatta Road, Mathugama	0344 700 100
39.	Mawanella	No. 296, Kandy Road, Mawanella	0354 700 101
40.	Monaragala	No. 470, Hulandawa Junction, Monaragala	0554 700 101
41.	Mullaitivu	Beach Road, Mullaitivu	0214 700 111
42.	Negombo	No. 394, Colombo Road, Negombo	0314 700 100
43.	Nikawaratiya	No. 81, Maho Road, Nikaweratiya	0374 700 111
44.	Nugegoda	No. 189, 189 1/1, Stanley Thilakarathna Mawatha, Nugegoda	0114 729 302
45.	Nuwara Eliya	No.72, Tharanga Building, Park Road, Nuwaraeliya	0524 700 100
46.	Panadura	No. 519, Galle Road, Panadura	0384 700 100
47.	Piliyandala	No. 168/A, Colombo Road, Piliyandala	0114 658 463
48.	Polonnaruwa	No. 142/5, Tamasha Place, Polonnaruwa	0274 700 101
49.	Puttalam	No. 128/A, Kurunegala Road, Puttalam	0324 700 100
50.	Ratnapura	No. 222/2, Colombo Road , Ratnapura	0454 700 100
51.	Tissamaharama	No. 193/A, Hambanthota Road, Tissamaharama	0474 700 112
52.	Trincomalee	No. 503, 4th Mile Post, Kandy Road, Trincomalee	0264 700 100
53.	Vavuniya	No. 193/B, Station Road, Vavuniya	0244 700 100
54.	Walasmulla	No. 24, Pallekanda Road, Walasmulla	0474 700 101
55.	Wellawaya	No. 162, Monaragala Road, Wellawaya	0554 700 112
56.	Yakkala	No. 83, Kandy Road, Yakkala	0334 700 100

BRANCH NETWORK



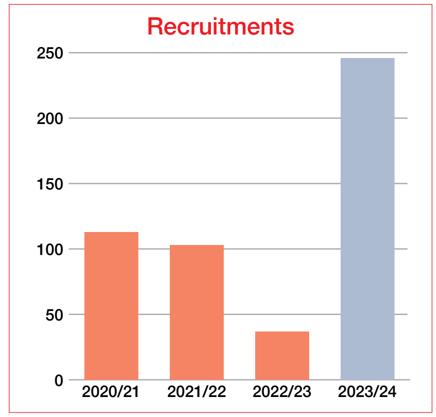
OUR PEOPLE

NURTURING TALENT: THE DRIVING FORCE BEHIND ASSETLINE FINANCE LIMITED

At Assetline Finance Limited, our success is built on the exceptional talent and commitment of our team. We recognise that our organisation's true strength comes from our people. In the ever-evolving financial landscape, we are dedicated to nurturing a culture that empowers our employees to thrive and propel our mission

Our Values

- ADD VALUE TO OUR STAKEHOLDERS
- A HIGH STANDARD OF SERVICE
- THE BEST FINANCIAL SOLUTIONS
- SYNERGISTIC TEAMWORK TO ACHIEVE THE ORGANIZATIONAL GOALS
- EFFICIENT UTILIZATION OF RESOURCES TO REACH GREATER HEIGHTS
- EFFICIENT RESPONSES TO ENVIRONMENTAL CHANGES
- BEST PRACTICES THROUGH A CULTURE OF TRANSPARENCY
- DISCIPLINE AS A RESPONSIBLE CORPORATE CITIZEN



Manpower Planning Aligned with Business Strategies

Effective manpower planning is essential to achieving our business objectives. In 2023/24, we strategically aligned our workforce planning with our growth targets. This comprehensive approach enabled us to manage our resources efficiently and meet the demands of our expanding operations.

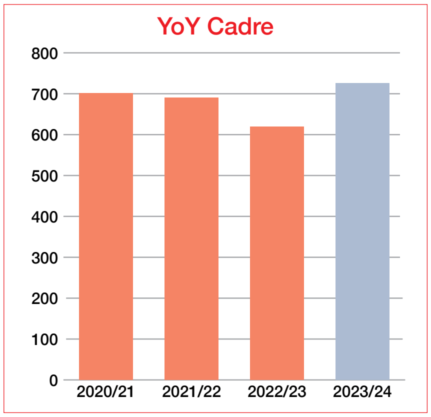
Recruitment: Strengthening Our Workforce

To support our ambitious business objectives, we launched a significant recruitment drive during the year. We successfully recruited 246 new staff members, bringing our year-end cadre to 726 employees. This infusion of new talent was critical in supporting our higher disbursement targets and facilitating our branch expansions. Our recruitment strategy focused on attracting diverse, high-caliber candidates who align with our company values and can contribute to our long-term success.

Further to develop the Employer brand and in support of our recruitment drive, we attended numerous job and career fairs at recognized universities/ professional bodies throughout the year. These events provided us with the opportunity to engage with talented students/ candidates, showcasing Assetline Finance as an employer of choice and identifying potential future leaders.

OUR PEOPLE

Cadre Statistics



Grade-wise cadre breakdown

Director	Management	Executive	Officer Grade	Clerical	Total
1	106	134	51	434	726

Gender-wise cadre breakdown

Female	Male
139	587
19%	81%

Service-wise cadre breakdown

Below 5 Yrs	5-9 Yrs	10-14 Yrs	15-19 Yrs	20-29 Yrs	30 & above Yrs	Total
346	203	141	25	10	1	726

Age-wise cadre breakdown

Below 20 Yrs	20 - 29 Yrs	30 - 39 Yrs	40 - 49 Yrs	50 - 59 Yrs	60 & above Yrs	Total
0	268	342	92	22	2	726

Performance Management: Driving Excellence

Our performance management system was further refined in 2023/24 to ensure continuous improvement and high performance. Key steps of our Performance Management process included:

- Annual KPI Setting: We established clear and measurable Key Performance Indicators (KPIs) for all employees, aligned with our strategic goals.
- Mid-Year Performance Reviews: Introduced to provide timely feedback and identify areas for development.
- Year-End KPI and Competency Appraisal: Comprehensive evaluations were conducted to assess performance and competencies.
- Implementation of Bell Curve: To rationalize performance grades and ensure fair and equitable assessments.

Training and Development: Investing in Our Future

We are committed to the continuous development of our employees. During the year 2023/24, we conducted 101 training programs, covering a broad range of areas including product training, credit evaluation, system training, soft skills development, technical skills, security and compliance. These programs accounted for a total of 9,480 training man-hours. By investing in our employees' growth, we enhance their skills and ensure they are well-equipped to meet the evolving needs of our business.

Further we were accredited as a Training Partner by the Chartered Institute of Management Accountants (CIMA) – UK which granted access to an extensive range of CIMA's learning material, certification courses, and training programs at discounted rates, significantly enhancing our training and development initiatives.

Succession Planning: Building Future Leaders

To ensure long-term success, we have identified and developed a robust succession pipeline. This strategic initiative prepares high-potential employees for future leadership roles, ensuring we have capable leaders ready to drive the company's success in the years to come. We also ensured full regulatory compliance and adhered to all labor laws.

Communication and Grievance Handling: Supporting Our Employees

Measures to support employee well-being and address grievances effectively included:

- Open Door Policy – we encourage employees to freely communicate their ideas, concerns, and feedback directly with management. By maintaining an open line of communication, we ensure that all voices are heard and that we can address issues promptly and effectively

- Whistle-Blowing Policy: Encouraged employees to report unethical behavior without fear of retaliation.

Compensation and Benefits: Rewarding Performance

We believe in recognizing and rewarding the hard work of our employees. Our compensation and benefits strategy in 2023 included:

- Performance-Based Pay: To reward high performers and motivate continuous improvement.

- Incentive Schemes: Introduced to drive productivity and achieve business targets.

- Participation in Salary Surveys: Ensured our compensation packages remain competitive and aligned with industry standards.

OUR PEOPLE

- Employee Counseling: Provided access to professional counseling services through an external expert, supporting mental and emotional well-being.

Employee Engagement: Fostering a Positive Culture

Creating a positive and engaging work environment is a top priority. During the year, we organized various employee engagement activities, including:

- Sports Initiatives: Participated in many mercantile-level and inter-company sports events.

- Staff Get-Togethers: Hosted events to build camaraderie and strengthen team bonds.

- New Year Celebrations: Marked the start of the year with festivities that brought employees together to celebrate and set a positive tone for the year ahead.

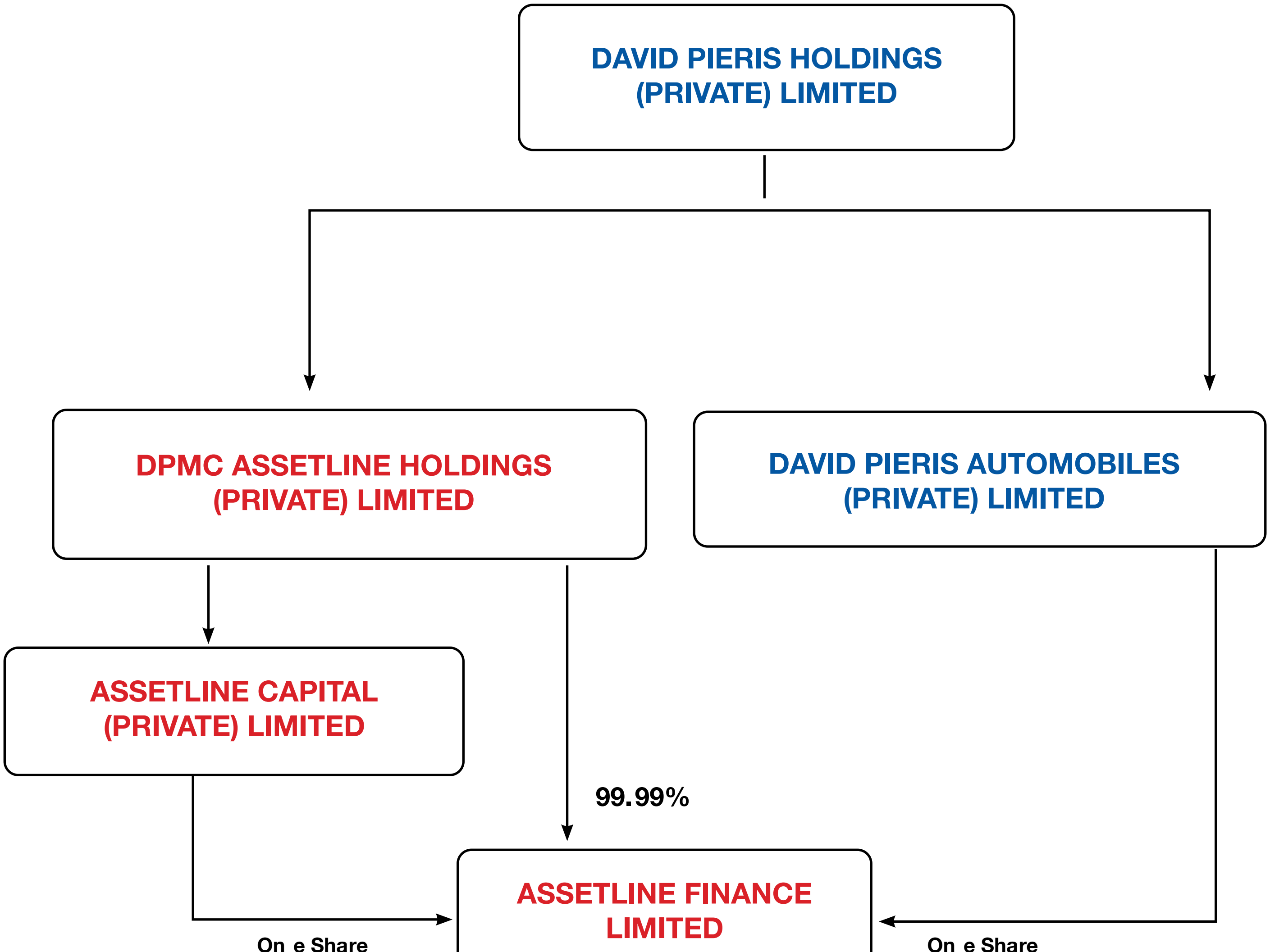
- Women's Day Celebrations: Recognized and celebrated the contributions of our female employees with a surprise gift.

- Christmas Carols: Brought the holiday spirit to life with caroling sessions, creating a festive and joyous atmosphere.

Looking Ahead

As we move forward, Assetline Finance Limited remains dedicated to creating a workplace where our people can thrive. We will continue to invest in our employees, fostering a culture of excellence, innovation, and inclusivity. By empowering our people, we are confident that we will achieve our strategic goals and continue to deliver exceptional value to our clients and stakeholders.

OWNERSHIP STRUCTURE OF ASSETLINE FINANCE LIMITED



Charting the way

Our diverse and experienced leadership team guides the Company towards its strategic direction.

2

OUR LEADERSHIP

In an industry that is rapidly evolving and increasingly competitive, our commitment to customer-centric innovation remains steadfast.

Chairman
Assetline Finance Limited

LEADERSHIP INSIGHTS
CHAIRMAN'S MESSAGE

Dear Stakeholders,

As we present the Financial Year 2023/24 annual report for Assetline Finance Limited (AFL), I am proud to reflect on our journey and the significant milestones we have achieved despite challenging external conditions. This year has been a period of resilience and growth for our Company, marked by significant achievements while navigating a dynamic financial landscape. As we successfully transitioned from a specialised leasing company to a finance company, our ability to drive growth and adapt to changing market dynamics remained steadfast, demonstrating our agility, innovation, and unwavering commitment to our stakeholders.

PERFORMANCE AND GROWTH

The operating environment continued to present various challenges due to macroeconomic pressures stemming from the country's external financing position. The Central Bank of Sri Lanka implemented strong policy measures to curb inflation, manage interest rates, and strengthen the currency. Furthermore, both direct and indirect tax rates were increased, along with fuel pricing adjustments and electricity tariffs. Foreign exchange liquidity pressures eased with the approval of the International Monetary Fund's Extended Fund Facility (IMF-EFF) in March 2023, continued restrictions on imports, and increased inflows from export proceeds, workers' remittances, and tourist earnings. The gradual easing of liquidity conditions supported the appreciation of the Sri Lankan Rupee and the stabilisation of the exchange rate during 2023/24.

Despite the various obstacles the industry faced, the Company was able to navigate these to deliver positive earnings and build resilience in the process. Our disciplined approach to risk management, coupled with strategic investments in technology and innovation supported this performance. We continue to invest in enhancing tools, techniques, and capabilities to ensure prudent handling of market and credit risk.

CUSTOMER CENTRICITY AND INNOVATION

In an industry that is rapidly evolving and increasingly competitive, our commitment to customer-centric innovation remains steadfast. While focusing predominantly on automotive financing, we launched new initiatives aimed at diversifying our portfolio and enhancing client satisfaction during this year under review. One of the most exciting developments has been our entry into the green loan market. Recognising the importance of sustainable finance, we have introduced green loan products to support environmentally responsible projects. These loans are designed to finance initiatives such as renewable energy installations and energy-efficient upgrades. Our commitment to green finance underscores our dedication to environmental stewardship and aligns with our broader corporate social responsibility goals.

Our products are tailored to meet the specific requirements of different client segments, offering competitive interest rates and flexible repayment options. We also continued to streamline our operations to adapt swiftly to the changing environment, resulting in improved efficiency and cost-effectiveness, positioning us well for the future.

SOCIAL RESPONSIBILITY

Our commitment to sustainability and social responsibility remained unwavering during the year. In addition to our green loan products, we launched several initiatives aimed at reducing our environmental impact and promoting social equity. Our dedication to these principles not only reflects our values but also resonates deeply with our clients and stakeholders, reinforcing our reputation as a responsible and forward-thinking organisation.

The finance sector has always been a key catalyst in national progress and prosperity. As Sri Lanka recovers from a serious setback, AFL remains strongly committed to supporting this recovery momentum. The Company stepped up efforts to proactively support its customers in recovering from the crisis with customised financial and advisory assistance. As part of broader efforts to drive sustainable growth, the Company continued to leverage its capabilities to support Micro, Small, and Medium Enterprises (MSME) and women entrepreneurs.

As part of broader efforts to drive sustainable growth, the Company continued to leverage its capabilities to support Micro, Small, and Medium Enterprises (MSME) and women entrepreneurs.

GOVERNANCE MATTERS

Good governance is fundamental to our success and sustainability. This year, we have continued to strengthen our governance framework, ensuring that we uphold the highest standards of integrity, accountability, and transparency. Our Board of Directors and management team have worked diligently to implement robust policies and practices that promote ethical conduct and sound decision-making. I wish to confirm that the Company has not violated any of the provisions of the Code of conduct during the year under review.

I also confirm that we have enhanced our risk management processes, ensuring that the organisation is well-prepared to navigate through the complex and evolving regulatory landscape. By fostering a culture of compliance and ethical behaviour, we continue to reinforce the trust and confidence of our stakeholders.

PROPELLING FORWARD

We believe that the operating environment will continue to improve amidst Sri Lanka's recovery from the economic crisis. While staying ahead of our game, we remain optimistic about the economy's medium and long-term prospects given the ongoing reforms initiated by the Government. Amidst this backdrop, we will continue to monitor both opportunities and challenges closely, ensuring that all strategies are expedited to elicit better rewards and justify costs. By redefining our strategies and focusing on the future with a proactive mindset, we aim to drive consistent growth and value for our stakeholders.

APPRECIATIONS

I wish to thank my fellow Board members for their invaluable contribution in guiding AFL along a consistent and stable growth trajectory. I deeply appreciate the dedication and hard work of our employees, steered by Director & CEO Ashan Nissanka, whose contributions propelled the organisation to achieve sustainable growth and end the year on a promising and positive note. I also take this opportunity to thank our investors, customers, and business partners for their invaluable support, confidence, and trust in us as we look ahead to another successful year. In conclusion, I wish to convey my appreciation for the guidance and support provided by the officials of the Central Bank of Sri Lanka. Together, we will continue to drive forward, building a brighter and more prosperous future for all.

Rohana Dissanayake
Chairman

11 June 2024

In the financial year 2023/24, we achieved strong financial performance, with net interest income reaching Rs. 6.7 billion, up by 96% compared to 2022/23.

Chief Executive Officer
Assetline Finance Limited

LEADERSHIP INSIGHTS

REVIEW OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Annual Report and Financial Statements for the financial year 2023/24. This year has been both exciting and inspiring for us at Assetline Finance Limited (AFL). With our leadership's direction, the team's passion and rigor, and strong operational execution, we met our financial ambitions, including strong growth and improved profitability. Our roots as a specialised leasing company have provided us with a solid foundation. This expertise has been instrumental in our growth and success over the years. During the year under review, we focused on transitioning to a full-fledged finance company while positioning ourselves to meet the diverse and dynamic needs of our clients in today's fast-paced market. Despite numerous challenges from the external environment, we not only achieved positive results but also emerged stronger and more unified.

UNLOCKING POTENTIAL

In spite of the challenging macro-economic environment, we remained focused on delivering an exceptional experience to our customers. AFL has always been a leader in facilitating first and last-mile transportation. During the financial year, we made great strides in executing our strategy and investing for profitable growth. We continued to focus on operational excellence, making our customers more successful with expanded offerings and value-added services.

During the year under review, we successfully fulfilled the borrowing needs of a wide range of customer segments, with particular emphasis on supporting Micro, Small, and Medium Enterprises (MSME) with working capital and equity finance schemes against asset-backed collaterals. We also paid special attention to customers needing assistance in the aftermath of the pandemic and the economic crisis, ensuring their survival as viable businesses. Enhancing financial inclusiveness was a major part of our strategic agenda. Aligning with our commitment to deliver exceptional service and personalised financial solutions to a broader clientele, we expanded our branch network with an additional branch, bringing our total branch count to 56.

REPORTING STRONG FINANCIAL PERFORMANCE

In the financial year 2023/24, we achieved strong financial performance, with net interest income reaching Rs. 6.7 billion, up 96% compared to 2022/23. Total operating income increased by 99% to Rs. 7.1 billion, largely driven by higher interest income, which surpassed Rs. 9.9 billion, due to asset growth and interest margin improvement. Operating expenses grew at a lesser rate than income, as we maintained cost discipline and continued investments to raise productivity and deliver operational efficiencies.

Profit after tax rose by 42% to reach Rs. 1.3 billion compared to the same period last year. Return on equity of 10.2% was 2.2% above 2022/23, while earnings per share rose by 42% to Rs.9.6.

Our lease & loan portfolio witnessed substantial growth during the year under review, growing by 9% from Rs. 28.7 billion in FY 2022/23 to Rs. 31.4 billion as of March 31, 2024. This stands as a testament to the efficacy of our strategy to focus on sustainable and inclusive lending. Furthermore, this reflects confidence in our brand and endorses our commitment to long-term economic stability and social well-being through lending activities. We emphasised maintaining a high-quality asset portfolio through stringent risk management practices. Our non-performing assets (NPA) ratio remains low at 7.3%, underscoring our commitment to responsible lending and asset management.

Strong funding, liquidity, and capital positions were maintained throughout the year, with total capital adequacy ratios standing at 32.8% at year-end, well above the statutory requirement. This provides us with continued flexibility to pursue growth opportunities and buffer for any uncertainties.

STRENGTHENING OUR CAPABILITIES

We recognise that our employees are our greatest asset and biggest contributor to our success, and we continue to support them to achieve their best. During the Financial Year 2023/24, we introduced several transformation activities, including a management development program designed to sharpen and strengthen the leadership skills required for the transition to a finance company.

We remain committed to fostering a workplace culture that inspires collaboration, empowers individuals, and cultivates the importance of diversity, equity, and inclusion. A key focus has always been to attract and retain the right talent, which was even more imperative with the talent outflow the industry and country faced during the year under review.

CREATING ENDURING LEGACIES FOR OUR COMMUNITIES

As we strive to be a force for positive change in the communities we serve, our commitment to corporate social responsibility and sustainable practices continues to be integral to our vision of being the preferred financial service organisation in the markets we serve. Our approach to community engagement is holistic and multifaceted, focusing on initiatives that drive meaningful and lasting impact. By providing access to capital and expert guidance, we continued to empower local businesses to grow and thrive, creating jobs and boosting rural economies.

Our 'Deshayata Jawayak' CSR initiative continued throughout the year, supporting the enhancement of financial literacy and management for small and medium-scale entrepreneurs. The 'Liya Diriya' programs, conducted to encourage female empowerment and entrepreneurship through mobility, also continued. We strongly believe that our success is intrinsically linked to the well-being of the communities we serve, and we place special emphasis on uplifting these communities. We continued to strengthen our commitment to integrating sustainable practices into our operations, including reducing our carbon footprint through energy-efficient technologies, promoting paperless transactions, and responsible waste management within our offices. We are also transiting to a paperless work environment, improving operational efficiencies and reducing environmental impact.

Through organised volunteer programs, our employees contribute their time and skills to various causes, from environmental clean-ups to mentoring youth. Further details of our sustainability initiatives are available on pages 94 to 97.

PROGRESSING AHEAD

Our commitment to financing common man's vehicles, encouraging entrepreneurship, and developing small and medium-scale industries through leasing of vehicles and equipment has not just been the hallmark of the Company's success but also a vital catalyst for rural development. Our understanding of the market, our ability to develop relevant products, and the commitment of our people have helped us stand the test of time. As we look to the future, we are optimistic about the opportunities that lie ahead.

We remain committed to our strategic vision of innovation, trust, and proactive experiences to enrich the livelihood and lifestyle of individuals and assist entrepreneurship. Our talented team, strong financial foundation, and unwavering commitment to our clients position us well to overcome challenges and seize the opportunities presented in the coming years. Additionally, our ongoing efforts in process automation will further increase efficiency, enabling us to serve our clients even better.

CLOSING THOUGHTS

I am proud of our performance delivered by an exceptional team and am convinced that FY 2024/25 will bring a wealth of possibilities for us to keep transforming. While the macroeconomic and geopolitical environments are fluid, our business is well-rooted and resilient, and I trust in our ability to navigate with agility, vigilance, and discipline.

We remain steadfast in our efforts to create a more sustainable future for our teams, our clients, our communities, and the industry as a whole.

In closing, I wish to extend my sincere appreciation to our Chairman and the Board of Directors for their guidance and stewardship of the Company. I also extend my heartfelt gratitude to my management team and all employees for their commitment and dedication to living up to our values and supporting the growth of the Company.

I thank the officials of the Central Bank of Sri Lanka for their continued support and guidance. I also acknowledge the support of our many stakeholders - customers, shareholders, suppliers, and business partners. I am immensely proud of what we have accomplished together, and as we look ahead, our focus remains on unlocking further potential for growth through continuous innovation and commitment to excellence.

Ashan Nissanka
Director & Chief Executive Officer

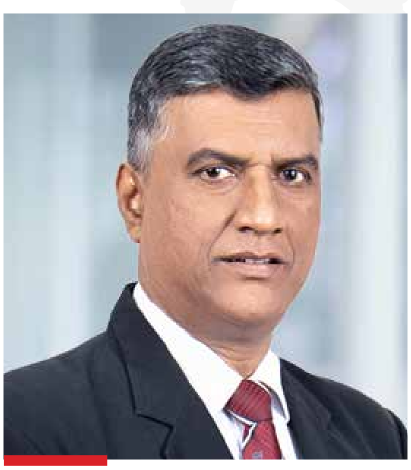
11 June 2024

BOARD OF DIRECTORS

Director's Attendance at Board Meetings during the FY 23/24

Name of Director	Date of Board Meetings						
	19/04/2023	18/05/2023	14/06/2023	23/06/2023	12/07/2023	16/08/2023	07/09/2023
Mr. D.M.R.K. Dissanayake	√	√	√	√	√	E	√
Mr. S.L. Athukorala	√	√	√	√	√	√	√
Mr. A. Nissanka	√	√	√	√	√	√	N/A
Ms. R.M.A.S. Parakrama	√	√	√	√	√	√	√
Mr. J. Durairatnam	√	√	√	√	√	√	√
Mr. W.M.P.L. De Alwis	√	√	√	√	√	√	√
Mr. K.A.H. Kuruppu	√	√	√	√	√	√	√
Mr. M.R. Mohamed (Resigned on 30th June 2023)	E	√	√	√	N/A	N/A	N/A
Total	7/8	8/8	8/8	8/8	7/7	6/7	6/6

DIRECTORS PROFILES



MR. ROHANA DISSANAYAKE

Non-Independent Non-Executive Chairman

Mr. Rohana Dissanayake was appointed to the Board as Non-Independent Non-Executive Director on 15 May 2019, and appointed as Non-Independent Non-Executive Chairman on 01 October 2019.

Mr. Dissanayake possesses over 32 years of experience with the David Pieris Group of Companies. He commenced his career with the David Pieris Motor Company Limited and has since grown with the Company gaining extensive experience in diversified industries including motor, financial services, property development & trading, logistics, IT & Digital, racing, leisure, organic agricultural export, and distribution of electronic and electrical items.

He is the Group Chairman & Managing Director of the David Pieris Group of Companies and holds director and chairmanships of several group companies. During his career he has served the Company for 9 years as an Executive Director (2006 to 2015) and as Non-Independent Non-Executive Director (2015-2017).

Mr. Dissanayake holds a master's in business administration (MBA) from the University of Edith Cowan Perth, Australia.

								Total
07/09/2023	06/10/2023	15/11/2023	13/12/2023	10/01/2024	15/02/2024	15/02/2024:	13/03/2024	15
√	√	√	E	√	√	√	√	13/15
√	√	√	√	√	√	√	√	15/15
√	√	√	√	√	√	N/A	√	13/13
√	√	√	√	√	√	√	√	15/15
√	√	√	√	√	√	√	√	15/15
√	√	√	√	√	√	√	√	15/15
√	√	√	√	√	√	√	√	15/15
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3/4
7/7	7/7	7/7	6/7	7/7	7/7	6/6	7/7	

MR. LAKSHMAN ATHUKORALA

Senior Independent Non-Executive Director

Mr. Lakshman Athukorala was appointed to the Board as Independent Non-Executive Director on 18 October 2017, and appointed as Senior Independent Non-Executive Director on 01 October 2019.

Mr. Athukorala is a renowned chartered accountant who possesses over 45 years of experience in the fields of management, human resources, accountancy, auditing, consultancy and finance. His experience includes 40 years in senior managerial positions in Sri Lanka and overseas.

Presently he is a Director of Talawakelle Tea Estate PLC and Hayleys Consumer Products Limited. He is the Chairman-Independent Oversight Advisory Committee of the United Nations Industrial Development Organization, Vienna, Austria. He is also a member of Audit Advisory Committee of UNICEF, New York. He also serves as the Chairman of the Audit Committee at David Peiris Holdings (Private) Limited.

He holds a Master of Business Administration (MBA) from University of Warwick Business School Warwickshire, UK, a Postgraduate Diploma in Business and Financial Administration (PG Dip BFA) from University of Wageningen Holland. He is also a Fellow of Chartered Institute of Management Accountants (FCMA), Fellow of The Institute of Chartered Accountants (FCA) and a Certified Management Accountant (CMA).

MR. ASHAN NISSANKA

Director & Chief Executive Officer

Mr. Ashan Nissanka was appointed to the Board as Director & Chief Executive Officer on 01 February 2021.

Having started his career as a banker in a leading commercial Bank in Sri Lanka, he shifted to LOLC Group & David Pieris Group respectively. Ashan previously held the positions of Director & CEO for LOLC Finance PLC, Sri Lanka and Regional Director – International Operations (Philippines & Africa) at LOLC Holdings PLC where he held Directorships in LOLC Bank-Philippines, LOLC Finance Incorporation-Philippines, Finatrust Microfinance Bank-Nigeria and LOLC Finance Zambia.

Currently he is a Director of David Pieris Holdings (Private) Limited. He is a Director of the Finance House Association and a Council Member of the Sri Lanka Philippines Business Council and the Hon. President of the Institute of Certified Management Accountants Australia and New Zealand (CMA, ANZ).

BOARD OF DIRECTORS

Ashan is a Fellow of the Chartered Institute of Management Accountants (CIMA-UK), Fellow of the Chartered Institute of Marketing (FCIM-UK) and a Fellow of the Institute of Credit Management (ICM-SL). He is also a Certified Management Accountant of the Institute of Certified Management Accountants Australia and New Zealand (CMA, ANZ), and holds an Intermediate Banking Diploma from the Institute of Bankers of Sri Lanka (IBSL). Ashan is an Associate member of Sri Lanka Institute of Marketing (SLIM). Further, he holds an MBA from the Edith Cowan University, Western Australia.

MS. ROMANY PARAKRAMA

Non-Independent Non-Executive Director

Ms. Romany Parakrama was appointed to the Board as Non-Independent Non-Executive Director on 15 March 2017.

Ms. Parakrama counts over 27 years of experience in foreign banks both in Sri Lanka and Singapore and is an Accredited Credit & Risk Professional with both American Express Bank and Standard Chartered Bank PLC.

Ms. Parakrama is the Group Head of Corporate Communications of the David Pieris Group of Companies and serves on the boards of several companies of the David Peiris Group and also Chairs several Assetline Group Companies. She is a Director of the Lanka Alzheimer's Foundation.

Ms. Parakrama holds a Bachelor's Degree from Smith College, USA

MR. JEGATHEESAN DURAIRATNAM

Independent Non-Executive Director

Mr. Jegatheesan Durairatnam was appointed to the Board as Independent Non-Executive Director on 20 September 2018.

Mr. Durairatnam possesses extensive experience in banking having been with Commercial Bank of Ceylon PLC for 36 years serving several senior management positions culminating as its Managing Director and with DFCC Bank for 5 years as the Chairman. His experience covers all aspects of international trade, offshore banking, credit, and operations.

Presently he is a Director of Asian Hotels and Properties PLC, Ceylinco Life Insurance Limited and Enviro Solutions (Private) Limited.

Mr. Durairatnam holds a BSc. from the University of Peradeniya and an Executive Diploma in Business Administration from the University of Colombo.

MR. PRASANTHA LAL DE ALWIS

Independent Non-Executive Director

Mr. Prasantha Lal De Alwis was appointed to the Board as Independent Non-Executive Director on 13 May 2020.

Mr. De Alwis is an Attorney-At-Law and a President's Counsel. He is specialized in the spheres of criminal and family law. He is a visiting Lecturer at faculty of Law of the University of Colombo open university Sri Lanka and Sri Lanka Law college Strategic Studies.

Mr. De Alwis obtained his LLB and LLM from the University of Colombo, Sri Lanka. He holds a Diploma in Economic Diplomacy and a Postgraduate Diploma in International Affairs from the Bandaranaike International Training Institute of Sri Lanka, a Diploma in Marketing from the Chartered Institute of Marketing - United Kingdom, a Diploma in Forensic Medicine and Science from the Faculty of Medicine, University of Colombo, Sri Lanka. He is a Graduate of 9th JCI Academy in Japan.

MR. HESHANA KURUPPU

Non-Independent Non-Executive Director

Mr. Heshana Kuruppu was appointed to the Board as Non-Independent Non-Executive Director on 14 March 2022.

Mr. Kuruppu possess a wealth of experience and a prominent figure in the accounting and finance sector with a distinguished career spanning 24 years has played a pivotal role in various capacities across the corporate sector as

well as within the accounting profession both in Sri Lanka and overseas.

He served as the Group CFO at First Capital Group and thereafter was with the MAS Group for almost 10 years. He is the Group Finance Director of David Pieris Group and serves on several boards of the David Pieris Group of Companies.

He is the president of the Institute of Chartered Accountants of Sri Lanka, the incumbent President of the South Asian Federation of Accountants for 2024, a Board Member of the Sri Lanka Accounting & Auditing Standard Monitoring Board and is also a Commissioner at the Securities and Exchange Commission of Sri Lanka.

Mr. Kuruppu graduated with a First Class BSc in Accountancy (Special) from the University of Sri Jayewardenepura, Department of Accountancy and Financial Management. He continued his pursuit of knowledge by earning an MBA from the Postgraduate Institute of Management and a Master's in Financial Economics from the University of Colombo, Sri Lanka. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka (FCA).

MR. NANDA FERNANDO

Independent Non-Executive Director

Mr. Nanda Fernando was appointed to the Board as Independent Non-Executive Director on 10 April 2024.

Mr. Fernando is a Banker who possesses over 40 years of experience in Banking. He served Sampath Bank PLC for 36 years and retired as its Managing Director. He possesses professional skills in Financial Management and Analysis, Business Development and Growth, Risk Management and Compliance, Team Leadership and Talent Development, Operational Excellence, Stake Holder Engagement, and Relationship Management.

He is the Managing Director of Professional Business Consultants, a company engaged in providing financial planning and advisory services. He is also a Director of Haycarb PLC, Dipped Products PLC, Hatton National Bank PLC and Hayleys Fabric PLC.

He is a Senior Fellow of the Institute of Bankers Sri Lanka and possesses a Master of Business Administration from Sikkim Manipal University, India.

MR. RAMLI-MOHAMED

Non-Independent Non-Executive Director

Mr. Ramli Mohamed was appointed to the Board as Non-Independent Non-Executive Director on 13 March 2020 and resigned from the Company on 30th June 2023.

He counts over a decade in senior management positions with foreign banks in Sri Lanka and is an Accredited Credit Professional with Standard Chartered Bank. Mr. Mohamed is a financial consultant for several leading corporates in Sri Lanka, Asia Pacific and North America.

Mr. Mohamed holds a B. Com (Special) Degree from the University of Sri Jayewardenepura and is a Fellow of Chartered Institute of Management Accountants (FCMA).

BOARD OF DIRECTORS

OTHER POSITIONS HELD BY DIRECTORS

Mr. Dissanayake holds the following positions at present.

	Directorships	Designations	Nature of Appointment
1	Assetline Finance Limited	Non-Independent Non-Executive Chairman	Non-Executive
2	David Pieris Holdings (Private) Limited	Group Chairman & Managing Director	Executive
3	David Pieris Motor Company (Private) Limited	Chairman & Managing Director	Executive
4	David Pieris Automobiles (Private) Limited	Chairman & Managing Director	Executive
5	David Pieris Motor Company (Lanka) Limited	Chairman & Managing Director	Executive
6	DPMC Assetline Holdings (Private) Limited	Non-Executive Chairman	Non-Executive
7	Assetline Lands (Private) Limited	Non-Executive Chairman	Not Specified
8	Pulsar Shipping Agencies (Private) Limited	Non-Executive Chairman	Non-Executive
9	Pulsar Marine Services (Private) Limited	Non-Executive Chairman	Non-Executive
10	DP Logistics (Private) Limited	Non-Executive Chairman	Non-Executive
11	Pulsar Shipping Overseas PTE LTD (Company incorporated in Singapore)	Director	N/A
12	DP International Enterprises DMCC (Company incorporated in Dubai)	Director	N/A
13	Splendor General Trading DWC-LLC (Company incorporated in Dubai)	Director	N/A
14	DP Maritime Agencies (Private) Limited	Director	N/A
15	DP Shipping (Private) Limited	Director	N/A

Ms. Parakrama holds the following positions at present.

	Directorships	Designations	Nature of Appointment
1.	Assetline Finance Limited	Non-Independent Non- Executive Director	Non-Executive
2.	Bandaragama Go-Kart Racing Club	Director	Executive
3.	David Pieris Motor Company (Lanka) Limited	Director	Executive
4.	Assetline Insurance Brokers (Private) Limited	Non-Executive Chairperson	Non-Executive
5.	Assetline Capital (Private) Limited	Non-Executive Chairperson	Non-Executive
6.	Assetline Corporate Services (Private) Limited	Non-Executive Chairperson	Non-Executive
7.	David Pieris Motor Company (Private) Limited	Director - Corporate Communications	Executive
8.	David Pieris International Ventures Pte. Ltd. (Company incorporated in Singapore)	Director	N/A
9.	Lanka Alzheimer's Foundation	Director	N/A
Other			
10.	David Pieris Holdings (Private) Limited	Director - Group Corporate Communications	Executive

Mr. De Alwis holds the following positions at present.

