ASSETLINE FINANCE LIMITED

Evolving to What's NEXT

Assetline Finance Limited

Annual Report 2024/25

Scan to Explore

Evolving to What's NEXT

Assetline Finance's exceptional financial performance has laid a solid foundation for sustained growth and strategic expansion. With a comprehensive product portfolio in SME and green financing, complemented by a strategic network of 59 branches, the company is primed to lead the next wave of economic transformation. Focused on innovation, resilience, and sustainability, Assetline Finance is committed to driving inclusive growth, empowering businesses, and reinforcing its role as a key enabler of Sri Lanka's long-term prosperity.

CONTENT

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.

Values and Quality

- 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

Quality Policy

We, at Assetline Finance are committed to offer preferred financial solutions to cater to the individual needs of our clients complemented by competitive interest rates, prompt service and convenience. Lease and Loan products are delivered using methodical and efficient processes in line with the Quality Management System, which we are committed to implement and continually improve delivered by a well-trained and competent workforce.

We strive to support our clients and facilitate the fulfillment of their obligations.

We are committed to comply with the requirements of our regulator, the Quality Management System and the law of the land.

ABOUT THIS REPORT

Integrated Annual Report

It is with pleasure that we present our first Integrated Annual Report which provides a balanced and comprehensive view of the progress made towards achieving our strategic priorities for the financial year ended 31 March 2025. The report provides an assessment of our operating context, governance practices, value created for stakeholders, and our proactive response to evolving market dynamics.

Scope and Boundary

The report covers the performance and operations of Assetline Finance Limited, duly identified as the “Company” during the period from 01 April 2024 till 31 March 2025, consistent with the usual annual reporting cycle for financial reporting, with details of its financial position as of that date. The key financial aspects and non-financial aspects are discussed in the context of the Company. By providing a comprehensive picture, our Annual Report fosters trust and helps stakeholders make informed decisions. There are no significant changes from previous reporting periods in the scope and aspect boundaries nor are there any restatements as compared to the annual reports issued in previous reporting years.

Materiality

Throughout this report, we have adopted the concept of materiality in determining the content to be included, enabling the organisation to define and report on issues that are of utmost significance to the stakeholders, both internal and external. Our focus on materiality is vital as we seek to create value and improve our sustainability framework.

Reporting Frameworks

We have drawn on the concepts and principles mentioned in the following guides in preparation for this report and we confirm that it has been prepared in line with the guidance set out in these directives.

Financial Statements and Disclosures	Risk and Governance Reporting	Integrated Report
◆ Companies Act No. 07 of 2007 ◆ Sri Lanka Accounting Standards issued by the CA Sri Lanka ◆ International Financial Reporting Standards (IFRS) ◆ Finance Business Act No. 42 of 2011	◆ Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka ◆ Finance Business Act Directions on Corporate Governance No. 05 of 2021	◆ Integrated Reporting Framework 2021 ◆ Global Reporting Initiative (GRI) Standards 2021

Independent Assurance

The financial statements together with the related notes have been audited by our external auditors Ernst & Young and the Independent Auditors' Report is available on pages 126 to 127.

Forward Looking Statements

This report contains certain forward-looking statements with regard to the Company's financial position, strategic objectives and growth prospects. Such statements by their very nature, are often associated with risk and uncertainty as they relate to events that may or may not occur in the future. Therefore, readers are cautioned that actual results or outcomes may differ materially from what is expressed or implied by forward-looking statements.

Reporting Responsibility

The Board of Assetline Finance holds the ultimate responsibility for ensuring the credibility and reliability of this Integrated Report. In alignment with this responsibility, the Board affirms that it has collectively examined the outcomes of the reporting process and carefully assessed the content of the report. The Board recognises their duty to uphold the integrity of the report and expresses their belief that the Integrated Report of Assetline Finance for the financial year ended on 31 March 2025 is presented in accordance with the Integrated Reporting Framework 2021. Accordingly, the Board grants its approval for the report's publication and release.

We operate in accordance with all applicable laws, rules, regulations, directions, and standards while abiding by guidelines for voluntary disclosures, both in letter and in spirit.

Chairman

Director & Chief Executive Officer

Company Secretary

Reporting Improvements

We have structured the Annual Report considering the materiality principle.

A balanced view of our performance has been presented, with measurement indicators aligned to relevant reporting frameworks to ensure consistency and transparency.

Queries

The Company welcomes feedback and queries regarding this report and encourages readers to direct their responses to:

Company Secretary
Assetline Finance Limited
Phone: +94 11 4700100
Email: secretary@assetlinefinance.lk

Navigation

Capitals

FINANCIAL CAPITAL | MANUFACTURED CAPITAL | NATURAL CAPITAL | SOCIAL & RELATIONSHIP CAPITAL | HUMAN CAPITAL | INTELLECTUAL CAPITAL

Pillars of Sustainability

Sustainable Financing | Responsible Organisation | Community Impact

The most recent report of the Company for the year ended 31 March 2024 is available on our website: https://assetlinefinance.lk/financial-kpi/5

ABOUT US

Unlocking Possibilities, Fueling Your Future

Assetline Finance Limited is a licensed Non-Bank Financial Institution (NBFI) in Sri Lanka, delivering inclusive, accessible, and sustainable financial services across the island. Established as a subsidiary of DPMC Assetline Holdings (Private) Limited, which operates under the ultimate parent company David Pieris Holdings (Private) Limited, Assetline Finance has become synonymous with responsible finance, promoting entrepreneurship, customer-centricity, and innovation.

Since inception, we have been committed towards enabling economic participation and resilience across Sri Lanka, especially among grassroots entrepreneurs, women-led enterprises, and underserved communities through tailor-made financial solutions.

Backed by the David Pieris Group of Companies: A Legacy of Leadership and Impact

The David Pieris Group, established over three decades ago, is one of Sri Lanka's largest and most diversified conglomerates. Its broad portfolio spans:

- Automotive Products and Services
- Financial Services
- Logistics and Warehouse Operations
- Racing and Leisure
- Information and Communication Technologies
- Real Estate and Investment Property
- Shipping and Marine Services
- Renewable Energy

The Group's core strength lies in its robust governance, the country's largest island-wide network, and a steadfast commitment to inclusive growth. With nearly 2,000 employees and a customer base that reaches every corner of Sri Lanka, the Group's shared services and operational synergies provide Assetline Finance Limited with a strategic advantage, enabling scalable, resilient and value-driven financial services.

Nationwide Reach and Accessibility

Branch Presence

With a growing footprint of 59 branches, Assetline Finance ensures financial accessibility across all 09 provinces of Sri Lanka. We are present in both high-growth urban hubs and rural towns where traditional banking infrastructure remains limited. Our team is deeply integrated into local communities, ensuring that each customer receives personalized service and relevant financial advice, suiting to their lifestyles.