	Directorships	Designations	Nature of Appointment
1.	Assetline Finance Limited	Independent Non-Executive Director	Non-Executive
2.	SC Securities (Private) Limited	Director	Non-Executive
3.	Coral Sands Hotels Ltd	Director	Non-Executive
Other			
4.	Supreme Court of Sri Lanka	Attorney-at-Law	Profession
5.	SC Securities (Private) Limited	Chairman - HR Committee	Non-Executive
1.	"My Country Our Hope" Foundation	Chairman	Other - Independent
2	Faculty of Law, University of Colombo	Visiting Lecturer/ Examiner LL.B. and LL.M. Programmes, Subjects - Criminal Law, Banking, Criminology	Non-Executive
3	Chartered Institute of Marketing of UK (CIM) - Sri Lanka Region	Honorary Legal Advisor	Other - By Nomination
4	Supreme Court of Sri Lanka Trial and Appellate Courts in Fundamental Rights, Writs, Criminal and Family Law	President's Counsel	Not Specified
5	Board of Management Centre for Study of Human Rights (CSHR), University of Colombo	Member	Other - By Nomination
6	APIIT Law School	Visiting Lecturer/ Examiner LL.M. Programme Subject - Corporate Governance	Non-Executive
7	Faculty Board, Faculty of Law, University of Colombo	Member	Other - By election
8	St. John Ambulance Association & Brigade	Commander	Other - By nomination
9	Department of Law, Kotalawela Defence University	Visiting Lecturer/ Examiner LL.M. Programme Subject - Soft Skills	Non-Executive
10	Press Council of Sri Lanka	Member	Other - By appointment
11	Council of Buddhist and Pali University	Member	Independent
12	Council of Gampaha Wickramarachchi University of Indigenous Medicine	Member	Independent
13	The Open university of Sri Lanka	Visiting Lecturer	Independent
14	Sri Lanka Ayurvedic Doctors Association (Gampaha Wickramarachchi Ayurvedic Doctors)	Honorary Legal Advisor	Other -By Nomination
15	Council of University of Visual and Performing Arts	Member	Independent

BOARD OF DIRECTORS

Mr. Kuruppu holds the following positions at present.

	Directorships	Designations	Nature of Appointment
1	Assetline Finance Limited	Non-Independent Non-Executive Director	Non-Executive
2	David Pieris Motor Company (Private) Limited	Executive Director	Executive
3	David Pieris Automobiles (Private) Limited	Executive Director	Executive
4	David Pieris Motor Company (Lanka) Limited	Executive Director	Executive
5	D P Infotech (Private) Limited	Non-Executive Director	Non-Executive
6	Affiniti Innovations (Private) Limited	Non-Executive Chairman	Non-Executive
7	Electrozen Global (Private) Limited	Non-Executive Director	Non-Executive
9	Electrozen Distributors (Private) Limited	Non-Executive Director	Non-Executive
9	David Pieris Holdings (Private) Limited	Executive Director	Executive
Other			
10	Institute of Chartered Accountants of Sri Lanka	Vice President	Executive
11	South Asian Federation of Accountants	Vice President	Non- Executive
12	Securities & Exchange Commission of Sri Lanka	Commissioner	Executive
13	Sri Lanka Accounting & Auditing standard Monitoring Board	Board Member	Executive

Mr. Athukorala

Presently he is a Director of Talawakelle Tea Estate PLC and Hayleys Consumer Products Limited. He is the Chairman- independent Oversight Advisory Committee of the United Nations Industrial Development Organization, Vienna, Austria. He is also a member of Audit Advisory Committee of UNICEF, New York. Chair of the Audit Committee of the Institute of Chartered Accountants Sri Lanka and Co-Chair the Finance Committee of the National Olympic Committee. He also serves as the Chairman of the Audit Committee at David Peiris Holdings (Private) Limited.

Mr. Nissanka

Currently he is a Director of David Pieris Holdings (Private) Limited

Mr. Durairatnam

Presently he is the Chairman of DFCC Bank , a Director of Asian Hotels and Properties PLC, Ceylinco Life Insurance Limited and Enviro Solutions (Private) Limited.

Mr. Fernando

Currently he is a Director of Professional Business Consultants, Haycarb PLC, Dipped Products PLC, Hatton National Bank PLC and Hayleys Fabric PLC.

MANAGEMENT TEAM

MR. ASHAN NISSANKA
Director and Chief Executive Officer

MR. MAHESH DE SILVA
Chief Operating Officer

MR. AJANTHA PREMASIRI
Chief Marketing Officer

MR. SHIRAN WEERASINGHE
Chief Recovery Officer

MR. RENGASAMY RAJESHKUMAR
General Manager - Finance & Accounting

MR. FEROZE AHAMED
General Manager - MIS Business Analysis & Planning

MR. HIRANTHA JAYASINGHE
General Manager – Lending

DR. SANKA JAYAMPATHI
Head of Channel Management

MR. MELANGA DE SILVA
Head of Enterprise Risk Management

MANAGEMENT TEAM

MS. CHRISTINE MUNASINGHE
Company Secretary

MR. DINUDAYA ABEYWARDENA
Head of Credit

MR. CHATHURA PEIRIS
Assistant General Manager - Human Resources

MR. GAMAN KITHSIRI
Head of Information Technology

MS. THANUJA KARUNARATNA
Head of Legal

MR. NALIN HETTIARACHCHI
Head of Deposit

MR. MANJULA GANNILE
Divisional Manager - Business Development

MR. THILAN KULASOORIYA
Divisional Manager - Business Development

MS. HAMZIA BOHORON
Deputy Divisional Manager - Business Administration

MS. RANDILU MENDIS
Head of Compliance

MR. KUMARA PRASANNA
Deputy Divisional Manager - Customer Service

MR. SANJEEWA PEMACHANDRA
Head of Internal Audit

MR. SANJEEWA KUMAR
Manager - Building Administration & Procurement

Responding with agility

Our proven strategies and financial expertise has enabled us to respond to a dynamic business landscape with agility.

3

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY OVERVIEW

The Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) sector showcased resilience despite facing significant economic challenges, particularly due to the economic crisis. Even with steep increases in funding costs and a notable decline in the credit quality of loan and lease portfolios, the sector maintained its robustness through sufficient capital and liquidity buffers, leading to sustained growth in assets, deposits, and profitability.

By the end of 2023, total assets of the LFC sector reached Rs. 1,693 Bn, reflecting a 5% increase from the previous year. This growth was primarily driven by the expansion of the sector's investment portfolio. Loans and advances made up 69% of the LFC sector assets, although this portfolio saw a 3% contraction, in contrast to the 8% growth recorded in 2022. Finance leases continued to dominate the loans and advances portfolio, comprising 46% of the total by the end of 2023. The overall economic downturn in the first half of 2023, along with ongoing restrictions on vehicle imports, constrained both the demand and supply of credit within the sector.

The industry's gross non-performing loans (NPLs) increased to 17.8% by December 2023, up from 17.4% at the end of 2022, indicating a decline in asset quality. This deterioration was largely due to regulatory amendments requiring LFCs to adopt a more stringent criterion of over 90 days past due for the classification of non-performing assets.

Effective from April 1, 2023, the classification of non-performing loans was adjusted to more than 90 days past due, compared to the previous criterion of over 120 days. Consequently, the loan loss provisions against stage 3 loans in the sector reached a 32.5% provision coverage by the end of 2023.

To offset the declining loans and advances portfolio, the sector's investment portfolio expanded by Rs. 113 Bn, marking a 56.6% growth compared to December 2022. Investments in Government of Sri Lanka securities stood at Rs. 200.2 Bn as of December 2023, representing 64% of the sector's total investments. This robust growth in the investment portfolio demonstrated the sector's adaptability and strategic asset allocation, helping to mitigate the subdued demand for credit.

The sector's asset growth was primarily financed by a significant increase in customer deposits, which grew by 8% to Rs. 935.3 Bn by the end of 2023. Fixed deposits from customers made up 97% of the sector's deposit base. Conversely, borrowings from financial institutions and other sources declined by 18% by the end of 2023.

Profitability in the sector showed an 11% increase in 2023 compared to the previous year. The sector’s profit after tax (PAT) rose to Rs. 47.7 Bn in 2023 from Rs. 42.8 Bn in 2022, driven by increases in both net interest income and non-interest income. Interest expenses increased by 32% in 2023 compared to 2022, due to higher interest rates offered for deposits and debt instruments amid rising market interest rates. Net interest income for the sector grew by 16%, from Rs. 113.5 Bn in 2022 to Rs. 131.6 Bn in 2023, as interest income increased by Rs. 67.3 Bn, while interest expenses rose by Rs. 49.2 Bn.

In 2023, the sector's return on assets (ROA) improved to 4.3% from 3.7% in 2022, reflecting increased profitability. However, return on equity (ROE) experienced a slight decline, dropping from 12.7% in 2022 to 12.4% by the end of 2023, primarily due to the expansion of the sector's equity base.

The sector maintained stability, ensuring capital and liquidity levels remained well above minimum regulatory thresholds. The total capital base strengthened to Rs. 329 Bn by December 2023, up from Rs. 317 Bn in 2022. Core capital and total risk-weighted capital ratios improved significantly, reaching 21.1% and 22.3%, respectively, by the end of December 2023, compared to 20.6% and 22% at the end of December 2022. As of the end of 2023, the total regulatory liquid assets of the sector stood at Rs. 254.9 Bn, significantly exceeding the minimum regulatory requirement of Rs. 103.4 Bn, thereby ensuring a substantial liquidity surplus.

OVERVIEW

The financial year 2023/24 has been a period of significant growth and resilience for Assetline Finance Limited. Despite the challenging macroeconomic environment, the company has demonstrated robust financial performance, achieving notable increases in income and profitability. Our strategic initiatives have focused on enhancing operational efficiencies, expanding our product portfolio, and improving customer service, all of which have contributed to our strong financial outcomes.

FINANCIAL PERFORMANCE

Income Statement

For the year ended 31 March 2024, Assetline Finance Limited reported a gross income of Rs. 10.4 Bn, reflecting a 30% increase from Rs. 8 Bn in the previous year. The primary driver of this growth was a significant rise in interest income, which increased by 27% to Rs. 9.9 Bn from Rs. 7.9 Bn in 2023.

Net interest income saw a remarkable growth of 96%, reaching Rs. 6.7 Bn compared to Rs. 3.4 Bn in the previous year. This improvement was primarily due to a reduction in interest expenses, which decreased by 27% to Rs. 3.3 Bn from Rs. 4.4 Bn in 2023.

Fee and service charge income also showed a significant increase of 75%, amounting to Rs. 146.4 Mn, up from Rs. 83.7 Mn in the previous year.

Profitability

The company achieved a net operating income of Rs. 5.5 Bn, a substantial increase from Rs. 2.7 Bn in the previous year. After accounting for operating expenses and taxes, the profit before income tax rose significantly to Rs. 2.1 Bn from Rs. 0.3 Bn in 2023. The net profit for the year stood at Rs. 1.3 Bn, a 42% increase from Rs. 0.9 Bn in the previous year.

Balance Sheet

As at 31 March 2024, total assets of Assetline Finance Limited increased by 11% to Rs. 37.4 Bn from Rs. 33.6 Bn in 2023. Key contributors to this growth were financial assets at amortized cost - loans and advances, which grew significantly to Rs. 5.5 Bn from Rs. 1.4 Bn, and financial assets at fair value through other comprehensive income, which increased to Rs. 6.8 Bn from Rs. 5.2 Bn.

Total liabilities increased to Rs. 23.5 Bn from Rs. 22.2 Bn, primarily due to a rise in debt instruments issued and other borrowed funds, which amounted to Rs. 20.5 Bn compared to Rs. 19.8 Bn in the previous year.

PRODUCT OFFERING

Assetline provides a wide range of innovative products to a diverse customer base located across the island. These products include,

- Leasing for two-wheeler, three-wheelers, four-wheeler, mini trucks.
- Lending for working Capital
- Margin Trading
- Factoring
- Dealer Finance

Products	Portfolio (Rs. Mn)	Avg. Tenure	Customer profile
Two-wheeler Leasing	**5,198**	2.5 Years	Self-employed, Young, First job, Service sector employee
Three-wheeler Leasing	**12,228**	4 Years	Family, include hiring
Four-wheeler Leasing	**8,216**	4 Years	Self-employed, Corporate Employee
Mini Truck Leasing	**2,908**	4 Years	SME, MSME, Entrepreneur, Farmers, Fisheries
Loans	**192**		Entrepreneurs
Margin Trading	**545**		Investors
Total	**29,288**		

MANAGEMENT DISCUSSION & ANALYSIS

Three wheeler Leasing is the largest segment, constituting approximately 42% of the total portfolio, with a value of Rs. 12.2 Bn. Assetline continues to dominate the three wheeler, category and anticipate a steady market penetration in this segment despite the import restrictions continuing to restrict the availability of brand new vehicles.

The four wheeler segment demonstrated significant growth, increasing from Rs. 3.9 Bn in March 2023 to Rs. 8.2 Bn in March 2024, which is a substantial rise. This indicates a robust demand and effective market strategies in the four wheeler leasing segment.

Assetline Finance Limited introduced two new products during the year to cater to the growing needs of the client base. Given the increased demand for sustainable energy solutions the company introduced a novel solar green loan. Assetline continues to offer the lowest rate in the segment signifying its commitment to promote sustainability and development to the clientele and also be an active partner in the sustainability goals of the country.

The second product introduced to the clientele was the home loans which was Top Up and new loans catering to the housing developments, sanitation needs of existing and new clients.

CUSTOMER BASE

Assetline is in a quest to uplift the future of individuals and communities and has been the go-to financial institution for self-employed individuals, small and medium enterprises (SMEs) and micro entrepreneurs. Our target market segment is primarily the lower and lower middle-income customers

Assetline continues to provide a wide variety of innovative products to a diverse customer base located across all the main regions of the island. These products include asset backed leasing for motorcycles, three-wheelers, four-wheeler and mini trucks, working capital solutions such as business loans, revolving loans and micro loans as well as consumption-based lending products.

The total number of clients and the portfolio as of March 2024 is as follows:

Portfolio	Mar-24
Number of Clients	56,743
Portfolio Rs. Bn	29.3

We expect to grow aggressively and anticipate a 20% growth next year.

Our target market segment is the lower and lower middle-income customers. We are gradually transitioning into the upper brackets of the income pyramid by catering right product to each category.

Borrower Profile	% of Total Net Portfolio
Self- employed / employees	49%
Farmers	21%
Traders	8%
Labourers	6%
Employees in Defense	4%
Government sector employees	4%
Dealer/distributer	4%
Other	4%
Total	**100%**

OUR EXPERTISE

- Extensive experience catering to lower-mid income customer segment
- Proven track record in automobile lending/ leasing and asset acquisition
- Customer segment catering towards affordability and non-bankable segment
- Access to group synergy with over 2,500 touch points across the island
- Unmatched and unique group synergistic benefit encompassing backward and forward integration in automotive industry spanning across insurance, spare parts, after sales, & finance solutions

Assetline have been the undisputed market leader in specialized leasing and the preferred financier for the first and last mile transport sector. Our inclusive financial solutions have provided means to the lower strata of society. The mobility solutions catering to three-wheeler and mini truck customer have provided communities a mode of transport to areas that do not have public transport facilities. This has indirectly enabled children to continue with their education as the three-wheeler is a preferred solution for school transportation across the country.

The four-wheeler vehicle solutions targeting the smaller vehicles (mini trucks) are the backbone of the MSME sector which enables the fishing, farming, Agri communities to transport goods and services that immensely contribute towards the economy. Assetline continues to take an active role in contributing towards the local economy and being a catalyst to the small and medium businesses with its customized solutions.

Outlook for Year 2025/26

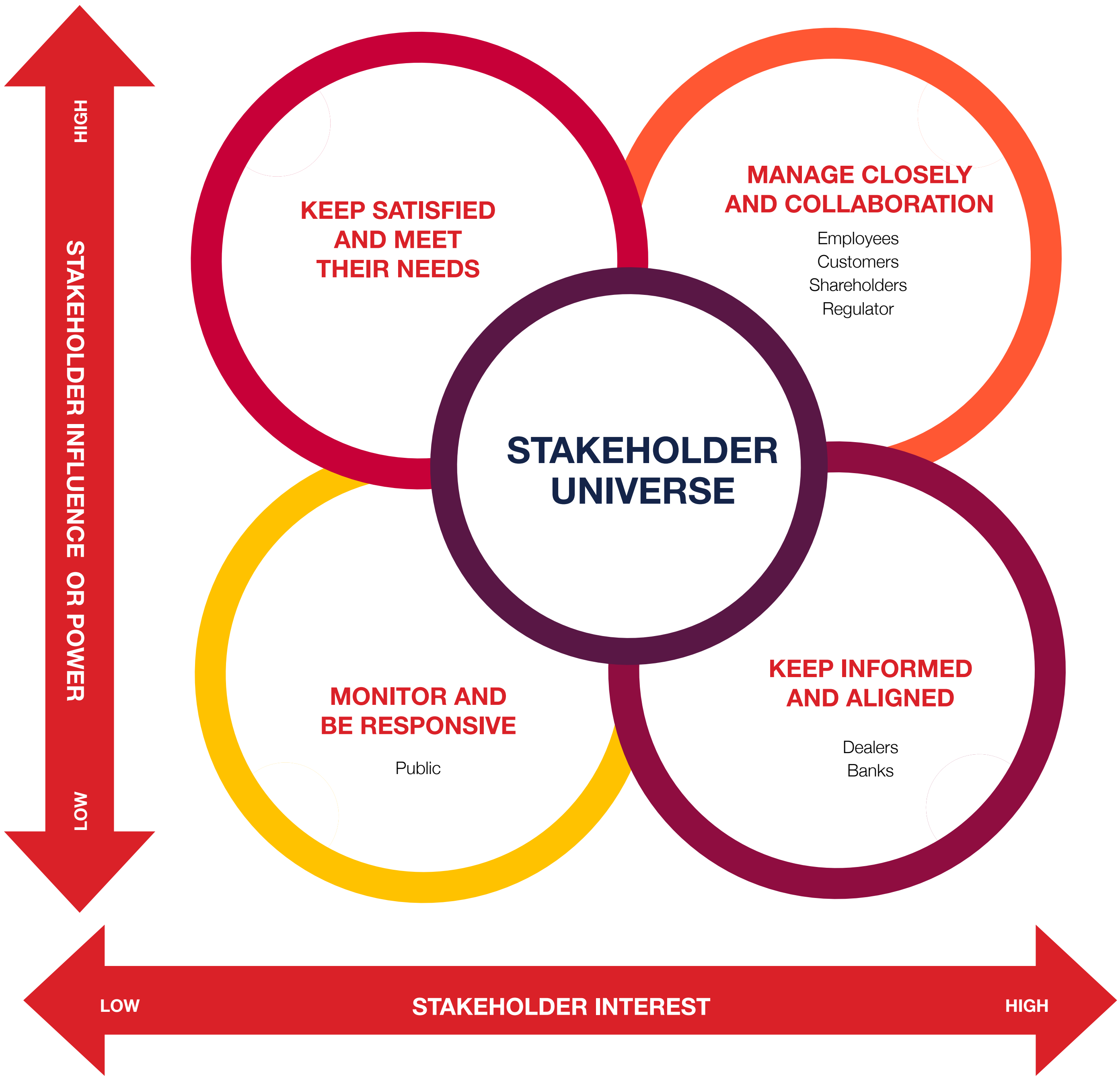
Our strategy prioritizes sustainable growth through proactive engagement with all stakeholders. We emphasize understanding the actual needs of our customers over mere predictions of market trends. Assetline Finance Limited is committed to being a customer-centric financial service provider, consistently delivering the highest levels of service.

The company is continuously working on growing its lending with a mix of different automotive products. Assetline Finance Limited will continue to grow the portfolio with the right product mix. Because of limits on importing three and four wheeler vehicles, there's a constant need for locally registered vehicles. The company will take advantage of this by offering good deals on vehicle facilities, filling a gap created by these restrictions.

The company is focusing on ecofriendly financing which is good for the community and the environment. This not only attracts customers and lenders who care about these issues but also builds the company's reputation as a responsible business. The company plans to use its resources and connections smartly to find new chances for growth. By working together across different parts of the business, it can offer better services and break into new markets. Expanding its ways to reach customers, helps the company become more visible and accessible. This growth strategy aims to attract more customers and strengthen the company's brand. The company plans on growing the branch network to 75 over the course of the next 3 years. Assetline Finance Limited will continue to invest in technology advancement, data analytics , credit evaluations through automation, resource optimization and digitization.

STAKEHOLDER ANALYSIS

It is crucial to balance the expectations of key stakeholders to ensure the long-term sustainability of our business. The success of our business model is heavily dependent on the contributions of these stakeholders. The table below demonstrates how we engage and manage our relationships with various stakeholders.



Our Stakeholder engagement and value proposition drives our organization forward and helps us achieve our overall corporate objectives.

CUSTOMERS

REQUIREMENT	ENGAGEMENT MECHANISM	VALUE PROPOSITION
• Accessibility and Convenience • Affordability • Customer Service • Trust and Security	• Branches and Marketing Officers • Digital Platforms • Welcome Calls/ Customer Visits • CSR Activities • Women Empowerment Programmes	• Product Innovation • Enhanced customer service • Digital Transformation • Financial Literacy programs and entrepreneurship • Deshata Jawayak and Liyadiriya • Green Financing

EMPLOYEES

REQUIREMENT	ENGAGEMENT MECHANISM	VALUE PROPOSITION
• Job Security • Careers Growth • Competitive Pay • Safe and Healthy Workplace	• Reward Schemes • Recognition • Training and Development • Internal Mails	• Performance Review and Feedback • Professional Development Programs • Sales / Recovery/ Head of Branch/ Head of Region Incentive Scheme • Foster positive environment and workplace culture

REGULATORS

REQUIREMENT	ENGAGEMENT MECHANISM	VALUE PROPOSITION
• Compliance • Risk Management • Financial Stability • Public Finance Management	• Monthly Reporting • Quarterly Financial Submissions • Public Notices	• Proactive Compliance • Regular Reporting • Industry and CBSL engagement • Open communication and regular performance updates

STAKEHOLDER ANALYSIS

SHAREHOLDERS

REQUIREMENT	ENGAGEMENT MECHANISM	VALUE PROPOSITION
• Financial Performance • Return on Investment • Risk Management • Values and Ethos	• Regular Board Reviews • Strategic Updates • Dividend Policy	• Shareholder Value Maximization • Consistent Performance • Portfolio Growth • Stringent adherence to Company Policies • Corporate Governance

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

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Annual Audited Financial Statements for the Financial Year ended March 31, 2024 have been prepared in accordance with the applicable accounting standards and regulatory requirements, inclusive of specific disclosures. The form and substance of transactions are reasonably presented with estimates relating to the financial statements giving a true and fair view of the state of affairs of the Company as at the balance sheet date.

The Company has exercised due diligence in establishing a system of internal controls and accounting records for safeguarding assets, for preventing and detecting frauds as well as other irregularities which is reviewed, evaluated and updated on an ongoing basis.

The Directors declare that:

1. the Company has complied with all applicable laws, regulations and prudential requirements, and the Company has not engaged in any activity, which contravenes laws and regulations.

2. they have disclosed all related party transactions with the Company and have abstained from voting on matters in which there were material interests.

3. the Company has made all endeavors to ensure the fair treatment for all stakeholders.

4. the business is a going concern.

5. the Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable assurance of their effectiveness.

The Directors further confirm that a Board approved Code of Conduct is in place and the Chairman has certified that the Company has no violations of any of the provisions of the code during the Financial Year 2023/24.

The total claim on pending litigations against the Company amounts to Rs.241,188,903/-

During the year under review, the Company has engaged in initiatives of Corporate Social Responsibility, which accounted for donations amounting to Rs.625,423/-.

We confirm that to the best of our knowledge, all taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf and in respect of the employees of the Company as at the balance sheet date, have been paid or where relevant provided for.

All interests divulged in the Interest Register of the Company have been included in the Annual Report.

Ashan Nissanka
Director & Chief Executive Officer

Romany Parakrama
Director

11 June 2024

CORPORATE GOVERNANCE

Corporate Governance is the system of rules, practices and processes by which a Company is directed and controlled. The Board of Directors stays committed to good corporate governance by ensuring accountability, transparency, fairness and responsibility to reconcile the interests of different stakeholders.

The Company has complied with the regulatory requirements of the Central Bank of Sri Lanka ("CBSL") issued from time to time and the Companies Act No.07 of 2007.

The tabulation given in pages 43 to 75 details the extent to which the Company strives to ensure good corporate governance in accordance with the Finance Business Act Directions No.05 of 2021 on Corporate Governance, issued by the CBSL (Direction).

Details of Directors

The details of the Board of Directors for the financial year 2023/24 were as follows:

NAME	DESIGNATION	CLASSIFICATION	SHAREHOLDING
Mr. D.M.R.K. Dissanayake	Chairman	Non-Independent Non-Executive	-
Mr. S.L. Athukorala	Senior Director	Senior Independent Non-Executive	-
Ms. R.M.A.S. Parakrama	Director	Non-Independent Non-Executive	-
Mr. J. Durairatnam	Director	Independent Non-Executive	-
Mr. M.R. Mohamed (Resigned w.e.f 30 June 2023)	Director	Non-Independent Non-Executive	-
Mr. W.M.P.L. De Alwis	Director	Independent Non-Executive	-
Mr. A. Nissanka	Director & Chief Executive Officer	Executive	-
Mr. K.A.H. Kuruppu	Director	Non-Independen Non-Executive	-

Details of accommodations outstanding if any, fees/remuneration paid to the directors is disclosed in note no.38.2 of the notes to the financial statements.

Details of other directorships held by the Directors as at 31 March 2024 are disclosed in page no. 26 to 28.

The Company to the best of its knowledge has strived to ensure compliance with the requirements of the Finance Business Act Direction No.05 of 2021 on Corporate Governance, as detailed in pages 42 to 75.

ASSETLINE FINANCE LIMITED CORPORATE GOVERNANCE REPORT 2023/24

The Finance Business Act Directions No.05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka for Licensed Finance Companies.

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
1.	**BOARD'S OVERALL RESPONSIBILITIES**	
1.1	The Board shall have overall responsibility and accountability for the operation of the Finance Company (FC), including approving and overseeing management's implementation of the FC's corporate strategy, setting up the governance framework, establishing a corporate culture, and ensuring compliance with regulatory requirements.	The Board approved Strategic Business Plan with measurable goals for the next three years is in place. The Board and the Management are well aware of the strategic objectives and organizational values which have been communicated throughout the Company.
1.2	**Business Strategy and Governance Framework**	
1.2.a	Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment.	Board approved Strategic Business Plan for FY 24/25 to FY 26/27 and Board approved budget for the FY 23/24 are in place. The Board measures corporate performance against predetermined goals.
1.2.b	Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements.	The Board approved governance framework is in place.
1.2.c	Assessing the effectiveness of its governance framework periodically.	The governance framework is assessed annually by the Board of Directors.
1.2.d	Appoint the Chairman and the Chief Executive Officer and define the roles and responsibilities.	The Board approved Roles, Functions and Responsibilities of the Chairman and Director & Chief Executive Officer (CEO), complies with the section 6.4 and 6.5 of the Finance Business Act Direction 05 of 2021. The Chairman and CEO positions are held by two (02) individuals, and the functions of the Chairman and the CEO are clearly documented, defined, and separated by the Board, thereby preventing unfettered powers for decision making being vested in one individual. There is a clear division of responsibilities between conducting the business of the Board and the day-to-day operations of the Company in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board and ensuring its effectiveness. The CEO's role is primarily to conduct the business operations of the Company with the help of Corporate Management. The roles of the Chairman and the CEO are clearly distinct from one another.
1.3	**Corporate Culture and Values**	
1.3.a	Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent, and professional behaviour.	The Company endeavours to ensure a sound corporate culture within the Company which reinforces ethical, prudent, and professional behaviour.

CORPORATE GOVERNANCE

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
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.	A Board approved Code of Conduct for employees and Board of Directors is in place. The Code of conduct emphasis that the Company sees the value in acting with integrity.
1.3.c	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	Sustainable finance is incorporated into the business strategy of the Company. Sustainable Finance & Environmental, Social Governance Risk Policy is in place.
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 with the public and regulators.	The Company has a Board approved Communication Policy. Which covers all stakeholders, including depositors, shareholders, creditors and borrowers.
1.4	**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 in line with Company's business strategy and governance framework.
1.4.b	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	Risk indicators and monitoring pertaining to Credit Risk, Market Risk, Liquidity Risks, Strategic Risks, Operational Risks, and other risks are discussed and appropriate mitigating actions are recommended at the Board Integrated Risk Management Committee (BIRMC) meeting.
1.4.c	Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	The Board Audit Committee assists the Board in assessing the adequacy and integrity of the internal controls system, management information system (MIS), and financial reporting processes of the Company. The Internal Audit Department carried out separate audits to assess the adequacy and effectiveness of internal controls systems and MIS for the FY 2023/24 Further, the External Auditors were engaged in providing assurance on the Directors' Responsibility Statement on Internal Controls over financial reporting included in the annual report, and their opinion was submitted to the Board.
1.4.d	Approving and overseeing Business Continuity and Disaster Recovery Plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	The Business Continuity & Disaster Recovery Plan was tabled and approved by the Board. The Board was updated and discussed the Disaster Recovery drills conducted during 2023/24.
1.5	**Board Commitment and Competency**	
1.5.a	All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the FC.	All members of the Board of Directors are encouraged to share their views on matters deliberated and a record of such deliberations are reflected in the minutes. Further, the Board is in control of the Company's affairs and aware of its obligations to all shareholders and other stakeholders.
1.5.b	All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience.	All members of the Board possess experience, qualifications, adequate skills, and knowledge in the relevant fields.

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
1.5.c	The Board shall regularly review and agree on the training and development needs of all the members.	Directors attend relevant training programmes necessary in carrying out their duties. Market experts and professional services are obtained to share new knowledge from time to time. Annually the Board discuss the training needs required by the Members.
1.5.d	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments.	A process is in place for annual self-assessments to be undertaken by each Director, of its Board as a whole and that of its committees. The records of such assessments are maintained by the Company Secretary. The summary of the self-assessment is submitted to the Board, enabling Directors to discuss relevant matters, if any.
1.5.e	The Board shall resolve to obtain external, independent, professional advice to the Board to discharge duties to the FC.	Any director may by the sanction of the Board of Directors, seek independent professional advice at the expense of the Company. In practice the Company has obtained independent professional advice as and when required.
1.6	**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.	In line with the direction on Corporate Governance, the Board of Directors has identified and designated the "Senior Management" of the Company, defined their areas of authority and key responsibilities.
1.6.b	Defining the areas of authority and key responsibilities for the senior management.	
1.6.c	Ensuring the senior management possesses the necessary qualifications, skills, experience, and knowledge to achieve the FC's strategic objectives.	In appointing the Senior Management members, the Board obtains recommendations from the Nomination Committee which are approved by the Board of Directors. The set of skills and competencies expected by the role/ roles has been established through the nomination committee and determined through the recruitment process,
1.6.d	Ensuring there is appropriate oversight of the affairs of the FC by senior management.	To safeguard better governance practices, the affairs of the Company are reviewed and monitored by the Board of Directors through the Director & CEO. To ensure better management, development, and effective performance of the Company, Key Responsible Persons (KRPs) make regular presentations to the Board at the Operational Review Meetings (ORM) with the participation of the Board of Directors.
1.6.e	Ensuring the FC has an appropriate succession plan for senior management.	The Company has established a Board approved succession plan for all KRPs.
1.6.f	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	All KRPs attend the ORMs of the Company to monitor the progress towards the strategic objectives. All policies are reviewed by the Board subcommittees with the participation of the senior management as relevant. The Board of Directors approves the policies based on the recommendation of the relevant subcommittees.

CORPORATE GOVERNANCE

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
1.7	**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.	A Board approved Governance Framework and Communication policies are in place. The Company operates within the Governance Framework and the laws and directions issued by the regulator.
1.7.b	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	The Company adheres to the directions, regulations, rules, and circulars issued by the Central Bank of Sri Lanka. Further, the Company ensures that all employees adhere to the internal policies and procedures. Additionally, the Board approved Code of Conduct for all employees is in place.
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.	Continuous monitoring is in place to avoid criminal liabilities through implementing a governance framework, recruiting Directors of suitable calibre and obtaining fit & propriety of members annually.
2.	**GOVERNANCE FRAMEWORK**	
2.1	Board shall develop and implement a governance framework in line with the Finance Business Act Direction No.05 of 2021.	A Board approved Governance Framework is in place.
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.	All members of the Board possess experience, qualifications, adequate skills, and knowledge in the relevant fields.
3.2	The number of directors on the Board shall not be less than 7 and not more than 13.	The Board consists of eight Directors, which is within the statutory requirement. Following were the Directors of the Company during FY 23/24

	Name	Designation
1	Mr. D.M.R.K. Dissanayake	Non-Independent Non-Executive Chairman
2	Mr. S.L. Athukorala	Senior Independent Non-Executive Director
3	Ms. R.M.A.S. Parakrama	Non-Independent Non-Executive Director
4	Mr. J. Durairatnam	Independent Non-Executive Director
5	Mr. M.R. Mohamed (Resigned on 30/6/2023)	Non-Independent Non-Executive Director
6	Mr. W.M.P.L. De Alwis	Independent Non-Executive Director
7	Mr. A. Nissanka	Director & CEO
8	Mr. K.A.H. Kuruppu	Non-Independent Non-Executive Director

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
3.3	The total period of service of a director other than a director who holds the position of Chief Executive Officer/ Executive Director shall not exceed nine years, subject to direction 3.4.	The period of service of all Directors of the FY 23/24 is below nine years.
3.4	Non-Executive directors, who directly or indirectly hold more than 10% of the voting rights or who are 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, the number of non-executive directors eligible to exceed 9 years is limited to one-fourth (¼) of the total number of directors on the Board.	None of the Non-Executive directors of the Company have exceeded nine years of service as at 31st March 2024.
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.	Mr. A. Nissanka is the only Executive Director of the Company who currently holds the position of Director & CEO.
3.5.b	A shareholder, who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may be reappointed as a non-executive director subject to provisions contained in directions 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 be reappointed as non-executive directors subject to provisions contained in directions 4.2 and 4.3.	In FY 2023/24, no such circumstance transpired.
3.5.c	In the event of the presence of the Executive Directors, CEO shall be one of the Executive Directors and may be designated as the Managing Director of the FC.	
3.5.d	All Executive Directors shall have a functional reporting line in the organization structure of the FC.	Mr. A. Nissanka is the only Executive Director of the Company who currently holds the position of Director & CEO.
3.5.e	The Executive Directors are required to report to the Board through the CEO.	
3.5.f	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	Mr. A. Nissanka, Director & CEO, does not hold any executive directorships or senior management positions in any other Company.

CORPORATE GOVERNANCE

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
3.6	**Non-Executive Directors**	
3.6.a	Non-Executive directors (NED) shall possess credible track records and have the necessary skills, competency, and experience to bring independent judgement on the issues of strategy, performance, resources, and standards of business conduct.	The Non-Executive Directors of the Company possess experience and skills in the relevant 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 are appointed or function as the Executive Directors of the Company.
3.7	**Independent Directors**	
3.7.a	The number of Independent Directors of the Board shall be at least three or one-third of the total number of directors, whichever is higher.	During the year, the Board comprised of three (03) Independent Non- Executive Directors. The composition of the Board of Directors is published on pages 22 to 28 of the Annual Report.
3.7.b	Independent Directors appointed shall be of the highest caliber, with professional qualifications, proven track records, and sufficient experience.	All Independent Non-Executive Directors of the Company are of the highest caliber with professional qualifications, proven track records, and sufficient experience in the given fields. A brief profile of their expertise and experience is given on pages 22 to 28.
3.7.c	**A Non-Executive Director shall not be considered independent if such:**	
3.7.c.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.	In FY 23/24, no such circumstance transpired.
3.7.c.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.	In FY 23/24, no such circumstance transpired.
3.7.c.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.	Following Directors of the Company are Non-Independent due to their employment with affiliates of the Company. Mr. D.M.R.K. Dissanayake Ms. R.M.A.S. Parakrama Mr. M.R. Mohamed (Resigned on 30th June 2023) Mr. K.A.H. Kuruppu
3.7.c.iv	Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director.	In FY 23/24, no such circumstance transpired.

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
3.7.c.v.	Director has a relative, who is a director or senior management of the Company or has been a director or senior management of the Company during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the Company or exceeding 20% of the voting rights of another FC.	In FY 23/24, no such circumstance transpired.
3.7.c.vi	Director represents a shareholder, debtor, or such other similar stakeholder of the FC;	Following Directors of the Company represent stakeholders. Mr. D.M.R.K. Dissanayake Ms. R.M.A.S. Parakrama Mr. M.R. Mohamed (Resigned on 30th June 2023) Mr. K.A.H. Kuruppu
3.7.c.vii	Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, in which any of the other directors of the FC is employed or is a director.	The following Directors of the Company are either employees/directors of affiliate companies. Mr. D.M.R.K. Dissanayake Ms. R.M.A.S. Parakrama Mr. M.R. Mohamed ((Resigned on 30th June 2023) Mr. K.A.H. Kuruppu
3.7.c.viii	Director is an employee or a director or has a direct or indirect shareholding of 10% or more of the voting rights in a Company, which has a transaction with the Company as defined in direction 12.1(c), or in which any of the other directors of the 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.	In FY 23/24, no such circumstances transpired.
3.7.d.	The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed in direction 3.7, which might impact a director's independence or the perception of the independence.	In FY 23/24, no such circumstance transpired.
3.7.e.	An Independent Director shall immediately disclose to the Board any change in circumstances that may affect the status as an Independent Director. In such a case, the Board shall review such director's designation as an Independent Director and notify the Director/DSNBFI in writing of its decision to affirm or change the designation.	Declarations are obtained from the Directors on a monthly basis at Board Meetings on disclosures of interests which enables to ascertain the status of their independence/non-independence against the specified criteria. In FY 23/24, no such circumstance transpired.
3.8	**Alternate Directors**	There were no Alternate Director appointments.
3.9	**Cooling off Periods**	In FY 23/24, no such appointments were made.
3.10	**Common Directorships**	
	Director or senior management of a FC shall not be nominated, elected, or appointed as a director of another FC except where such FC is a parent Company, subsidiary Company, or an associate Company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	No Directors or Senior Management of the Company were nominated, elected or appointed as a director of another FC, during the FY 23/24.