This extensive presence helps us build lasting relationships, foster financial literacy, and respond swiftly to evolving customer needs.

Lending Portfolio

Solutions that Empower

Assetline Finance offers a comprehensive range of lending and deposit products to meet diverse customer needs:

- **Leasing Facilities**

Leasing solutions for all types of automobiles, including first and last mile transportation, enabling affordable and reliable mobility across Sri Lanka.

- **Asset Drafts**

Tailored specifically for working capital needs, asset acquisition, and short-term financing requirements.

- **Business and SME Loans**

Working capital financing solutions for micro and small enterprises catalyzing entrepreneurship and employment.

- **Green Loans**

Rooftop solar for individual & SMEs creating affordable financing schemes to enable a smooth transition to green energy solutions.

- **Margin Trading**

Well-curated margin trading facilities to empower investors to actively trade and invest in the equity market.

- **Liyadiriya – Women Empowerment Products:**

A product designed for today's women, focused on providing mobility solutions that empower and support their independence.

- **Home Plus Loans**

Designed to turn customers' dream homes into reality, this product offers long-term, affordable credit facilities at competitive rates.

- **Deposit Products**

Trusted investment instruments offering attractive returns, backed by the financial strength of the Company.

Focus on Inclusive Mobility

Driving Access, Empowering Lives

As a key member of the David Pieris Group, the market leader in two- and three-wheeler distribution, Assetline Finance plays a crucial role in driving mobility solutions for underserved communities. Our leasing products make vehicle ownership achievable for first-time buyers, rural entrepreneurs, delivery partners, and mobile traders, particularly in regions where public transportation is limited or unavailable.

We are the first and last mile facilitators, bridging transportation gaps in regions with limited access to conventional mobility solutions. This access to affordable, reliable transport has not only transformed livelihoods but also enhanced productivity and expanded market reach - driving sustainable economic growth at the local level.

Women's Empowerment

Enabling Her Financial Independence

At Assetline Finance, we believe that empowering women financially is key to inclusive development. Our initiatives include:

- **Women-centric loan products** with flexible terms
- **Special interest rates** for women-led businesses and professionals
- **Community-based outreach programs** that support women entrepreneurs in agriculture, trade, and services related businesses
- Partnerships with women's organizations and cooperatives to enhance access and training

We take pride in supporting women as they become business owners, providers, and community leaders.

Green Lending Initiatives

Driving Sustainability Through Synergy

In alignment with the David Pieris Group's focus on renewable energy, Assetline Finance has partnered with David Pieris Renewable Energy (Pvt) Ltd. to promote green lending, particularly for solar installations.

Our **Solar Loan Scheme** helps households and SMEs transition to clean energy by providing affordable financing for rooftop solar systems. This initiative:

- Reduces long-term electricity costs for customers
- Contributes to national energy sustainability goals
- Encourages environmentally responsible living

We are proud to be a financial enabler of Sri Lanka's transition to a low-carbon future.

Key Achievements Over the Years

- Rapid growth in the leasing segment, especially for two-wheelers, three-wheelers & four-wheelers
- Expanded branch network to underserved regions, enabling financial inclusion
- Introduction of digital platforms for loan applications, customer support, and payments
- Launch of women-focused and solar-focused lending products
- Consistent portfolio quality and customer satisfaction scores
- Strong governance and compliance culture, recognized by regulators and industry observers

Credit Rating

Assetline Finance Limited holds a credit rating of A with a Positive Outlook, rated by Lanka Rating Agency (LRA) reaffirming the Company's financial stability, risk management capabilities, and commitment to sound governance and sustainable growth.

Looking Ahead

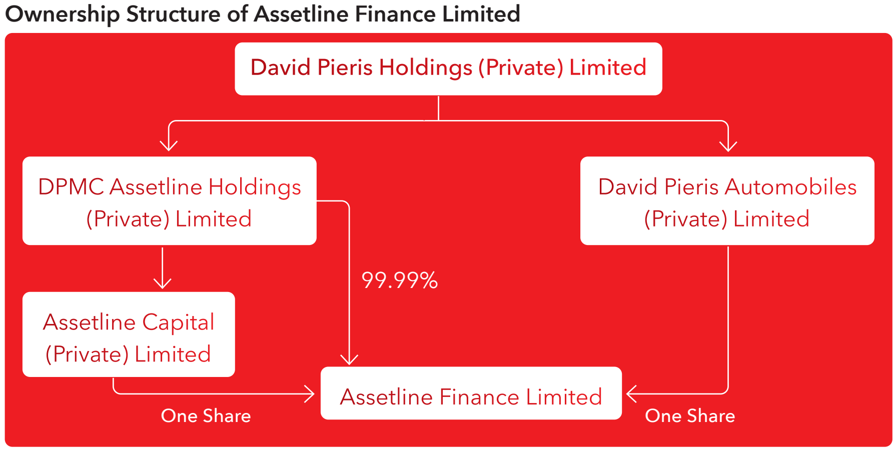
With a solid foundation, an expansive network, and a people-first approach, Assetline Finance continues to lead with unwavering commitment to responsible financial services. As we move forward with renewed vigor and a clear focus on growth, our robust financial strength positions us to make a lasting impact in the financial services industry.

We are leveraging this strength to not only empower entrepreneurship and uplift communities but also to play a pivotal role in advancing national development. Our forward-thinking strategies, driven by innovation and a commitment to excellence, are positioning us as a key player in reshaping the financial landscape.

By collaborating with our diverse stakeholders, we are building a future centered on mobility, inclusivity, and sustainability, creating pathways to financial success and prosperity for all. With a fresh impetus, Assetline Finance is poised to redefine the future of financial services.

Visit: https://assetlinefinance.lk/

Ownership Structure of Assetline Finance Limited



ASSETLINE FINANCE JOURNEY & KEY MILESTONES

2003
Assetline Leasing Company Limited incorporated and registered with the Central Bank of Sri Lanka as a Specialized Leasing Establishment

Commenced operations in Colombo and Kandy

2005
Market leader in Motorcycle and Three-Wheeler Leasing

2008
Successfully concluded the first lease securitisation

2009
Opened 25th branch

2010
Relocated to new headquarters in Battaramulla

Expanded branch network to 28

2011
Expanded branch network to 34

2012
Expanded branch network to 38

2013
Expanded branch network to 43

Development finance product diversification

2014
Under the direction of the Central Bank of Sri Lanka, acquired Lisvin Investments Ltd

Introduced Assetline easy pay machines for customer convenience

2016
Introduced Sisudiriya Education Loans

2017

Awarded ISO 9001:2015

Expanded branch network to 50

Introduced Wedding Loans & Factoring

2018

Expanded branch network to 52

Introduced Trade Finance

2019

Declared as an Approved Credit Agency

2021

Expanded branch network to 54

Recognized at SLIM People's Awards

Partnered with Cargills FoodCity to accept repayment at their branches

2022

Obtained finance Business license and renamed as Assetline Finance Limited

Introduced Asset Draft and "Liya Diriya"

Expanded branch network to 55

2023

Expanded branch network to 56

Introduced Assetline Green Loan & Home Plus Loans

Rated A- (Stable) by Lanka Rating Agency

2024

Expanded branch network to 59

International Funding from Blue Orchard

Rated A (Positive Outlook) by Lanka Rating Agency

Rs. 50 Bn+ in Total Assets

FINANCIAL HIGHLIGHTS

Indicator	2024/25	2023/24	Growth
Operating Performance (Rs. Mn)			
Gross Income	11,639	10,351	12%
Interest Income	11,297	9,938	14%
Net Interest Income	8,690	6,680	30%
Profit Before Tax	5,562	2,840	95%
Profit After Tax	2,715	1,288	111%
Total Comprehensive Income	2,546	2,537	0%
Financial Position (Rs. Mn)			
Total Assets	52,364	37,416	40%
Lease & Loan Receivables	42,778	29,210	46%
Due to Depositors	6,227	681	815%
Borrowings	26,378	20,741	27%
Equity	15,933	13,896	15%
Investor Related Information			
Earnings Per Share (Rs.)	20.27	9.62	111%
Net Assets Value Per Share (Rs.)	118.94	103.73	15%
Regulatory Ratios (%)			
Tier 1 Capital Adequacy Ratio (Minimum 8.5%)	26.12%	32.84%	
Total Capital Adequacy Ratio (Minimum 12.5%)	26.12%	32.84%	
Capital Funds to Deposit Liabilities Ratio (Minimum 10%)	236.95%	1,844.77%	
Liquidity Ratio	25.97%	33.12%	
Ratios on Performance (%)			
Return on Assets (Before Taxes)	12.39%	8.00%	
Return on Assets (After Taxes)	6.05%	3.63%	
Return on Equity (After Taxes)	18.20%	10.20%	
Net Interest Margin (NIM)	20.13%	19.83%	
Cost to Income Ratio	36.76%	37.78%	
Ratios on Portfolio Quality (%)			
Gross Stage 3 Loans Ratio	3.93%	11.23%	
Net Stage 3 Loans Ratio	1.30%	7.31%	
Net Stage 3 Loans to Core Capital Ratio	3.94%	18.10%	
Stage 3 Impairment Coverage Ratio	67.90%	37.71%	
Total Impairment Coverage Ratio	3.92%	6.63%	

LEADING WITH VISION AND PURPOSE

Guided by a visionary leadership team, we embrace innovation, foster collaboration, and empower our people to drive sustainable success and positive transformation

LEADERSHIP

CHAIRMAN'S MESSAGE

The resilience of our business model was clearly demonstrated in our ability to not only withstand these external pressures and challenges but to also thrive amidst them

NANDA FERNANDO
Chairman

Dear Stakeholders,

It is with great pride and a deep sense of responsibility that I present to you the Annual Report of Assetline Finance Limited (AFL) for the financial year 2024/25.

The year under review was marked by a mix of global headwinds and local resilience, where despite facing numerous external challenges, AFL maintained its upward trajectory, delivering consistent growth and enhanced stability, complemented by renewed dedication to national development.

Global Landscape: Navigating Through Uncertainty

The global economic landscape during the period of review was characterised by turbulence and complexity. Heightened geopolitical tensions, particularly in East Asia, together with the prolonged impact of global conflicts, cast uncertainty over international trade and economic progress. These tensions, coupled with disruptions in supply chains and logistics, resulted in a sharp surge in global commodity prices, posing unprecedented challenges for developing economies worldwide.

Despite this volatile backdrop, AFL remained focused on its long-term strategy and adopted a proactive approach to mitigate risks while capitalising on emerging opportunities where possible. The resilience of our business model was clearly demonstrated in our ability to not only withstand these external pressures and challenges but to also thrive amidst them.

Sri Lankan Economic Outlook: Signs of Stabilisation and Growth

Domestically, Sri Lanka showed encouraging signs of recovery throughout the year. Key macroeconomic indicators showed sustained stabilisation, underpinned by a stronger Gross Domestic Product (GDP) growth, a significant easing of inflationary pressures and the appreciation of the Sri Lankan Rupee.

In particular, the continuity of a low interest rate regime fueled credit growth and stimulated investments, while increased earnings from tourism and inward worker remittances contributed significantly to improved foreign exchange inflows. These positive developments lay a stronger foundation for sustainable growth.

The political landscape also witnessed significant developments, with the Presidential and General Elections taking place during the financial year and the local government elections also concluding recently. The peaceful conduct of these elections and the subsequent establishment of a stable government helped to revitalise investor confidence.

These developments catalysed a renewed appetite for investment among the public and improved economic sentiment created favourable conditions for businesses to attract savings and channel them into productive avenues.

Company Performance: A Milestone Year of Growth and Resilience

In this context of gradual macroeconomic recovery and cautious optimism, AFL delivered one of its strongest performances to date. In line with our strategic direction and growth momentum, we achieved remarkable milestones in profitability, financial stability and overall expansion that position us in a superior position for long-term value creation.

One of the most notable achievements during the year was surpassing an asset base of Rs. 50 Bn, a powerful endorsement of the confidence and trust placed in us by our customers, investors and stakeholders.

Equally significant was our robust profitability, as we recorded a year-on-year growth of 111% in Profit After Tax, increasing from Rs. 1.2 Bn in 2023/24 to Rs. 2.7 Bn in 2024/25. This performance not only reflects our operational excellence but also our prudence in managing risks and capitalising on strategic emerging market opportunities.

Our contribution to the nation's economy also strengthened, with Rs. 2.8 Bn paid in taxes during the year, reflecting our commitment to responsible corporate citizenship and national development.

Strategic Focus: Strengthening the Foundation for Future Growth

During the FY 2024/25, AFL extended its footprint to better serve underserved communities and customer segments across the island. Our strategic focus remained centered on improving our Products, People and Processes – the three pillars that drive our customer-centric approach and collectively strengthen our competitive advantage.

Digital transformation remained a key priority and we accordingly accelerated initiatives to upgrade our digital platforms, processes and delivery channels. This resulted in measurable significant improvements in our collection ratios, a reduction in stage three advances, better management of non-performing loans and strengthened provisioning coverage.

Despite the continued restrictions on vehicle imports, a key revenue stream for many finance companies, we maintained healthy net interest margins, yields and spreads, demonstrating our agile ability to adapt to evolving market conditions. Furthermore, our ongoing drive for efficiency allowed us to improve our cost-to-income ratio, placing us in a strong position to deliver sustained profitability even amidst sectoral headwinds.