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SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a Finance 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.	As per declarations provided by the Directors for the FY 23/24, no director holds office as a director of 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.	Appointment and continuation of Directors on the Board have been carried out in compliance to the Finance Business Act Direction No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.
4.2	A person over the age of 70 years shall not serve as a director of an FC.	None of the Directors of the Company are above the age of 70 years.
4.3	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to a maximum of 75 years of age subject to the following:	In FY 2023/24, no such appointments occurred.
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 FY 2023/24, no such appointments occurred.
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 FY 2023/24, no such appointments occurred.
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 FY 2023/24, no such appointments occurred.
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 FY 2023/24, no such appointments occurred.
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 conforms to the provisions of Finance Business Act Direction No.6 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons for appointments, resignations, or removals.

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
6.	THE CHAIR AND THE CHIEF EXECUTIVE OFFICER	
6.1	There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall be set out in writing.	The roles of the Chairman and the CEO are separated and not performed by the same individual.
6.2	The Chairperson shall be an Independent Director, subject to 6.3 below.	The Board has appointed Mr. D.M.R.K. Dissanayake as Non-Independent Non-Executive Chairman and Mr. S.L. Athukorala as Senior independent Non-Executive Director, on 01st October 2019. Terms of Reference of the Senior independent Non-Executive Director is in place. Non-Executive Directors including Senior Director have assessed the Chairperson's performance for FY 23/24.
6.3	In the 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. The Senior Director will serve as the intermediary for other directors and shareholders. Non-Executive Directors including Senior Directors shall assess the Chairperson's performance at least annually.	
6.4	**Responsibilities of the Chairperson**	
6.4.a	Provide leadership to the Board;	The Chairman's key responsibilities and duties have been approved by the Board. The self-evaluation process ensures that the said requirements are fulfilled.
6.4.b	Maintain and ensure a balance of power between the Executive and Non-Executive Directors;	
6.4.c	Secure effective participation of both Executive and Non-Executive Directors.	
6.4.d	Ensure the Board works effectively and discharges its responsibilities	
6.4.e	Ensure all key issues are discussed by the Board in a timely manner	
6.4.f	Implement decisions/directions of the regulator.	
6.4.g	Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the Company Secretary.	Company Secretary prepares the agenda in consultation with the Chairman, as this function has been delegated to the Company Secretary by the Chairman.
6.4.h	Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities.	
6.4.i	Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	The Board approved communication policy is in place for communication with all stakeholders.
6.4.j	Annual assessment of the performance and the contribution during the past 12 months of the Board and the CEO.	Annual assessment of the performance and the contribution during the past 12 months of the Board and the CEO have been completed.

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SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
6.5	**Responsibilities of the CEO**	
	The CEO shall function as the apex executive in charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall include	
6.5.a	Implementing business and risk strategies in order to achieve the FCs strategic objectives;	
6.5.b	Establishing a management structure that promotes accountability, and transparency throughout the FC's operations, and preserves the effectiveness and independence of control functions;	
6.5.c	Promoting, together with the Board, a sound corporate culture within the FC which reinforces ethical, prudent, and professional behavior.	The Board approved functions and responsibilities of the CEO are in place. The CEO functions as the apex executive in charge of the day-to-day operations of the Company and he acts as a direct liaison between the Board and Management of the Company.
6.5.d	Ensuring the implementation of a proper compliance culture and being accountable for accurate submission of information to the regulator.	
6.5.e	Strengthening the regulatory and supervisory compliance framework.	
6.5.f	Addressing the supervisory concerns and non- compliance with regulatory requirements or internal policies in a timely and appropriate manner.	
6.5.g	CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another Company, subject to Direction 3.10.	
7.	**MEETINGS OF THE BOARD**	
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Board Meetings for the year have been scheduled at the end of the previous year and an annual meeting calendar is submitted to the Board. Special meetings are conducted as and when required. 15 Board Meetings were held during the FY 23/24 under review. Board consent via circulation is obtained for urgent matters.
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the board are to be represented in the agenda for scheduled Board Meetings.	Directors have the option to include any matters and proposals in the agenda for discussion with the inclusion of relevant documents (if any) in the "Directors Review" which is uploaded on BoardPAC software application.
7.3	A notice of at least 3 days shall be given for a scheduled Board Meeting. For all other Board meetings, reasonable notice shall be given.	The Annual Board meeting calendar is scheduled at the end of the previous year enabling the Board of Directors to attend meetings. Directors are given notice of at least 3 days for regular Board Meetings.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	The views of the Board of Directors on issues under consideration are ascertained and a record of such deliberations are reflected in the minutes.

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present unless at least one-fourth of the number of directors that constitute the quorum at such meeting are independent directors.	In FY 23/24, 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.	Two (02) meetings were held only with the participation of the Non- Executive Directors, without the Executive Director being present.
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which he/she or any of his relatives or a concern, in which he has a substantial interest, is interested, and he/she shall not be counted in the quorum for the relevant agenda item in the Board meeting.	All Directors make disclosures of interests at monthly Board Meetings. Directors' interests (if any) are disclosed to the Board and any Director who has a particular interest in matters set before the Board abstains from participating and voting. Further, there is a Board approved policy on Conflict of Interest in place for directors.
7.8	A director, who has not attended at least two-thirds of the meetings in the period of 12 months, immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance.	The Board of Directors has fully complied with the requirement and each Director of the Board is well-informed and acquainted with their attendance. Further, the Company Secretary monitors attendance. During the FY 23/24, none of the directors has been absent for three consecutive meetings. Details of the Director's attendance is set out on pages 22-23 of the Annual Report.
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 the director cannot attend on short notice, participation through electronic means is acceptable.	Please refer 'Directors' Attendance at Board Meetings ' table given on pages 22-23 of the Annual Report. Further, participation in person or through electronic media is clearly recorded in the minutes.
8.	**COMPANY SECRETARY**	
8.1.a.	The Board shall appoint a Company Secretary considered to be 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.	A qualified Company Secretary considered to be a senior Manager has been appointed by the Board . The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures, and other applicable rules and regulations are followed.
8.1.b.	The Board shall appoint its Company Secretary, subject to the 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 the Company and shall not become an employee of any other institution.	
8.2	All directors shall have access to the advise and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	All Directors have access to the advice and services of the Company Secretary and to ensure all Board procedures, applicable laws, rules, directions, and regulations are followed in compliance with this direction.
8.3	The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function.	Company Secretary is responsible for the preparation of the agenda, in consultation with the Chairman.

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SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
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.	Company Secretary maintains the minutes of Board Meetings with sufficient details. Upon a reasonable request, any Director can inspect the minutes.
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.	Minutes of the Board meetings are maintained as stipulated by law.
8.6	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following:	Minutes of the Board meetings are recorded in sufficient detail.
	(a) a summary of data and information used by the Board in its deliberations;	
	(b) the matters considered by the Board;	
	(c) fact-finding discussions and the issues of contention or dissent including contribution of each individual director.	
	(d) the explanations and confirmations of relevant parties which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; directions.	
	(e) the Board's knowledge and understanding of the risks to which the Company is exposed and an overview of the risk management measures adopted;	
	(f) the decisions and Board resolutions.	
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Minutes are available for the inspection of the Directors.
9.	**DELEGATION OF FUNCTIONS BY THE BOARD**	
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	The Board approved delegation authority limits are in place.
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Board sub-committees are in operation.
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Credit Committee is in operation.
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 perform its duties has not been impacted by its delegation of authority.

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company.	The delegation process is periodically reviewed to ensure it fulfills the requirements of the Company.
10.	**BOARD SUB-COMMITTEES**	
	Board Sub-Committees	
	FCs with asset base of more than Rs. 20 bn	
	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.	In terms of the FBAD No.05 of 2021, the Company has in operation a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee (NC), Human Resources and Remuneration Committee (HRRC), and Related Party Transactions Review Committee (RPTRC).
	Meetings - Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually.	There were 16 BAC meetings and 06 BIRMC meetings held during the FY 23/24, which comply with the requirements. In addition, there were 05 RPTRC meetings and 03 NC meetings and 03 HRRC Meetings Please refer Sub Committee reports given from page 82 to 89 for composition and meeting attendance
10.1.b	Each Board sub-committee shall have a Board approved written terms of reference specifying clearly its authority and duties.	Board approved written Terms of Reference clearly specifying the authority and duties are in place for each Sub-Committee.
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 Company.	Performance, duties, and functions of all subcommittees are disclosed on pages 82 to 89 of the Annual Report.
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.	The Company Secretary is the Secretary to BAC, RPTRC, NC and HRRC further the Head of Enterprise Risk Management is the secretary to BIRMC for the FY 23/24 under review. The Company Secretaries discharge their secretarial functions under the supervision of the Chairperson of the subcommittees. Performance, duties, and functions of all subcommittees are disclosed on pages 82 to 89 of the Annual Report. Minutes and/or reports of all of the above Committees are submitted to the Board for their review.
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 committees.	Members of all Board subcommittees consist of Board members and the performance, duties, and functions of all subcommittees are disclosed on pages 82 to 89 of the Annual Report.
10.1.f	The Board may consider the occasional rotation of members and of the Chairperson of Board sub-committees to avoid undue concentration of power and promote new perspectives.	When necessary, the Chairpersons and the Members of the Board subcommittees will be taken into consideration for rotation.

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SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
10.2	**Board Audit Committee (BAC)**	
	The following shall apply in relation to the Board Audit Committee.	
10.2.a	The Chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	Mr. S.L. Athukorala, Senior Independent Non-Executive Director of the Company, is the Chairman of the Board Audit Committee. Mr. S.L. Athukorala possess qualifications and experience and is a Fellow of both the Chartered Institute of Management Accountants, UK and the Institute of Chartered Accountants, Sri Lanka. Mr. S.L. Athukorala serves as the Chairman of the Oversight Committee of the United Nations Industrial Development Organization, Vienna, Austria, effective July 2017, among others. He is also a member of Audit Advisory Committee of UNICEF, New York.
10.2.b	The Board members appointed to the BAC shall be Non-Executive Directors and the majority shall be Independent Directors with the necessary qualifications and experience relevant to the scope of the BAC.	The Board Audit Committee comprised the following Members in the FY 23/24.

Name	Position	Designation
Mr. S.L. Athukorala	Chairman	Senior Independent Non-Executive Director
Mr. J. Durairatnam	Member	Independent Non-Executive Director
Ms. R.M.A.S. Parakrama	Member	Non-Independent Non-Executive Director
Mr. W.M.P.L. De Alwis	Member	Independent Non-Executive Director

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
10.2.c	The secretary to the Board Audit Committee shall preferably be the Chief Internal Auditor (CIA)	Company Secretary functions as the Secretary of the Audit Committee.
10.2.d	External Audit Function	
	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, the audit fee, and any resignation or dismissal of the auditor.	The External Auditor's appointments, service periods, and fees are determined and recommended by the BAC to the Board of Directors.
	ii. Engagement of an audit partner shall not exceed five years, and 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, FC shall not use the service of the same external audit firm for not more than ten years consecutively	M/s. Ernst & Young, Chartered Accountants (EY) functions as the External Auditor of the Company.
	iii. The audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	EY functions as the External Auditor of the Company. The Company is in compliance with this Direction.

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
	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 obtains representation from the External Auditors on their independence and that the audit is carried out in accordance with the applicable standards and best practices.
	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.	There is a separate Board approved policy for the provision of non- audit services by the External Auditor. External Auditor has been engaged only for the purpose of carrying out the external audit and to provide any other services connected thereto, during the FY 23/24.
	vi. The BAC shall, before the Audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including (i) an assessment of the Company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	The BAC has discussed and finalized the nature and scope of the audit, with the External Auditors, prior to commencement of the Financial Audit.
	vii. The BAC shall review the financial information of the FC, 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 judgements 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 judgemental 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.	By Annual and 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
	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 senior management, if necessary.	The Board Audit Committee discusses issues, problems, and reservations arising from the interim and final audits with the External Auditors. During the year the Committee has held two (02) meetings with the External Auditors, without the Executive Management being present, to discuss any matters (if any) the auditor may wish to discuss
	ix. The BAC shall review the External Auditor's Management Letter and the Management's response thereto within 3 months of submission of such, and report to the Board.	The Committee shall review the External Auditor's Management letter and management responses thereto, relating to the audit for the year ended 31 March 2024.

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10.2.e	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	The effectiveness of the Company's internal control mechanism has been certified by the Directors on pages 80 to 81 of the Annual Report under the heading "Directors' Statement on Internal Controls over Financial Reporting". Further, as provided in 1.4.c, based on the recommendation of the BAC, the Board of Directors noted satisfaction on the adequacy and the effectiveness of the system of internal controls.
10.2.f	The BAC shall ensure that the Senior Management 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 the Internal Audit function of the FC.	BAC monitors this through regular reporting from the Internal Audit Division.
10.2.g	Internal Audit function:	
	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	An in-house Internal Audit Division has been established.
	ii. The Internal Audit Function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.	There is a Board approved Internal Audit Charter that defines the purpose, authority, responsibility and independence of the Internal Auditor. The BAC has reviewed and approved the Annual Internal Audit Programme. Internal Audit Reports, with the management comments, have been discussed at length, at meetings of the BAC
	iii. The BAC shall take the following steps with regard to the Internal Audit Function of the Company:	
	(i) Review the adequacy of the scope, functions and skills and resources of the Internal Audit Department, and satisfy itself that the department has the necessary authority to carry out its work;	BAC has discussed the adequacy of the scope, functions, and resources of the Internal Audit Division.
	(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 ;	The BAC has reviewed and approved the Annual Internal Audit Programme. Internal Audit Reports, with management responses, have been discussed at length, and action is taken to rectify issues highlighted therein.
	(iii) Assess the performance of the head and senior staff members of the Internal Audit Department;	The BAC has carried out the performance appraisal of the Head of Internal Audit for the FY 23/24.

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
	(iv) Ensure that the Internal Audit Function is independent and activities are performed with impartiality, proficiency, and due professional care;	In terms of the Organization Chart of the Company, the Head of Internal Audit reports directly to the BAC and the audit work has been performed with impartiality, proficiency and due care.
	(v) Ensure the Internal Audit Function carries out a periodic review of the Compliance Function and regulatory reporting to regulatory bodies.	BAC reviews the annual compliance review conducted by Internal Audit Function.
	(vi) Examine the major findings of internal investigations and management's responses thereto. ;	The status of investigations is regularly reported to the BAC.
10.2.h	Committee 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.	BAC reviews on a monthly basis the progress of implementation of the recommendation of the CBSL onsite examination reports.
10.2.i	Meetings of the Committee	
	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.	Every BAC meeting is duly recorded and a report based on discussions is submitted to the Board for its information.
	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.	Members of the BAC attend meetings and the Senior Management including the Director & CEO, Chief Operating Officer, Head of Internal Audit, Head of Finance, Head of Compliance, Head of Legal, Head of Information Technology, Head of Human Resources, etc., attend by invitation.
	iii. BAC shall meet at least twice a year with the external auditors without any other directors / senior management / employees being present.	Two (02) meetings were held with the External Auditors without any other directors / Senior Management being present.

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<table>
<tr><th>SECTION</th><th>CORPORATE GOVERNANCE PRINCIPLE</th><th>COMPLIANCE</th></tr>
<tr><td>10.3</td><td>Board Integrated Risk Management Committee (BIRMC)</td><td></td></tr>
<tr><td></td><td>The following shall apply in relation to the BIRMC</td><td></td></tr>
<tr><td>10.3.a.</td><td>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.</td><td>The Board Integrated Risk Management Committee (BIRMC) comprises the following Members in the FY 23/24.
<table>
<tr><th>Name</th><th>Position</th><th>Designation</th></tr>
<tr><td>Ms. R.M.A.S. Parakrama</td><td>Chairman</td><td>Non-Independent Non-Executive Director</td></tr>
<tr><td>Mr. M.R. Mohamed (Resigned on 30 June 2023)</td><td>Member</td><td>Non-Independent Non-Executive Director</td></tr>
<tr><td>Mr. A Nissanka</td><td>Member</td><td>Director & CEO</td></tr>
<tr><td>Mr. J. Durairatnam (Appointed 12 July 2023)</td><td>Member</td><td>Independent Non-Executive Director</td></tr>
<tr><td>Mr. W.M.P.L. De Alwis (Appointed 12 July 2023)</td><td>Member</td><td>Independent Non-Executive Director</td></tr>
</table>
The Company would comply with the direction by appointing an Independent Director as the Chairperson and Non-Executive Directors as Members by 01 July 2024. A transitional period until 01 July 2024 has been granted to comply with the same.

The Head of Enterprise Risk Management (HERM) and other Senior Management attend the meetings of the BIRMC by invitation.

The BIRMC closely works with Key Responsible Personnel and makes decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.</td></tr>
<tr><td>10.3.b</td><td>The secretary to the committee may preferably be the CRO.</td><td>The HERM served as the Secretary to the BIRMC .</td></tr>
<tr><td>10.3.c</td><td>The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, compliance and technology to the FC at least once in two monthly basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board;</td><td>The BIRMC has an appropriate process to assess the impact of all risks once in two (02) months through identified risk indicators and Management Information. Further, the BIRMC makes recommendations on the risk strategies and the risk appetite to the Board.</td></tr>
</table>

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
10.3.d	Developing the FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC 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 FC 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's risk appetite is developed which includes the individual and aggregate level and types of risk that the Company will accept or avoid, in order to achieve its strategic business objectives. The Risk Appetite is monitored via the Risk Register and the Risk Appetite Statement (RAS) includes quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputational risks. Compliance risks as well as money laundering are discussed at the meetings.
10.3.e.	The BIRMC shall review the FC's risk policies including RAS, at least annually.	The BIRMC reviews the Company's risk policies including the RAS on an annual basis.
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.	In fulfilling its responsibilities, the BIRMC reviews the adequacy and effectiveness of Management Level Committees.
10.3.g	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Business Continuity & Disaster Recovery Plan (BCP) is reviewed by the BIRMC and the position is updated at meetings.
10.3.h	BIRMC shall annually assess the performance of the compliance officer and the CRO.	BIRMC assessed the performance of the Head of Compliance and the HERM for the FY 23/24.
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 a Company with an asset base of more than Rs. 20 bn, a dedicated Compliance Officer considered to be Senior Management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	A dedicated Compliance Officer has been appointed.
10.3.i.iii	For FCs 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.	Not applicable.

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SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
10.3.i.iv	The responsibilities of a compliance officer would broadly encompass the following:	The BIRMC ensures that the Compliance Officer has been entrusted with the responsibilities listed herein which are monitored on a periodic basis.
	i) Develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements;	The Company has established policies and procedures which have been published on the Company intranet which is accessible by all employees of the Company.
	ii) Ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture;	
	(iii) Ensures that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards;	Compliance with regulatory rules and internal compliance standards are monitored and reviewed on a periodic basis.
	(iv) Understand and apply all new legal and regulatory developments relevant to the business of FC;	The Company has a process to implement all new legal and regulatory requirements as applicable.
	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	The Company has established a process with the involvement of the Head of Compliance, to ensure 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-frame, and	Compliance reviews are carried out periodically and action is taken to rectify if deviations are noted.
	vii) Maintain regular contact and a good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with the highest integrity	A positive working relationship is maintained with the regulators, with timely reporting and communications.
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 established an Independent Risk Management function.
10.3.j.ii	For FCs with an asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO, considered to be senior management, shall carry out the risk management function and report to the BIRMC periodically.	A separate department for Risk Management Function is established, which is headed by the Head of Risk designated as Head of Enterprise Risk Management (HERM). The Department submits reports and observations 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 with relevant RAS and is in line with the strategic objectives of the Company.

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
10.3.j.iv	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: a) various potential risks and frauds b) possible sources of such risks and frauds; c) mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing. d) effective measures to control and mitigate risks at prudent levels; and e) 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 in the Company as required by the direction. The Board-approved integrated risk management framework and controls are implemented, whilst ensuring alignment with the regulatory directions and corporate governance standards. The framework encompasses all key risk categories, including credit, operational and compliance risks. The HERM ensures the risk practices are implemented across the organization with regular monitoring and reporting to the Board and the BIRMC.
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.	Head of Enterprise Risk Management is a part of the strategic planning process of the Company.
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 once in two months.
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 Board of Directors have the ultimate responsibility for the risk management of the Company. A Risk Assessment Report is tabled at the subsequent Board meeting and the Chairperson of BIRMC briefs the Board on significant issues raised and decisions taken at the BIRMC meetings, enabling the Board to make risk based decisions.
10.4	**NOMINATION COMMITTEE**	
	The following shall apply in relation to the 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 meetings by invitation of the committee.	The Nomination Committee was established on 11th January 2023 and comprises the following Members.

Name	Position	Designation
Mr. J. Durairatnam	Chairman	Independent Non-Executive Director
Mr. D.M.R.K. Dissanayake	Member	Non-Independent Non-Executive Chairman
Mr. S.L. Athukorala	Member	Senior Independent Non-Executive Director
Mr. W.M.P.L. De Alwis	Member	Independent Non-Executive Director

CORPORATE GOVERNANCE

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
10.4.b	Secretary to the nomination committee may preferably be the Company Secretary.	Secretary to the committee is the Company Secretary.
10.4.c	The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management is to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance Officer.	Selection, nomination, appointment, and election of Directors & other KRPs are carried out with the recommendation of the Board Nomination Committee.
10.4.d	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the FBA (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	The Committee ensures that this is complied with as per the terms of FBA Direction No.6 of 2021 on 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 fulfil 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 carried out to conform with the stated section.
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 FC as a whole.	The composition of the Board is not in any manner dominated by an individual or a small group of individuals.
10.4.g	The committee shall set the criteria, such as qualifications, experience, and key attributes required for eligibility, to be considered for the appointment to the posts of CEO and senior management.	The Committee considers and recommends to the Board the criteria, such as qualifications, experience, and key attributes required for eligibility, to be considered for the appointment to the posts of CEO and Senior Management.
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 will conform to the stated section as and when applicable.
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 FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	The Company will conform to the stated section.
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.	The Succession Plan of the Senior Management has been approved by the Board. Regular training is provided to enhance the expertise and competencies of the Senior Management. The requirement is considered by the NC and NC is responsible for the selection, nomination, appointment, election, and retirement of KRPs.

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
10.4.k	A member of the Nomination Committee shall not participate in decision-making relating to their own appointment/re-appointment and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor.	Members of the Nomination Committee is not involved in the decision-making process for their own appointment or re- appointment.
10.5	**Human Resources and Remuneration Committee**	
	The following shall apply in relation to the 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 Human Resources and Remuneration Committee (HRRC) was established on 11th January 2023 and comprises the following Members.

Name	Position	Designation
Mr. D.M.R.K. Dissanayake	Chairman	Non-Independent Non-Executive Chairman
Mr. K.A.H. Kuruppu	Member	Non-Independent Non-Executive Director
Mr. A. Nissanka	Member	Executive Director & CEO

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
10.5.b	The secretary to the Human Resources and Remuneration Committee may preferably be the Company Secretary.	The Company Secretary functions as the secretary to the HRRC.
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.	A Board approved Remuneration Policy of the Company is in place. Salaries, allowances, and other financial benefits relating to the Executive Directors and Senior Management are decided by the HRRC and fees and allowances structure for Non-Executive Directors shall be determined by the HRRC.
10.5.d	There shall be a formal and transparent procedure in developing the remuneration policy.	There is a formal and transparent procedure in developing the remuneration policy. The Remuneration Policy has been formulated and developed to achieve fair and equitable benefits with transparent guidelines which integrate with the market-related modern 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 reviewed annually. The reviewed policy is recommended by the HRRC and approved by the Board.

CORPORATE GOVERNANCE

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
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 an excessive risk or to act in self-interest.	The remuneration structure is in line with the business strategy, objectives, values, long-term interests, and cost structure of the Company. The Remuneration Policy approved by the Board contains measures to prevent conflicts of interest. Further, a Board approved Conflict of Interest Management Policy is in place.
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 company assessed the performance of the senior management (excluding Chief Internal Auditor, Compliance Officer, Chief Risk Officer) against the set targets and goals, and determined the basis for revising remuneration, benefits, and other payments of performance-based incentives.
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 HRRC adheres to the stated section.
11	**INTERNAL CONTROLS**	
11.1	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines, and adequate operating procedures in order to mitigate operational risks.	The BAC assists the Board in assessing the adequacy and the integrity of the Internal Controls System and the Management Information System and the financial reporting processes of the Company. Internal Audit Department helps the process by carrying out audits to assess the internal controls over financial reporting and management information systems. Further, the External Auditors were engaged in providing assurance on the 'Directors' Responsibility Statement on Internal Controls over Financial Reporting included in the Annual Report', and their opinion is submitted to the Board.
11.2	A proper internal control system shall: a) promote effective and efficient operations; b) provide reliable financial information; c) safeguard assets; d) minimize the operating risk of losses from irregularities, fraud, and errors; e) ensure effective risk management systems; and f) ensure compliance with relevant laws, regulations, directions, and internal policies.	
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	

<table>
<tr><th>SECTION</th><th>CORPORATE GOVERNANCE PRINCIPLE</th><th>COMPLIANCE</th></tr>
<tr><td>12.</td><td>RELATED PARTY TRANSACTIONS</td><td></td></tr>
<tr><td>12.1</td><td>Board shall establish a policy and procedures for related party transactions, which covers the following.</td><td></td></tr>
<tr><td>12.1.a</td><td>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.</td><td>The Related Party Transactions Review Committee (RPTRC) was established on 14th December 2021.

The composition of the Committee as determined by the Board of Directors is as follows.

<table>
<tr><th>Member</th><th>Position</th><th>Designation</th></tr>
<tr><td>Mr. W.M.P.L. De Alwis</td><td>Chairman</td><td>Independent Non-Executive Director</td></tr>
<tr><td>Mr. S.L. Athukorala</td><td>Member</td><td>Senior Independent Non-Executive Director</td></tr>
<tr><td>Mr. J. Durairatnam</td><td>Member</td><td>Independent Non-Executive Director</td></tr>
<tr><td>Ms. R.M.A.S. Parakrama</td><td>Member</td><td>Non-Independent Non-Executive Director</td></tr>
</table></td></tr>
<tr><td>12.1.b</td><td>All related party transactions shall be prior reviewed and recommended by the RPTRC.</td><td>A Board approved mechanism is in place in this regard.</td></tr>
<tr><td>12.1.c</td><td>The business transactions with a related party that is covered in this Direction shall be the following:

i. Granting accommodation;
ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable;
iii. Providing financial or non-financial services to the FC or obtaining those services from the FC.
iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to sharing proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.</td><td>There is a documented process approved by the Board which speaks on types of related party transactions for the Company to avoid any conflicts of interest that may arise from any transaction with the related parties.

All related party transactions have been disclosed in the Financial Statements.</td></tr>
</table>

CORPORATE GOVERNANCE

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
12.2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises. a) Directors and senior management. b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. c) Subsidiaries, associates, affiliates, holding Company, ultimate parent Company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa d) Directors and senior management of legal persons in paragraph (b) or (c). e) Relatives of a natural person described in paragraph (a), (b) or (d). f) Any concern in which any of the FC’s directors, senior management or a relative of any of the FC’s director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.	The Board is well aware of the requirement of identification of related party transactions. Categories of related parties have been identified which aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company.
12.3	The Committee shall ensure that the FC 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 FC. For the purpose of this paragraph, “more favorable treatment” shall mean: a) Granting of “total accommodation” to a related party, exceeding a prudent percentage of the FC’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 counter-party; c) Providing preferential treatment, such as favourable 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 FCs 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.	There is a documented process approved by the Board which clearly defines related party transactions and ensures that the Company does not engage in such transactions in a manner that would grant such related parties “more favorable treatment” than what is accorded to other constituents of the Company carrying out similar transactions with the Company. The Company has a mechanism to monitor all RPT transactions where the NIC numbers and Business Registration numbers of related parties are restricted to ensure that there are no favourable treatments offered to such related parties than that accorded to other constituents of the Company.

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
13.	**GROUP GOVERNANCE**	
13.1	Responsibilities of the FC as a Holding Company.	The Company is not a holding company and hence, the provisions under Section 13.1 are not applicable.
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 is not a subsidiary of another financial institution. The Company fulfills its own legal and governing obligations.
14.	**CORPORATE CULTURE**	
14.1	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	The Company has a Board approved Code of Conduct in compliance with the Direction.
14.2	The FC shall maintain records of breaches of the code of conduct and address such breaches in a manner that upholds high standards of integrity.	The Company maintains records of breaches of the Code of Conduct. If any breach of the Code of Conduct is reported, the disciplinary procedure is implemented and subsequent actions are taken based on the gravity of such incidents.
14.3	A FC shall establish a Whistle Blowing 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 confident manner and without the risk of reprisal. The BAC shall review the policy periodically.	A Board approved Whistle Blowing Policy is in place. All employees are encouraged to raise any matter which they genuinely believe, constitutes a potential or existing wrongdoing such as a breach of the Code of Ethics of the Company. Further, BAC reviews the policy on an annual basis.
15.	**CONFLICTS OF INTEREST**	
15.1.a	Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has a 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 of identification of related party transactions and a Board approved Related Party Transaction Guide is in place which speaks on categories of related parties and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company.

CORPORATE GOVERNANCE

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
15.1.b	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall; i. Identify circumstances that 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 directors 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 is to be addressed.	A Policy on managing conflicts of interest is in place and the policy is reviewed annually.
16.	**DISCLOSURES**	
16.1	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that at least the following disclosures are made in the Annual Report of the FC	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. Further, such statements are published in the newspapers in Sinhala, Tamil and English.
	(i) Financial Statements- In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, • A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. • A statement of responsibility of the Board in preparation and presentation of financial statements.	This is being disclosed in the "Annual Report of the Board of Directors on the state of affairs of the Company" appearing on page 41 of the Annual Report.

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
	(ii) Chairperson, CEO and Board Related Disclosures • 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.	Details of the Directors including names and transactions with the Finance Company are given on page 163 of the Annual Report. Declarations were obtained from the Board of Directors of the Company and there were no business relationships with other Directors of the Company.
	(iii) Appraisal of Board Performance • An overview of how the performance evaluations of the Board and its committees have been conducted	A process is in place for the annual self-assessments of Directors to be undertaken by each Director and the records of such assessments are maintained by the Company Secretary. The summary of the self- assessment is submitted to the Board enabling Directors to discuss relevant matters if any.
	(iv) Remuneration • A statement on the 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.	Performance driven remuneration and increments to the remuneration packages shall depend on achievement of agreed performance standards or financial benchmarks which have been set as per the Annual Strategic Plan and the Budget. Annual promotions, increments, bonuses of employees are also directly related to their achievement of the Key Performance Indicators, professional conduct and behavior. The remuneration structure of the staff, Senior Management and Executive Directors shall be in line with the business strategy, objectives, values, long term interest, cost structure of the Company, incorporating prevention of conflict of interest in particular incentives embedded within the remuneration structures that does not incentivize employees to take excessive risk or act in self-interest. Aggregate value of remuneration paid for Directors' & Senior Management for FY 2023/24 was Rs. 327,775,396/- Details on Directors' & Senior Management Remuneration are given in Note 38.2 of the financial statement

CORPORATE GOVERNANCE

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
	(v) Related Party Transactions • The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. • 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.	Declarations were obtained from the Board of Directors of the Company and there was no business, financial, family or other material/relevant relationships between the Chairperson and the CEO and among members of the Board. Total of 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 FCs core capital.

Related Party	Total Net Accommodation Granted	Net Accommodation Outstanding as a % of Core Capital
a) Directors and senior management.	5,083,000/-	0.05%
b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC.	-	-
c) Subsidiaries, associates, affiliates, holding Company, ultimate parent Company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa	-	-
d) Directors and senior management of legal persons in paragraph (b) or (c).	15,838,454/-	0.09%
e) Relatives of a natural person described in paragraph (a), (b) or (d).	9,000,000/-	0.08%

The aggregate value of the transactions of the FC with Senior Management is as follows
Deposits - Rs. 1,000,000/-

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
	(vi) Board Appointed Committees • The details of the chairperson and members of the board committees and attendance at such meetings.	Subcommittee reports given from page 82 to 89 detail on Board appointed subcommittees.
	(vii) Group Structure • The group structure of the FC within which it operates. • The group governance framework	The "Ownership Structure" is given on page 15 of the Annual Report.
	(viii) Director's Report - A report, which shall contain the following declarations by the Board • The FC has not engaged in any activity, which contravenes laws and regulations. • 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.	Declaration is given in the "Annual Report of the Board of Directors on the State of Affairs of the Company" on page 41 of the Annual Report.

CORPORATE GOVERNANCE

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
	(ix) Statement of Internal Control • A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. • 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.	Covered in the "Directors' Statement on Internal Controls" on pages 80-81 of the Annual Report.
	(x) Corporate Governance Report • Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.	The Corporate Governance Report is set out on pages 42 to 75 of the Annual Report of the Company. The Company has obtained an independent assurance report from the External Auditors over compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance.
	(xi) Code of Conduct • FC's code of business conduct and ethics for directors, senior management and employees. • The Chairperson shall certify that the company has no violations of any of the provisions of this code.	A Board approved Code of Conduct is in place. Please refer the Chairman's Message on pages 18-19 of the Annual Report, stating that the Company has no violations of any of the provisions of this code.

SECTION	CORPORATE GOVERNANCE PRINCIPLE	COMPLIANCE
	(xii) Management Report • Industry structure and developments • Opportunities and threats • Risks and concerns • Sustainable finance activities carried out by the company • Prospects for the future	Please refer 'Management Discussion and Analysis' on pages 34 to 37 and the CEO's Review on pages 20-21.
	(xiii) Communication with Shareholders • The policy and methodology for communication with shareholders. • The contact person for such communication.	The Board approved Communication Policy is in place which covers all stakeholders. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders. The Chairman, the Board of Directors or an individual authorised by the Chairman or Board shall communicate with the shareholders.

Strength of governance

Our robust governance and risk management frameworks enable us to create a strong platform for growth and expansion.

4

COMMITTEE REPORTS

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF ASSETLINE FINANCE LIMITED

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
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REPORT ON THE STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING INCLUDED IN THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

We were engaged by the Board of Directors of Assetline Finance Limited (the "Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control for the year ended 31 March 2024 (the "Statement") included in the annual report.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the Section 16 (1) (ix) of Finance Companies Corporate Governance Direction no. 05 of 2021, by the Institute of Chartered Accountants of Sri Lanka.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITIES AND COMPLIANCE WITH SLSAE 3051

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

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

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

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

SUMMARY OF WORK PERFORMED

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

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

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

OUR CONCLUSION

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Company.

Ernst & Young

11 June 2024
Colombo

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

DIRECTORS' STATEMENT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Responsibility

In compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021-Corporate Governance, the Board of Directors (the Board) of Assetline Finance Limited (the Company) presents this report on internal control over Financial Reporting.

The Board is responsible for the adequacy and effectiveness of the Internal Control mechanism in place within the Company.

The Board has implemented the ongoing process for identifying, evaluating, and managing the significant risks faced by the Company upon the recommendation of the Board Audit Committee (BAC), which regularly evaluates the effectiveness of the System of Internal Controls, Polices and Procedures introduced by the management. This process includes enhancing the System of Internal Control over Financial Reporting as and when there are changes to business environment or regulatory guidelines.

The Board is of the view that the system of Internal Control over Financial Reporting currently in existence, is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the policies and procedures pertaining to Internal Control over Financial Reporting with the recommendation of the BAC. The Management has documented the System of Internal Controls over Financial Reporting and is updating the process to meet the new Financial Reporting requirements. In assessing the Internal Control System Over Financial Reporting, identified officers of the Company collate all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by Internal Audit Division of the Company, for suitability of design and effectiveness on an ongoing basis.

Given below are the key processes which have been established to review the adequacy and integrity of internal control, with respect to financial reporting.

- Establishment of various subcommittees to assist the Board with a view to ensuring the effectiveness of the Company's daily operations and such operations conform to Company's corporate objectives, strategies and the annual budget as well as policies and business directions approved by the Board.

- Policies are developed to capture all functional areas of the company, which are recommended by the relevant Board Sub Committees and approved by the Board. These Policies are reviewed periodically and approved by Board.

- The Internal Audit Division of the company checks whether the policies and procedures of the Company are being complied with, while ascertaining the effectiveness of the internal control mechanism, on an ongoing basis during their regular reviews. A risk-based auditing approach is adopted by the Company and the entire audit universe is reviewed annually in accordance with the annual audit plan approved by the Board Audit Committee. Independent and objective reports covering significant observations of the Internal Audit Division are also tabled for review by the Board Audit Committee, at their periodic meetings.

- The Board Audit Committee also reviews the internal audit functions, with particular reference to the scope and quality of the audits. Minutes of all the Board Audit Committee meetings are submitted to the Board for review. In addition, periodical summaries submitted by the Internal Audit Division indicating the functions carried out are reviewed by the Board Audit Committee.

- Evaluation of adequacy and effectiveness of internal controls over financial reporting is carried out by the Board Audit Committee through the review of internal control issues identified by the Internal Audit Division, the External Auditors, regulatory authorities and the management.