People and Culture: Investing in Our Team

Right across the period under review, we placed a strong emphasis on developing our human capital, offering extensive training and career development opportunities. We also introduced several initiatives aimed at promoting a healthier work-life balance, thereby boosting both the satisfaction and productivity of our greatest asset – our people, who continue to be the foundation of all our achievements.

By fostering a high-performance, value-driven culture built on trust, integrity and teamwork, we continue to build an organisation that is agile, customer-focused and future-ready.

Commitment to Governance, Sustainability and National Impact

At AFL, we remain steadfast in our commitment to good governance, ethical conduct and absolute transparency. I, on behalf of the Board of Directors, certify that there were no major incidents or material violations of any provisions of the Code of Conduct during the FY 2024/25. We believe that sustainable value creation is possible only when we align our business objectives with the broader socio-economic priorities of the country.

> **In alignment with our purpose-led vision, 'Deshayata Jawayak' a timely and impactful thought, we were proud to initiate many CSR initiatives aimed at enhancing financial literacy among SMEs across Sri Lanka.**

As a leading non-banking financial institution deeply committed to national progress, we recognise the critical role that small and medium-scale entrepreneurs (SMEs) play in driving sustainable economic growth. In alignment with our purpose-led vision, 'Deshayata Jawayak' a timely and impactful thought, we were proud to initiate many CSR initiatives aimed at enhancing financial literacy among SMEs across Sri Lanka.

Through these initiatives, we aim not only to bridge knowledge gaps but also to inspire a culture of financial discipline and entrepreneurial innovation. These initiatives reflect our broader commitment to inclusive development and our belief that real progress stems from uplifting those who contribute tirelessly to the grassroot economy.

As we move forward, we will continue to champion such initiatives that generate long-term value for our communities, while staying true to our mission of empowering progress across all corners of the nation.

CHAIRMAN'S MESSAGE

AFL aims to play an active role in shaping the digital future of financial services and we will continue to invest in innovation and resilience to face local and global challenges, while creating enduring value for all stakeholders.

Acknowledgements: Gratitude to Our Stakeholders

On behalf of the Board of Directors, I wish to express my sincere appreciation to our regulators, including the Central Bank of Sri Lanka and the Securities and Exchange Commission, for their continued support and guidance.

My heartfelt gratitude goes to our shareholders for their unwavering trust and confidence in our vision. I also thank our valued customers, whose loyalty and engagement remain central to our purpose.

A special word of appreciation goes to our Chief Executive Officer, the senior leadership team, and every member of the Assetline family, David Pieris Group for their dedication, passion and resilience during a challenging yet rewarding year.

Through our collective efforts, we have established a robust platform for enduring success. As we move forward, we remain committed to delivering sustainable value, nurturing stakeholder trust and contributing meaningfully to the development aspirations of our beloved nation.

Let us look ahead with confidence, purpose and unity.

Nanda Fernando
Chairman

20 June 2025

CEO'S MESSAGE

Profit before tax reached Rs. 5.6 Bn, reflecting a 95% year-on-year growth, and profit after tax rose to Rs. 2.7 Bn - an exceptional increase of 111%.

ASHAN NISSANKA
Director & Chief Executive Officer

Dear Stakeholders,

It is my privilege to present the Annual Report and Financial Statements of Assetline Finance Limited (AFL) for the financial year 2024/25. In a year marked by both challenges and renewed opportunities, AFL has delivered a truly remarkable performance - a testament to the resilience, foresight, and dedication of our entire team.

We navigated a period of economic recovery with clarity and determination, exceeding expectations on many fronts. Our growth was the result of thoughtful planning, prudent risk management, and a united workforce committed to excellence. AFL's greatest strength remains its people - individuals who rise above challenges, adapt quickly, and lead with purpose.

STRENGTHENING OUR STRATEGIC FOUNDATION

The year under review marked the launch of a refreshed and ambitious Strategic Plan, laying the foundation for AFL's next phase of growth. With renewed energy, we positioned ourselves to accelerate towards long-term objectives, aiming to double our asset base and net profit during the strategy horizon. A key milestone this year was our advancement into the Rs. 50–100 Bn asset category, as classified by the Central Bank of Sri Lanka - a strong indicator of AFL's growing scale and stability.

RESILIENT PERFORMANCE DRIVEN BY STRATEGY

Our financial results highlight the effectiveness of our business model. Interest income rose to Rs. 11.3 Bn, driven by strong disbursement volumes and improved margins. Net interest income increased by 30% to Rs. 8.7 Bn, while total operating income grew by 27% to Rs. 9.0 Bn.

Profit before tax reached Rs. 5.6 Bn, reflecting a 95% year-on-year growth, and profit after tax rose to Rs. 2.7 Bn - an exceptional increase of 111%. These results stemmed from disciplined credit risk management and enhanced operational efficiency, as reflected in our cost-to-income ratio of 36.8%, one of the lowest in the industry.

Return on Assets (ROA) after tax reached 6.05%, while Return on Equity (ROE) reached 18.2%, representing a significant year-on-year improvement, with ROE nearly doubling.

Our total assets grew by 40% to Rs. 52.3 Bn, and our lending portfolio expanded by 46% to Rs. 42.8 Bn, supported by increased disbursements. This growth was matched by improved credit quality: the Gross Stage 3 Loans ratio declined to 3.9%, and the Net Stage 3 Loans ratio significantly improved to 1.3%. The Capital Adequacy Ratio remained strong at 26.1%, well above the regulatory minimum.

We also strengthened our funding profile by increasing bank borrowings and customer deposits. Notably, we secured a senior loan from the Japan ASEAN Women Empowerment Fund – an important milestone reflecting global confidence in AFL's long-term stability.

CONTRIBUTION TO THE ECONOMY

At AFL, we take pride in being a responsible corporate citizen, contributing meaningfully to the national economy through fiscal responsibility and inclusive financial services. During

CEO'S MESSAGE

the year, we contributed 52% of our profits, amounting to Rs. 2.8 Bn, towards taxes - supporting government revenue and national development.

We continue to empower micro, small, and medium enterprises across Sri Lanka. Through customised financial solutions, we support key growth sectors such as agriculture, trade, manufacturing, and women-led enterprises, especially in underserved and rural areas.

EXPANDING OUR REACH AND CREDIBILITY

To deepen financial inclusion, we expanded our branch network to 59 by adding three new locations. Our upgraded credit rating - from A- (Stable) to A (Positive Outlook) - reaffirms our strong fundamentals and the growing confidence of both local and international stakeholders.

INVESTING IN PEOPLE AND CULTURE

In response to industry-wide talent shortages, we proactively recruited and trained a new generation of finance professionals. Notably, 22% of our 800-member team joined AFL without prior experience in financial services. Through structured onboarding, mentorship, and performance-based progression, they have become integral to our operations.

We foster a culture of excellence through early confirmation frameworks, competitive rewards, and staff engagement initiatives such as the 'AFL Spirit of Excellence' Awards and regional cricket tournaments - reinforcing unity and pride across our organization.

DRIVING SOCIAL IMPACT AND INCLUSION

Our purpose extends beyond profitability. Under our flagship CSR initiative 'Deshayata Jawayak', we conducted six financial literacy and entrepreneurship sessions, reaching SMEs, entrepreneurs, and broader communities.

Nearly 25% of our workforce and borrower base represents women. Through our 'Liya Diriya' programme, we delivered workshops for rural women entrepreneurs, supporting financial literacy, technical know-how, and independence. We also enabled mobility and inclusion by financing two- and three-wheelers and conducted over 60 International Women's Day programs across the island.

We maintained strong engagement with motor traders, dealers, and introducers, offering business support and working capital solutions to reinforce our partner ecosystem and foster resilience.

OUR COMMITMENT TO SUSTAINABILITY

Sustainability remains integral to our operations. We digitized seven key internal processes and partnered with the Sri Lanka Sustainable Energy Authority to improve energy efficiency across branches.

We supported Kaudulla National Park by donating ranger gear and educational signage in partnership with the Department of Wildlife Conservation.

Our Green Loans portfolio grew, with over Rs. 294 Mn in financing extended for rooftop solar and electric vehicles, empowering customers to invest in environmentally friendly solutions.

We also initiated preparations for SLFRS S1 and S2 reporting by bridging data gaps and enhancing ESG governance in line with upcoming reporting requirements.

LOOKING AHEAD WITH CONFIDENCE

We remain optimistic about Sri Lanka's economic recovery and commend efforts to restore governance, investment, and macroeconomic stability. AFL is committed to supporting this journey through continued branch expansion, digitization, and customer-centric innovation.

While embracing digital transformation, we will also expand our physical network by 10% in the year ahead, maintaining our commitment to personalised service. We respectfully advocate for a strengthened legal and regulatory environment that protects depositors and fosters the continued evolution of the NBFI sector.

Our journey forward will continue to be guided by our core values - trust, responsibility, and service.

APPRECIATION AND GRATITUDE

I extend my heartfelt appreciation to our Chairman, Board of Directors, and the entire AFL team for their strategic leadership and unwavering commitment.

A special note of thanks to our outgoing Chairman, Mr. Rohana Dissanayake, for his outstanding service, and to outgoing Director Ms. Romany Parakrama for her valuable contributions.

I also thank our Group President and Group Chairman for their leadership and support, and express gratitude to our affiliated entities and business partners for their continued trust.

To our shareholders, customers, and stakeholders - thank you for your ongoing confidence in AFL. Together, we will continue to pursue excellence, innovation, and sustainable growth.

Warm regards,

Ashan Nissanka
Director & Chief Executive Officer

20 June 2025

BOARD OF DIRECTORS

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 and served until 25 January 2025.

Mr. Dissanayake possesses over 33 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 09 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 from the University of Edith Cowan Perth, Australia.

MR. NANDA FERNANDO
Independent Non-Executive Chairman

Mr. Nanda Fernando was appointed to the Board as Independent Non-Executive Director on 10 April 2024. He was appointed as Chairman of the Company on 18 March 2025.

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, Stakeholder 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, Hayleys Fabric PLC, Hatton National Bank PLC and RIL Property PLC.

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

BOARD OF DIRECTORS

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 46 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. In addition, he serves as the Chairman of the Audit Committee at David Pieris Holdings (Private) Limited. Further, he served a 06 year term as Chairman of the Independent Oversight Advisory Committee of the United Nations Industrial Development Organization (UNIDO) in Vienna, Austria. He is also a member of the Audit Advisory Committee of UNICEF, New York.

He holds a Master of Business Administration 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, Mr. Nissanka shifted to LOLC Group & David Pieris Group respectively. He 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. Mr. Nissanka 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, Australia).

Mr. Nissanka 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, Australia), and holds an Intermediate Banking Diploma from the Institute of Bankers of Sri Lanka (IBSL). He is an Associate member of Sri Lanka Institute of Marketing (SLIM). Further, he holds a Master's in Business Administration from the Edith Cowan University, Western Australia.

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 6 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, Enviro Solutions (Private) Limited and Tokyo Cement Company (Lanka) PLC.

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 the Faculty of Law of the University of Colombo, Open University of Sri Lanka and Sri Lanka Law College. He is the Principal of the Sri Lanka Law College.

Mr. De Alwis obtained his LL.B and LL.M 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.

BOARD OF DIRECTORS

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 possesses a wealth of experience and is a prominent figure in the accounting and finance sector with a distinguished career spanning 25 years where he 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, and currently serves as an Advisor to the South Asian Federation of Accountants (SAFA). He served as the President of SAFA in 2024 and as its Vice President in 2023. He is also a Board Member of the Sri Lanka Accounting and Auditing Standards Monitoring Board and serves as 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 a 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. MANOHA RAJAKARIAR
Independent Non-Executive Director

Mr. Rajakariar was appointed to the Board as Independent Non-Executive Director on 16 October 2024.

Mr. Rajakariar's career spans over three decades in Finance and Management Accounting. He has served leading entities such as South Asia Gateway Terminals, John Keells Holdings PLC and Coopers and Lybrand (PWC) in Sri Lanka and Malawi, playing key roles at Executive and Senior Management Levels. Mr. Rajakariar possesses a wealth of experience in Financial and Management Accounting, Auditing, Risk, and Compliance Practices. In addition to his corporate career, he also serves on the Ethics Committee of CA Sri Lanka and on the Finance Committee of Sri Lanka Cancer Society. He also serves on the respective Boards of Alumex PLC, Hayleys Fiber PLC, Digital Mobility Solutions Lanka Limited (Pick-Me), Access Engineering PLC, and Elpitiya Plantations PLC.

A Fellow of the Institute of Chartered Accountants (CA) Sri Lanka, Mr. Rajakariar is also a Fellow Member of the Chartered Institute of Management Accountants (CIMA) UK and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka.

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 and served until 17 September 2024.

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 was the Group Head of Corporate Communications of the David Pieris Group of Companies and served on the boards of several companies of the David Pieris Group and also chaired 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. N Fernando holds the following positions at present.

Directorships		Designations	Nature of Appointment
1.	Professional Business Consultants	Director	Executive
2.	Dipped Products PLC	Independent Non-Executive Director	Non-Executive
3.	Hayleys Fabric PLC	Independent Non-Executive Director	Non-Executive
4.	Hatton National Bank PLC	Independent Non-Executive Director	Non-Executive
5.	RIL Property PLC	Independent Non-Executive Director	Non-Executive
6.	Haycarb PLC	Independent Non-Executive Director	Non-Executive

Mr. L Athukorala holds the following positions at present.