- The requirements of Sri Lanka Accounting Standards are continuously monitored, and necessary steps are being taken to assess its impact on Financial Statements and to design suitable internal control. Further, the Company will continue to further strengthen the control over processes pertaining to management information systems and related party disclosures.

- The Company further strengthened its internal control processes to ensure that the impact of the economic crisis is accurately captured in the financial reporting by providing adequate impairment provisions for expected credit losses.

Statement on Prudential Requirements, Regulations and Laws

The Board has implemented sufficient internal controls to ensure adherence to statutory and regulatory obligations. The Board affirms that the Company complies with all relevant prudential requirements, regulations, and legislation laws.

The Board confirms that there are no material regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance with the Finance Business Act, rules and directions.

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 Auditors, Messrs Ernst & Young have reviewed the above Directors' Statement on Internal Control for the year ended March 31, 2024 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system of the Company.

By order of the Board,

Rohana Dissanayake
Chairman

Ashan Nissanka
Director & Chief Executive Officer

11 June 2024

BOARD AUDIT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE

The Board Audit Committee (BAC) of the Company comprised the following Members in the Financial Year 2023/24.

Name	Position in the BAC	Board Status
Mr. S.L. Athukorala	Chairman	Senior Independent Non-Executive Director
Mr. J. Durairathnam	Member	Independent Non-Executive Director
Ms. R.M.A.S. Parakrama	Member	Non-Independent Non-Executive Director
Mr. W.M.P.L. De Alwis	Member	Independent Non-Executive Director

The BAC met sixteen (16) times during the FY 23/24 and the attendance of the member of the BAC was as follows.

Name	Attendance	Percentage
Mr. S.L. Athukorala	16	100%
Mr. J. Durairathnam	16	100%
Ms. R.M.A.S. Parakrama	15	94%
Mr. W.M.P.L. De Alwis	16	100%

At the invitation of the BAC, Senior Management including the Director & Chief Executive Officer (CEO), the Chief Operating Officer (COO) and Branch representatives have attended the meetings of the BAC, together with the Compliance Officer, Internal Auditor and the representatives of independent Internal Auditors of the Company, from time to time as applicable. During FY 23/24, the BAC has held discussions with the External Auditors without the presence of any other Directors, Senior Management and employees of the company being present. The BAC met with the External Auditors and discussed the scope of the audit, time allocation of key members of the engagement team and matters arising from the annual audit and the audit results report issued by them.

SCOPE AND RESPONSIBILITIES

The scope of the BAC is to accomplish the role of overseeing the financial reporting system of the Company by executing its mandate of assisting the Board of Directors in the prudent conduct of business, addressing relevant risks, being on the conformity with policies, internal controls, laws, regulations etc., authentic reporting of performance and supervision of the independence and efficacy of External Audit.

The Committee has the explicit authority by its Terms of Reference to investigate into any matter, unrestricted access to records, data, and reports and to the management and the staff, to obtain information considered necessary for the discharge of duties. The Committee is also authorized to obtain external professional advice at the Company's expense and to invite external party/(ies) with relevant expertise to attend and participate at its meetings, if necessary.

During FY 23/24, the BAC discharged its functions and carried out its duties as set in its scope and other statutory and regulatory requirements. The BAC reviewed the Company's reports on compliance submitted to the Central Bank of Sri Lanka (CBSL), the annual financial statements and the reporting process for reliability, consistency and compliance with Sri Lanka Accounting Standards and other statutory requirements prior to recommending the same to the Board of Directors, for approval.

The BAC has established annual review of policies and procedures of the Company, such as the Whistle blowing Policy, made necessary recommendations for Board approval and referred relevant matters to the Board of Directors and Board Integrated Risk Management Committee, for necessary actions and to ensure strengthening of reporting lines.

The BAC reviews and ensures compliance to regulatory guidelines and directions issued by the CBSL. The BAC ensures the implementation of accounting standards including Sri Lanka Financial Reporting Standard (SLFRS) 09 on impairment calculations, SLFRS 16 relating to leases and other applicable accounting standards pertaining to revenue recognition, compliance, income tax etc. The BAC continuously monitored all outstanding observations in the "Time Bound Action Plan" issued by the CBSL until completion.

The BAC reviewed the accounting policies and significant judgments and estimates underpinning the financial statements for the FY 23/24.

INTERNAL AUDIT ACTIVITIES

The BAC has established an independent Internal Audit function with a clear mandate, that provides an objective assurance to the BAC on the quality and effectiveness of the Company's internal control, risk management, governance systems and processes.

The BAC reviewed the findings and recommendations of internal audit together with management responses and feedback of the internal audit on the said management responses in an overall effort to improve the control environment. The BAC monitored the implementation of internal audit recommendations through follow-up reviews and progress of work performed against the internal audit plan.

The BAC reviewed and approved the Internal Audit Programme of the company for the FY 23/24 and was satisfied with the adequacy of the scope, functions, resources of the Internal Audit Function and the authority to carry out its work. The BAC was further satisfied with the independence of the Internal Audit Function and that it is performed with impartiality, proficiency and due professional care. The BAC has encouraged the continuous progress, enhancement of knowledge and skills of the staff of the Internal Audit, by providing technical and operational trainings, which have augmented Internal Audit services.

Further, the BAC reviews the instructions issued to the branch network by the management to ensure effective communication and implementation of control across the Company. The BAC monitors key performance indicators of the branch network including fluctuations in the Internal Audit Rating, Customer Satisfaction Ratio and recommends improvements to processes, procedures and divisional structures to enhance operational efficiencies and the quality of the system of management information. The BAC further recommended measures to improve level of customer satisfaction.

The BAC conducted a review of the effectiveness of the system of internal controls and management information systems of the company and is satisfied and recommended to the Board of Directors the satisfaction on the adequacy and the effectiveness of the system of internal controls and management information systems. The BAC is satisfied that there were no material frauds or any other material breakdown in the internal controls and governance requirements reported within the financial year.

EXTERNAL AUDIT ACTIVITIES

The BAC has discussed and finalized with the External Auditors the nature and scope of the audit, prior to its commencement, and has reviewed the observations of the External Auditors in the interim and final audits, in accordance with Directions.

The BAC is satisfied that External Auditors of the Company, Messrs. Ernst & Young, Chartered Accountants, are independent. During FY 23/24, the External Auditors were not engaged in any non-audit services of the company. The policy on the engagement of the External Auditors to provide non-audit services has been reviewed and approved by the Committee.

Lakshman Athukorala
Chairman
Board Audit Committee

11 June 2024

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Board Integrated Risk Management Committee (BIRMC) is a board-appointed subcommittee established to oversee the company's risk management aspects.

COMPOSITION AND ATTENDANCE

The composition of the Board Integrated Risk Management Committee (BIRMC) of the Company during the year under review was,

Name	Position	Designation	Period
Ms. R.M.A.S. Parakrama	Chairperson	Non-Independent Non-Executive Director	From 11/01/2023 to date
Mr. M.R. Mohamed	Member	Non-Independent Non-Executive Director	From 11/01/2023 to 30/06/2023
Mr. W.M.P.L. De Alwis	Member	Independent Non-Executive Director	From 12/07/2023 to date
Mr. J. Durairathnam	Member	Independent Non-Executive Director	From 12/07/2023 to date
Mr. A. Nissanka	Member	Executive Director & Chief Executive Officer	From 11/01/2023 to date

The Company will comply with the composition requirements stipulated in the Finance Business Act Directions No. 05 of 2021 on Corporate Governance by 01 July 2024, in line with the transitional period granted by the Central Bank of Sri Lanka (CBSL), as the Company transitions from a specialized leasing company to a finance company.

The BIRMC met six times during the Financial Year 2023/24, as stipulated in its Charter, to assess all aspects of risk management and mitigation strategies. The attendance of the current members of the BIRMC as applicable, was as follows.

Name	Attendance	Percentage
Ms. R.M.A.S. Parakrama	06/06	100%
Mr. M.R. Mohamed	02/02	100%
Mr. W.M.P.L. De Alwis	03/04	75%
Mr. J. Durairathnam	03/04	75%
Mr. A. Nissanka	06/06	100%

The BIRMC works closely with senior management, including the Chief Operating Officer (COO) and Chief Marketing Officer (CMO), who attend meetings by invitation. The Company appointed the Chief Risk Officer, designated as Head of Enterprise Risk Management, effective 20 April 2023, as stipulated in the Direction.

SCOPE AND RESPONSIBILITIES

The BIRMC assists the Board of Directors in assessing and managing all company risks (credit, market, liquidity, operational, strategic, compliance, and technology risks). The committee monitors appropriate risk indicators and management information, making recommendations on risk strategies and risk appetite to the Board within its assigned authority and responsibility framework.

The BIRMC developed the Company's risk appetite through a Risk Appetite Statement (RAS), which outlines the level and types of risk the Company will accept or avoid achieving its strategic objectives. The risk appetite is monitored and discussed at meetings via the Risk Register and the RAS, which includes both quantitative measures (relative to earnings, capital, liquidity) and qualitative measures (reputational risks). The BIRMC also discusses compliance risks and money laundering risks. The Head of Enterprise Risk Management assesses these boundaries and communicates them to management, the BIRMC, and the Board monthly. The BIRMC reviews the Company's risk policies, including the RAS, annually.

The BIRMC reviews the adequacy and effectiveness of senior management-level committees, including the Credit Committee, Assets & Liability Committee, IT Steering Committee, and Procurement Committee, to manage risks within set quantitative and qualitative limits. The BIRMC reviews the Business Continuity & Disaster Recovery Plan (BCP) and related documentation, recommending and advising on necessary actions. It also takes appropriate actions against officers responsible for failing to identify specific risks and takes prompt corrective action to mitigate risks beyond prudent levels, in accordance with Company policies and regulatory requirements.

COMPLIANCE FUNCTION

The BIRMC has established an independent Compliance Function, ensuring the Compliance Officer, designated as Head of Compliance, fulfills the responsibilities listed in the Direction, which are monitored periodically. The

BIRMC assessed the performance of the Head of Compliance for FY 2023/24.

The BIRMC ensures the Company has processes to implement all new legal and regulatory requirements. With the Head of Compliance's involvement, the Company ensures early involvement in the design and structuring of new products and systems to conform to regulatory requirements, internal compliance, and ethical standards. A positive working relationship is maintained with regulators through the Head of Compliance, with timely reporting and communication. Serious or persistent compliance issues are highlighted to the BIRMC by the Head of Compliance through the Monthly Risk Register, along with corrective actions taken.

RISK MANAGEMENT FUNCTION

The Company has established an independent Risk Management function, ensuring the Head of Enterprise Risk fulfills the responsibilities listed in the Direction, which is monitored periodically. A separate department headed by the Head of Enterprise Risk Management submits reports and observations to the BIRMC. The BIRMC assessed the performance of the Head of Enterprise Risk Management for FY 2023/24.

The BIRMC ensures the Company has established Risk Management policies with relevant RAS, aligned with the Company's strategic objectives. Risk Management controls function integrative, capturing and reporting any fraud or potential risks. The Risk Management function frequently monitors controls and mitigants, conducting both quantitative and qualitative analyses, which are then discussed at BIRMC meetings.

The Risk Register is submitted to the BIRMC regularly. A Risk Assessment Report is tabled at the subsequent Board meeting, where the Chairperson of BIRMC briefs the Board on significant issues raised and decisions taken at BIRMC meetings, enabling the Board to make risk-based decisions.

Romany Parakrama
Chairperson
Board Integrated Risk Management Committee

11 June 2024

NOMINATION COMMITTEE REPORT

The Board of Directors of Assetline Finance Limited (the Company) has established the Board Nomination Committee (the Committee). The Committee operates within its established Terms of Reference and collaborates closely with the Board to review the organizational structure and identify the skills necessary for sustained success. The committee comprises of the following Members.

Name	Position	Designation
Mr. J. Durairatnam	Chairman	Independent Non-Executive Director
Mr. D.M.R.K. Dissanayake	Member	Non-Independent Non-Executive Chairman
Mr. S.L. Athukorala	Member	Senior Independent Non-Executive Director
Mr. W.M.P.L. De Alwis	Member	Independent Non-Executive Director

The Committee met three (03) times during the financial year 2023/24, and the attendance was as follows

Name	Attendance	Percentage
Mr. J. Durairatnam	03/03	100%
Mr. D.M.R.K. Dissanayake	03/03	100%
Mr. S.L. Athukorala	03/03	100%
Mr. W.M.P.L. De Alwis	03/03	100%

At the invitation of the Committee, Senior Management including the Director & Chief Executive Officer (CEO), the Chief Operating Officer (COO) and Head of Human Resources, attended the meetings. The Committee ensured that its members are not involved in the decision-making process for their own appointment or re-appointment.

During the year, the Committee made recommendations to the Board on the appointment of Board Members, and senior management. In making these recommendations, the Committee considered a range of factors, including skills, knowledge, experience, independence, objectivity, integrity, financial discipline, and good reputation. These criteria were essential to ensure that the appointees could effectively fulfill their responsibilities and contribute to the Company's success.

Additionally, the Committee undertook a comprehensive review of the Company's succession plan to ensure a seamless transition in leadership. The Committee periodically recommended suitable successors for Directors and senior management who were resigning or retiring. This proactive approach ensured continuity in leadership, preserving the strategic vision and operational stability of the Company. By identifying and grooming potential successors, the Committee aimed to maintain a robust leadership pipeline, capable of steering the Company towards sustained growth and success.

The Committee diligently ensured that all Directors and senior management met the highest standards of fitness and propriety required to hold the positions and perform their functions effectively. This process was in strict compliance with the Finance Business Act, specifically adhering to Direction No. 06 of 2021, which pertains to the Assessment of Fitness and Propriety of Key Responsible Persons.

On behalf of the Nomination Committee

Jegatheesan Durairatnam
Chairman
Nomination Committee

11 June 2024

HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

The Board of Directors of Assetline Finance Limited (the Company) has established the Human Resource and Remuneration Committee (the Committee). Operating within its defined Terms of Reference, the Committee is dedicated to upholding principles of accountability and transparency. It is committed to enhancing employee well-being while ensuring compliance with the applicable provisions of the Finance Business Act Direction No. 05 of 2021.

Name	Position	Designation
Mr. D.M.R.K. Dissanayake	Chairman	Non-Independent Non-Executive Chairman
Mr. K.A.H. Kuruppu	Member	Non-Independent Non-Executive Director
Mr. A. Nissanka	Member	Executive Director & Chief Executive Officer

MEETINGS

The Committee met three (03) times during the financial year 2023/24, and the attendance was as follows

Name	Attendance	Percentage
Mr. D.M.R.K. Dissanayake	03/03	100%
Mr. K.A.H. Kuruppu	03/03	100%
Mr. A. Nissanka	03/03	100%

At the invitation of the Committee, Senior Management, including Chief Operating Officer (COO) and Head of Human Resources, attended the meetings except when their own compensation packages or other matters relating to them are reviewed.

Upon the recommendation of the Committee, the Board of Directors approved the annual review of the Remuneration Policy of the Company. The policy has been formulated and developed to achieve fair and equitable benefits with transparent guidelines which integrate with the market-related modern remuneration practices and will be reviewed annually by the Board upon recommendation of the Committee.

The annual promotions of the Senior Management excluding the Chief Internal Auditor (Head of Internal Audit), Compliance Officer (Head of Compliance) and Chief Risk Officer (Head of Enterprise Risk Management), was decided and approved by the Committee, based on their performances/ KPI achievement during the year. Accordingly, their remuneration and benefits were determined in line with their new grades.

The Committee directed the Head of Human Resources to conduct a thorough review of remuneration and benefit trends, as well as employment conditions across the industry. This comprehensive review aimed to ensure that the Company's compensation packages remain competitive and aligned with industry standards. The Committee ensured that the benefits and incentives offered were designed to encourage enhanced performance, rewarding employees in a fair, transparent, and responsible manner. This approach not only aimed to attract and retain top talent but also to motivate employees to contribute to the Company's overall success.

Additionally, the Committee ensured that all remuneration and benefit practices were fully compliant with regulatory requirements which safeguarded the Company against potential legal and financial risks, while also promoting a culture of accountability and integrity. This comprehensive approach ensured that the Company’s compensation strategies were not only competitive and motivating but also legally sound and ethically responsible.

On behalf of the Human Resource and Remuneration Committee

Rohana Dissanayake
Chairman
Human Resource and Remuneration Committee

11 June 2024

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee (" The Committee") currently comprised four Non-Executive Directors as follows,

Name	Position	Designation
Mr. W.M.P.L. De Alwis	Chairman	Independent Non-Executive Director
Mr. S.L. Athukorala	Member	Senior Independent Non-Executive Director
Mr. J. Durairatnam	Member	Independent Non-Executive Director
Ms. R.M.A.S. Parakrama	Member	Non-Independent Non-Executive Director

The Committee reports directly to the Board of Directors and the Company Secretary functions as the Secretary to the Committee.

MEETINGS

The Committee met four (04) times during the year under review, and the attendance of the Members was as follows

Name	Attendance	Percentage
Mr. W.M.P.L. De Alwis	04/04	100%
Mr. S.L. Athukorala	04/04	100%
Mr. J. Durairatnam	04/04	100%
Ms. R.M.A.S. Parakrama	02/04	50%

At the invitation of the Committee the Director & Chief Executive Officer (CEO), and other Senior Management including the Chief Operating Officer (COO), Head of Finance, Head of Compliance, etc., have attended the meetings.

The proceedings of the Committee meetings have been quarterly reported to the Board of Directors.

TERMS OF REFERENCE

The Terms of Reference (TOR) sets out the functions of the Committee in line with the Finance Business Act Direction No. 05 of 2021 on Corporate Governance (Direction). The Committee ensures adherence to all applicable Regulatory Guidelines and Directions, and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

KEY RESPONSIBILITIES OF THE COMMITTEE

The TOR adopted on the 14 December 2021 and periodically reviewed and updated as appropriate by the Board, provides for the responsibilities and functions of the Committee, which include:

Determining, monitoring and reviewing of Related Party Transactions (RPT), their terms and conditions, ensuring the effectiveness of established procedures and compliance with the Company's Board approved Policy on RPTs.

Evaluating on an ongoing basis, existing relationships between and among the Company's businesses and counterparties to ensure that all related parties are continuously identified, nature and bases of RPTs are monitored and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships shall be reflected in the relevant reports submitted to the Board and Regulators upon review of the RPTRC.

Further evaluating all RPTs to ensure that they are not carried out on more favorable terms than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

In terms of the TOR, the RPTRC ensures that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process, and oversees the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs.

The RPTRC ensures that, in terms of the RPT Policy, measures are taken to prevent Directors, the Director & Chief Executive Officer, Senior Management, Substantial Shareholders or other related parties from taking advantage of their positions. The RPTRC ensures that interested Members, if any, shall abstain from participating in the decision making process pertaining to transactions relating to such members or their close family members, unless invited to seek clarification/ information.

RELATED PARTY TRANSACTION POLICY

The Company has in place a Board approved Related Party Transaction Policy ('the Policy') whereby categories of persons who shall be considered as 'related parties' have been defined in line with the applicable rules and regulations, including the Directions and the Sri Lanka Accounting Standards. The Policy provides for the 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'.

METHODOLOGY USED BY THE COMMITTEE.

In the performance of its duties, the Committee avoids 'conflicts of interest' which may arise from any transaction of the Company with any person, particularly with related parties and ensures arm's length dealings with related parties and strict compliance with the provisions of the Directions and the Policy.

ACTIVITIES IN 2023/24

Details of all transactions with the related parties during the year 2023/24 were reviewed by the Committee and duly reported to the Board with its recommendations. As part of the annual review process, the Committee also reviewed the Policy in November 2023.

Prasantha Lal De Alwis
Chairman
Related Party Transactions Review Committee

11 June 2024

RISK MANAGEMENT DISCUSSION

OVERVIEW

Assetline Finance Limited (AFL) continues to enhance its risk management strategy to match the growth and complexity of its operations. AFL faces several principal risks, including credit, market, liquidity, operational, strategic, compliance, and technology risks. To address these, AFL has implemented comprehensive systems and procedures to identify, evaluate, monitor, and manage risks throughout the company.

A dedicated Risk Management unit, part of the Enterprise Risk Management division, ensures the independence and effectiveness of risk assessment, monitoring, and control processes. Robust risk management practices are embedded in AFL's culture, and these processes are actively applied across all business units. New and improved risk mitigation measures are continually being developed to address current economic and environmental challenges.

Risk highlights for the year 2023/24

Risk Category	Performance achieved
Strategic Risk	ROA increased to 3.6% from 2.8%, YoY
	ROE increased to 10.2% from 8%, YoY
Credit Risk	Focused on more secured lending, backed by collaterals (unsecured facility book dropped to 0.48% of the total portfolio).
	Achievement of Credit disbursement targets by 118% compared to 52% as of March 31,2023.
	Net portfolio grew by 12% YOY.
	The Net NPA ratio reduced to 7.3% from 15.5% YoY.
Operational Risk	Staff Turnover rate was high at 19%, compared with the budget turnover of 14%.
	A performance driven culture was implemented, rewarding the best performers in business and recoveries.
	Efficiencies were enhanced through process improvements and cost savings.
	IT governance was strengthened by enhanced controls and uninterrupted business processing.
Market Risk	The change in the macro environment pushed the interest rates down and reduced the cost of funds (COF) to 11.3% as of March 31, 2024.
	Improved net interest margins (NIMs) by monitoring the movements regularly.
Liquidity Risk	Maintenance of liquid assets were above the regulatory requirement.
	Permanent bank funding lines were established as a buffer for liquidity and contingencies.
	The maturity mismatches in assets & liabilities were narrowed.
IT Risk	Online Credit Appraisal system and the ERP modules for the Business Administration Department were implemented to improve the efficiency and effectiveness of processes and as an enabler for new business initiatives.
	IT risk management policies and processes were implemented and monitored under the IT Steering Committee.
Business Risk	Innovative products and market strategies were developed to grow portfolio including sustainable finance and green finance products.
Compliance Risk	Compliance with the direction issued by the Central Bank of Sri Lanka.
	Consistent monitoring of internal controls, policies, and procedures to ensure compliance.
	Continuous training of staff on compliance related areas.

Risk highlights for the financial year 2023/24

SCOPE OF RISK AND THE RISK MANAGEMENT FRAMEWORK

Risk is inherent in financial services and are managed through a process of ongoing identification, measurement, control and monitoring. The risk management function comes under the Board Integrated Risk Management Committee (BIRMC) which functions as an independent unit. The BIRMC constantly monitors the risk of the Company and ensures that the risk taken in its operation are within the stipulated risk appetite of the company. The BIRMC also ensures that the company adheres to the policies and controls specified by the CBSL.

AFL has set up structures and procedures to address the risks which are vested on business/departmental heads. The BIRMC spearheads the autonomous risk assessment, both quantitative and qualitative, and imparts the outcome to the Board of Directors.

RISK APPETITE AND RISK TOLERANCE LIMITS

The Board is responsible for setting the risk appetite for the company. The BIRMC through the delegated authority of the Board, takes responsibility to establish an effective risk appetite framework within the Company. The risk appetite is determined on the level of risk that the company would be willing to accept to reach for its business objectives.

The risk tolerance is a quantitative expression of the amount of risk the company is willing to tolerate over a particular period. There are operational controls in place for specific risks that are expressed in metrics and are being monitored regularly.

The company achieving the cost to income ratio (Target 45%, achievement 37.8%), arrears to total receivable (Target 5%, achievement 4.9%) are some of the significant risk appetite limits monitored and improved.

RESPONSIBILITIES OF THE THREE LINES OF DEFENSE

AFL adopts a three line of defense model which helps identity and segment the roles in relation to risk management and governance activities.

First Line

This line of defense covers the day-to-day operations of the company. The accountability and responsibility of assessing, controlling, and managing risk is identified. The business operations are shaped by the Integrated Risk Management policy and the Risk Appetite framework.

The procurement committee, the credit committee, the asset and liability committee, the IT steering committee are some of the management committees functioning as the first line of defense.

Second Line

The risk management function is the second line of defense. This provides guidance to branches and operational departments while determining the adequacy of risk management and mitigation. The risk management unit and the compliance unit reviews the risk management practices at the operational level and recommend necessary actions.

Third Line

This line of defense comprises of the BIRMC, Board Audit Committee (BAC) and the internal audit, which provides an assurance to both the first line and the second line of defense while determining the effectiveness of the internal controls and the policies in place.

RISK MANAGEMENT STRUCTURE

The Board of Directors are primarily responsible for establishing and overseeing Company's risk management framework and management of risk initiatives. BIRMC, which is a sub-committee of the Board has been established and delegated with risk management responsibilities. This committee plays a vital role in establishing best practices in relation to risk policies and practices within the Company. The BIRMC was set up to fulfil the requirement of the Finance Companies Direction No. 05 of 2021 on Corporate Governance for Finance Companies issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act, No. 42 of 2011.

The quantum and level of risks that the Company is willing to accept is decided at the BIRMC, and the decisions made by this committee is communicated to the Board of Directors. The Board ratifies the risk policies and risk tolerance levels agreed at the BIRMC meetings.

This BIRMC consists of four members and currently consists of a non-independent non-executive director as its chairperson, two independent non-executive directors and the executive director & the chief executive officer of the Company.

In addition to the BIRMC, risk management function is managed by Enterprise Risk Management Unit and is responsible for implementing and maintaining risk related procedures to ensure an independent control process is being maintained. The unit works closely with the BIRMC to ensure that procedures are compliant with the overall framework. It is also responsible for monitoring compliance with risk principles, policies, and limits across the Company. This unit also ensures the complete capture of the risks in the risk measurement and reporting systems. Exceptions are reported to the BIRMC on meetings held once in two months, where necessary, along with the relevant actions

RISK MANAGEMENT DISCUSSION

that are taken to address any exceptions and areas of weakness.

The Company's policy is to ensure that risk management processes throughout the Company are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit division discusses the results of all assessments with the management and reports its findings and recommendations to the BAC.

RISK MEASUREMENT & REPORTING SYSTEM AND RISK MITIGATION

The positioning map of each risk component is placed within the risk register. Tolerance levels are set by using sustainable measurements and these are discussed at the BIRMC and approved by the Board of Directors. The risk statement indicates the severity of each component of risk together with the mitigation activities and the timelines for compliance.

STRATEGIC RISK

The strategic risk of AFL is monitored by the Board and the senior management. Strategic risk arises from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment, making it important to formulate and execute the right strategy. AFL achieving the targeted return on equity parameter (Target 10%, achievement 10.2%) is of significance. AFL maintaining robust capital adequacy ratios in Tier 1 & Tier 2 parameters, far above the regulatory requirement indicates the readiness of the company for any macro-economic shocks.

MANAGEMENT AND MITIGATION OF STRATEGIC RISK

The MIS Dash boards, provides deep dive analysis reports on a daily/weekly/monthly basis, of the company performance, further the financial statements provide key statistics with in-depth analysis monthly. This information enables the Board of Directors to understand the effectiveness of the strategies implemented.

AFL's performance is comprehensively reviewed monthly against the budgets/ targets and immediate action is taken to address any gaps and adverse variances. Operational review meetings were held monthly, further the regional performance review meetings are held monthly, where the senior management meets the regional managers.

The senior management also visits the branches on a regular basis and meets with the heads of branches, and the branch marketing, recovery, and operation teams to monitor progress and identify operational or other issues.

CREDIT RISK

Credit risk refers to the risk that borrowers will default on any type of debt by failing to make payments they are obligated to do. The risk of loss of principal or loss of a financial reward stems from a borrower's failure to repay a facility or otherwise meet a contractual obligation. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of the Company is not to eliminate risk, but to maintain same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. Individual client rating criterion was also built via the online credit appraisal model which is derived during the client credit evaluation.

To minimize the collateral risk, an internal valuer was recruited to obtain a second opinion on the professional valuations and introduced the maximum deviation limits to mitigate the collateral risks.

Upon granting approval for the client's proposal by the credit unit, the facility files are then processed via a separate unit under the Business Administration Unit, in order to ensure the proper segregation of duties which includes an independent recheck of the security documentation and the credit approval process.

MANAGEMENT OF CREDIT RISK

The credit risk management is initiated at the beginning of the facility origination stage which includes the preliminary screening of the customer and the credit appraisal of the facility. In determining the borrower's credit risk, the industry in which the client performs, succession, integrity, past payment records inter alia are considered. In assessing the facility, the equity contribution, security cover and guarantors are taken into consideration.

The objective of this process is to assess the borrower's ability to meet its obligations in an objective manner. The Company has clearly defined guidelines for credit approvals where the limits have been set taking into consideration the factors such as maximum counterparty exposures, loan to value ratio and forced sale value. The entire credit risk management of the Company is governed by the Credit Policy and the Credit Operating Instructions manual.

The credit approvals are in line with the delegated lending authority limits. The credit department is headed by the Assistant General Manager-Credit who functions as the Head of Credit and has deployed a team of regional credit controllers in every region to ensure that proper credit evaluation takes place, together with the credit protocols and risk appetites are maintained and managed.

Any facility above Rs 15 Mn is referred to the credit committee, where the Director & CEO sits as the chairman of the committee, further facilities referred to the central credit are also vetted by the enterprise risk unit separately.

AFL is also focused on supporting customers who are experiencing financial difficulties because of the unprecedented macro-economic conditions. Accordingly, the Company has offered a range of industry-wide financial assistance measures under the term moratoriums initiated by the Central Bank of Sri Lanka. All individually significant customers who were under moratorium for a prolonged period of time have been classified as stage 3 on a prudent basis when calculating the impairment provisions.

LIQUIDITY RISK

Liquidity risk refers to the availability of sufficient cash balances to meet contractual borrowings and other commitments and to meet new lending targets as well as provide a flow of net liquid assets. Liquidity risk is a financial risk due to uncertain liquidity. An institution might lose liquidity if it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

MANAGEMENT OF LIQUIDITY RISK

The Company's risk for managing liquidity risk and oversight of the implementation is administered by the Asset and Liability committee (ALCO) while the Finance Department manages the Company's liquidity position on a day-to-day basis.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

AFL has developed internal control processes and contingency plans for managing liquidity risk and has adequate committed bank funding lines that it can access to meet liquidity needs. The Company maintains adequate liquidity ratio above that prescribed by Central Bank of Sri Lanka of over 30% indicates the prudent risk management.

INTEREST RATE RISK AND MANAGEMENT

The fluctuation of interest rates is an external factor which is beyond the control of the company. Assetline Finance Limited is affected by movements in interest rates to the extent that its asset / liability mismatches give rise to interest paying liabilities being re-priced faster than its interest earning assets. This in turn affects Net Interest income and Net Interest Yields.

Interest rate risk is managed principally through the monitoring interest rate gaps and by having pre-approved limits for re-pricing borrowings. ALCO is the monitoring body for compliance with these limits assisted by Finance Department. Monitoring includes changes in the Company's interest rate exposures, which include the impact of the Company's outstanding or forecast debt obligations. Management of interest rate risk aims at capturing the risks arising from the maturity mismatch and re-pricing.

The ALCO is chaired by the Director & Chief Executive Officer. Other permanent members of the ALCO include, Chief Operating Officer, Chief Marketing Officer, Head of Finance, Head of MIS-Business Analysis & Planning, Head of Deposits, Head of Enterprise Risk Management, and the Committee Secretary. Meetings are held at least once a month to monitor and manage the assets and liabilities of the Company and the overall liquidity position to keep in at healthy levels, whilst satisfying regulatory requirements.

OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud, or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, legal or regulatory implications, and result in financial loss. AFL cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks.

Operational risk arises from system failures, human error, fraud, or external events. While it is impossible to eliminate all operational risks, we manage them through a robust control framework and continuous monitoring.

MANAGEMENT OF OPERATIONAL RISK

Our controls include effective segregation of duties, access authorization, reconciliation procedures, staff education, and internal audit assessments. The Internal Audit function examines the adequacy of our procedures and compliance, discussing results with management and reporting to the BAC.

AFL has in place a comprehensive Business Continuity Plan (BCP).

OVERALL RISK ANALYSIS

AFL's comprehensive risk management framework ensures the identification, measure, monitor, and mitigating risks effectively and by maintaining a proactive and structured approach to risk management. The commitment of the Board of Directors and the BIRMC, have assisted in the safeguarding of the financial stability, protecting shareholder value, and in upholding our reputation as a leading financial institution.

SUSTAINABLE FINANCING INITIATIVES

This report provides a comprehensive overview of AFL's sustainable financing activities conducted during the financial year 2023/24, demonstrating our commitment to responsible finance and sustainable development. The report outlines our efforts to integrate environmental, social, and governance (ESG) principles into our financial operations and highlights key initiatives aimed at promoting sustainable development.

The Sustainable activities were guided by the Sustainable Finance Policy, and were implemented under the three-pillar approach adopted, namely Sustainable financing, Responsible organization, and the Community impact

Objective

- To be a responsible financial service provider by enabling & empowering people, enterprises & communities towards environmentally responsible, socially inclusive & to grow economically.

Guiding principles & standards

- CBSL roadmap to sustainable finance in Sri Lanka.
- CBSL direction on sustainable finance activities
- United Nations Development Goals

The pillar approach to sustainability

Sustainable financing	Responsible organization	Community impact
• Responsible financing • Financial inclusion • Sustainable products & services	• Safe workplace • Workplace culture	• Community project • Social engagement • Environmental engagement

Memberships & affiliations

- Finance House Association sustainable initiative - Core member group

UN Sustainable Development Commitment

ASSETLINE

1. SUSTAINABLE FINANCING - PRODUCTS AND SERVICES

Introduction of Green Energy Financing Products

Launching of the solar financing loan product in January 2024 to encourage renewable energy adoption and to reduce the carbon footprint.

Financing for Solar and Electric vehicles was implemented, which was not looked at positively earlier.

Conducting of Capacity Building Programs: Knowledge sharing sessions on improving financial Literacy and entrepreneurship. Through the “Deshayata Jawayak Program” We conducted three programs to customers in the Batticaloa, Kurunegala & Kandy areas on May 20,2023, September 16,2023 & February 17,2024 respectively. Encouraging feedback has been received from the participants and AFL intends to continue such programs in future as well.



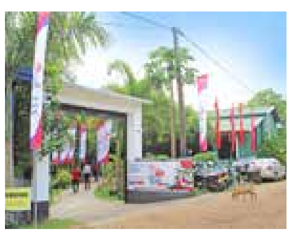






Considering the women clientele being around 25% of the portfolio, relaunched the “Liya Diriya Program” to build entrepreneurial skills among women. Two programs were conducted to educate on technicalities on the Mushroom cultivation and Cake making and decorating in Dehiattakandiya and Wennappuwa areas on May 11,2023 and May 15,2023 respectively.

Enhancing Financial Inclusiveness: Introduced fixed deposits to the product basket since January 2023 to broaden access to financial services and promote financial inclusion. Further continued to finance the Micro and the MSME sector of the society with working capital and equity finance schemes against vehicle backed collaterals (presently 59% of the portfolio consist of Micro & MSME sector).









AFL SUSTAINABLE FINANCING INITIATIVES 2023/24

2. RESPONSIBLE ORGANIZATION

Paperless Operations: Accelerated the implementation of the Online Credit Appraisal Model and ERP for the transition to a paperless work environment, improving operational efficiencies and reducing environmental impact, the online credit appraisal and the back-office ERP model was launched in September 2023.

Energy Conservation: Installation of solar energy panels at AFL Borella branch in March 2024 and continue in our concerted efforts to minimize energy consumption across our branch network.

Promoting solar financing facilities to all staff in the group, DP group dealers, and all stakeholders with special pricing to be in line with the green finance schemes.

Waste Management: Continuing of the waste segregation practices using color-coded bins to promote responsible waste management and reduce environmental pollution.

Promoting ESG Practices: Promoting of environmental awareness among employees through regular updates on energy-saving methods, and the participation in knowledge sharing and capacity building programs, which includes staff training.

Supplier Engagement: Collaborating with suppliers to ensure adherence to sustainability standards and encouraged the adoption of sustainable practices throughout the supply chain.

Lowering of the carbon footprint: Continue to maintain the forest land project – 10 Acre Land in Embilipitiya at an annual maintenance cost of Rs 766,500/-

3. COMMUNITY IMPACT

Support for Community Development Initiatives: Actively contributed to the community development projects, including the beach cleaning project on May 19 2023 at the Kattankudy beach with the direction and approval of the local authority. The tree planting project on June 5 2023 in Batticaloa along with the Coastal conservation department, and the public waste disposal initiatives also in the Kattankudy beach area, to promote environmental sustainability and community well-being.

Pollution Prevention and Control: Continue the exclusion of financing of two-stroke engine vehicles, to mitigate environmental degradation and ensure low carbon road transportation.

Monitoring of ESG Factors in Credit Evaluation: Eliminating of financing to environmental hazardous and socially unacceptable projects and ensuring same is captured with the internal credit rating conducted during the facility evaluation stage by every marketer.

4. THE WAY FORWARD

- Continuously monitor and evaluate the effectiveness of sustainable finance initiatives and explore opportunities for further collaboration with stakeholders to enhance the impact of sustainability efforts.

- Strengthen communication and transparency regarding AFL's sustainability performance and progress towards ESG goals.

- Develop a roadmap for future sustainable finance initiatives aligned with AFL's strategic objectives.

- Engage with industry peers, regulators, and experts to stay abreast of emerging sustainability trends and best practices and also work on obtaining the necessary certification.

Whilst appreciating the Board's support and guidance, we continue to integrate sustainability financing activities into our business operations and pursue our mission of creating value for all stakeholders.

Delivering strong financial performance

Navigating through a turbulent business landscape, we have delivered a strong financial performance, reflecting the strength of our dynamic business model.

5

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ASSETLINE FINANCE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Assetline Finance Limited, which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

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

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or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with 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.

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.