Directorships		Designations	Nature of Appointment
1.	Talawakelle Tea Estate PLC	Independent Non-Executive Director	Non-Executive
2.	Hayleys Consumer Products Limited	Independent Non-Executive Director	Non-Executive
Other			
3.	UNICEF, New York	Member - Audit Advisory Committee	Non-Executive
4.	David Pieris Holdings (Private)	Chairman – Audit Committee	Non-Executive

Mr. A Nissanka holds the following positions at present.

Directorships		Designations	Nature of Appointment
1.	David Pieris Holdings (Private) Limited	Non-Executive Director	Non-Executive

BOARD OF DIRECTORS

Mr. J Durairatnam holds the following positions at present.

Directorships		Designations	Nature of Appointment
1.	DFCC Bank PLC	Independent Non-Executive Chairman	Non-Executive
2.	Asian Hotels and Properties PLC	Independent Non-Executive Director	Non-Executive
3.	Ceylinco Life Insurance Limited	Independent Non-Executive Director	Non-Executive
4.	Enviro Solutions (Private) Limited	Independent Non-Executive Director	Non-Executive
5.	Tokyo Cement Company (Lanka) PLC	Independent Non-Executive Director	Non-Executive

Mr. P L De Alwis holds the following positions at present.

Directorships		Designations	Nature of Appointment
1.	SC Securities (Private) Limited	Director	Non-Executive
2.	Coral Sands Hotels Ltd	Director	Non-Executive
Other			
3.	Supreme Court of Sri Lanka	Attorney-at-Law	Profession
4.	SC Securities (Private) Limited	Chairman - HR Committee	Non-Executive
5.	“My Country Our Hope” Foundation	Chairman	Other - Independent
6.	Chartered Institute of Marketing of UK (CIM) - Sri Lanka Region	Honorary Legal Advisor	Other-by nomination
7.	Faculty of Law, University of Colombo	Visiting Lecturer/ Examiner LL.B. and LL.M. Programmes Subjects - Criminal Law, Banking, Criminology	Non-Executive
8.	The Open university of Sri Lanka	Visiting Lecturer	Independent
9.	Sri Lanka Ayurvedic Doctors Association (Gampaha Wickramaratchi Ayurvedic Doctors)	Honorary Legal Advisor	Other - By Nomination
10.	Council of University of Visual and Performing Arts	Member	Independent
11.	Sri Lanka Law College	Principal	By nomination

Mr. H Kuruppu holds the following positions at present.

Directorships		Designations	Nature of Appointment
1.	David Pieris Motor Company (Private) Limited	Executive Director	Executive
2.	David Pieris Holdings (Private) Limited	Executive Director	Executive
3.	David Pieris Motor Company (Lanka) Limited	Executive Director	Executive
4.	D P Infotech (Private) Limited	Non-Executive Director	Non-Executive
5.	Electrozen Global (Private) Limited	Non-Executive Director	Non-Executive
6.	Electrozen Distributors (Private) Limited	Non-Executive Director	Non-Executive
7.	Dynamic Global Ventures (Pvt) Ltd	Director	Non-Executive
Other			
8.	Institute of Chartered Accountants of Sri Lanka	President	Executive
9.	South Asian Federation of Accountants	President	Non-Executive
10.	Securities & Exchange Commission of Sri Lanka	Commissioner	Executive
11.	Sri Lanka Accounting & Auditing Standards Monitoring Board	Board Member	Executive

Mr. M Rajakariar holds the following positions at present.

Directorships		Designations	Nature of Appointment
1.	Alumex PLC	Independent Non-Executive Director	Non-Executive
2.	Hayleys Fibre PLC	Independent Non-Executive Director	Non-Executive
3.	Digital Mobility Solutions Lanka Limited	Independent Non-Executive Director	Non-Executive
4.	Access Engineering PLC	Independent Non-Executive Director	Non-Executive
5.	Elpitiya Plantations PLC	Independent Non-Executive Director	Non-Executive

CORPORATE MANAGEMENT TEAM

Mr. Ashan Nissanka
Director & 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. Sanka Jayampathi
General Manager - Channel Management

Mr. Melanga De Silva
Head of Enterprise Risk Management

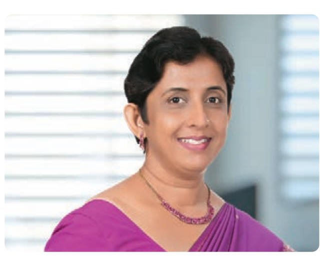
Ms. Christine Munasinghe
Company Secretary

Mr. Chathura Peiris
Assistant General Manager - Human Resources

Mr. Dinudaya Abeywardena
Head of Credit

Mr. Gaman Kithsiri
Chief Information Security Officer and Head of Information Technology

Ms. Hamzia Bohoron
Head of Business Administration



Ms. Thanuja Karunaratna
Head of Legal

Mr. Sanjeewa Pemachandra
Head of Internal Audit

Mr. Dinesh Sivaguru
Head of Compliance

MANAGEMENT TEAM

Mr. Nalin Hettiarachchi
Head of Deposit

Mr. Kumara Prasanna
Head of Customer Services

Mr. Namal Cooray
Head of 4W Lending

Mr. Manjula Gannile
Head of 3W Lending

Mr. Thilan Kulasooriya
Head of 2W Lending

Mr. Sapumal Perera
Senior Manager - Advertising and Promotions

Mr. Vimukthi Deshapriya
Product Manager - Margin Trading

Mr. Sanjeewa Kumar
Manager - Building Administration & Procurement

Mr. Justin Anantharaja
Product Manager - Asset Draft

REGIONAL MANAGEMENT TEAM

Mr. Irosh Nuwanjith
Head of Region - Sabaragamuwa

Mr. Sajith Weerasekara
Head of Region - North Central

Mr. Anuruddha Jayasinghe
Head of Region - North Western

Mr. Sivasubramanium Rajruban
Acting Head of Region - Northern

Mr. Milinda Jayawardana
Head of Region - Central

Mr. Daminda Bandara
Head of Region - Western Colombo

Mr. Ajith Dinakara
Head of Region - Western Gampaha

Mr. Randika Peiris
Head of Region - Western Kalutara

Mr. Senal Tharanga
Head of Region - Colombo Metropolitan

Mr. Nuwan Senadeera
Head of Region - Southern 1

Mr. Nuwan Karunathilaka
Head of Region - Southern 2

Mr. Asanka Alwis
Head of Region - Uva

Mr. Nandun De Silva
Acting Head of Region - Eastern

BUILDING VALUE
CREATING IMPACT

Empowering sustainable growth through strategic investments and stakeholder partnerships, we create lasting value that drives financial resilience and long-term prosperity for our customers and communities.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATING ENVIRONMENT OVERVIEW

Introduction

The operating environment for Assetline Finance Limited in the financial year 2024/25 was primarily shaped by Sri Lanka's remarkable recovery from the economic crisis of 2022. This year marked a turning point for the country, driven by a combination of sound fiscal and monetary policies, strategic external debt restructuring, and support from the International Monetary Fund's Extended Fund Facility (IMF-EFF) programme. These factors created a favourable backdrop for growth in the financial sector, providing Assetline Finance with numerous opportunities to capitalise on improving macroeconomic conditions, growing investor confidence, and an increase in credit demand.

Macroeconomic Environment

Economic Recovery and Stabilisation

In 2024, Sri Lanka experienced a broad-based economic recovery across multiple sectors, transitioning from the severe challenges of 2022, which included foreign exchange shortages, record-high inflation, and disruptions to economic activities. The stabilisation efforts implemented since mid-2022, particularly the fiscal and monetary policies supported by the IMF-EFF programme, laid a strong foundation for this recovery. The successful restructuring of external debt and the positive impact of these reforms were critical in restoring investor confidence. Real GDP growth for the year reflected an uptick in economic activities, with key sectors such as agriculture, industry, and services showing significant improvement. For Assetline Finance, the improved economic conditions enabled the Company to tap into greater demand for financial products and services, especially in the retail and small business sectors.

Inflation and Monetary Policy

The significant achievement of 2024 was the success of the Central Bank of Sri Lanka (CBSL) in taming inflation, which had reached unprecedented levels during the 2022 crisis. Tight fiscal and monetary policies, coupled with favourable global price developments, resulted in a steady disinflationary trend from 2023 onwards. By September 2024, Sri Lanka entered a temporary deflationary phase, marked by reductions in key administered prices such as energy costs. This helped alleviate household cost-of-living pressures and reduced production costs for businesses, which in turn supported consumer spending and investment.

Additionally, the CBSL adopted an accommodative monetary policy stance throughout 2024, reducing policy rates three times over the course of the year. This led to lower interest rates across the market, which increased the affordability of credit for both businesses and consumers. For Assetline Finance, this translated to heightened demand for consumer loans, vehicle financing, and other asset-backed products. The shift from a dual policy rate mechanism to a single policy rate mechanism in November 2024 further strengthened the predictability of interest rate movements, providing clearer guidance for financial institutions in their lending decisions.

External Sector Performance

Despite global challenges, including geopolitical uncertainties and economic volatility in major economies, Sri Lanka's external sector showed improved performance in 2024. The trade deficit widened as a result of increased imports, driven by the easing of import restrictions and renewed economic activity. However, robust tourism earnings and an increase in workers' remittances helped offset this widening deficit, allowing Sri Lanka to record a current account surplus for the second consecutive year.

The CBSL's strategic foreign exchange purchases further bolstered Sri Lanka's foreign exchange reserves, while the Sri Lankan Rupee appreciated for the second year in a row. For Assetline Finance, the stable exchange rate was highly beneficial, as it mitigated the risks associated with foreign currency-denominated transactions. This also helped keep the cost of imported goods, such as vehicles and electronics, stable, which in turn supported the affordability of products financed by the Company.

Fiscal Performance

The fiscal performance of the government in 2024 played a crucial role in reinforcing macroeconomic stability. Improved revenue collection, driven by tax reforms and enhanced compliance, was complemented by prudent expenditure management, which resulted in a positive primary balance. This created a favourable environment for private sector growth and reduced crowding-out pressures, facilitating better access to domestic funding markets. As a result, Assetline Finance was able to capitalise on favourable fiscal conditions, benefiting from enhanced investor and consumer confidence.

Financial Sector Dynamics

Overview of the Financial Sector

The financial sector demonstrated resilience and growth in 2024, largely due to improved macroeconomic conditions and the CBSL's effective regulatory oversight. The banking sector remained stable, with capital and liquidity buffers exceeding regulatory thresholds. Total banking assets grew, reflecting increased investments and loans, while the sector also saw improvements in asset quality, as the Non-Performing Loan (NPL) ratio decreased.

OPERATING ENVIRONMENT OVERVIEW

The Finance Companies (FCs) sector, in which Assetline Finance operates, also experienced strong growth in FY 2024/25. Assetline Finance and its peers benefitted from a favourable operating environment, supported by a 18.7% growth in the sector's asset base to Rs. 2,089.9 Bn. Loans and advances within the sector grew by 29.1%, reflecting the demand for financing in both consumer and business segments. Importantly, the NPL ratio in the sector dropped significantly from 14.7% in FY 2023/24 to 8.3% in FY 2024/25, underscoring the positive impact of the economic recovery on borrower repayment capacities. This improvement in asset quality was a key driver of profitability, with the sector's Profit After Tax (PAT) rising by 34.1% to Rs. 69.0 Bn.

Finance Companies Sector

The FCs sector, consisting of 32 companies, contributed to 5.4% of the financial sector's total assets. This sector played an important role in promoting financial inclusion, particularly with its wide branch network of 1,930 branches, 1,282 of which were located outside the Western Province. The total loans and lease advance accounts for 74.5% of the sector's total asset base. Assetline Finance, as a significant player in the sector, saw growth in its portfolio, particularly in finance leases and vehicle loans. These segments recorded growth rates of 18.7% and 30.4%, respectively, signalling strong demand for asset-backed financing.

The sector's liquidity position remained robust, with regulatory liquid assets of Rs. 246.9 Bn, far surpassing the minimum requirement. Customer deposits grew by 13.5%, and borrowings increased by 20.2%, reflecting the diversification of funding sources. For Assetline Finance, these trends provided a solid foundation for expanding its lending portfolio while ensuring financial stability.

Regulatory and Policy Developments

CBSL Initiatives

In 2024, the CBSL introduced several regulatory measures that helped foster stability within the financial sector. The enactment of the Banking (Amendment) Act No. 24 of 2024, bolstered governance standards for licensed banks, with indirect implications for non-bank financial institutions. Furthermore, the CBSL launched initiatives such as the Financial Literacy Roadmap, which aimed to boost financial literacy across various segments of the population, aligning well with Assetline Finance's commitment to educating customers about its financial products.

The full enforcement of Financial Consumer Protection Regulations by August 2024 further supported transparency and fairness in the financial services industry, aligning with Assetline Finance's ethical business practices. The CBSL also emphasised anti-money laundering (AML) and counter-financing of terrorism (CFT) standards, ensuring the sector's integrity and helping maintain stakeholder trust.

Promotion of Digital Payments

The CBSL's promotion of digital payments and integration with international payment systems enhanced transaction efficiency and security, enabling Assetline Finance to improve its digital platforms. This shift allowed the Company to provide better services through digital channels, such as online loan disbursements and repayments, increasing customer convenience and operational efficiency.