Ernst & Young

11 June 2024
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Notes	2024 Rs.	2023 Rs.
Gross Income	4	10,350,743,225	7,992,226,368
Interest Income	5	9,937,951,498	7,845,085,110
Interest Expense	6	(3,258,244,458)	(4,430,746,827)
Net Interest Income		6,679,707,040	3,414,338,283
Fee & Service Charge Income	7	146,358,142	83,728,258
Other Operating Income	8	46,003,085	63,413,000
Net gains/(losses) from Derecognition of Financial Assets	9	220,430,500	-
Total Operating Income		7,092,498,767	3,561,479,541
Impairment Charges(Reversal) & Net Write Off	10	(1,573,118,121)	(856,983,758)
Net Operating Income		5,519,380,646	2,704,495,783
Operating Expenses			
Personnel Costs	11	(1,311,286,127)	(980,630,470)
Other Operating Expenses	12	(1,368,134,821)	(1,167,759,840)
Operating Profit Before VAT & SSCL on Financial Services		2,839,959,698	556,105,473
VAT & SSCL on Financial Services	13	(717,660,872)	(270,966,315)
Profit Before Income Tax		2,122,298,826	285,139,158
Income Tax Expense	14	(833,826,191)	620,018,132
Profit for the Period		1,288,472,635	905,157,290
Earnings Per Share (Rs.)	15	9.62	6.76

The Accounting Policies & Notes from pages 107 to 190 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Notes	2024 Rs.	2023 Rs.
Profit for the Year		1,288,472,635	905,157,290
Other Comprehensive Income			
Other Comprehensive Income to be Reclassified to Statement of Profit or Loss in Subsequent Periods			
Gains/(Losses) arising on re-measuring Financial Assets - Fair Value through Other Comprehensive Income	20.1	1,792,016,658	122,793,092
Deferred Tax on Gains/(Losses) arising on re-measuring Financial Assets - Fair Value through Other Comprehensive Income	32	(537,604,997)	(36,837,928)
Net Other Comprehensive Income/(Loss) to be Reclassified to Statement of Profit or Loss in Subsequent Periods		1,254,411,661	85,955,164
Other Comprehensive Income not to be Reclassified to Statement of Profit or Loss in Subsequent Periods			
Actuarial Gains/(Losses) on Retirement Benefit Obligation	33.4	(8,432,356)	5,097,573
Deferred Tax on Actuarial Gain/(Loss)	32	2,529,707	(1,529,272)
Net Other Comprehensive Income/(Loss) not to be Reclassified to Statement of Profit or Loss in Subsequent Periods		(5,902,649)	3,568,301
Other Comprehensive Income for the Year, net of Tax		1,248,509,012	89,523,465
Total Comprehensive Income for the Year, net of Tax		2,536,981,647	994,680,755

The Accounting Policies & Notes from pages 107 to 190 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	2024 Rs.	2023 Rs.
Assets			
Cash and Cash Equivalents	16	355,681,424	251,308,863
Deposits with Licensed Commercial Banks	17	-	174,784,421
Financial Assets at Amortised cost - Loans and Advances	18	5,496,194,262	1,425,732,585
Financial Assets at Amortised cost - Lease Rentals Receivable	19	23,713,448,863	24,574,555,916
Financial Assets - Fair Value through Other Comprehensive Income	20	6,748,083,243	5,233,140,224
Other Financial Assets	21	129,046,616	146,613,947
Other Non Financial Assets	22	91,144,644	70,600,575
Investment Property	23	107,000,000	193,800,000
Property, Plant & Equipment	24	116,576,331	103,365,280
Intangible Assets	25	427,621,807	433,009,718
Right of Use Assets	26	129,140,166	107,276,222
Income Tax Receivable	31	-	106,490,226
Deferred Tax Asset	32	102,499,697	777,442,660
Total Assets		37,416,437,053	33,598,120,637
Liabilities			
Bank Overdraft		295,755,405	1,273,528,835
Financial Liabilities at Amortized Cost - Due to Depositors	27	680,595,470	201,382,890
Debt Instruments Issued & Other Borrowed Funds	28	20,445,249,617	19,792,236,564
Other Financial Liabilities	29	1,252,866,266	793,373,277
Other Non Financial Liabilities	30	244,661,056	51,782,479
Income Tax Payable	31	441,428,693	-
Retirement Benefit Obligations	33	160,190,471	127,108,164
Total liabilities		23,520,746,978	22,239,412,209
Shareholders' Funds			
Stated Capital	34	3,550,000,000	3,550,000,000
Statutory Reserve Fund	35	1,176,508,218	1,112,084,586
Fair Value through Other Comprehensive Income Reserve	36	1,340,283,075	85,871,414
Retained Earnings	37	7,828,898,782	6,610,752,428
Total Shareholders' Funds		13,895,690,075	11,358,708,428
Total Liabilities and Shareholders' Funds		37,416,437,053	33,598,120,637
Net Assets Value Per Share (Rs.)	43	103.73	84.79
Commitments and Contingent Liabilities (Rs.)	44	409,259,766	333,695,654

I certify that these Financial Statements are presented in compliance with the requirements of the Companies Act No. 07 of 2007.

Head of Finance

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board.

Director & Chief Executive Officer

Director

The Accounting Policies & Notes from pages 107 to 190 form an integral part of these Financial Statements.

11 June 2024
Colombo

STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	Statutory Reserve Fund Rs.	FVOCI Reserve Rs.	Retained Earnings Rs.	Total Rs.
	Note 34	Note 35	Note 36	Note 37	
Balance as at 31 March 2022	3,550,000,000	1,066,826,721	(83,750)	6,757,495,983	11,374,238,954
Adjustment for Surcharge Tax Levied Under the Surcharge Tax Act No. 14 of 2022	-	-	-	(943,231,796)	(943,231,796)
Adjusted Balance as at 01 April 2022	3,550,000,000	1,066,826,721	(83,750)	5,814,264,187	10,431,007,158
Net Profit for the Year	-	-	-	905,157,290	905,157,290
Other Comprehensive Income net of Tax	-	-	85,955,164	3,568,301	89,523,465
Transfer to Statutory Reserve	-	45,257,865	-	(45,257,865)	-
Dividend Declared	-	-	-	(66,979,485)	(66,979,485)
Balance as at 31 March 2023	3,550,000,000	1,112,084,586	85,871,414	6,610,752,428	11,358,708,428
Net Profit for the Year	-	-	-	1,288,472,635	1,288,472,635
Other Comprehensive Income Net of Tax	-	-	1,254,411,661	(5,902,649)	1,248,509,012
Transfer to Statutory Reserve Fund	-	64,423,632	-	(64,423,632)	-
Balance as at 31 March 2024	3,550,000,000	1,176,508,218	1,340,283,075	7,828,898,782	13,895,690,075

The Accounting Policies & Notes from pages 107 to 190 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Notes	2024 Rs.	2023 Rs.
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense	Note	2,122,298,826	285,139,158
Adjustments for			
Depreciation of Property Plant & Equipment	12	27,532,168	28,032,666
Amortization of Intangible Assets	12	15,932,479	12,261,826
Amortization of Right of Used Assets	12	50,957,578	56,107,152
Provision for Gratuity	11	41,948,902	33,355,247
(Profit)/Loss on Disposal of Property, Plant & Equipment	8	(3,098,989)	(935,390)
Impairment Charges and Net Write off on Loans, Lease and Other Losses	10	1,573,118,121	856,983,758
Interest Expense	6	3,258,244,458	4,430,746,827
Dividend Income	8	(359,040)	(480,000)
Operating Profit before Working Capital Changes		7,086,574,504	5,701,211,244
(Increase)/Decrease in Lease Rentals Receivables		(784,471,705)	2,799,816,542
(Increase)/Decrease in Loans and Advances		(4,002,031,013)	(97,338,493)
(Increase)/Decrease in Financial Asset - Fair Value through Other Comprehensive Income		277,073,639	(5,084,478,507)
(Increase)/Decrease in Right of Used Assets		(72,821,522)	(54,765,463)
(Increase)/Decrease in Other Financial Assets		21,566,229	(43,022,204)
(Increase)/Decrease in Other Non Financial Assets		(20,544,069)	(48,504,108)
Increase/(Decrease) in Due to Customers Deposits		453,676,344	201,000,000
Increase/(Decrease) in Other Financial Liabilities		516,425,553	(426,987,801)
Increase/(Decrease) in Other Non Financial Liabilities		169,287,873	(129,089,723)
Cash used in Operations		3,644,735,833	2,817,841,487
Gratuity Paid	33.2	(17,298,951)	(6,949,126)
Surcharge Tax		-	(943,231,796)
Income Tax Paid		(146,039,599)	(689,208,725)
Net Cash From/(Used in) Operating Activities		3,481,397,283	1,178,451,840
Cash Flows from / (Used in) Investing Activities			
Deposits with Licensed Commercial Banks		150,000,000	650,000,000
Acquisition of Property, Plant & Equipment and Intangible Assets		(51,425,411)	(463,382,426)
Proceeds from Disposal of Property, Plant & Equipment		3,236,611	1,318,650
Proceeds from Disposal of Investment Property	23.1	86,800,000	-
Interest Received on Deposits with Licensed Commercial Banks		24,815,496	-
Dividend Received		359,040	480,000
Net Cash Flows from/(Used in) Investing Activities		213,785,736	188,416,224
Cash Flows from / (Used in) Financing Activities			
Proceeds From Bank Borrowing	28.1	42,750,000,000	36,800,000,000
Repayment of Bank Borrowing	28.1	(40,804,200,000)	(34,950,000,000)
Proceeds From Commercial Paper	28.2	-	14,520,000,000
Repayment of Commercial Paper	28.2	(500,000,000)	(14,220,000,000)
Proceeds From Inter Company Borrowings		6,550,000,000	8,795,000,000
Repayment of Inter Company Borrowings		(7,299,993,981)	(8,845,005,843)
Dividend Paid		(56,932,563)	-
Interest Paid on Borrowings		(3,232,334,012)	(4,354,472,063)
Interest Paid on Deposit		(19,576,473)	(7,500,000)
Net Cash Flows From /(Used in) Financing Activities		(2,613,037,029)	(2,261,977,906)
Net Increase/(Decrease) in Cash and Cash Equivalents		1,082,145,991	(895,109,842)
Cash and Cash Equivalents at the beginning of the year		(1,022,219,972)	(127,110,130)
Cash and Cash Equivalents at the end of the year		59,926,019	(1,022,219,972)

The Accounting Policies & Notes from pages 107 to 190 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Assetline Finance Limited (The Company) is a public limited liability company incorporated and domiciled in Sri Lanka. The Company was incorporated on 4th March 2003 and obtained the trading certificate on 23rd March 2003. The Company was re-registered under the Companies Act No. 07 of 2007. The Company was re-registered as a Licensed Finance Company under the Finance Business Act No: 42 of 2011 and amendments thereto and was issued its License to carry on Finance Business on 29 August 2022. The registered office address of the Company is located at No. 120, 120A, Pannipitiya Road, Battaramulla.

1.2 Principal Activities and Nature of Operations

The Company provides a vast range of financial services which includes acceptance of Public Deposits, providing Finance Leases, Mortgage Loans, Margin Trading Facilities, Business Loans and Other Credit Facilities.

There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is DPMC Assetline Holdings (Private) Limited. In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is David Pieris Holdings (Private) Limited, which is incorporated in Sri Lanka.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

2.1.1 Statement of Compliance

The Financial Statements of the Company which comprise Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007.

The presentation of these Financial Statements is also in compliance with the requirements of Finance Business Act No 42 of 2011 and amendments thereto and provide appropriate disclosures as required by the CBSL Guidelines.

These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Company did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

2.1.2 Responsibility for Financial Statements

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

2.1.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31 March 2024 (including the comparatives for 31 March 2023) were approved and authorized for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 11 June 2024.

2.1.4 Basis of Measurement

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

NOTES TO THE FINANCIAL STATEMENTS

Item	Basis of measurement	Note No.	Page Ref. No.
Financial Assets measured at fair value through Other Comprehensive Income (FVOCI)	Measured at the Fair Value	20	144
Investment Property	Measured at cost at the time of acquisition and subsequently at Fair Value	23	148-149
Land & Building	Measured at Cost	24	150-151
Retirement Benefit Obligation	Measured at the present value of the defined benefit obligation less the fair value of the plan assets (if any)	33	160-161

2.1.5 Functional & Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees, which is the currency of the primary economic environment in which the Company operates. There was no change in the Company's presentation and functional currency during the year under review.

2.1.6 Presentation of Financial Statements

The assets and liabilities in the Statement of Financial Position of the Company 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 regarding 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 note 40 to the Financial Statements.

2.1.7 Use of Materiality, Aggregation, Offsetting & Rounding Off

2.1.7.1 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standards LKAS 01 on 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.

2.1.7.2 Offsetting

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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

2.1.7.3 Rounding Off

The amounts in the financial statements have been rounded off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard (LKAS 1) – 'Presentation of Financial Statements'.

2.1.8 Comparative Information

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

2.1.9 Events After the Reporting Date

Events after the Reporting Date are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in note 45 to the Financial Statements.

2.1.10 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' in accordance with the Sri Lanka Accounting Standard –LKAS 7 on 'Statement of Cash Flows' whereby operating activities, investing activities and financing activities are separately recognized. 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 as referred to in the Statement of Cash Flows are comprised of those items as explained in note 16.1 to the Financial Statements.

2.2 Significant Accounting Judgments, Estimates And Assumptions

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows:

2.2.1 Going Concern

The Board of Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. In determining the basis of preparing the financial statements for the year ended 31 March 2024, based on available information, the directors have considered the effects of the existing and anticipated macroeconomic conditions and its effects on the business. Furthermore, the board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

2.2.2 Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in note 39 to the Financial Statements.

2.2.3 Useful Life-time of the Property, Plant and Equipment and Intangible Assets

The Company reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date and amortisation of Intangible Assets. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Details on depreciation and amortisation are given in note 2.3.20 to the Financial Statements.

2.2.4 Deferred Tax Liabilities/(Assets)

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Details of deferred tax liability and asset are given in note 32 to the Financial Statements.

2.2.5 Defined Benefit Plans

The cost of defined benefit plan and the present value of its obligations are determined using actuarial valuations. The 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, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and their 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 of the Company. The details are discussed in note 33 to the Financial Statements.

2.2.6 Commitment 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

NOTES TO THE FINANCIAL STATEMENTS

recognised in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in note 44 to the Financial Statements.

2.2.7 Impairment Losses on Loans & Advances and Lease Rentals Receivable

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates driven by a number of factors and changes in which can result in different levels of allowances.

The determination of expected credit loss allowances is highly subjective and judgmental. With the introduction of SLFRS 9 in 2018, a number of additional judgements and assumptions are introduced and reflected in the financial statements, including the identification of significant increases in credit risk and the application of forward looking economic scenarios.

Expected Credit Loss (ECL)

The Company measures loss allowances using both lifetime ECL and 12-month ECL. When estimating ECL Company determine whether the credit risk of a financial asset has increased significantly since initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort in order to evaluate ECL. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessment and including forward-looking information.

The elements of the ECL models that are considered for accounting judgements and estimates include,

- The Company's criteria for assessing if there has been a significant increase in credit risk upon which 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).

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust whenever necessary. Details of the ECL are given in note 2.3.1.10.1 to the Financial Statements.

Individual Impairment

The Company reviewed their individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of profit or loss. 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 are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance made. Details of individual impairment are given in note 2.3.1.10.3 to the Financial Statements.

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 categorising them, into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

2.2.8 Impairment of Other Financial Assets

The Company reviews its debt securities classified as amortised cost, at each reporting date to assess whether they are impaired. Objective evidence that a debt security held at amortised cost is impaired includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc. Management judgement has been involved in determining whether there is significant increase in credit risk of these instruments or these instruments are impaired as at the reporting date.

2.2.9 SLFRS 16 – Leases

Under SLFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Right-of use assets of the Company include land and buildings under long term rental agreements for its use as offices and branches.

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments such as Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss. The Company presents right of use assets under note 26 to the financial statements while the corresponding lease liability is presented under note 29.

2.2.9.1 As a Lessor

Lessor's accounting under SLFRS 16 is substantially similar to the accounting treatment for leases under LKAS 17. Lessor can continue to classify the contracts either finances or operating leases according to the LKAS 17 guidelines. Therefore, there is not any impact to the Company's Financial Statements from SLFRS 16 where the company is a lessor.

2.2.9.2 As a Lessee

The Company previously classified leases either operating lease or finance lease based on the substance of the transaction. Under SLFRS 16, Company recognised a right of use assets and a lease liability except for the short-tern leases and leases for which the underlying asset is low value.

2.3 General Accounting Policies

The Accounting policies set out below have been consistently applied to all periods presented in these Financial Statements

2.3.1 Financial Instruments – Initial Recognition, Classification, and Subsequent Measurement

2.3.1.1 Date of Recognition

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 trades means purchases or sales of financial assets within the time frame generally established by regulation or convention in the market place.

2.3.1.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments.

All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9. Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with in the Statement of Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS

'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 ('Day I' 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.

2.3.1.3 Classification and Subsequent Measurement of Financial Assets

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, as explained in note 2.3.1.3.1
- Fair value through other comprehensive income (FVOCI), as explained in note 2.3.1.3.2 and 2.3.1.3.3
- Fair value through profit or loss, (FVTPL), as explained in note 2.3.1.3.4

The subsequent measurement of financial liabilities depends on their classification.

2.3.1.3.1 Financial Assets at Amortised Cost

The Company only measures Loans and advances and lease rental receivable 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 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, loan receivables and other assets.

The details of these conditions are outlined below.

(a) Business Model Assessment

The Company determines its business model at the level that best reflects how it manages the financial assets to achieve its objectives. 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 asset 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 value of the assets managed or on the contractual cash flow collected)
- The expected frequency, value and timing of sales.

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 expectation, 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.

(b) The SPPI test

Assessments whether Contractual Cash Flows are Solely Payments of Principal and Interest

As the second test of the classification process, the Company assesses the contractual terms of the financial asset to identify whether those meet 'Solely the Payment of Principal and Interest' (SPPI) criteria. Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition which 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 SPPI assessment, the Company applies judgment and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

2.3.1.3.2 Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

The Company applies the new category under SLFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in the Income Statement in the same manner as for financial assets measured at amortised cost. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to the Income Statement.

2.3.1.3.3 Equity Instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in the Income Statement as net trading gain/(loss) 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.

2.3.1.3.4 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

2.3.1.4 Classification and Subsequent Measurement of Financial Liabilities

On initial recognition, the Company classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortised cost; and
- Financial liabilities at fair value through profit or loss.

The subsequent measurement of financial liabilities depends on their classification. SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities

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.

2.3.1.5 Reclassification of Financial Assets & Liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company's changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of business lines. Consequent to the change in the business model, the Company reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 09.

NOTES TO THE FINANCIAL STATEMENTS

2.3.1.6 De-recognition of Financial Instrument

2.3.1.6.1 Derecognition Due to Substantial Modification of Terms and Conditions

The Company derecognises 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 recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans and advances 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 derecognise 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, 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.

2.3.1.6.2 Derecognition Other than for Substantial Modification

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 asset which have expired
- The Company has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and 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.

Financial Liability

A financial liability is de-recognised 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 de-recognition 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 recognised in profit or loss.

2.3.1.7 Modification of Financial Instrument

Financial Assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre- modification interest rate.

Financial Liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

2.3.1.8 Offsetting of Financial Instruments

Offset and the net amount presented in the Statement of Financial Position when and only when the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs / SLFRSs.

2.3.1.9 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 39 to the Financial Statements.

2.3.1.10 Impairment of Financial Assets

2.3.1.10.1 Overview of the Expected Credit Loss (ECL) Principles

The Company calculates impairment allowances on financial assets in line with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) and as per the CBSL Directive No. 01 of 2020 on Classification and Measurement of Credit Facilities in Licensed Finance Companies (LFCs). Accordingly, the Company has been recording impairment for all loans and advances. Equity instruments are not subject to impairment under SLFRS 9.

The Company recognises impairment (loss allowance) using Expected Credit Losses (ECL) on lease & loan receivables and other financial instrument measured at amortised cost. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition.

The ECL impairment is based on the credit losses expected to arise over the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the impairment is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default event 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 on collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has 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 instruments.

Based on such process Company allocates loans & advances into Stage 01, Stage 02, Stage 03 as described below.

Stage 1: 12 Months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – Not Credit Impaired

For credit exposures where there has been a significant increase in credit risk (SICR) since initial recognition but that are not credit impaired, a lifetime ECL is recognised. The Company considers a significant increase in credit risk occurs when an asset is more than 30 days past due.

Stage 3: Lifetime ECL – Credit Impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgments used in impairment model prescribed in SLFRS 9 which uses combination of both qualitative factors and backstop based on delinquency. It is considered that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due. Where there is a significant increase in credit risk Company uses lifetime ECL model to assess loss allowances instead of 12–month ECL model.

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Definition of Default and Cured

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security or the borrower becomes over 90 days past due on its contractual payments.

As a part of a qualitative assessment whether an individual significant customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay.

- Significant financial difficulty of the borrower or issuer
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise
- It is probable that the borrower will enter bankruptcy or other financial reorganisation or
- The disappearance of an active market for a security because of financial difficulties.
- The borrower is deceased

The Company's policy to re-classifies financial instruments out of the stage 3 when none of the default criteria have been presented and the borrower is no longer considered as non performing in accordance with the directives of the Central Bank. 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.

Significant Increase in Credit Risk

The Company continuously monitors all loan and lease portfolio subject to ECL. In order to determine whether a portfolio is subject to 12mECL or LTECL, the Company assesses whether there has been significant increase in credit risk since initial recognition. The Company considers an exposure to have a significant increase credit risk when it is past due for more than 30 days.

2.3.1.10.2 Calculation of Expected Credit Loss (ECL)

The Company calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and the worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans and advances are expected to be recovered, including the probability that the loans and advances will cure and the value of collateral or the amount that might be received for selling the asset.

The key inputs used for measurement of ECL are as follows,

Probability of Default (PD)	The Probability of Default is an estimate of the likelihood of default over a given time horizon. PD is estimates at a certain date, which is calculated, based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. The Company forecast PD by incorporating forward looking economic variables such as Unemployment, GDP growth, Inflation and the Risk free rate.
Loss Given Default (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 Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

Exposure at default (EAD)	EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

The Company has used these parameters from internally–developed statistical models using historical data. All inputs were adjusted to reflect forward-looking information and future economic scenarios.

Forward Looking Information

The Company incorporates forward looking information into this model for calculation of ECL. Using variety of external actual and forecasted information, the Company formulates a base case view of the future direction of relevant economic variables as well as a representative range (Best Case, Base Case and worst Case) of other possible forecast scenarios. Following are the forward looking economic inputs

- GDP growth rate
- Unemployment rate
- Risk free rate
- Inflation

2.3.1.10.3 Individually Assessed Loan and Receivables

The Company evaluates all individual significant loan and receivable at each reporting date to determine whether there is any objective evidence that a loan is impaired. The criteria used to determine whether there is objective evidence include:

- Past due contractual payments of either principal or interest
- The probability that the borrower will enter bankruptcy or other financial realisation
- A significant downgrading in credit rating by an external credit rating agency
- Known cash flow difficulties experienced by the borrower
- Current economic conditions of the borrower
- Any other legal proceedings against the borrower

Impairment losses are calculated by discounting the expected future cash flows of loans and receivables at its original effective interest rate and comparing the resultant present value with the loans and receivables current carrying amount. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

2.3.1.10.4 Grouping Financial Assets Measure in Collective Assessment

The Company calculates ECLs either on a collective or an individual basis. The Company assesses the customers for individual impairment those who have exposure equal to or more than internally established threshold. However, if the customer is determined to be not impaired, such customer will be moved back to collective ECL calculation.

For all other asset classes, the Company calculates ECL on a collective basis. The Company categorises exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans and receivable as described below:

- Product type
- Equipment/Collateral type
- Based on the risk characteristic
- Based on due days (Days Past Due)

2.3.1.10.5 Probability of Default (PD)

The Probability of Default is an estimation of the chances of a loan being defaulted. PD estimation for loans and advances under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers. Accordingly, exposures are categorized among 5 groups based on the DPD as follows.

- Zero days past due
- 1 - 30 days past due

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- 31 - 60 days past due
- 61 - 90 days past due
- Above 90 days past due

The movement of the customers into bad DPD categories are tracked at each account level over the periods and it is used to estimate the amount of loans and advances that will eventually be written off.

2.3.1.10.6 Exposure at Default (EAD)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months. For Stage 2 and Stage 3 financial assets and credit impaired financial assets at origination, events over the lifetime of the instruments are considered. The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Company's models.

2.3.1.10.7 Loss Given Default (LGD)

LGD values are assessed at least annually for each material collateral type. The Company segregates its customer loan book based on types of collaterals held when calculating the LGD.

These LGD rates consider the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics (e.g. product type, collateral type) as well as borrower characteristics.

2.3.1.10.8 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 vehicles, 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 (CBSL).

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No. 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the CBSL. The assessment of immovable properties is carrying out by independent professional valuers as required by the said direction issued by CBSL.

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.

2.3.1.10.9 Collateral Repossessed

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. The company did not transfer any repossessed assets to its property, plant and equipment during the year ended 31 March 2024.

2.3.1.10.10 ECL for Debt Instrument Measured as FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statements of financial position which remain at fair value. Instead, an amount equal to the impairment 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 profit or loss. The accumulated loss recognised in OCI is recycle to the profit and loss upon derecognition of the assets.

2.3.1.10.11 Write-Offs

The Company's carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

2.3.1.10.12 Rescheduled and Restructured Loans

Rescheduled /restructured loans are classified in to the three stages as the date of restored based on the number of days in past due. Number of days in past due are calculated by adding arrears days before and after rescheduled. If the modification is substantial, loan is derecognised.

2.3.1.10.13 Reversal 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 financial asset impairment allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

2.3.2 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, balances with banks and Investments with short maturities i.e. three months or less from the date of acquisition that are subject to an insignificant risk of change in value. Cash and Cash Equivalents are carried at amortised cost in the Financial Statements.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balance with banks and Investments with short maturities i.e. three months or less from the date of acquisition net of outstanding bank overdrafts.

2.3.3 Leases

The company applied Sri Lanka Accounting Standard – SLFRS 16 "Leases".

2.3.3.1 Identifying a Lease

At inception of a contract, Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether contract conveys the right to control the use of identified asset, the Company considers the following criteria.

- A contract can involve the use of an identified asset when an asset is explicitly identified in a contract or if the asset is implicitly identified at the point at which it is made available for use by the customer. However, even if a contract specifies a particular asset, Company does not have the right to use that asset if the supplier has substantive right to substitute the asset throughout the period of use, then that asset is not identified.

- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and,

- The Company has the right to direct the use of an identified asset throughout the period of use only if either:

(a) The Company has the right to direct how and for what purpose the asset is used throughout the period of use or

(b) The relevant decisions about how and for what purpose the asset is used are predetermined and

    (i) The Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

    (ii) The Company designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

2.3.3.2 The Company as the Lessee

The company recognises a right of use asset and lease liability at the commencement date. Initially, right of use asset is recognised at cost, which comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Company and an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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The right of use asset is subsequently measured at cost less any accumulated depreciation and accumulated impairment and adjusted for any measurement of the lease liability.

The right of use asset is depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company apply LKAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the Company's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments the fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

The lease liability is subsequently measured as amortised cost by using effective interest rate method.

The company discloses the right of use asset under note 26.1 to the Financial Statements and corresponding lease liability under note 26.2 to the Financial Statements.

Short Term Lease and Lease of Low Value Assets

The Company elects not to recognise right of use asset and lease liability for either short-term leases or leases for which the underlying asset is of low value, the Company recognises the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis. The Company apply another systematic basis if that basis is more representative of the pattern of the Company's benefit.

2.3.3.3 The Company as the Lessor

When the Company acts as a lessor, it determines at least inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease. If not it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the assets.

When the Company is the lessor under a finance lease contract, the amounts due under the leases, after deduction of unearned interest income, are included in note 19, 'Lease receivables'. Interest income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

The Company recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of other income.

2.3.4 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

2.3.5 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors and approved by the shareholders.

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'.

2.3.6 Earnings Per Share (EPS)

The Company presents basic/diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period in line with the Sri Lanka Accounting Standard - LKAS 33 (Earnings Per Share).

Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

2.3.7 Other Financial Assets

Other Financial Assets are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the receivable amount (including interest income) is recognised in the Income Statement over the period of the assets using effective interest method.

2.3.8 Other Non-Financial Assets

Other Non-Financial Assets includes advances paid for suppliers, prepayments, trading stock and tax receivables. Trading stock includes repossessed assets. Other Non-Financial Assets except for trading stock are valued at the lower. Trading stock is measured at the lower of cost or net realisable value.

2.3.9 Investment Properties

Recognition

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Measurement

Investment properties are initially recognised at its cost, including related transactions cost. Subsequent to the initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date.

Investment properties of the Company are carried at fair value, any gains or losses arising from changes in fair value are recognised to the Statement of Profit or Loss in the year in which they arise.

The Company measures the fair value of investment property and the Company obtains a valuation at least every three year by an independent valuer who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

De-recognition

Investment property is derecognised upon disposal or when no future economic benefit is expected from its disposal. Any gains or losses arising on de-recognition is included in the Statement of Profit or Loss in the year in which the investment property is derecognised.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.3.10 Property, Plant and Equipment

Recognition

Property, Plant and Equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year. Property,

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Plant & 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 measured reliably in accordance with LKAS 16 on Property, Plant & Equipment.

Measurement

An item of Property, Plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

a) Cost Model

Property, Plant and Equipment of the Company is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

b) Revaluation Model

Under revaluation model, properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. 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 profit and loss.

If the value is increased, it is recognized as income to the extent of previously written down. Any decrease in the carrying amount is recognized as expenses to the Statement of Profit and Loss or debited to other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of such 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. The company has not used the revaluation model to recognise the property plant and equipment.

Subsequent Cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. On-going repairs and maintenance cost are expensed as incurred.

De-recognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or losses arising from de-recognition of an item of property, plant and equipment is included in other operating income in the Statement of Profit or Loss when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

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.

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.

Borrowing Cost

As per the Sri Lanka Accounting Standard – LKAS 23 on Borrowing Cost, The Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset 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. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in the profit or loss in the period in which they occur. The Company does not capitalise any borrowing cost which is relating to the qualifying assets during the financial year under review.

2.3.11 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. The Company's intangible assets includes the Finance Business License obtained in line with the Master Plan for Non-Bank Financial Institutions Sector defined by Central Bank of Sri Lanka and the value of computer software.

Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

Computer Software

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of 'Intangible Assets' and carried at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent Expenditure

Expenditure incurred on computer software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

De-recognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset is included in the Statement of Profit or Loss when the item is derecognised.

2.3.12 Other Financial Liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost. Other financial liabilities include trade payables, advances collected from customers and other financial payable. Trade payables are obligations to pay for vehicle suppliers in the ordinary course of business.

2.3.13 Other Non-Financial Liabilities

The Company classifies all non-financial liabilities other than post-employment benefit liability, deferred tax and current tax liabilities under other non-financial liabilities. Other non-financial liabilities include guarantee fee, statutory payments, provision and other non-financial payable. These liabilities are non-interest bearing and recorded at the amounts that are expected to be paid.

2.3.14 Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

2.3.15 Interest Income and Interest Expense

Under SLFRS 9, interest income or expense is recorded using the effective interest rate method (EIR) for all financial instruments measured at amortised cost, interest bearing financial assets designated at fair value through

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profit or loss and interest income on interest bearing financial assets designated at fair value through other comprehensive income under SLFRS 9.

EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation of EIR takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts.

For a reclassified financial asset for which the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

For financial assets that have become credit-impaired subsequent to initial recognition, the recognition of interest income is seized at the defaulting date (DPD 90 above) and the already recognized, but unrecovered interest is derecognized from the Income Statement. If the customer continues to service the rentals and is still credit impaired (Stage 3), the interest income is recognized in cash basis upon receiving the payments. When the asset becomes no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the assets. The calculation of the interest income does not revert to the gross basis, even if the credit risk of the asset improves.

2.3.16 Fee and Service Charge Income

Fee and Service charge income includes transfer fee and service charges arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Fee and Service charge income are given in note 7 to the Financial Statements.

2.3.17 Other Operating Income

Income earned from other sources, which are not directly related to the normal operations of the Company is recognised as other operating income. Other operating income includes gains/loss on disposal of property, plant and equipment, hiring income, rent income and dividend income. Other operating income is given in note 8 to the Financial Statements.

Dividend Income

Dividend income is recognised when the right to receive the payment is established.

Rent Income

Rent income is recognized from Investment Property in accrual basis as per the agreement between the two parties.

Gain or Losses on Disposal of Property, Plant and Equipment

Gains or losses resulting from the disposal of property, plant and equipment are recognised in the Statement of Profit or Loss, in the period in which the sale occurs.

Operating Lease Income

Income arising on operating leases is accounted for on a straight-line basis over the lease terms on leases and is recorded in the Statement of Profit or Loss in other operating income. However, there are no any operating lease income for the Company in the current financial year.

2.3.18 Impairment (Charges)/Reversal for Loans, Lease and Other Losses

The Company recognises the changes to the impairment provision for loans and other losses which are assessed under the expected credit loss method in accordance with SLFRS 9. The methodology adopted by the Company is explained in the note 2.3.1.10 to the Financial Statements.

Loss on Disposal of Collaterals including Write Offs

Lease & Loan receivables (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where lease & loan receivables are secured, this is generally after receipt of any proceeds from the realisation of security.

Bad Debts Recovered

Recovery of amounts written off as bad and doubtful debts is recognised on a cash basis. These are netted against the write offs which took place during the financial year.

2.3.19 Personnel Expense

Personnel expenses include salaries and bonus, terminal benefits and other staff-related expenses. The provision for bonus is recognised when it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Short Term Employee Benefits

Short term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term benefits as a result of past service provided and where the Company has legal or constructive obligation to pay.

Defined Contribution Plans

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

Defined Benefit Plan

Defined Benefit plan is post-employment benefit plan other than the Defined Contribution plan. 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 the Projected Unit Credit Method (PUC) as required by LKAS 19, Employee Benefits.

Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard- LKAS 19 - Employee Benefits.

2.3.20 Other Operating Expenses

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at the profit for the year. Other operating expenses are given in note 12 to the financial Statements.

Depreciation of Property, Plant & Equipment

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives, based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Estimated useful lives are as follows,

Class of Asset	Useful life	% per annum
Motor Vehicles	4 Years	25%
Furniture & Fittings	5 Years	20%
Office Equipment	5 Years	20%
Leasehold Improvements	3 Years	33.33%
Freehold Buildings	20 Years	5%

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Amortization of Intangible Assets

Intangible assets are amortised on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the assets economic benefits are consumed by the Company.

Intangible assets represent the cost of computer software and the useful lifetime is as follows.

Asset Category	Useful life	% per annum
Computer software	4 years	25%

Amortization of Right of Use Assets

The right of use assets is depreciated using 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. The estimated useful lives of right of use assets are determined on the same basis as those of property plant and equipment.

Asset Category	Useful life	% per annum
Right of Use Assets	4 years	25%

Changes in Estimates

Depreciation/ Amortization methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Deferred Expenses

The costs of acquiring new businesses including commission, marketing and promotional expenses, which vary with and directly related to production of new businesses, are deferred to the extent that these costs are recoverable out of future rentals.

2.3.21 Operating Segments

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 management 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 & Loans - the finance leasing and loan facilities offered to the customers by the Company.
- Investments - represents the treasury bonds and fixed deposit investments made by the Company.
- Others - All other business activities other than the above.

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 aspects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on collective basis and are not allocated to operating segments.

2.3.22 Taxation

2.3.22.1 Income Taxation

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 (OCI)', in which case it is recognised in Equity or in OCI.

a) 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 and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto at the rates specified in note 14 to the Financial Statements.

b) Deferred Tax Liability

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

c) Deferred Tax Assets

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are 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 tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

d) Accounting Estimates

Significant judgment was required to determine the total provision for current and deferred taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements. The Company recognised assets and liabilities for current and deferred taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

2.3.22.2 Value Added Tax (VAT) on Finance Services

VAT on financial services is calculated in accordance with Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees including cash benefits, none cash benefits and provision relating to termination benefits computed on prescribed rate.

2.3.22.3 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act), at the rate of 2.5%, with effect from 01 October 2022. SSCL is payable on 100% of the Value Addition attributable to financial services.

The Value Addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred into Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

2.3.23 Regulatory Provisions

2.3.23.1 Deposit Insurance and Liquidity Support Scheme

In terms of the “Banking (Special Provisions) Act, Direction No. 01 of 2023” issued on 15 November 2023, all Member Institutions of the Sri Lanka Deposit Insurance Scheme, including the Licensed Finance Companies are required to insure their deposit liabilities in the “Sri Lanka Deposit Insurance Scheme”.

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

- Deposit liabilities to other member institutions;
- Deposit liabilities maintained individually or jointly with any other party, by directors and key management personnel of a member institution, close relations of such directors and key management personnel, a subsidiary company or an associate company of a

NOTES TO THE FINANCIAL STATEMENTS

member institution, and any concern in which any of the directors and key management personnel of a member institution or close relations of such directors and key management personnel have any interest;

- Deposit liabilities of former directors or key management personnel of a member institution where,
  - o Such directors or key management personnel have been removed from such position on the direction by the Central Bank due to such directors or key management personnel being involved in or connected with any unsound, improper, dishonest, deceitful or fraudulent financial practice detrimental to the interests of the depositors and other creditors of such member institution, in carrying out business operations or management of such member institution;
  - o Such directors or key management personnel have been determined by the Central Bank, to be not fit and proper to hold such office in a member institution under any written law for the time being in force;
  - o The Central Bank determines ex mero motu, upon being satisfied based on the material available, and after granting such directors or key management personnel, as the case may be, an opportunity of being heard, that such directors or key management personnel are not entitled to receive any benefit under the Scheme, due to such directors or key management personnel engaging in, or having engaged in, or being involved in, or being responsible for, carrying on the business operations or management of such member institution through any unsound, improper, dishonest, deceitful or fraudulent financial practices detrimental to the interests of its depositors and other creditors;
- Deposits falling within the meaning of abandoned property under the Banking Act and dormant deposits under the Finance Business Act, as the case may be, which have been transferred to the Central Bank, in terms of the directions issued by the Central Bank, from time to time;
- Deposits held by any Government institution, including a Ministry, Department, Provincial Council or local authority; and
- Any other deposit liability of a member institution as may be determined by the Central Bank as not eligible under the Scheme.

Licensed Finance Companies are required to pay a premium of 0.15% per annum on total amount of eligible deposits as at end of the month within a period of 15 days from the end of the respective month.

The deposit insurance premium paid during the financial year is disclosed under note 12 to the financial statements.

2.3.23.2 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. IMPACT OF NEW ACCOUNTING STANDARDS

3.1 New Sri Lankan Accounting Standards issued during the year & Changes to already existing accounting standards

The Company applied certain standards and amendments for the first-time, if applicable, which are effective for annual periods beginning on or after April 01, 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The amendments to the following Accounting Standards did not have a material impact on the Financial Statements of the Company.

3.1.1 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to LKAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendments became effective for annual reporting periods beginning on or after 1 January 2023.

3.1.2 Definition of Accounting Estimates - Amendments to LKAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The amendments became effective for annual reporting periods beginning on or after 1 January 2023.

3.1.3 Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by,

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments became effective for annual reporting periods beginning on or after 01 January 2023.

3.2 Sri Lanka Accounting Standards issued but not yet effective as at 31 March 2024

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 up to the date of issuance of financial statements are disclosed below.

The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3.2.1 Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity’s right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 01 January 2024.

The Company is currently in the process of assessing the impact this standard will have on current practice.

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

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 01 January 2024.

The Company is currently in the process of assessing the impact this standard will have on current practice.

3.2.3 Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16

The amendments to SLFRS 16 Leases specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of

NOTES TO THE FINANCIAL STATEMENTS

use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 01 January 2024.

The financial statements of the Company are not expected to have a material impact from adoption of the above standard.

3.2.4 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.

The financial statements of the Company are not expected to have a material impact from adoption of the above standard.

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

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

The amendments are effective for annual periods beginning on or after 01 January 2024.

The Company is currently in the process of assessing the impact this standard will have on current practice.

Year ended 31 March	2024 Rs.	2023 Rs.

4. GROSS INCOME

Interest Income (Note 5.1)	9,937,951,498	7,845,085,110
Fee & Service Charge Income (Note 7)	146,358,142	83,728,258
Other Operating Income (Note 8)	46,003,085	63,413,000
Net gains/(losses) from Derecognition of Financial Assets (Note 9)	220,430,500	-
	10,350,743,225	7,992,226,368

Year ended 31 March	2024 Rs.	2023 Rs.

5. INTEREST INCOME

5.1 Financial Assets at Amortised Cost

Interest on Lease (Note 5.1.1)	6,868,561,275	6,051,590,489
Interest on Term Loan	600,069,917	192,389,080
Interest on Margin Trading	52,305,946	28,367,848
Overdue Interest	1,076,649,276	954,032,116
Interest on Saving Deposits	1,013,284	962,469
Interest on Fixed Deposits	16,485,616	218,224,690
Interest on Government Securities	1,322,866,184	399,518,418
	9,937,951,498	7,845,085,110

5.1.1 Interest on Lease

Leasing Interest Income	7,411,072,853	6,567,091,853
Deferred Promotion Expenses	(542,511,578)	(515,501,364)
	6,868,561,275	6,051,590,489

Year ended 31 March	2024 Rs.	2023 Rs.

6. INTEREST EXPENSE

Interest on Commercial Papers	12,526,027	500,631,493
Interest on Bank Loans (Note 28.1)	2,813,617,479	3,486,262,963
Interest on Intercompany Loans	245,531,323	117,832,907
Interest on Bank Overdrafts	117,866,217	302,967,276
Interest on Fixed Deposits	45,112,708	7,882,890
Finance Lease (Note 26.2)	23,590,704	15,169,298
	3,258,244,458	4,430,746,827

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Year ended 31 March	2024 Rs.	2023 Rs.
7. FEE & SERVICE CHARGE INCOME		
Service Charge	99,359,312	47,379,264
Vehicle Transfer Fee	46,998,830	36,348,994
	146,358,142	83,728,258

Year ended 31 March	2024 Rs.	2023 Rs.
8. OTHER OPERATING INCOME		
Dividend Income	359,040	480,000
Profit/(Loss) on Disposal of Property, Plant and Equipment	3,098,989	935,390
Rent Income	14,635,202	11,722,421
Other Income	27,909,854	50,275,189
	46,003,085	63,413,000

9. NET GAINS/(LOSSES) FROM DERECOGNITION OF FINANCIAL ASSETS

Net gains/(losses) from derecognition of financial assets comprises all realised gains less losses related to financial assets measured at fair value through other comprehensive income.

Financial assets measured at fair value through other comprehensive income

Year ended 31 March	2024 Rs.	2023 Rs.
Government Securities	220,430,500	-
Total	220,430,500	-

Year ended 31 March	2024 Rs.	2023 Rs.

10. IMPAIRMENT CHARGES/ (REVERSAL) AND NET WRITE OFF

Impairment Charges/(Reversal)		
Deposits with Licensed Commercial Banks (Note 10.1)	(31,075)	(25,242)
Financial Assets at Amortised Cost - Loans and Advances (Note 10.1)	(19,212,502)	(413,175,462)
Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 10.1)	(502,792,377)	457,335,673
Other Charges Receivable from Client (Note 10.1)	(3,998,897)	3,138,138
	(526,034,851)	47,273,107
Provision Against Net Write Off		
Financial Assets at Amortised Cost - Loans and Advances (Note 18.3.1)	16,382,928	367,933,980
Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 19.3.1)	846,746,462	95,830,375
Other Charges Receivable from Client (Note 21.1.3.1)	3,469,465	3,325,038
	866,598,855	467,089,393
Direct Net Write Off		
Loans and Lease Rentals Receivables (Note 10.2)	1,232,554,117	342,621,258
	1,573,118,121	856,983,758

10.1 The table below shows the impairment charges for financial instruments for the year recorded in stagewise in Profit or Loss.

For the year 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Deposits with Licensed Commercial Banks (Note 17)	(31,075)	-	-	(31,075)
Financial Assets at Amortised Cost - Loans and Advances (Note 18.2)	13,495,622	(2,667,462)	(30,040,662)	(19,212,502)
Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 19.2)	134,665,451	348,269,477	(985,727,305)	(502,792,377)
Other Charges Receivable from Client (Note 21.1.2)	(66,562)	(886,592)	(3,045,743)	(3,998,897)
	148,063,436	344,715,423	(1,018,813,710)	(526,034,851)

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For the year 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Deposits with Licensed Commercial Banks (Note 17)	(25,242)	-	-	(25,242)
Financial Assets at Amortised Cost - Loans and Advances (Note 18.2)	(37,439,115)	(13,192,632)	(362,543,715)	(413,175,462)
Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 19.2)	(137,391,670)	75,803,136	518,924,207	457,335,673
Other Charges Receivable from Client (Note 21.1.2)	68,001	906,985	2,163,152	3,138,138
	(174,788,026)	63,517,489	158,543,644	47,273,107

10.2 Write Off & Write Back - Loan and Lease Receivable

Year ended 31 March	2024 Rs.	2023 Rs.
Direct Write Off during the year	1,394,868,586	521,215,651
Direct Write Back during the year	(162,314,469)	(178,594,393)
	1,232,554,117	342,621,258

10.3 Analysis of Write Off and Write Back

Year ended 31 March	2024 Rs.	2023 Rs.
Write Off		
Direct Write Off during the year	1,394,868,586	521,215,651
Provision Against Write Off		
Financial Assets at Amortised Cost - Loans and Advances (Note 18.3.1)	16,382,928	368,025,759
Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 19.3.1)	848,111,754	95,897,869
Other Charges Receivable from Client (Note 21.1.3.1)	3,469,465	3,325,038
	2,262,832,733	988,464,317
Write Back		
Direct Write Back during the year	(162,314,469)	(178,594,393)
Provision Against Write Back		
Financial Assets at Amortised Cost - Loans and Advances (Note 18.3.1)	-	(91,779)
Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 19.3.1)	(1,365,292)	(67,494)
Other Charges Receivable from Client (Note 21.1.3.1)	-	-
	(163,679,761)	(178,753,666)
	2,099,152,972	809,710,651

Year ended 31 March	2024 Rs.	2023 Rs.

11. PERSONNEL COSTS

Salary & Bonus	1,061,099,867	802,097,601
Contribution to Defined Contribution Plan	97,476,538	82,152,594
Gratuity Charge for the Year - Retirement Benefit Obligation (Note 33.3)	41,948,902	33,355,247
Staff Training	3,612,905	1,267,448
Staff Welfare Expenses	107,147,915	61,757,580
	1,311,286,127	980,630,470

Year ended 31 March	2024 Rs.	2023 Rs.

12. OTHER OPERATING EXPENSES

Directors' Emoluments	32,529,675	48,864,125
Auditors' Remuneration	2,870,000	3,002,941
Non-Audit Fee to Auditors	2,774,296	1,336,468
Professional & Legal Expenses	54,416,846	53,260,052
Depreciation on Property, Plant & Equipment (Note 24.2)	27,532,168	28,032,666
Amortization of Intangible Assets (Note 25.2.1)	15,932,479	12,261,826
Amortization of Right of Used Assets (Note 26.1)	50,957,578	56,107,152
Operating Lease Expense	60,007,324	61,363,937
Office Administration & Establishment Expenses	1,024,155,463	833,689,697
Advertising and Sales Commission Expenses	56,753,054	46,937,625
Insurance Expenses	36,529,101	21,914,587
Deposit Insurance Premium Expenses	175,336	37,795
Community Welfare Expense	3,501,501	950,969
	1,368,134,821	1,167,759,840

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March	2024 Rs.	2023 Rs.

13. VAT & NBT ON FINANCIAL SERVICES

VAT on Financial Services	625,699,220	251,326,971
Social Security Contribution Levy	91,961,652	19,639,344
	717,660,872	270,966,315

14. TAXATION

14.1 The major components of income tax expense for the years ended 31 March are as follows.

Year ended 31 March	2024 Rs.	2023 Rs.
Income Statement		
Current Income Tax		
Income Tax for the Year	693,958,518	234,771,528
Under/(Over) Provision of Current Taxes in Respect of Previous Year	-	5,714,727
	693,958,518	240,486,255
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Note 32)	139,867,673	(860,504,387)
	833,826,191	(620,018,132)

14.2 A reconciliation between tax expenses and the product of accounting profit multiplied by the statutory tax rate is as follows.

Year ended 31 March	2024 Rs.	2023 Rs.
Accounting Profit Before Income Taxation	2,122,298,826	285,139,158
Statutory Income Tax *	636,689,648	76,987,573
Tax Effect of Non Deductible Expenses	255,712,970	191,671,458
Tax Effect of Other Allowable Credits	(198,444,100)	(33,954,703)
Tax Effect of 14% Rate	-	67,200
	693,958,518	234,771,528
Under/(Over) Provision of Current Tax in Respect of Previous Year	-	5,714,727
Deferred Taxation Charge/(Reversal) Due to Rate Revision (Note 32)	-	(172,100,877)
Deferred Taxation Charge/(Reversal) Due to Change in Temporary Differences (Note 32)	139,867,673	(688,403,510)
Total Expenses for the Year	833,826,191	(620,018,132)
Effective Tax Rate	39.29%	-217.44%

* Statutory income tax has been calculated by using 30% for the period of 2023/24.

15. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

Year ended 31 March	2024 Rs.	2023 Rs.
Profit/ (Loss) Attributable to Ordinary Shareholders	1,288,472,635	905,157,290
Weighted Average Number of Ordinary Shares during the year	133,958,971	133,958,971
Earnings Per Share	9.62	6.76

16. CASH AND CASH EQUIVALENTS

As at 31 March	2024 Rs.	2023 Rs.
Cash in Hand	294,846,372	225,267,235
Cash at Bank	60,835,052	26,041,628
	355,681,424	251,308,863

16.1 For the purposes of the statement of cash flow, the year end cash and cash equivalents comprise the followings

As at 31 March	2024 Rs.	2023 Rs.
Cash and Cash Equivalents	355,681,424	251,308,863
Deposits with Licensed Commercial Banks (Maturity less than 3 Months)	-	-
Bank Overdraft	(295,755,405)	(1,273,528,835)
Cash and Cash Equivalent for Cash Flows Purpose	59,926,019	(1,022,219,972)

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As at 31 March	2024 Rs.	2023 Rs.
17. DEPOSITS WITH LICENSED COMMERCIAL BANKS		
Deposits with Licensed Commercial Banks	-	150,000,000
Interest Receivables	-	24,815,496
Less: Allowance for Expected Credit Losses (Note 17.1)	-	(31,075)
	-	174,784,421

As at 31 March	2024 Rs.	2023 Rs.
17.1 Allowance for Expected Credit Losses		
Balance as at 01 April	31,075	56,317
Net Impairment Charge/(Reversal)	(31,075)	(25,242)
Balance as at 31 March	-	31,075

As at 31 March	2024 Rs.	2023 Rs.
18. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES		
Term Loan	5,119,593,500	1,513,975,919
Margin Trading	545,487,405	99,855,811
	5,665,080,905	1,613,831,730
Less: Specific Impairment	(4,522,024)	(614,209)
Less: Collective Impairment	(164,364,619)	(187,484,936)
	5,496,194,262	1,425,732,585

18.1 Analysis of Financial Assets Based on Exposure to Credit Risk - Loans and Advances

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Loans and Advances	5,065,734,918	400,063,874	199,282,113	5,665,080,905
Allowance for Expected Credit Losses	(21,453,584)	(12,834,974)	(134,598,085)	(168,886,643)
Net Loans and Advances	5,044,281,334	387,228,900	64,684,028	5,496,194,262

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Loans and Advances	1,253,082,836	161,787,347	198,961,547	1,613,831,730
Allowance for Expected Credit Losses	(7,930,670)	(17,865,443)	(162,303,032)	(188,099,145)
Net Loans and Advances	1,245,152,166	143,921,904	36,658,515	1,425,732,585

The Company changed its default definition effective from 01 April 2023 to 90 days past due which was inline with the CBSL Direction No. 1 of 2020 on Classification and Measurement of Credit Facilities, whereas the previous default definition was 120 days past due. In line with these definition changes, the current year staging classification is conducted under 90 days past due, whereas the previous year comparatives are classified under 120 days past due.

18.2 Allowance for Expected Credit Losses - Loans and Advances

	2024 Rs.	2023 Rs.
Balance as at 01 April	188,099,145	601,274,607
Gross Charge to Profit or Loss (Note 18.3)	(2,829,574)	(45,241,482)
Provision Against Net Write Off during the year (Note 18.3.1)	(16,382,928)	(367,933,980)
Balance as at 31 March	168,886,643	188,099,145

18.3 Movement in Allowance for Expected Credit Losses Based on Exposure to Credit Risk - Loans and Advances

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April 2023	7,957,963	15,502,436	164,638,746	188,099,145
Gross Charge to Profit or Loss	13,510,190	(2,667,462)	(13,672,302)	(2,829,574)
Provision Against Net Write Off during the year (Note 18.3.1)	(14,569)	-	(16,368,359)	(16,382,928)
Balance as at 31 March 2024	21,453,584	12,834,974	134,598,085	168,886,643

Since the Company adopted the 90 days past due as it's defaulting point effective from 01 April 2023, the above staging is aligned with the same.

18.3.1 Provision Against Net Write Off

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Provision Against Write Off	14,569	-	16,368,359	16,382,928
Provision Against Write Back	-	-	-	-
	14,569	-	16,368,359	16,382,928

NOTES TO THE FINANCIAL STATEMENTS

18.4 Credit exposure & provision for impairment movement-Loans & Advances

Since the Company adopted the 90 days past due as it's defaulting point effective from 01 April 2023, the movements in the below tables for both the current & previous financial years are aligned with the same.

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Loans and advances at amortised cost								
Balance as at 1 April 2023	1,253,082,836	7,957,962	136,598,231	15,502,437	224,150,663	164,638,746	1,613,831,730	188,099,145
- Transfer to stage 1	11,802,354	6,494,768	(5,820,499)	(512,913)	(5,981,855)	(5,981,855)	-	-
- Transfer to stage 2	(31,082,871)	(235,878)	47,158,676	12,366,394	(16,075,805)	(12,130,516)	-	-
- Transfer to stage 3	(26,776,479)	(408,574)	(66,480,224)	(12,450,736)	93,256,703	12,859,310	-	-
Net remeasurement of impairment	-	(6,317,578)	-	(9,673,187)	-	10,810,982	-	(5,179,783)
New financial assets originated or purchased	4,824,684,820	18,185,092	363,341,443	9,907,605	8,139,042	805,577	5,196,165,305	28,898,274
Financial assets that have been derecognised	(965,975,742)	(4,222,208)	(74,733,753)	(2,304,626)	(157,471,372)	(20,021,232)	(1,198,180,867)	(26,548,066)
Net Write-offs	-	-	-	-	53,264,737	(16,382,927)	53,264,737	(16,382,927)
Balance as at 31 March 2024	5,065,734,918	21,453,584	400,063,874	12,834,974	199,282,113	134,598,085	5,665,080,905	168,886,643

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Loans and advances at amortised cost								
Balance as at 1 April 2022	985,786,126	4,677,834	90,154,475	6,020,687	824,233,926	592,626,562	1,900,174,527	603,325,083
- Transfer to stage 1	102,506,707	40,972,668	(18,177,351)	(270,212)	(84,329,356)	(40,702,456)	-	-
- Transfer to stage 2	(53,513,843)	(172,047)	125,541,318	21,080,667	(72,027,475)	(20,908,620)	-	-
- Transfer to stage 3	(43,719,338)	(132,088)	(8,505,272)	(256,530)	52,224,610	388,618	-	-
Net remeasurement of impairment	-	(37,179,845)	-	(7,670,452)	-	10,753,366	-	(34,096,931)
New financial assets originated or purchased	818,952,366	2,393,277	39,942,043	1,901,412	113,394,087	103,291,706	972,288,496	107,586,395
Financial assets that have been derecognised	(556,929,182)	(2,601,837)	(92,356,982)	(5,303,135)	(236,024,079)	(112,876,450)	(885,310,243)	(120,781,422)
Write-offs	-	-	-	-	(373,321,050)	(367,933,980)	(373,321,050)	(367,933,980)
Balance as at 31 March 2023	1,253,082,836	7,957,962	136,598,231	15,502,437	224,150,663	164,638,746	1,613,831,730	188,099,145

As at 31 March	2024 Rs.	2023 Rs.

19. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLE

Gross Rentals Receivables	36,853,762,139	39,218,524,197
Less: Unearned Income	(11,236,733,662)	(12,237,596,290)
Less: Specific Impairment	(62,113,990)	(177,694,740)
Less: Collective Impairment	(1,841,465,624)	(2,228,677,251)
Total Rentals Receivable (Note 19.4 & 19.5)	23,713,448,863	24,574,555,916

19.1 Analysis of Financial Assets Based on Exposure to Credit Risk - Lease Rentals Receivable

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Lease Rentals Receivable	16,140,577,345	6,212,549,962	3,263,901,170	25,617,028,477
Allowance for Expected Credit Losses (Note 19.2)	(207,356,216)	(506,065,718)	(1,190,157,680)	(1,903,579,614)
Net Lease Rentals Receivable	15,933,221,129	5,706,484,244	2,073,743,490	23,713,448,863

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Lease Rentals Receivable	12,856,153,383	8,244,441,397	5,880,333,127	26,980,927,907
Allowance for Expected Credit Losses (Note 19.2)	(72,697,314)	(483,446,972)	(1,850,227,705)	(2,406,371,991)
Net Lease Rentals Receivable	12,783,456,069	7,760,994,425	4,030,105,422	24,574,555,916

The Company changed its default definition effective from 01 April 2023 to 90 days past due which was inline with the CBSL Direction No. 1 of 2020 on Classification and Measurement of Credit Facilities, whereas the previous default definition was 120 days past due. In line with these definition changes, the current year staging classification is conducted under 90 days past due, whereas the previous year comparatives are classified under 120 days past due.

	2024 Rs.	2023 Rs.

19.2 Allowance for Expected Credit Losses - Lease Rentals Receivable

Balance as at 01 April	2,406,371,991	1,949,036,318
Gross Charge to Profit or Loss (Note 19.3)	343,954,085	553,166,048
Provision Against Net Write Off (Note 19.3.1)	(846,746,462)	(95,830,375)
Balance as at 31 March	1,903,579,614	2,406,371,991

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19.3 Movement in Allowance for Expected Credit Losses Based on Exposure to Credit Risk - Lease Rentals Receivable

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April 2023	72,690,764	157,796,242	2,175,884,985	2,406,371,991
Gross Charge to Profit or Loss	136,600,271	442,664,206	(235,310,392)	343,954,085
Provision Against Net Write Off during the year (Note 19.3.1)	(1,934,819)	(94,394,729)	(750,416,914)	(846,746,462)
Balance as at 31 March 2024	207,356,216	506,065,718	1,190,157,680	1,903,579,614

Since the Company adopted the 90 days past due as it's defaulting point effective from 01 April 2023, the above staging is aligned with the same.

19.3.1 Provision Against Net Write Off

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Provision Against Write Off	1,942,949	94,395,563	751,773,242	848,111,754
Provision Against Write Back	(8,130)	(834)	(1,356,328)	(1,365,292)
	1,934,819	94,394,729	750,416,914	846,746,462

19.4 Maturity Analysis of Financial Assets at Amortised Cost - Lease Rentals Receivable

As at 31 March 2024	1 Year Rs.	1- 5 Year Rs.	More than 5 Year Rs.	Total Rs.
Rentals Receivable	16,445,024,155	20,399,492,890	9,245,094	36,853,762,139
Less: Unearned Income	(5,980,058,895)	(5,256,112,495)	(562,272)	(11,236,733,662)
	10,464,965,260	15,143,380,395	8,682,822	25,617,028,477
Less: Specific Provision				(62,113,990)
Less: Collective Impairment				(1,841,465,624)
				23,713,448,863

19.5 Maturity Analysis of Financial Assets at Amortised Cost - Lease Rentals Receivable

As at 31 March 2023	1 Year Rs.	1- 5 Year Rs.	More than 5 Year Rs.	Total Rs.
Rentals Receivable	15,323,547,003	23,842,329,304	52,647,890	39,218,524,197
Less: Unearned Income	(5,853,867,471)	(6,381,836,937)	(1,891,882)	(12,237,596,290)
	9,469,679,532	17,460,492,367	50,756,008	26,980,927,907
Less: Specific Provision				(177,694,740)
Less: Collective Impairment				(2,228,677,251)
				24,574,555,916

19.6 Credit exposure & provision for impairment movement-Lease Rentals Receivable

Since the Company adopted the 90 days past due as it's defaulting point effective from 01 April 2023, the movements in the below tables for both the current & previous financial years are aligned with the same.

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount Rs.	Provision for impairment Rs.	Gross carrying amount Rs.	Provision for impairment Rs.	Gross carrying amount Rs.	Provision for impairment Rs.	Gross carrying amount Rs.	Provision for impairment Rs.
Lease Rentals Receivable at amortised cost								
Balance as at 1 April 2023	12,856,153,383	72,690,764	5,802,739,301	157,796,241	8,322,035,223	2,175,884,986	26,980,927,907	2,406,371,991
- Transfer to stage 1	1,891,562,107	129,533,459	(1,262,732,121)	(31,526,192)	(628,829,986)	(98,007,267)	-	-
- Transfer to stage 2	(2,777,849,023)	(15,854,842)	3,639,316,197	137,159,730	(861,467,174)	(121,304,888)	-	-
- Transfer to stage 3	(563,349,238)	(3,243,153)	(726,876,125)	(23,508,536)	1,290,225,363	26,751,689	-	-
Net remeasurement of impairment	-	(80,017,147)	-	171,639,728	-	450,929,599	-	542,552,180
New financial assets originated or purchased	9,888,925,024	118,628,186	1,862,904,030	143,356,353	565,973,187	106,374,011	12,317,802,241	368,358,550
Financial assets that have been derecognised	(5,154,864,908)	(14,381,051)	(3,102,801,320)	(48,851,606)	(3,291,351,920)	(503,723,987)	(11,549,018,148)	(566,956,644)
Write-offs	-	-	-	-	(2,132,683,523)	(846,746,463)	(2,132,683,523)	(846,746,463)
Balance as at 31 March 2024	16,140,577,345	207,356,216	6,212,549,962	506,065,718	3,263,901,170	1,190,157,680	25,617,028,477	1,903,579,614

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount Rs.	Provision for impairment Rs.	Gross carrying amount Rs.	Provision for impairment Rs.	Gross carrying amount Rs.	Provision for impairment Rs.	Gross carrying amount Rs.	Provision for impairment Rs.
Lease Rentals Receivable at amortised cost								
Balance as at 1 April 2022	17,599,158,186	110,805,276	6,278,894,646	147,820,892	6,328,975,202	1,690,410,151	30,207,028,034	1,949,036,319
- Transfer to stage 1	1,775,792,352	139,615,926	(1,234,741,596)	(28,697,449)	(541,050,756)	(110,918,477)	-	-
- Transfer to stage 2	(3,493,364,923)	(22,750,679)	4,092,646,174	134,673,163	(599,281,251)	(111,922,484)	-	-
- Transfer to stage 3	(3,004,346,327)	(17,551,517)	(1,992,923,920)	(47,605,902)	4,997,270,247	65,157,419	-	-
Net remeasurement of impairment	-	(145,358,973)	-	(48,543,106)	-	1,026,682,393	-	832,780,314
New financial assets originated or purchased	5,352,357,054	25,990,658	1,257,403,651	34,468,020	1,545,782,895	272,575,251	8,155,543,600	333,033,929
Financial assets that have been derecognised	(5,373,442,959)	(18,059,927)	(2,598,539,654)	(34,319,377)	(3,001,061,776)	(560,268,894)	(10,973,044,389)	(612,648,198)
Write-offs	-	-	-	-	(408,599,338)	(95,830,373)	(408,599,338)	(95,830,373)
Balance as at 31 March 2023	12,856,153,383	72,690,764	5,802,739,301	157,796,241	8,322,035,223	2,175,884,986	26,980,927,907	2,406,371,991

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As at 31 March	2024 Rs.	2023 Rs.
20. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Treasury Bonds (Note 20.1)	6,747,888,543	5,232,945,524
Unquoted Shares*	194,700	194,700
	6,748,083,243	5,233,140,224

*The unquoted ordinary shares include investments that have been made primarily for the regulatory purpose.

	2024 Rs.	2023 Rs.
20.1 Movement in Treasury Bond Investment		
Balance as at 01 April	5,232,945,524	25,673,925
Purchase of Treasury Bonds	-	4,741,364,795
Sale of Treasury Bonds	(454,900,900)	(25,757,675)
Interest Accrued	177,827,261	368,871,387
Mark to Market Gain	1,792,016,658	122,793,092
Balance as at 31 March	6,747,888,543	5,232,945,524

As at 31 March	2024 Rs.	2023 Rs.
21. OTHER FINANCIAL ASSETS		
Refundable Deposits and Prepayment	26,295,896	23,010,480
Amounts Due From Related Parties	12,176,404	4,363,226
Other Charges Receivable from Client (Note 21.1)	90,574,316	119,240,241
	129,046,616	146,613,947

As at 31 March	2024 Rs.	2023 Rs.

21.1 Other Charges Receivable from Client

Other Charges Receivable from Client	97,370,497	130,035,320
Less: Collective Impairment	(6,796,181)	(10,795,079)
	90,574,316	119,240,241

Other charges receivable from client includes receivables for insurance premium, moratorium, legal fees, seizing charges, stamp duty, service charges etc.

21.1.1 Analysis of Other Financial Assets based on Exposure to Credit Risk - Other Charges Receivable from Client

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Loan and Lease Rentals Receivable	20,685,455	15,399,950	61,285,092	97,370,497
Allowance for Expected Credit Losses	(1,321,270)	(1,094,170)	(4,380,741)	(6,796,181)
Net Loan and Lease Rentals Receivable	19,364,185	14,305,780	56,904,351	90,574,316

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Loan and Lease Rentals Receivable	16,467,666	23,952,466	89,615,188	130,035,320
Allowance for Expected Credit Losses	(1,387,832)	(1,980,763)	(7,426,484)	(10,795,079)
Net Loan and Lease Rentals Receivable	15,079,834	21,971,703	82,188,704	119,240,241

The Company changed its default definition effective from 01 April 2023 to 90 days past due which was inline with the CBSL Direction No. 1 of 2020 on Classification and Measurement of Credit Facilities, whereas the previous default definition was 120 days past due. In line with these definition changes, the current year staging classification is conducted under 90 days past due, whereas the previous year comparatives are classified under 120 days past due.

NOTES TO THE FINANCIAL STATEMENTS

	2024 Rs.	2023 Rs.
21.1.2 Allowance for Expected Credit Losses - Other Charges Receivable from Client		
Balance as at 01 April	10,795,079	7,656,942
Gross Charge to Profit or Loss (Note 21.1.3)	(529,433)	6,463,176
Provision Against Net Write Off (Note 21.1.3.1)	(3,469,465)	(3,325,038)
Balance as at 31 March	6,796,181	10,795,079

21.1.3 Movement in Allowance for Expected Credit Losses Based on Exposure to Credit Risk- Other Charges Receivable from Client

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April 2023	1,387,832	1,980,763	7,426,484	10,795,079
Gross Charge to Profit or Loss	(59,415)	(521,795)	51,777	(529,433)
Provision Against Net Write Off (Note 21.1.3.1)	(7,147)	(364,798)	(3,097,520)	(3,469,465)
Balance as at 31 March 2024	1,321,270	1,094,170	4,380,741	6,796,181

21.1.3.1 Provision Against Net Write Off

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Provision Against Write Off	7,147	364,798	3,097,520	3,469,465
Provision Against Write Back	-	-	-	-
	7,147	364,798	3,097,520	3,469,465

21.1.4 Credit exposure & provision for impairment movement-Other Charges Receivable from Client

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount Rs.	Provision for impairment Rs.	Gross carrying amount Rs.	Provision for impairment Rs.	Gross carrying amount Rs.	Provision for impairment Rs.	Gross carrying amount Rs.	Provision for impairment Rs.
Other Charges Receivable at amortised cost								
Balance as at 1 April 2023	16,467,666	1,387,832	17,198,747	1,980,763	96,368,907	7,426,484	130,035,320	10,795,079
- Transfer to stage 1	5,593,788	464,377	(3,303,025)	(274,206)	(2,290,763)	(190,171)	-	-
- Transfer to stage 2	(3,524,047)	(292,554)	5,914,404	490,993	(2,390,357)	(198,439)	-	-
- Transfer to stage 3	(825,495)	(68,530)	(2,360,600)	(195,969)	3,186,095	264,499	-	-
Net remeasurement of impairment	-	(100,616)	-	113,863	-	2,229,807	-	2,243,054
New financial assets originated or purchased	7,189,028	501,773	1,345,995	93,947	3,237,249	225,951	11,772,272	821,671
Financial assets that have been derecognised	(4,215,485)	(571,012)	(3,395,571)	(1,115,221)	(17,091,849)	(1,907,924)	(24,702,905)	(3,594,157)
Write-offs	-	-	-	-	(19,734,190)	(3,469,466)	(19,734,190)	(3,469,466)
Balance as at 31 March 2024	20,685,455	1,321,270	15,399,950	1,094,170	61,285,092	4,380,741	97,370,497	6,796,181

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount Rs.	Provision for impairment Rs.	Gross carrying amount Rs.	Provision for impairment Rs.	Gross carrying amount Rs.	Provision for impairment Rs.	Gross carrying amount Rs.	Provision for impairment Rs.
Other Charges Receivable at amortised cost								
Balance as at 1 April 2022	14,640,161	1,433,763	11,219,119	1,098,942	52,313,423	5,124,237	78,172,703	7,656,942
- Transfer to stage 1	3,489,671	341,822	(1,854,125)	(181,616)	(1,635,546)	(160,206)	-	-
- Transfer to stage 2	(2,902,082)	(284,267)	4,668,435	457,285	(1,766,353)	(173,018)	-	-
- Transfer to stage 3	(1,818,121)	(178,090)	(2,701,522)	(264,621)	4,519,643	442,711	-	-
Net remeasurement of impairment	-	118,103	-	623,894	-	5,383,854	-	6,125,850
New financial assets originated or purchased	3,030,891	251,614	914,463	75,916	3,942,300	327,276	7,887,654	654,806
Financial assets that have been derecognised	27,146	(295,113)	4,952,377	170,963	67,057,296	(193,331)	72,036,819	(317,480)
Write-offs	-	-	-	-	(28,061,856)	(3,325,039)	(28,061,856)	(3,325,039)
Balance as at 31 March 2023	16,467,666	1,387,832	17,198,747	1,980,763	96,368,907	7,426,484	130,035,320	10,795,079

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March	2024 Rs.	2023 Rs.
22. OTHER NON FINANCIAL ASSETS		
Trading Stock	12,291,722	46,906,574
Prepayments and Advances	78,852,922	23,694,001
	91,144,644	70,600,575

As at 31 March	2024 Rs.	2023 Rs.
23. INVESTMENT PROPERTY		
23.1 Qualitative and Quantitative Disclosures of the Investment Properties		
Balance at the beginning of the year	193,800,000	231,900,000
Disposals/Transfer	(86,800,000)	(38,100,000)
Balance at the end of the year	107,000,000	193,800,000

The Company decided to sell its two investment properties located on Pelawatta - Pannipitiya Road and Pelawatta - Parliament Road, initiating the sale process at the beginning of the current financial year based on the valuation confirmation obtained from Mr. U.S. Silva, Chartered Valuation Surveyor, on 14 March 2023.

Subsequently, the property located on Pelawatta - Pannipitiya Road was sold on 26 March 2024 for its fair value of Rs. 86.8Mn. The property located on Pelawatta - Parliament Road was also sold after the end of the current financial year, on 15 May 2024, for its fair value of Rs. 107Mn.

Since the sale value of the Pelawatta - Parliament Road property was agreed upon with the buyer at the inception of the sale process, based on the valuation confirmation obtained, a separate valuation was not obtained for this property as of 31 March 2024.

As at 31 March			Fair Value	
Location	Buildings Sq. Ft	Land in Extent	2024 Rs.	2023 Rs.
Pelawatta - Parliament Road	11040	08P	107,000,000	107,000,000
Pelawatta - Pannipitiya Road	7383	08.46P	-	86,800,000
Embilipitiya	1224	27A 01R 24P	21,200,000	21,200,000
Provision made - Embilipitiya			(21,200,000)	(21,200,000)
			107,000,000	193,800,000

Year ended 31 March	2024 Rs.	2023 Rs.
23.2 Net profit from Investment Properties		
Rental income derived from investment properties	6,078,738	7,472,085
Direct operating expenses (including repair and maintenance) generate rental income	(1,553,551)	(832,822)
Direct operating expenses (including repair and maintenance) that did not generate rental income	(692,520)	(700,800)
Net profit arising from investment properties carried at fair value	3,832,667	5,938,463

23.3 Fair Value Related Disclosures of the Investment Properties

Fair Value Hierarchy

The fair value of the Company's investment properties are categorised into Level 3 of the fair value hierarchy.

Valuation Techniques and Significant Unobservable Inputs

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Type of Property	Valuation technique	Significant unobservable inputs	Range Applied
Land & Building	Cost Method/Direct Comparison Method	Estimated Price per sq.ft (Building)	Rs. 6,825 - Rs. 7,350
		Estimated Price per perch (Land)	Rs. 5.7 Mn - Rs. 6.3Mn
Land	Direct Comparison Method	Estimated Price per perch	Rs. 4.25 Mn

Significant increase/(decrease) in this input in isolation would result in a significant (lower)/higher fair value.

NOTES TO THE FINANCIAL STATEMENTS

24. PROPERTY, PLANT AND EQUIPMENT

24.1 Gross Carrying Amounts

	Balance As at 01.04.2023 Rs.	Additions/ Transfers for the year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2024 Rs.
Land & Building	38,310,000	-	-	38,310,000
Motor Vehicles	-	-	-	-
Furniture & Fittings	47,085,161	514,990	(12,510)	47,587,641
Office Equipment	270,832,556	36,598,008	(12,617,395)	294,813,169
Leasehold Improvements	134,377,471	3,767,904	(100,800)	138,044,575
Total	490,605,188	40,880,902	(12,730,705)	518,755,385

	Balance As at 01.04.2023 Rs.	Charges/ Transfers for the year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2024 Rs.
Depreciation				
Land & Building	565,500	565,500	-	1,131,000
Motor Vehicles	-	-	-	-
Furniture & Fittings	43,506,283	1,594,690	(12,510)	45,088,463
Office Equipment	234,651,635	14,974,650	(12,479,712)	237,146,573
Leasehold Improvements	108,516,490	10,397,328	(100,800)	118,813,018
Total	387,239,908	27,532,168	(12,593,022)	402,179,054

24.2 Gross Carrying Amounts

	Balance As at 01.04.2022 Rs.	Additions/ Transfers for the year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2023 Rs.
Land & Building	-	38,310,000	-	38,310,000
Motor Vehicles	150,000	-	(150,000)	-
Furniture & Fittings	44,586,257	2,686,574	(187,670)	47,085,161
Office Equipment	279,765,282	16,797,335	(25,730,061)	270,832,556
Leasehold Improvements	108,546,046	25,977,537	(146,112)	134,377,471
Total	433,047,585	83,771,446	(26,213,843)	490,605,188

24.2 Depreciation

	Balance As at 01.04.2022 Rs.	Charges/ Transfers for the year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2023 Rs.
Land & Building	-	565,500	-	565,500
Motor Vehicles	150,000	-	(150,000)	-
Furniture & Fittings	40,696,946	2,986,949	(177,612)	43,506,283
Office Equipment	240,507,000	19,453,669	(25,309,034)	234,651,635
Leasehold Improvements	103,611,829	5,026,549	(121,888)	108,516,490
Total	384,965,775	28,032,667	(25,758,534)	387,239,908

24.3 Net Book Values

As at 31 March	2024 Rs.	2023 Rs.
Land & Building	37,179,000	37,744,500
Furniture & Fittings	2,499,178	3,578,878
Office Equipment	57,666,596	36,180,921
Leasehold Improvements	19,231,557	25,860,981
	116,576,331	103,365,280

During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 40.88 Mn (2023 Rs. 83.77 Mn).

Cost of fully depreciated assets which are still in use by the Company as at 31st March 2024 is Rs. 460.5Mn (2023 Rs. 432.4 Mn).

There were no restrictions existed on the title of the property, plant and equipment as at the reporting date. Further, there were no items of property, plant and equipment pledged as securities for liabilities.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March	2024 Rs.	2023 Rs.
25. INTANGIBLE ASSETS		
Finance Business License (Note 25.1)	400,000,000	400,000,000
Computer Software (Note 25.2)	27,621,807	33,009,718
	427,621,807	433,009,718

As at 31 March	2024 Rs.	2023 Rs.
25.1 Finance Business License		
Cost of the Finance Business License	400,000,000	400,000,000
Impairment (Note 25.1.1)	-	-
Net Book Value	400,000,000	400,000,000

25.1.1 Impairment Assessment

The Company obtained its Finance Business License (FBL) effective 29 August 2022. The cost incurred to obtain the FBL was Rs. 400 Mn and the useful life of this FBL is estimated to be indefinite and it was classified under Intangible Assets. The FBL enables the Company to carry out its finance business, under the directions issued by the Central Bank of Sri Lanka, where not having a FBL seizes the operations of the Company. Within this outset, the Company have identified that the Company is unable to carry out its finance business without the FBL given that its the core license required to carry out finance business operations by CBSL. Thus, no distinct cash-generating units were identified in relation to the FBL and its operational units, as the entire company must continue its operations as a unified entity under the FBL obtained.

In accordance with Sri Lanka Accounting Standards (LKAS 36), an intangible asset with an indefinite useful life must undergo an annual impairment assessment. Consequently, the Company conducted an impairment assessment of its finance business license (FBL) for the current financial year. This assessment evaluated the future profitability of the Company's finance operations, considering the future cash flows generated through the FBL against its recoverable value.

The recoverable amount was calculated using the value in use method. Under this approach, the future profitability of the Company was projected indefinitely, with a growth rate of 4%. These future profits were then converted to future cashflows and was discounted at a rate of 11.25%, based on the Company's Weighted Average Cost of Borrowing at the end of the current financial year.

As per this assessment, the FBL's net value in use was determined to be Rs. 40.47 billion.

Present Value of Future Cashflows (a)	61,885,447,859
Present Value of Total Debt (b)	(21,415,504,650)
Value in Use (a-b)	40,469,943,209

The value in use forecast of the FBL computed above is higher than the FBL's carrying value. Accordingly, it was identified that the Company will not foresee an impairment loss for its FBL for the current financial year. Based on this assessment, no impairment provision is required to be made in the financial statements as at the reporting date. The value in use forecast of the FBL computed above is higher than the FBL's carrying value. Accordingly, it was identified that the Company will not foresee an impairment loss for its FBL for the current financial year. Based on this assessment, no impairment provision is required to be made in the financial statements as at the reporting date.

25.1.2 Key assumptions used in value in use calculations

In arriving to the future cashflows to be generated through the FBL, the Company considered below assumptions

- Going Concern: The business will continue as Going Concern despite the external economic impacts. Thus, after the 3 year budgeted figures, it is assumed that the profitability beyond the 3rd year will foresee a 4% growth annually for indefinite period.
- Revenue Growth Rate: The projected annual growth rate of revenue is 27%. This rate of growth was arrived, based on historical performance, market trends, and economic forecasts of the country.
- Operating Expenses: A 26% growth in the operating expenses is expected. This is, taking into account the inflation, cost-saving measures, and efficiency improvements.
- Interest rates: Forecasted Interest rate changes which could impact both the cost of borrowing and the Interest income from lending activities is also considered. Accordingly, The WACB is expected to be reduced to 12% and the yield to achieve 33%.
- Portfolio Performance: Expected performance of the lease & loan portfolio, including default rates, recovery rates, and anticipated changes in the volume of new loans issued was also considered. Accordingly, a gross portfolio growth of 22% & a net loan portfolio growth of 18% is assumed YoY.
- Regulatory Environment: Potential changes in the Regulatory landscape could impact the operations, compliance costs, and strategic initiatives of the finance business. However, it is assumed that these changes will be minimum and not be quantitative towards the financial performance of the Company, given its stability.
- Market Conditions: Anticipated economic conditions and their potential impact on the demand for financial services, including consumer confidence and spending behaviors. It is assumed that the Company will increase its market share to 2.5% of the financial services sector and will continue its market of being within the top 10 LFCs in the country.

		Balance As at 01.04.2023 Rs.	Additions/ Improvements & Charge to P/L Rs.	Balance As at 31.03.2024 Rs.
25.2	**Computer Software**			
25.2.1	Cost of the Intangible Assets	161,143,870	10,544,568	171,688,438
	Amortisation & Impairment	(128,134,152)	(15,932,479)	(144,066,631)
	Net Book Value	33,009,718	(5,387,911)	27,621,807

NOTES TO THE FINANCIAL STATEMENTS

		Balance As at 01.04.2022 Rs.	Additions/ Improvements & Charge to P/L Rs.	Balance As at 31.03.2023 Rs.
25.2.2	Cost of the Intangible Assets	143,360,837	17,783,033	161,143,870
	Amortisation & Impairment	(115,872,326)	(12,261,826)	(128,134,152)
	Net Book Value	27,488,511	5,521,207	33,009,718

The amount of contractual commitments for the acquisition of intangible assets as at the reporting date is Rs. 24.6Mn. (2023 Rs. 3.6Mn)

There were no restrictions existed on the title of intangible assets as at the reporting date. Further, there were no items of intangible assets pledged as securities for liabilities.

		2024 Rs.	2023 Rs.
26.	**RIGHT OF USE ASSETS**		
26.1	**Gross Carrying Amounts**		
	Balance as at 01 April	234,683,972	216,075,326
	Addition and Improvement	72,821,522	54,765,462
	Removal	(36,932,288)	(36,156,816)
	Balance as at 31 March	270,573,206	234,683,972

	2024 Rs.	2023 Rs.
Accumulated Amortisation		
Balance as at 01 April	127,407,750	107,457,414
Charge for the Year	50,957,578	56,107,152
Removal	(36,932,288)	(36,156,816)
Balance as at 31 March	141,433,040	127,407,750
Net Book value as at 31 March	129,140,166	107,276,222

	2024 Rs.	2023 Rs.
26.2 Lease Liability		
Balance as at 01 April	133,797,506	132,252,395
Additions	72,821,522	54,765,462
Ascertain of Interest	23,590,704	15,169,298
Payment	(70,931,203)	(68,389,649)
Balance as at 31 March	159,278,529	133,797,506

As at 31 March	2024 Rs.	2023 Rs.
26.2.1 Contractual Maturity Analysis of Lease Liability		
Less than one Year	36,986,890	30,223,955
1-5 Year	122,291,639	103,573,551
More than 5 Year	-	-
	159,278,529	133,797,506

As at 31 March	2024 Rs.	2023 Rs.
26.2.2 Undiscounted Maturity Analysis of Lease Liability		
Less than one Year	59,563,806	44,562,468
1-5 Year	155,037,201	131,908,641
More than 5 Year	-	-
	214,601,007	176,471,109

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March	2024 Rs.	2023 Rs.

27. FINANCIAL LIABILITIES AT AMORTIZED COST - DUE TO DEPOSITORS

Fixed Deposits	680,595,470	201,382,890
	680,595,470	201,382,890

27.1 Contractual Maturity Analysis of Customer Deposits

As at 31 March 2024	1 Year Rs.	1- 5 Year Rs.	More than 5 Year Rs.	Total Rs.
Fixed Deposits	680,087,148	508,322	-	680,595,470
	680,087,148	508,322	-	680,595,470

As at 31 March 2023	1 Year Rs.	1- 5 Year Rs.	More than 5 Year Rs.	Total Rs.
Fixed Deposits	201,382,890	-	-	201,382,890
	201,382,890	-	-	201,382,890

As at 31 March	2024 Repayable within 1 year Rs.	2024 Repayable after 1 year Rs.	2024 Total Rs.	2023 Repayable within 1 year Rs.	2023 Repayable after 1 year Rs.	2023 Total Rs.
28. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS						
Bank Loans (Note 28.1)	16,949,849,645	3,495,399,972	20,445,249,617	16,681,960,137	1,849,999,980	18,531,960,117
Commercial Papers (Note 28.2)	-	-	-	507,719,178	-	507,719,178
Inter Company Borrowings (Note 28.3)	-	-	-	752,557,269	-	752,557,269
	16,949,849,645	3,495,399,972	20,445,249,617	17,942,236,584	1,849,999,980	19,792,236,564

	Collateral .	As at 01.04.2023 Rs.	Loans Obtained Rs.	Interest Expenses Rs.	Total Repayment Rs.	As at 31.03.2024 Rs.
28.1 Bank Loans						
Commercial Bank of Ceylon PLC	Unsecured	1,106,728,578	3,700,000,000	210,254,944	1,938,430,130	3,078,553,392
Hatton National Bank PLC	Unsecured	5,542,328,048	5,600,000,000	922,029,395	6,537,181,399	5,527,176,044
Sampath Bank PLC	Unsecured	2,009,321,139	6,400,000,000	269,260,234	6,674,870,486	2,003,710,887
Nations Trust Bank PLC	Unsecured	1,514,056,668	5,850,000,000	217,051,234	6,527,135,637	1,053,972,265
NDB Bank PLC	Unsecured	600,762,038	3,700,000,000	109,552,990	3,402,284,038	1,008,030,990
Seylan Bank PLC	Unsecured	4,275,396,873	10,250,000,000	656,112,917	9,414,466,979	5,767,042,811
DFCC Bank PLC	Unsecured	2,418,917,911	4,150,000,000	297,383,354	5,862,247,419	1,004,053,846
Pan Asia Bank PLC	Unsecured	1,014,403,005	3,100,000,000	130,023,675	3,241,717,298	1,002,709,382
NDB Bank - Securitization Loan	Secured	50,045,857	-	1,948,736	51,994,593	-
		18,531,960,117	42,750,000,000	2,813,617,479	43,650,327,979	20,445,249,617

As at 31 March	2024 Repayable within 1 year Rs.	2024 Repayable after 1 year Rs.	2024 Total Rs.	2023 Repayable within 1 year Rs.	2023 Repayable after 1 year Rs.	2023 Total Rs.
28.2 Commercial Papers						
Commercial Papers	-	-	-	500,000,000	-	500,000,000
Interest Payable	-	-	-	7,719,178	-	7,719,178
	-	-	-	507,719,178	-	507,719,178

As at 31 March	2024 Repayable within 1 year Rs.	2024 Repayable after 1 year Rs.	2024 Total Rs.	2023 Repayable within 1 year Rs.	2023 Repayable after 1 year Rs.	2023 Total Rs.
28.3 Inter Company Borrowings						
Short Term Loan	-	-	-	749,993,981	-	749,993,981
Interest Payable	-	-	-	2,563,288	-	2,563,288
	-	-	-	752,557,269	-	752,557,269

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March	2024 Rs.	2023 Rs.
29. OTHER FINANCIAL LIABILITIES		
Trade - Related Parties	95,511,515	18,254,270
Trade - Other Parties	317,107,515	140,383,942
Amount Collected from Customers	469,592,803	288,428,991
Amounts Due to Related Parties	92,424,265	75,981,689
Lease Liability (Note 26.2)	159,278,529	133,797,506
Advertising and Promotion Expenses Payable	13,653,570	4,959,905
Dividend Payable	-	56,932,563
Accruals and Expenses Payables	105,298,069	74,634,411
	1,252,866,266	793,373,277

As at 31 March	2024 Rs.	2023 Rs.
30. OTHER NON FINANCIAL LIABILITIES		
Statutory Payment Payable	148,948,043	51,165,847
Other Payables	95,713,013	616,632
	244,661,056	51,782,479

	2024 Rs.	2023 Rs.
31. INCOME TAX LIABILITIES		
Income Taxation Receivable /(Payable)		
As at 01 April	106,490,226	(346,532,937)
Income Tax Paid	146,039,599	683,493,998
Adjustment (ESC/ WHT etc..)	-	4,300,693
Provision for the Year (Note 14.1)	(693,958,518)	(234,771,528)
Balance as at 31 March - Asset/(Liability)	(441,428,693)	106,490,226

32. DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method using the effective tax rate of 30%.

The movement on the deferred income tax asset/(liability) account is as follow,

	2024 Rs.	2023 Rs.
Balance as at 01 April	777,442,660	(44,694,527)
Charge to Profit or Loss - Due to Rate Revision	-	172,100,877
Charge to Profit or Loss - Due to Change in Temporary Difference	(139,867,673)	688,403,510
Charge to Other Comprehensive Income on Actuarial Valuation	2,529,707	(1,529,272)
Gains/(Losses) arising on re-measuring Financial Assets	(537,604,997)	(36,837,928)
Balance as at 31 March - Asset/(Liability)	102,499,697	777,442,660

Deferred Tax Assets (Liabilities) and Income Tax Relates to the Following,

As at 31 March	Statements of Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Deferred Tax Liability						
Depreciation of Property Plant & Equipment	(2,393,264)	749,528	(3,142,792)	1,720,622	-	-
Fair Value Gain on IP	-	-	-	-	-	-
Depreciation of Lease Assets	(1,541,494)	(14,137,639)	12,596,145	60,659,553	-	-
	(3,934,758)	(13,388,111)	9,453,353	62,380,175	-	-
Deferred Tax Assets						
Right of Use of Assets	9,041,509	7,956,385	1,085,124	2,274,534	-	-
Impairment	623,778,731	781,579,865	(157,801,134)	781,579,865	-	-
Gains/(Losses) arising on re-measuring Financial Assets	(574,442,925)	(36,837,928)	-	-	(537,604,997)	(36,837,928)
Retirement Benefit Obligation	48,057,140	38,132,449	7,394,984	14,269,813	2,529,707	(1,529,272)
	106,434,455	790,830,771	(149,321,026)	798,124,212	(535,075,290)	(38,367,200)
Deferred Income Tax (Charge)/Reversal	102,499,697	777,442,660	(139,867,673)	860,504,387	(535,075,290)	(38,367,200)

NOTES TO THE FINANCIAL STATEMENTS

33. RETIREMENT BENEFIT OBLIGATIONS

	2024 Rs.	2023 Rs.
33.1 Net Liability Recognised in the Statement of Financial Position		
Balance as at 01 April	127,108,164	105,799,616
Provision made during the year (Note 33.3 & 33.4)	50,381,258	28,257,674
Benefits paid by the plan (Note 33.2)	(17,298,951)	(6,949,126)
Balance as at 31 March	160,190,471	127,108,164

	2024 Rs.	2023 Rs.
33.2 Defined Benefit Obligation		
Balance as at 01 April	127,108,164	105,799,616
Current Service Cost (Note 33.3)	19,069,432	17,485,305
Interest Cost (Note 33.3)	22,879,470	15,869,942
Benefits paid by the plan	(17,298,951)	(6,949,126)
(Gains) /Losses due to the Changes in Financial Assumptions (Note 33.4)	4,161,577	(5,596,536)
(Gains) /Losses due to the Changes in Experience (Note 33.4)	4,270,779	498,963
Balance as at 31 March	160,190,471	127,108,164
33.3 Amounts Recognised in Profit or Loss		
Current Service Cost for the Year	19,069,432	17,485,305
Interest Cost for the Year	22,879,470	15,869,942
	41,948,902	33,355,247

	2024 Rs.	2023 Rs.
33.4 Amounts Recognised in Other Comprehensive Income		
(Gains) /Losses due to the Changes in Financial Assumptions	4,161,577	(5,596,536)
(Gains) /Losses due to the Changes in Experience	4,270,779	498,963
	8,432,356	(5,097,573)
33.5 Distribution of Present Value of Defined Benefit Obligation		
Within the next 12 months	20,101,192	16,384,819
Between 1 to 5 years	63,205,090	51,187,545
Between 5 to 10 years	44,576,679	34,900,924
More than 10 years	32,307,511	24,634,876
	160,190,472	127,108,164

As at 31 March	2024 Rs.	2023 Rs.
33.6 Assumptions		
Discount Rate	12.00%	18.00%
Salary Increment	10.00%	15.00%
Retirement Age	60 Years	60 Years
Expected Average Future Working Years	7.5 Years	7.3 Years

Actuarial valuations of the gratuity of the Company was carried out as at 31 March 2024 by Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the 'Projected Unit Credit Method', recommended by the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

33.7 Sensitivity of 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 retirement benefit liability measurement.

The sensitivity of the statement of Comprehensive income and statement of Financial Position is the effect of the assumed changes in discount rate and salary scale in the profit or loss and retirement benefit obligation for the year.

	2024		
Increase/(Decrease) in discount rate	Increase/(Decrease) in salary increment	Sensitivity Effect on statement of Comprehensive Income - Increase/(Reduction) in results for the year (Rs. Mn)	Sensitivity Effect on Retirement Benefit Obligation - Increase (Reduction) in liability (Rs. Mn)
1%		-8.48	8.48
-1%		9.43	-9.43
	1%	10.25	-10.25
	-1%	-9.36	9.36

	2023		
Increase/(Decrease) in discount rate	Increase/(Decrease) in salary increment	Sensitivity Effect on statement of Comprehensive Income - Increase/(Reduction) in results for the year (Rs. Mn)	Sensitivity Effect on Retirement Benefit Obligation - Increase (Reduction) in liability (Rs. Mn)
1%		-6.31	6.31
-1%		6.98	-6.98
	1%	7.66	-7.66
	-1%	-7.03	7.03

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34. STATED CAPITAL

As at 31 March	2024		2023	
	No. of Shares.	Rs.	No. of Shares	Rs.
Issued and Fully Paid-Ordinary Shares				
Stated Capital	133,958,971	3,550,000,000	133,958,971	3,550,000,000
	133,958,971	3,550,000,000	133,958,971	3,550,000,000

The Authorised Capital and Par Value Concept in relation to shares were abolished by the Companies Act No. 07 of 2007. The total amount received by the Company or due and payable to the Company in respect of the issue and calls of the shares are referred to as stated capital.

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 meetings of the Company.

35. STATUTORY RESERVE FUND

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 and amendments thereto issued to 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. If the Company's capital funds are not less than twenty five (25) per cent of total deposit liabilities, a sum equal to not less than five (5) per cent of the net profits shall be transferred to the reserve fund each year.

Accordingly 5% of the net profit for the year is transferred to the Reserve Fund since the capital funds are not less than 25% of total deposit liabilities.

As at 31 March	2024 Rs.	2023 Rs.
At the beginning of the year	1,112,084,586	1,066,826,721
Profit transferred during the year	64,423,632	45,257,865
At the end of the year	1,176,508,218	1,112,084,586

36. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE

Fair value through other comprehensive income reserve, which comprises changes in fair value of Financial Assets - Fair Value through Other Comprehensive Income

	2024 Rs.	2023 Rs.
Balance as at 01 April	85,871,414	(83,750)
Changes in fair value during the year (net of tax)	1,254,411,661	85,955,164
Balance as at 31 March	1,340,283,075	85,871,414

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 dividend payments.

38. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosures), the details which are reported below.

38.1 Terms and Condition

The Company carries out transactions with Parent Company, Affiliate Company, Key Management Personnel (KMP)s & their Close Family Members (CFM)s in the ordinary course of its business on an arms length basis at commercial rates.

38.2 Transactions with Key Management Personnel (KMP)

KMP of the Company

As per Sri Lanka Accounting Standard - LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition, a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all the three activities mentioned in the above definition.

In line with the above definition, the Company has defined its Key Management Persons as the Directors and the Senior Management of the Company.

Year ended 31 March	2024 Rs.	2023 Rs.
38.2.1 Key Management Personnel Compensation		
Short Term Employees Benefits	266,466,764	220,958,183
Post - Employment Benefits	21,402,698	15,357,493
Money Value of Perquisites	8,608,609	12,384,896
Other Long Term Benefits	31,297,325	22,422,725
	327,775,396	271,123,297

38.2.2 Transactions, Arrangements , Agreements and Expense by KMP and their CFMs

CFMs of the KMP are those family members who may be expected to influence the KMP or be influenced by that KMP in their dealings with the entity. They include KMP's spouse, children and dependents of the KMP.

Aggregate value of the transactions with KMP and their CFMs are disclosed below.

	2024 Rs.	2023 Rs.
As at 31 March		
Lease Receivables	24,904,498	2,491,767
	24,904,498	2,491,767
Net Accommodations Outstanding as a Percentage of Capital Funds	0.18%	0.02%
For the year ended 31 March		
Interest Income on Lease Receivables	1,844,311	364,203
	1,844,311	364,203

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	2024 Rs.	2023 Rs.
As at 31 March		
Fixed Deposits	3,085,308	-
	3,085,308	-
For the year ended 31 March		
Interest Expense on Fixed Deposits	85,308	-
	85,308	-

38.3 Transactions with Ultimate Parent Company

		2024 Rs.	2023 Rs.
David Pieris Holdings (Pvt) Ltd	Nature of Transactions		
	As at 31 March		
	Non Trading Receivable	152,556	16,967
	Non Trading Payable	57,165,668	46,364,513
	Loan Payable	-	-
	Transactions for the period		
	Loan Obtained	-	7,550,000,000
	Loan Repayments	-	7,550,000,000
	Interest Expense	-	273,371,781
	Sale of Assets	-	40,800
	Purchase of Assets	567,725	-
	Other Operating Expenses	258,742,264	232,269,996

38.4 Transactions with Parent Company

		2024 Rs.	2023 Rs.
DPMC Assetline Holdings (Pvt) Ltd	Nature of Transactions		
	As at 31 March		
	Non Trading Receivable	6,905,959	64,073
	Non Trading Payable	-	35,015
	Transactions for the period		
	Other Operating Income	733,968	790,452
	Other Operating Expenses	496,266	610,566
	Rent Expenses	519,966	-
	Dividend Paid	56,932,562	-
	Sale of Investment Property	86,800,000	-

38.5 Transactions with Other Group Companies

		2024 Rs.	2023 Rs.
	Nature of Transactions		
	As at 31 March		
	Fixed Deposits	450,000,000	200,000,000
	Interest Payable on Fixed Deposit	19,691,096	378,082
	Non Trading Receivable	5,117,800	4,312,828
	Non Trading Payable	20,243,568	29,612,800
	Trading Receivable	-	-
	Trading Payable	95,511,515	18,254,270
	Loan Payable	-	1,260,276,447
	Transactions for the period		
	Fixed Deposits Obtained	650,000,000	200,000,000
	Fixed Deposits Repaid	400,000,000	-
	Loan Obtained	6,550,000,000	15,765,000,000
	Loan Repayments	7,800,000,000	15,515,000,000
	Interest Expenses on Fixed Deposit	33,113,014	7,878,082
	Interest Expenses on Borrowing	254,292,093	345,092,619
	Leasing of Motor Vehicles	1,666,598,370	1,374,287,820
	Stock Purchases	29,297,500	-
	Sale of Assets	-	5,000
	Purchase of Assets	6,976,438	-
	Sale of Vehicles	13,510,000	52,510,000
	Other Operating Income	6,557,622	7,659,337
	Other Operating Expenses	160,207,515	173,144,352
	Dividend Paid	1	-

NOTES TO THE FINANCIAL STATEMENTS

38.5.1 Disclosure of Recurrent & Non-Recurrent RPT Transactions

The above related party transactions contain recurrent transactions which were exceeding the limit of 10% of previous year's gross income as stated follows,

Transaction 1		
Name of the related party	David Pieris Motor Company (Lanka) Ltd	
Relationship	Affiliate Company	
Nature of transaction	Supplier payments (Disbursements)	
Aggregate transaction value (Rs.)	1,460,344,331	
Aggregate transaction value as a % of gross income	18%	
Terms & Conditions of the transaction	Same as the terms and conditions applicable for other lease suppliers.	
Rationale for entering the transaction	Providing leasing facilities for brand new Bajaj Motor Cycles.	
Transaction 2		
Name of the related party	David Pieris Motor Company (Lanka) Ltd	
Relationship	Affiliate Company	
Nature of transaction	Borrowings obtained (Intercompany Loans)	Borrowings settled (Intercompany Loans)
Aggregate transaction value (Rs.)	6,250,000,000	7,500,000,000
Aggregate transaction value as a % of gross income	78%	94%
Terms & Conditions of the transaction	Borrowed at the prevailing market rate and as per the prevailing market tenor.	
Rationale for entering the transaction	Fulfilling the working capital funding requirements by utilizing the available intercompany credit line.	

There were no any other non-recurrent related party transactions which requires separate disclosures within the current financial year.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

39.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by Valuation techniques.

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities in active market

Level 2 : Valuation technique using observable inputs : quoted prices for similar assets and liabilities in active markets are valued using models where all significant inputs are observable.

Level 3: Valuation technique with significant unobservable inputs : assets valued using valuation techniques where one or more significant inputs are unobservable.

The following table shows an analysis of assets recorded/disclosed at fair value by level of the fair value hierarchy.

As at 31 March	2024 Rs.			2023 Rs.		
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Assets						
Financial Assets FVOCI	6,747,888,543	-	-	5,232,945,524	-	-
Investment Property		-	107,000,000	-	-	193,800,000
Total Assets	6,747,888,543	-	107,000,000	5,232,945,524	-	193,800,000

Level 3 - Investment Property Valuation

The Company decided to sell its two investment properties located on Pelawatta - Pannipitiya Road and Pelawatta - Parliament Road, initiating the sale process at the beginning of the current financial year based on the valuation confirmation obtained from Mr. U.S. Silva, Chartered Valuation Surveyor, on 14 March 2023.

Subsequently, the property located on Pelawatta - Pannipitiya Road was sold on 26 March 2024 for its fair value of Rs. 86.8Mn. The property located on Pelawatta - Parliament Road was also sold after the end of the current financial year, on 15 May 2024, for its fair value of Rs. 107Mn.

Since the sale value of the Pelawatta - Parliament Road property was agreed upon with the buyer at the inception of the sale process, based on the valuation confirmation obtained, a separate valuation was not obtained for this property as of 31 March 2024.

Date of valuation confirmation	14.03.2023
Date of original valuation	31.03.2021
Valuation technique	Cost Method and Direct Comparison Method
Significant unobservable inputs	- Estimated Price per sq.ft
	- Estimated Price per perch

NOTES TO THE FINANCIAL STATEMENTS

39.2 Fair Value of Financial Assets & Liabilities Not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values of those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which Fair Value Approximates Carrying Value

Financial Assets and Liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair values.

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 recognized with current market rates for similar financial instruments

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 in the financial statements. This table does not include the fair values of non- financial assets and non-financial liabilities.

	2024				2023			
	Fair Value			Carrying Amount	Fair Value			Carrying Amount
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets								
Financial Assets at amortised cost - Loans and Advances	-	5,563,377,885	-	5,496,194,262	-	1,389,812,234	-	1,425,732,585
Financial Assets at amortised cost - Lease Rentals Receivable	-	28,112,087,255	-	23,713,448,863	-	24,797,957,689	-	24,574,555,916
	-	33,675,465,140	-	29,209,643,125	-	26,187,769,923	-	26,000,288,501
Financial Liabilities								
Debt Instruments Issued and Other borrowed funds	-	20,445,249,617	-	20,445,249,617	-	19,792,236,564	-	19,792,236,564
	-	20,445,249,617	-	20,445,249,617	-	19,792,236,564	-	19,792,236,564

The following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value because, they are short-term in nature or re-price to current rated frequently:

Financial Assets

Cash and Cash Equivalents
Deposits with Licensed Commercial Banks
Financial Assets - Fair Value through Other Comprehensive Income
Other Financial Assets

Financial Liabilities

Bank Overdraft
Other Financial Liabilities

40. MATURITY ANALYSIS

An analysis of assets and liabilities based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is as follows.

As at 31 March 2024	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Assets						
Cash and Bank Balances	355,681,424	-	-	-	-	355,681,424
Financial Assets at Amortised Cost - Loans and Advances	989,039,271	2,418,719,806	1,233,442,486	839,622,581	15,370,118	5,496,194,262
Financial Assets at Amortised Cost - Lease Rentals Receivables	3,563,515,580	6,123,807,007	11,757,463,341	2,260,625,327	8,037,608	23,713,448,863
Financial Assets - Fair Value through Other Comprehensive Income	312,010,351	-	2,342,724,067	3,399,017,493	694,331,332	6,748,083,243
Other Financial Assets	108,084,811	-	20,961,805	-	-	129,046,616
Other Non Financial Assets	86,427,940	4,716,704	-	-	-	91,144,644
Investment Properties	-	-	-	-	107,000,000	107,000,000
Property, Plant & Equipment	-	-	-	-	116,576,331	116,576,331
Intangible Assets	-	-	-	-	427,621,807	427,621,807
Deferred Tax Asset	-	-	-	-	102,499,697	102,499,697
Right of Use Assets	13,760,847	38,851,216	68,671,407	7,856,696	-	129,140,166
Total Assets	5,428,520,224	8,586,094,733	15,423,263,106	6,507,122,097	1,471,436,893	37,416,437,053
Liabilities						
Bank Overdraft	295,755,405	-	-	-	-	295,755,405
Financial Liabilities at Amortized Cost - Due to Depositors	166,225,470	240,070,000	273,800,000	-	500,000	680,595,470
Debt Instruments Issued and Other Borrowed Funds	14,874,549,639	2,075,300,006	2,807,899,972	687,500,000	-	20,445,249,617
Other Financial Liabilities	1,126,541,589	22,751,126	61,058,225	42,515,326	-	1,252,866,266
Other Non Financial Liabilities	150,204,953	94,456,103	-	-	-	244,661,056
Income Tax Payable	-	441,428,693	-	-	-	441,428,693
Retirement Benefit Obligations	-	20,101,192	-	63,205,090	76,884,189	160,190,471
Total Liabilities	16,613,277,056	2,894,107,120	3,142,758,197	793,220,416	77,384,189	23,520,746,978

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As at 31 March 2023	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Assets						
Cash and Bank Balances	251,308,863	-	-	-	-	251,308,863
Deposits with Licensed Commercial Banks	-	174,784,421	-	-	-	174,784,421
Financial Assets at Amortised Cost - Loans and Advances	408,623,339	374,339,880	533,893,113	106,512,846	2,363,407	1,425,732,585
Financial Assets at Amortised Cost - Lease Rentals Receivables	3,211,808,195	5,413,290,615	11,872,862,018	4,030,365,902	46,229,186	24,574,555,916
Financial Assets - Fair Value through Other Comprehensive Income	439,545,214	-	417,212,750	3,895,552,110	480,830,150	5,233,140,224
Other Financial Assets	124,937,237	-	21,676,710	-	-	146,613,947
Other Non Financial Assets	65,873,544	4,727,031	-	-	-	70,600,575
Investment Properties	-	-	-	-	193,800,000	193,800,000
Property, Plant & Equipment	-	-	-	-	103,365,280	103,365,280
Intangible Assets	-	-	-	-	433,009,718	433,009,718
Income Taxation Receivable	-	106,490,226	-	-	-	106,490,226
Deferred Tax Asset	-	-	-	-	777,442,660	777,442,660
Right of Use Assets	10,677,699	29,196,064	58,769,464	8,632,995	-	107,276,222
Total Assets	4,512,774,091	6,102,828,237	12,904,414,055	8,041,063,853	2,037,040,401	33,598,120,637
Liabilities						
Bank Overdraft	1,273,528,835	-	-	-	-	1,273,528,835
Financial Liabilities at Amortized Cost - Due to Depositors	200,382,890	1,000,000	-	-	-	201,382,890
Debt Instruments Issued and Other Borrowed Funds	16,092,062,248	1,850,174,336	1,600,000,016	249,999,964	-	19,792,236,564
Other Financial Liabilities	667,048,600	22,751,126	61,058,225	42,515,326	-	793,373,277
Other Non Financial Liabilities	51,782,479	-	-	-	-	51,782,479
Retirement Benefit Obligations	-	16,384,819	-	51,187,545	59,535,800	127,108,164
Total Liabilities	18,284,805,052	1,890,310,281	1,661,058,241	343,702,835	59,535,800	22,239,412,209

41. RISK MANAGEMENT

41.1 Introduction

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is mainly exposed to credit risk, interest rate risk, liquidity risk, operational risk, the latter being subdivided into regulatory & compliance risk, reputation risk and environmental risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry.

The Company's policy is to monitor those business risks through the Company's strategic planning process.

41.1.1 Risk Management Structure

The Board of Directors are primarily responsible for establishing and overseeing Company's risk management framework and management of risk initiatives. Board Integrated Risk Management Committee (BIRMC), which is a sub-committee of the Board has been established and delegated risk management responsibilities. This Committee plays a vital role in establishing best practices in relation to risk policies and practices within the Company. The BIRMC was set up to fulfil the requirement set out in the Finance Companies Direction No. 5 of 2021 on Corporate Governance for Finance Companies issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act, No. 42 of 2011.

The quantum and level of risks that the Company is willing to accept is decided at the BIRMC, and the decisions made by this committee is communicated to the Board of Directors. The Board ratifies the risk policies and risk tolerance levels agreed at the BIRMC meetings.

This Committee consists of such number of members, as the board may determine from time to time. The committee currently consists of membership of two Non Executive Directors, an Executive Director & the Executive Director and Chief Executive Officer of the Company.

In addition to the BIRM Committee, Risk Management function is managed by Risk Management Division (RMD). RMD is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The division works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. RMD is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This division also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on a monthly basis, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

The Company's policy is to ensure that risk management processes throughout the Company are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit division discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Committee.

41.1.2 Risk Measurement & Reporting System and Risk Mitigation

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk.

NOTES TO THE FINANCIAL STATEMENTS

41.2 Credit Risk

Credit risk refers to the risk that borrowers will default on any type of debt by failing to make payments they are obligated to do. The risk of loss of principal or loss of a financial reward stems from a borrower's failure to repay a loan or otherwise meet a contractual obligation. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Management of Credit Risk

The credit risk management initiates at the beginning of the loan origination stage which includes the preliminary screening of the customer and credit appraisal of the particular facility. In determining the borrower's credit risk, the industry in which he performs, succession, integrity, past payment records inter alia are considered. In assessing the facility, the equity contribution, security cover and guarantors are taken in to consideration.
The objective of this process is to assess the borrower's ability to meet its obligations in an objective manner. The Company has clearly defined guidelines for credit approvals where the limits have been set taking into consideration the factors such as maximum counterparty exposures, loan to value ratio and forced sale value. The entire credit risk management of the Company is governed by the Credit Risk Management Policy and Framework.

41.2.1 Impairment Assessment

The Company recognises loss allowance using expected Credit losses (ECL) on loans and receivables and other financial instrument measured at amortised cost model using dual measurement approach which the loss allowance is measured as either 12-month expected credit losses or lifetime expected credit losses.

The ECL impairment is based on the credit losses expected to arise over the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the impairment is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default event 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 a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Definition of Default and Cured

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security or the borrower becomes over 120 days past due on its contractual payments.

As a part of a qualitative assessment whether an individual significant customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay.

- Significant financial difficulty of the borrower or issuer
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise
- It is probable that the borrower will enter bankruptcy or other financial reorganisation or
- The disappearance of an active market for a security because of financial difficulties.
- The borrower is deceased

The Company's policy is to consider a Financial Instrument as "Cured" and therefore to re-classify that financial instrument out of the Stage 3 when non of the default criteria have been presented and the borrower is no longer considered as non performing in accordance with the directives of the Central Bank. 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.

Significant Increase in Credit Risk

The Company continuously monitors all loan and lease portfolio subject to ECLs. In order to determine whether a portfolio is subject to 12mECL or LTECL, the Company assesses whether there has been significant increase in credit risk since initial recognition. The Company considers an exposure to have a significant increase credit risk when it is past due for more than 30 days.

The Company is focused on supporting customers who are experiencing financial difficulties because of the unprecedented macro-economic conditions. Accordingly, the Company has offered a range of industry-wide financial assistance measures under the term moratoriums initiated by the Central Bank of Sri Lanka. All individually significant customers who were under moratorium for a prolonged period of time have been classified as stage 3 on a prudent basis when calculating the impairment provisions. Further, the Company has identified industries & sectors such as three wheeler hiring, agriculture, construction & trading of hardware items, tourism, transport and labor related services as industries carrying an increased credit risk. Accordingly, stage 2 exposures from the borrowers operating in these industries which are collectively assessed for impairment have been classified as stage 3 unless such exposures are individually significant or are within the stage 1 where a SICR has not taken place.

Calculation of ECL

ECL is a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECL is discounted at the effective interest rate of the financial asset.

Individually Assessed Allowances

The Company reviews their individually significant loans and advances at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the statement of profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes in to account data from the loan portfolio (such as levels of arrears, credit utilization, loan-to-collateral ratios, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, inflation and interest rates)

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The criteria used to determine whether there is objective evidence include:

- Past due contractual payments of either principal or interest
- The probability that the borrower will enter bankruptcy or other financial realisation
- A significant downgrading in credit rating by an external credit rating agency
- Known cash flow difficulties experienced by the borrower
- Current economic conditions of the borrower
- Any other legal proceedings against the borrower

Impairment losses are calculated by discounting the expected future cash flows of loans and receivables at its original effective interest rate and comparing the resultant present value with the loans and receivables current carrying amount. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively Assessed Loss Allowances

The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) and futuristic economic data (such as economic conditions, unemployment levels and local or industry–specific problems).

The Company applies three-stage approach to measuring expected credit losses (ECL) on Loans and receivables and other financial assets measured at amortised cost. Assets migrate through the three stages based on the change in credit quality since initial recognition.

41.2.1.1 Assessment of Provision for Impairment

Analysis of the total provision for impairment is as follows

As at 31 March 2024	Note	Stage 1	Stage 2	Stage 3	Total
Financial assets at Amortised Cost - Loans and Advances	18.1	21,453,584	12,834,974	134,598,085	168,886,643
Financial assets at Amortised Cost - Lease Rentals Receivable	19.1	207,356,216	506,065,718	1,190,157,680	1,903,579,614
Other Charges Receivable from Client	21.1.1	1,321,270	1,094,170	4,380,741	6,796,181
Total provision for impairment		230,131,070	519,994,862	1,329,136,506	2,079,262,438

As at 31 March 2023	Note	Stage 1	Stage 2	Stage 3	Total
Deposits with Licensed Commercial Banks	17	31,075	-	-	31,075
Financial assets at Amortised Cost - Loans and Advances	18.1	7,930,670	17,865,443	162,303,032	188,099,145
Financial assets at Amortised Cost - Lease Rentals Receivable	19.1	72,697,314	483,446,972	1,850,227,705	2,406,371,991
Other Charges Receivable from Client	21.1.1	1,387,832	1,980,763	7,426,484	10,795,079
Total provision for impairment		82,046,891	503,293,178	2,019,957,221	2,605,297,290

	2024 Rs.	2023 Rs.
Movement of the total provision for impairment during the period		
Balance as at 01 April	2,605,297,291	2,558,024,184
Net charge to profit or loss	(526,034,853)	47,273,107
Balance as at 31 March	2,079,262,438	2,605,297,291

41.2.1.2 Sensitivity Analysis : Impact of staging of loans on collective allowance for expected credit losses

The Company has estimated the impairment provision on loans and advances to customers as at March 31, 2024, subject to various assumptions. The changes to such assumptions may lead to changes in inputs used for the computation of the impairment provision.

The following table demonstrates the sensitivity of the impairment provision of the Company as at March 31, 2024 to a reasonably possible change in PDs, LGDs and forward looking information.

	Sensitivity effect on Statement of Financial Position [Increase/ (Decrease) in impairment provision]				Sensitivity effect on Income Statement
Sensitivity on ECL	Stage 1	Stage 2	Stage 3	Total	
Change in Probability of Default (PD)					
PD 1% increase across all age buckets	12,733,270	4,160,895	-	16,894,165	(16,894,165)
PD 1% decrease across all age buckets *	(12,733,270)	(4,160,895)	-	(16,894,165)	16,894,165
Change in Loss Given Default (LGD)					
LGD 1% increase	16,352,958	38,510,156	22,333,167	77,196,281	(77,196,281)
LGD 1% decrease *	(16,352,958)	(38,510,156)	(22,333,167)	(77,196,281)	77,196,281
Changes in Probability Weighted Economic Scenarios (EFA)					
EFA Worse case 5% increase, best case 5% decrease, base case constant **	5,813,075	4,954,026	-	10,767,101	(10,767,101)
Worse case 5% decrease, best case 5% increase, base case constant **	(5,813,075)	(4,954,026)	-	(10,767,101)	10,767,101

* The PD/LGD decrease is capped to 0%, if applicable.

** Since the Probability of Default (PD) for Stage 3 is 100%, the best and worst-case scenarios have no impact on Stage 3.

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41.2.2 Analysis of Maximum Exposure to Credit Risk

The following table shows the maximum exposure to credit risk by class of financial assets and fair value of collateral held by the Company.

As at 31 March	2024 Maximum Exposure to Credit Risk Rs.	2024 Net Exposure Rs.	2023 Maximum Exposure to Credit Risk Rs.	2023 Net Exposure Rs.
Cash and Bank Balance	355,681,424	60,835,052	251,308,863	26,041,628
Deposits with Licensed Commercial Banks	-	-	174,784,421	174,784,421
Financial Assets at amortised cost - Loans and Advances	5,496,194,262	-	1,425,732,585	-
Financial Assets at amortised cost - Lease Rentals Receivable	23,713,448,863	-	24,574,555,916	-
Financial Assets - Fair Value through Other Comprehensive Income	6,748,083,243	6,748,083,243	5,233,140,224	5,233,140,224
Other Financial Assets	129,046,616	38,472,299	146,613,947	27,373,706
	36,442,454,408	6,847,390,594	31,806,135,956	5,461,339,979

41.2.3 Credit Quality by Class of Financial Assets

As at 31 March 2024	Not subject to ECL	Subject to ECL Stage 1 Rs.	Subject to ECL Stage 2 Rs.	Subject to ECL Stage 3 Rs.	ECL	Carrying Amount
Assets						
Cash and Bank Balances	355,681,424	-	-	-	-	355,681,424
Financial Assets at amortised cost - Loans and Advances	-	5,065,734,918	400,063,874	199,282,113	168,886,643	5,496,194,262
Financial Assets at amortised cost - Lease Rentals Receivable	-	16,140,577,345	6,212,549,962	3,263,901,170	1,903,579,614	23,713,448,863
Financial Assets - Fair Value through Other Comprehensive Income	6,748,083,243	-	-	-	-	6,748,083,243
Other Financial Assets	38,472,300	20,685,455	15,399,950	61,285,092	6,796,181	129,046,616
Total	7,142,236,967	21,226,997,718	6,628,013,786	3,524,468,375	2,079,262,438	36,442,454,408

As at 31 March 2023	Not subject to ECL	Subject to ECL Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	ECL	Carrying Amount
Assets						
Cash and Bank Balances	251,308,863	-	-	-	-	251,308,863
Deposits with Licensed Commercial Banks	-	174,815,496	-	-	31,075	174,784,421
Financial Assets at amortised cost - Loans and Advances	-	1,253,082,836	136,598,231	224,150,663	188,099,145	1,425,732,585
Financial Assets at amortised cost - Lease Rentals Receivable	-	12,856,153,383	5,802,739,301	8,322,035,223	2,406,371,991	24,574,555,916
Financial Assets - Fair Value through Other Comprehensive Income	5,233,140,224	-	-	-	-	5,233,140,224
Other Financial Assets	27,373,706	16,467,666	17,198,747	96,368,907	10,795,079	146,613,947
Total	5,511,822,793	14,300,519,381	5,956,536,279	8,642,554,793	2,605,297,290	31,806,135,956

In accordance with the default definition change to 90 days past due, the staging classification for the previous year (2022/23) is also conducted using the 90 days past due criteria.

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Aging analysis of loans & leases

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.	Mix
Current	15,706,466,416	-	4,517,354	15,710,983,770	50.0%
Overdue below 30 days	5,520,531,302	-	737,173	5,521,268,475	17.6%
Overdue 30 to 90 days	-	6,628,013,786	14,713,859	6,642,727,645	21.2%
Overdue above 90 days	-	-	3,504,499,989	3,504,499,989	11.2%
Total	21,226,997,718	6,628,013,786	3,524,468,375	31,379,479,879	100.0%
Mix	67.6%	21.1%	11.2%	100.0%	

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.	Mix
Current	9,869,236,535	-	16,624,004	9,885,860,539	34.4%
Overdue below 30 days	4,256,467,350	-	4,103,747	4,260,571,097	14.8%
Overdue 30 to 90 days	-	5,956,536,279	12,791,166	5,969,327,445	20.8%
Overdue above 90 days	-	-	8,609,035,876	8,609,035,876	30.0%
Total	14,125,703,885	5,956,536,279	8,642,554,793	28,724,794,957	100.0%
Mix	49.2%	20.7%	30.1%	100.0%	

In accordance with the default definition change to 90 days past due, the staging classification for the previous year (2022/23) is also conducted using the 90 days past due criteria.

41.2.4 Analysis of Risk Concentration

The following table shows the risk concentration by sector for the Financial Assets components of the Statement of Financial Position.

As at 31 March 2024	Cash and Bank Balances Rs.	Deposits with Licensed Commercial Banks Rs.	Financial Assets at amortised cost - Loans and Advances Rs.	Financial Assets at amortised cost - Lease Rentals Receivable Rs.	Financial Assets - FVOCI Rs.	Other Financial Assets Rs.
Agriculture	-	-	218,998,841	6,363,474,389	-	24,174,111
Construction	-	-	213,449,445	1,363,950,746	-	5,873,088
Conversion Category - Undefined	-	-	-	140,443	-	-
Industry & Manufacture	-	-	242,125,794	636,116,465	-	1,979,310
Services	-	-	2,317,533,939	9,645,316,723	-	33,851,391
Tourism	-	-	145,785,685	323,531,937	-	1,992,525
Trading	-		2,121,761,490	3,218,290,341	-	11,042,384
Transport	-	-	401,904,332	4,065,589,058	-	18,457,687
Bank & Finance	355,681,424	-	-	-	-	-
Government	-	-	-	-	6,748,083,243	-
Others	-	-	3,521,378	618,373	-	38,472,301
Less: allowance for impairment	-	-	(168,886,642)	(1,903,579,614)	-	(6,796,181)
Total	355,681,424	-	5,496,194,262	23,713,448,863	6,748,083,243	129,046,616

As at 31 March 2023	Cash and Bank Balances Rs.	Deposits with Licensed Commercial Banks Rs.	Financial Assets at amortised cost - Loans and Advances Rs.	Financial Assets at amortised cost - Lease Rentals Receivable Rs.	Financial Assets - FVOCI Rs.	Other Financial Assets Rs.
Agriculture	-	-	57,924,997	6,279,240,400	-	30,198,060
Construction	-	-	51,422,418	1,544,152,207	-	8,145,723
Conversion Category - Undefined	-	-	-	518,214	-	-
Industry & Manufacture	-	-	101,014,524	572,076,124	-	2,392,658
Services	-	-	620,833,420	9,974,156,067	-	47,237,011
Tourism	-	-	24,955,079	268,364,456	-	1,311,653
Trading	-		659,406,925	2,796,044,852	-	10,443,182
Transport	-	-	98,274,366	5,545,765,781	-	30,307,033
Bank & Finance	251,308,863	174,815,496	-	-	-	-
Government	-	-	-	-	5,233,140,224	-
Others	-	-	-	609,806	-	27,373,706
Less: allowance for impairment	-	(31,075)	(188,099,144)	(2,406,371,991)	-	(10,795,079)
Total	251,308,863	174,784,421	1,425,732,585	24,574,555,916	5,233,140,224	146,613,947

NOTES TO THE FINANCIAL STATEMENTS

41. RISK MANAGEMENT (CONTD...)

The provincial breakdown for Gross Loans and Advances & Lease Rentals Receivable is as follows.

Province	2024 Financial Assets at amortised cost - Loans and Advances Rs.	2024 Financial Assets at amortised cost - Lease Rentals Receivable Rs.	2024 Total Rs.	2023 Financial Assets at amortised cost - Loans and Advances Rs.	2023 Financial Assets at amortised cost - Lease Rentals Receivable Rs.	2023 Total Rs.
Western	3,156,318,399	4,105,801,260	7,262,119,660	934,697,510	4,760,130,244	5,694,827,754
Central	430,595,947	3,110,598,349	3,541,194,296	138,644,831	3,206,955,357	3,345,600,188
Southern	472,736,576	3,044,063,269	3,516,799,844	107,577,704	3,505,250,305	3,612,828,010
Sabaragamuwa	415,685,278	2,786,337,739	3,202,023,017	75,146,362	3,069,761,947	3,144,908,309
NorthWestern	332,175,429	2,608,564,198	2,940,739,627	52,033,935	2,563,558,351	2,615,592,286
Uva	151,634,104	2,343,805,199	2,495,439,302	22,188,110	2,589,770,461	2,611,958,571
NorthCentral	190,063,290	2,204,498,572	2,394,561,863	30,257,582	2,023,545,586	2,053,803,169
Eastern	78,656,460	1,941,914,060	2,020,570,520	14,014,944	1,652,273,127	1,666,288,071
Northern	268,328,778	1,567,866,217	1,836,194,995	51,171,605	1,203,310,537	1,254,482,143
Total	5,496,194,262	23,713,448,863	29,209,643,125	1,425,732,585	24,574,555,916	26,000,288,501

Stage-wise analysis of collateral held against Loans & Advances and Lease Rentals Receivable

The following table sets out the principal types of collateral held by the Company against loans and advances. For each loan, the value of the collateral is capped at the amortised cost of the loan.

	2024			2023		
Collateral/Security Type	Mix	Financial Assets at amortised cost - Lease Rentals Receivable Rs.	Total Rs.	Mix	Financial Assets at amortised cost - Lease Rentals Receivable Rs.	Total Rs.
Stage 1						
Immovable Properties	0.2%	46,744,816	-	0.3%	36,677,342	-
Personal and Corporate Guarantees	0.5%	98,357,679	-	2.1%	291,831,951	-
Shares and Debt Securities-Listed	2.6%	545,487,405	-	0.7%	99,855,811	-
Vehicles and Machinery	96.7%	4,353,691,434	15,933,221,129	96.9%	816,759,770	12,783,462,618
	100.0%	5,044,281,334	15,933,221,129	100.0%	1,245,124,874	12,783,462,618
Stage 2						
Immovable Properties	0.1%	3,099,244	-	0.3%	18,830,440	-
Personal and Corporate Guarantees	0.1%	8,612,902	-	0.6%	31,885,546	-
Vehicles and Machinery	99.8%	375,516,754	5,706,484,244	99.1%	70,379,808	5,644,943,061
	100.0%	387,228,900	5,706,484,244	100.0%	121,095,794	5,644,943,061
Stage 3						
Immovable Properties	0.3%	6,692,579	-	0.1%	5,805,125	-
Personal and Corporate Guarantees	1.5%	33,089,814	-	0.2%	12,713,059	-
Vehicles and Machinery	98.2%	24,901,635	2,073,743,490	99.7%	40,993,733	6,146,150,237
	100.0%	64,684,028	2,073,743,490	100.0%	59,511,917	6,146,150,237

Assets obtained by taking possession of collateral

Repossession of collaterals is resorted to in extreme situations where action is necessitated to recover the dues. The repossessed assets are disposed, in an orderly and a transparent manner and the proceeds are used to recover the outstanding claims and the amounts recovered in excess of the dues are refunded to the customers.

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41.3 Interest Rate Risk

Interest rate risk refers to the variability in value borne by an interest-bearing asset, such as a loan or a bond, due to variability of interest rates. In general, as rates rise, the price of a fixed rated bond or Loan Portfolio will fall, and vice versa. Asset liability management is a common name for the complete set of techniques used to manage interest rate risk within a general enterprise risk management framework.

The fluctuation of interest rates is an external factor which is beyond the control of the company. Assetline Finance Limited is affected by movements in interest rates to the extent that its asset / liability mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets. This in turn affects Net Interest income and Net Interest Yields.

Management of Interest Rate Risk

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing borrowings. ALCO is the monitoring body for compliance with these limits assisted by Finance Department. Monitoring includes changes in the Company's interest rate exposures, which include the impact of the Company's outstanding or forecast debt obligations. Management of interest rate risk aims at capturing the risks arising from the maturity and re-pricing.

Assets and Liabilities Committee (ALCO)

ALCO is chaired by the Director & Chief Executive Officer. Other permanent members of the ALCO include, Chief Operating Officer, Chief Marketing Officer, Head of Finance, Head of MIS, Business Analysis & Planning, Head of Deposits, Head of Enterprise Risk Management and the Committee Secretary. The Committee meetings are held once a month to monitor and manage the assets and liabilities of the Company and also overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements.

Asset liability management encompasses the complete set of techniques used to manage interest rate risk within the broad risk management framework. Interest rate risk analysis is almost always based on simulating movements in one or more yield curve. The strategy of the Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels.

In setting the Tolerance levels for Interest rate risk, the following metrics are used.

- Minimum Net Interest Spread: In order to maintain the required Net Interest Spread at the budgeting level, the required ROA, ROE are inputs. Further the NPL ratios for different categories of assets are used as a proxy for setting the risk premium.
- Setting the proportion of Variable Rated Borrowing's within the Overall Borrowing Mix. This would be set by using the extent to which Budgeted Net Interest Income (NII) is affected by the extensive use of Variable Rated Borrowings.
- Setting the Lending to Borrowing ratio in order to maintain gearing at the desired levels

41.3.1 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's Income Statement & Equity.

	Increase (Decrease) in basis points %	Sensitivity to Profit Before Tax Rs. Mn	Sensitivity to Profit After Tax Rs. Mn
Currency of Borrowings/ Advance			
Term Loans linked to AWPLR - 2024	+1/ (-1)	(154)/154	(77)/77
Term Loans linked to AWPLR - 2023	+1/ (-1)	(184)/184	(92)/92

The base ratio considers in the Interest Rate Sensitivity Analysis is the AWPLR. Since 72.10% of total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Statement of Profit or loss and to Equity.

41.3.2 Interest Rate Risk

Interest Rate Risk Exposure on non-trading Financial Assets and Liabilities

The table below analyses the company's interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual re-pricing or maturity dates.

As at 31 March 2024	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total Rs.
Assets							
Cash and Bank Balances	33,272,336	-	-	-	-	322,409,088	355,681,424
Deposits with Licensed Commercial Banks	-	-	-	-	-	-	-
Financial Assets at amortised cost - Loans and Advances	989,039,272	2,418,719,806	1,233,442,486	839,622,580	15,370,118	-	5,496,194,262
Financial Assets at amortised cost - Lease Rentals Receivable	3,563,515,580	6,123,807,007	11,757,463,341	2,260,625,327	8,037,608	-	23,713,448,863
Financial Assets - Fair Value through Other Comprehensive Income	312,010,351	-	2,342,724,067	3,399,017,493	694,136,632	194,700	6,748,083,243
Other Financial Assets	90,574,316	-	-	-	-	38,472,300	129,046,616
Total Assets	4,988,411,855	8,542,526,813	15,333,629,894	6,499,265,400	717,544,358	361,076,088	36,442,454,408

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41. RISK MANAGEMENT (CONTD...)

41.3.2 Interest Rate Risk (Contd...)

As at 31 March 2024	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total Rs.
Liabilities							
Bank Overdraft	295,755,405	-	-	-	-	-	295,755,405
Financial Liabilities at Amortized Cost - Due to Depositors	166,225,470	240,070,000	273,800,000	-	500,000	-	680,595,470
Debt Instruments Issued and Other Borrowed Funds	14,874,549,639	2,075,300,006	2,807,899,972	687,500,000	-	-	20,445,249,617
Other Financial Liabilities	7,472,829	22,751,126	61,058,225	42,515,326	-	1,119,068,760	1,252,866,266
Total Liabilities	15,344,003,343	2,338,121,132	3,142,758,197	730,015,326	500,000	1,119,068,760	22,674,466,758
Total Interest Sensitivity Gap	(10,355,591,488)	6,204,405,681	12,190,871,697	5,769,250,074	717,044,358	(757,992,672)	13,767,987,650

As at 31 March 2023	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total Rs.
Assets							
Cash and Bank Balances	7,805,091	-	-	-	-	243,503,773	251,308,863
Deposits with Licensed Commercial Banks	-	174,784,421	-	-	-	-	174,784,421
Financial Assets at amortised cost - Loans and Advances	408,623,339	374,339,880	533,893,113	106,512,846	2,363,407	-	1,425,732,585
Financial Assets at amortised cost - Lease Rentals Receivable	3,211,808,195	5,413,290,615	11,872,862,018	4,030,365,902	46,229,186	-	24,574,555,916
Financial Assets - Fair Value through Other Comprehensive Income	439,545,214	-	417,212,750	3,895,552,110	480,635,450	194,700	5,233,140,224
Other Financial Assets	119,240,241	-	-	-	-	27,373,706	146,613,947
Total Assets	4,187,022,080	5,962,414,916	12,823,967,881	8,032,430,858	529,228,043	271,072,179	31,806,135,956
Liabilities							
Bank Overdraft	1,273,528,835	-	-	-	-	-	1,273,528,835
Financial Liabilities at Amortized Cost - Due to Depositors	200,382,890	1,000,000	-	-	-	-	201,382,890
Debt Instruments Issued and Other Borrowed Funds	16,092,062,248	1,850,174,336	1,600,000,016	249,999,964	-	-	19,792,236,564
Other Financial Liabilities	7,472,829	22,751,126	61,058,225	42,515,326	-	659,575,771	793,373,277
Total Liabilities	17,573,446,802	1,873,925,462	1,661,058,241	292,515,290	-	659,575,771	22,060,521,566
Total Interest Sensitivity Gap	(13,386,424,722)	4,088,489,454	11,162,909,639	7,739,915,568	529,228,043	(388,503,592)	9,745,614,390

41.4 Liquidity Risk

Liquidity risk refers to the availability of sufficient cash balances to meet contractual borrowings and other commitments and to meet new lending targets as well as provide a flow of net liquid assets. Liquidity risk is financial risk due to uncertain liquidity. An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

Management of Liquidity Risk

The Company's risk for managing liquidity risk and oversight of the implementation is administered by ALCO. Finance Department manages the Company's liquidity position on a day to day basis.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. A key element of these systems is monitoring and assessing the firm's current and future fund requirement including debt obligations and planning for any unexpected funding needs, regardless of whether they arise from firm-specific factors, or from systemic (economy-wide) factors.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. In addition, the Company maintains the liquidity ratio prescribed by Central Bank of Sri Lanka.

41.4.1 Statutory Liquid Asset Ratio

Statutory Liquid Asset Calculation is performed based on the calculations as prescribed in the Finance Companies (Liquid Assets) Direction No.04 of 2013 and amendments thereto. Accordingly, the liquidity ratio as the close of the business on any day, be less than the total of;

(a) 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day and

(b) 15% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day and

(c) 10% of the total unsecured borrowings outstanding.

Further the company shall maintaining liquid assets in the form of Sri Lankan government Treasury Bills & Government securities equivalent to 7.5% of the average of its month end total deposit liabilities and borrowings of the 12 months preceding financial year.

As at 31st March 2024, the Company maintained Statutory Liquid Asset ratio at 33.12%. (As at 31st March 2023 - 24.60%)

NOTES TO THE FINANCIAL STATEMENTS

41.4.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Liabilities

The table below analyses the company's internal interest rate risk exposure on non- trading financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

As at 31 March 2024	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total Rs.
Assets							
Cash and Bank Balances	33,272,336	-	-	-	-	322,409,088	355,681,424
Deposits with Licensed Commercial Banks	-	-	-	-	-	-	-
Financial Assets at amortised cost - Loans and Advances	1,118,629,507	2,758,354,491	1,813,797,773	994,486,538	16,416,733	-	6,701,685,042
Financial Assets at amortised cost - Lease Rentals Receivable	5,299,217,028	10,368,164,454	16,564,375,282	2,709,825,882	8,599,881	-	34,950,182,527
Financial Assets - Fair Value through Other Comprehensive Income	-	-	2,548,171,083	4,011,235,293	806,511,282	194,700	7,366,112,358
Other Financial Assets	90,574,316	-	-	-	-	38,472,300	129,046,616
Total Financial Assets	6,541,693,187	13,126,518,945	20,926,344,138	7,715,547,713	831,527,896	361,076,088	49,502,707,967
Liabilities							
Bank Overdraft	295,755,405	-	-	-	-	-	295,755,405
Financial Liabilities at Amortized Cost - Due to Depositors	146,188,876	575,249,231	-	838,055	-	-	722,276,162
Debt Instruments Issued and Other Borrowed Funds	15,134,599,475	2,488,026,151	3,317,692,748	747,317,466	-	-	21,687,635,840
Other Financial Liabilities	15,479,656	44,084,149	113,107,895	41,929,306	-	1,093,587,737	1,308,188,743
Total Financial Liabilities	15,592,023,412	3,107,359,531	3,430,800,643	790,084,827	-	1,093,587,737	24,013,856,150

As at 31 March 2023	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total Rs.
Assets							
Cash and Bank Balances	7,805,091	-	-	-	-	243,503,772	251,308,863
Deposits with Licensed Commercial Banks	-	191,068,921	-	-	-	-	191,068,921
Financial Assets at amortised cost - Loans and Advances	449,290,740	460,775,544	653,171,330	133,018,722	2,500,354	-	1,698,756,690
Financial Assets at amortised cost - Lease Rentals Receivable	4,872,241,332	9,606,724,950	17,516,419,842	4,768,645,015	48,121,069	-	36,812,152,208
Financial Assets - Fair Value through Other Comprehensive Income	-	-	500,000,000	4,951,191,658	600,000,000	194,700	6,051,386,358
Other Financial Assets	119,240,241	-	-	-	-	27,373,706	146,613,947
Total Financial Assets	5,448,577,404	10,258,569,415	18,669,591,172	9,852,855,395	650,621,423	271,072,178	45,151,286,987
Liabilities							
Bank Overdraft	1,273,528,835	-	-	-	-	-	1,273,528,835
Financial Liabilities at Amortized Cost - Due to Depositors	203,833,333	1,195,000	-	-	-	-	205,028,333
Debt Instruments Issued and Other Borrowed Funds	16,295,844,386	2,061,710,441	1,790,446,778	255,343,798	-	-	20,403,345,402
Other Financial Liabilities	10,029,391	34,533,077	82,723,066	49,185,575	-	659,575,771	836,046,880
Total Financial Liabilities	17,783,235,945	2,097,438,518	1,873,169,844	304,529,373	-	659,575,771	22,717,949,451

41.5 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud 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 endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

42. CAPITAL

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the company's capital is monitored based on the measures, rule and ratios adopted by Central Bank of Sri Lanka.

Capital Management

The primary objective of Company's capital management policy is to ensure that the company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholder's value.

Regulatory Capital Requirements

In accordance with the directions issued by CBSL, the Company needs to maintain minimum tier 1 core capital ratio of 8.5% (8.5% - 2023) and total capital adequacy ratio of 12.5% (12.5% - 2023) as at March 31, 2024.

The Company has always maintained capital adequacy ratio above the minimum regulatory requirement. Accordingly, the Company has recorded 32.84% (29.42% - 2023) of tier 1 and 32.84% (30.37% - 2023) of total capital adequacy ratio as at March 31, 2024.

NOTES TO THE FINANCIAL STATEMENTS

43. NET ASSETS VALUE PER SHARE

As at 31 March	2024 Rs.	2023 Rs.
Total Equity Attributable to Equity Holders	13,895,690,075	11,358,708,428
Total Number of Ordinary Shares	133,958,971	133,958,971
Net Asset Value per Share	103.73	84.79

44. COMMITMENTS AND CONTINGENT LIABILITIES

44.1 There were no material contingent liabilities outstanding as at the reporting date.

44.2 Commitments

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 recognised in the Statement of Financial Position but are disclosed unless they are remote.

As at 31 March	2024 Rs.	2023 Rs.
Un - Utilised Facilities		
- Margin trading	196,186,569	81,238,534
- Factoring	-	8,216,573
- Dealer Finance	33,824,448	47,148,203
- Pledge Loans	154,562,637	193,492,344
Capital Commitments on Intangible Assets	24,686,112	3,600,000
Total Commitments	409,259,766	333,695,654

45. EVENTS OCCURRED 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.

The Company decided to sell its investment property located on Pelawatta - Parliament Road, initiating the sale process at the beginning of the current financial year based on the valuation confirmation obtained from Mr. U.S. Silva, Chartered Valuation Surveyor, on 14 March 2023. Subsequently, the property was sold after the end of the current financial year, on 15 May 2024, for its fair value of Rs. 107Mn.

46. COMPARATIVE INFORMATION

No any comparative information have been reclassified during the financial year.

47. SEGMENTAL REPORTING

The following table presents income, profit, total assets and total liabilities of the Company's operating segments,

For the Year ended 31 March 2024	Leasing and Loans Rs.	Investments Rs.	Others Rs.	Total Rs.
Interest Income	8,597,586,414	1,340,365,084	-	9,937,951,498
Interest Expense	(2,640,477,863)	(608,123,965)	(9,642,630)	(3,258,244,458)
Net Interest Income	5,957,108,551	732,241,119	(9,642,630)	6,679,707,040
Other Operating Income	397,208,468	938,863	14,644,396	412,791,727
Total Operating Income	6,354,317,019	733,179,982	5,001,766	7,092,498,767
Impairment Charges & Net Write Off	(1,573,087,045)	(31,076)	-	(1,573,118,121)
Net Operating Income	4,781,229,974	733,148,906	5,001,766	5,519,380,646
Operating Expenses	(2,171,399,903)	(500,091,418)	(7,929,627)	(2,679,420,948)
Operating Profit before VAT & SSCL on Financial Services	2,609,830,071	233,057,488	(2,927,861)	2,839,959,698
VAT & SSCL on Financial Services				(717,660,872)
Profit before Income Tax				2,122,298,826
Income Tax Expense				(833,826,191)
Profit for the Period				1,288,472,635
As at 31 March 2024				
Segment Assets				
Total Assets	30,322,241,021	6,983,463,755	110,732,277	37,416,437,053
Segment Liabilities				
Total Liabilities	19,061,188,480	4,389,949,898	69,608,600	23,520,746,978

NOTES TO THE FINANCIAL STATEMENTS

47. SEGMENTAL REPORTING (CONTD...)

The following table presents income, profit, total assets and total liabilities of the Company's operating segments,

For the Year ended 31 March 2023	Leasing and Loans Rs.	Investments Rs.	Others Rs.	Total Rs.
Interest Income	7,226,379,533	618,705,577	-	7,845,085,110
Interest Expense	(3,648,311,676)	(755,365,643)	(27,069,508)	(4,430,746,827)
Net Interest Income	3,578,067,857	(136,660,066)	(27,069,508)	3,414,338,283
Other Operating Income	134,772,308	640,767	11,728,183	147,141,258
Total Operating Income	3,712,840,165	(136,019,299)	(15,341,325)	3,561,479,541
Impairment Charges & Net Write Off	(856,958,517)	(25,241)	-	(856,983,758)
Net Operating Income	2,855,881,648	(136,044,540)	(15,341,325)	2,704,495,783
Operating Expenses	(1,769,001,425)	(366,263,362)	(13,125,523)	(2,148,390,310)
Operating Profit before VAT & SSCL on Financial Services	1,086,880,223	(502,307,902)	(28,466,848)	556,105,473
VAT & SSCL on Financial Services				(270,966,315)
Profit before Income Tax				285,139,158
Income Tax Expense				620,018,132
Profit for the Period				905,157,290
As at 31 March 2023				
Segment Assets				
Total Assets	27,664,955,951	5,727,898,025	205,266,661	33,598,120,637
Segment Liabilities				
Total Liabilities	18,312,106,376	3,791,434,844	135,870,989	22,239,412,209

FIVE YEAR SUMMARY

	2023/24 Rs. Mn	2022/23 Rs. Mn	2021/22 Rs. Mn	2020/21 Rs. Mn	2019/20 Rs. Mn
Statement of Profit or Loss & Other Comprehensive Income					
Interest Income	9,938	7,845	7,110	6,671	8,347
Interest Expense	(3,258)	(4,431)	(1,173)	(1,500)	(2,614)
Net Interest Income	6,680	3,414	5,937	5,171	5,733
Other Operating Income	412	147	175	190	256
Total Operating Income	7,092	3,561	6,112	5,361	5,989
Impairment Charges(Reversal) & Net Write Off	(1,573)	(857)	(337)	(1,356)	(1,099)
Operating Expenses	(2,679)	(2,148)	(1,968)	(1,707)	(1,880)
Operating Profit	2,840	556	3,807	2,298	3,010
VAT & SSCL on Financial Services	(718)	(271)	(647)	(405)	(540)
Profit Before Income Tax	2,122	285	3,160	1,893	2,470
Income Tax Expense	(834)	620	(1,030)	(738)	(875)
Profit for the Period	1,288	905	2,130	1,155	1,595
Other Comprehensive Income, net of Tax	1,249	90	(10)	4	6
Total Comprehensive Income, net of Tax	2,537	995	2,120	1,159	1,601
Statement of Financial Position					
Assets					
Cash and Cash Equivalents	356	251	190	392	107
Deposits with Licensed Commercial Banks	-	175	1,909	1,252	2,234
Financial Assets at Amortised cost - Loans and Advances	5,496	1,426	1,299	2,160	2,257
Financial Assets at Amortised cost - Lease Rentals Receivable	23,713	24,575	28,258	25,855	30,146
Financial Assets - Fair Value through Other Comprehensive Income	6,748	5,233	26	121	139
Other Financial Assets	129	147	132	170	220
Other Non Financial Assets	91	71	26	40	60
Investment Property	107	194	232	301	287
Property, Plant & Equipment	117	103	48	66	97
Intangible Assets	428	433	27	23	30
Right of Use Assets	129	107	109	89	113
Income Tax Receivable	-	106	-	-	-
Deferred Tax Asset	102	777	-	-	-
Total Assets	37,416	33,598	32,256	30,469	35,690
Liabilities					
Bank Overdraft	296	1,274	1,427	482	124
Financial Liabilities at Amortized Cost - Due to Depositors	681	201	-	-	-
Debt Instruments Issued & Other Borrowed Funds	20,445	19,792	17,639	14,047	19,905
Other Financial Liabilities	1,252	793	1,163	1,074	1,722
Other Non Financial Liabilities	245	52	155	73	50
Income Tax Payable	441	-	347	257	194
Deferred Tax Liability	-	-	45	191	357
Retirement Benefit Obligations	160	127	106	91	82
Total Liabilities	23,520	22,239	20,882	16,215	22,434
Shareholders' Funds					
Stated Capital	3,550	3,550	3,550	3,550	3,550
Statutory Reserve Fund	1,177	1,112	1,067	960	902
Fair Value through Other Comprehensive Income Reserve	1,340	86	-	3	4
Retained Earnings	7,829	6,611	6,757	9,741	8,800
Total Shareholders' Funds	13,896	11,359	11,374	14,254	13,256
Total Liabilities and Shareholders' Funds	37,416	33,598	32,256	30,469	35,690

CORPORATE INFORMATION

NAME OF THE COMPANY

Assetline Finance Limited
(Formerly known as Assetline Leasing Company Limited)

LEGAL FORM

A public limited liability company incorporated and domiciled in Sri Lanka, incorporated on 4th March 2003 and obtained the trading certificate on 23rd March 2003 and re-registered under the Companies Act No 07 of 2007.

Registered as a Licensed Finance Company under the Finance Business Act No: 42 of 2011 and amendments thereto and was issued the License to carry on Finance Business on 29th August 2022.

REGISTERED OFFICE / CORPORATE OFFICE

No: 120, 120A, Pannipitiya Road,
Battaramulla,
Sri Lanka

COMPANY REGISTRATION NUMBER

PB 82

CONTACT US

Tel: +94 11 4700100
Fax: +94 11 4700101
Web: www.assetlinefinance.lk
Email: info@assetline.lk

FINANCIAL YEAR END

March 31

CREDIT RATING

Rated A- (Stable) by Lanka Rating Agency

TAX PAYER IDENTIFICATION NUMBER

134010622

VAT REGISTRATION NUMBER

134010622-7000

BOARD OF DIRECTORS

Mr. Rohana Dissanayake
Non-Independent Non-Executive Chairman
Mr. Lakshman Athukorala
Senior Independent Non-Executive Director
Mr. Jegan Durairathnam
Independent Non-Executive Director
Mr. Prashantha Lal De Alwis
Independent Non-Executive Director
Ms. Romany Parakrama
Non-Independent Non-Executive Director
Mr. Heshana Kuruppu
Non-Independent Non-Executive Director
Mr. Nanda Fernando
Independent Non-Executive Director
Mr. Ashan Nissanka
Director & Chief Executive Officer

COMPANY SECRETARY

Ms. Christine Munasinghe

BOARD AUDIT COMMITTEE

Mr. Lakshman Athukorala (Chairman)
Mr. Jegan Durairathnam
Mr. Prashantha Lal De Alwis
Ms. Romany Parakrama

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

Ms. Romany Parakrama (Chairperson)
Mr. Jegan Durairathnam
Mr. Prashantha Lal De Alwis
Mr. Ashan Nissanka

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. Prashantha Lal De Alwis (Chairman)
Mr. Lakshman Athukorala
Mr. Jegan Durairathnam
Ms. Romany Parakrama

BOARD NOMINATION COMMITTEE

Mr. Jegan Durairathnam (Chairman)
Mr. Rohana Dissanayake
Mr. Lakshman Athukorala
Mr. Prashantha Lal De Alwis

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Rohana Dissanayake *(Chairman)*
Mr. Heshana Kuruppu
Mr. Ashan Nissanka

BANKERS

Sampath Bank PLC
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Bank of Ceylon
Nations Trust Bank PLC
National Development Bank PLC
Seylan Bank PLC
People's Bank
Cargills Bank PLC
DFCC Bank PLC
Pan Asia Banking Corporation PLC
National Savings Bank
Standard Chartered Bank
Union Bank of Colombo PLC
Bank of China

EXTERNAL AUDITORS

Messrs Ernst & Young Chartered Accountants
Rotunda Tower, No. 109, Galle Road,
Colombo 03, Sri Lanka.
Tel: +94 11 2463500
Fax: +94 11 2697369

INTERNAL AUDITORS

Internal Audit Department of the Company under the scrutiny of the Head of Internal Audit.

CORPORATE MEMBERSHIPS & ASSOCIATIONS

The Finance Houses Association of Sri Lanka (FHA)
Leasing Association of Sri Lanka
The Ombudsman Sri Lanka (Guarantee) Limited
Credit Information Bureau of Sri Lanka (CRIB)