Implications for Assetline Finance

Opportunities

The favourable macroeconomic conditions, particularly the low interest rate environment, created ample opportunities for Assetline Finance to expand its consumer and vehicle financing portfolios. The stable exchange rate and improved foreign exchange liquidity reduced risks associated with imported goods, which bolstered the affordability of electronics and vehicles in Assetline Finance's product offerings. Additionally, the deflationary conditions improved consumer purchasing power and repayment ability, further driving demand for financing.

Challenges

While the sector showed remarkable growth, challenges remained, particularly the elevated NPL ratios of the industry. Assetline Finance will continue to focus on credit risk management, especially in light of the potential global risks, such as geopolitical instability and climate-related disruptions. Moreover, the competitive landscape within the FCs sector, with 32 companies vying for market share, requires Assetline Finance to differentiate itself through innovative financial products and superior customer service.

Looking Ahead

Looking ahead, Assetline Finance is well-positioned to capitalise on the opportunities presented by the evolving financial landscape. The Company remains focused on enhancing credit quality, operational efficiency, and customer engagement, while proactively managing risks to achieve sustainable growth. The favourable economic environment, coupled with a resilient financial sector and supportive regulatory framework, sets the stage for Assetline Finance to continue its upward trajectory in the years ahead.

Building on the momentum of our record-breaking year, we are set to accelerate our digital transformation journey. Key initiatives include the integration of Artificial Intelligence to enhance credit assessment, customer engagement, and operational efficiency. Our commitment to sustainability will be further reinforced through the expansion of our Green Financing Portfolio, enabling us to support environmentally responsible investments and contribute meaningfully to sustainable development goals.

At the heart of our strategy remains a strong customer focus. We will continue to ensure our financial solutions are accessible, inclusive, and responsive to the evolving needs of our wide-ranging customer base by capitalizing on the synergies available within the David Pieris Group of Companies and its subsidiaries. Guided by the pillars of innovation, inclusivity, and sustainability, Assetline Finance is well-positioned to sustain its growth trajectory and create long-term value for all stakeholders in the years to come.

STAKEHOLDER ENGAGEMENT

At Assetline Finance Limited, we believe that effective stakeholder engagement is crucial for driving our long-term success. We recognise that each stakeholder group plays a distinct yet interconnected role in shaping our business decisions, ensuring sustainability, and contributing to our growth. Our commitment to engagement goes beyond just communication; it is about building lasting relationships that create value for all parties involved.

To navigate this process effectively, we have developed a stakeholder engagement strategy that is built on transparency, trust, and collaboration. By understanding the priorities, expectations, and influence of each stakeholder group, we are able to tailor our engagement approach to foster positive outcomes and support mutual success.

Purpose of Stakeholder Engagement

- Understanding the Impact: We engage with our stakeholders to thoroughly understand the actual and potential environmental, social, and governance (ESG) impacts of our operations. This engagement helps us to not only address any immediate concerns but also to anticipate potential challenges that may arise in the future. By gaining these insights, we can proactively implement measures to manage risks, mitigate negative impacts, and seize opportunities for positive transformation.

- **Collaborative Solution Development**: Engaging with stakeholders is a critical aspect of finding solutions. Through dialogue and collaboration, we work together to design and implement strategies that prevent or mitigate risks. This joint problem-solving process ensures that the responses we develop are effective, sustainable, and aligned with both our stakeholders' expectations and our own organizational goals.

- **Upholding Stakeholder Rights**: We firmly believe that stakeholder engagement is not solely about advancing our organizational objectives but also about respecting the rights of those who are impacted by our actions. As such, we are committed to ensuring that all stakeholders' rights are upheld, promoting an environment of fairness and inclusivity. Our approach emphasizes transparency and accountability, ensuring that our decisions are informed by the diverse perspectives and needs of our stakeholders.

- **Creating Shared Value**: Our stakeholder engagement process is driven by the goal of creating shared value for all parties involved. By fostering open and meaningful dialogue, we aim to strengthen relationships, build trust, and contribute to sustainable outcomes that benefit not only our organization but also the communities and environments in which we operate. We strive to align our business objectives with broader social and environmental goals, contributing to long-term societal well-being.

This comprehensive approach to stakeholder engagement is integral to our efforts to achieve sustainable growth, navigate challenges effectively, and maintain a positive impact on the communities and ecosystems we serve.

Stakeholder Engagement Matrix

The following matrix outlines the key stakeholder groups, their importance to Assetline Finance, frequency of engagement, level of influence, type of interaction, and response time. This strategic approach allows us to prioritise and manage stakeholder relationships in alignment with our business objectives.

1. Investors / Shareholders

- **Importance:** High
- **Frequency of Engagement:** Monthly / Annually
- **Level of Influence:** High
- **Type of Interaction:** Formal & Strategic
- **Response Time:** Short-Term
- **Engagement Objective:** Value Delivery, Governance, Transparency, Returns, Sustainable Growth
- **Engagement Methods:** Monthly Reports & Annual Reports, Shareholder Meetings, Webinars

2. Customers

- **Importance:** High
- **Frequency of Engagement:** Ongoing
- **Level of Influence:** Medium
- **Type of Interaction:** Transactional & Support
- **Response Time:** Medium-Term
- **Engagement Objective:** Customer Satisfaction, Retention, Sustainable Growth
- **Engagement Methods:** Surveys, Customer Service, Feedback Channels

3. Employees

- **Importance:** High
- **Frequency of Engagement:** Ongoing
- **Level of Influence:** High
- **Type of Interaction:** Internal & Collaborative
- **Response Time:** Ongoing
- **Engagement Objective:** Development, Well-being, Retention, Sustainable Growth
- **Engagement Methods:** Internal Communication, Training Programs, Surveys

4. Regulators

- **Importance:** High
- **Frequency of Engagement:** Weekly/Monthly/Quarterly/Annually/As Needed
- **Level of Influence:** High
- **Type of Interaction:** Regulatory Compliance
- **Response Time:** Short-Term
- **Engagement Objective:** Compliance, Industry Standards
- **Engagement Methods:** Reports, Audits, Regulatory Submissions

5. Suppliers & Partners

- **Importance:** Medium
- **Frequency of Engagement:** Ongoing
- **Level of Influence:** Medium
- **Type of Interaction:** Strategic & Collaborative
- **Response Time:** Medium-Term
- **Engagement Objective:** Collaboration, Reliability, Sustainable Growth
- **Engagement Methods:** Regular Meetings, Partnership Updates, Contracts

STAKEHOLDER ENGAGEMENT

6. Communities

- **Importance:** Medium
- **Frequency of Engagement:** As and When Needed
- **Level of Influence:** Low
- **Type of Interaction:** Informative & CSR
- **Response Time:** Medium-Term
- **Engagement Objective:** Social Impact, CSR Projects
- **Engagement Methods:** CSR Initiatives, Community Outreach Programs , Press/Media Publication

7. Government

- **Importance:** Medium
- **Frequency of Engagement:** As Needed
- **Level of Influence:** High
- **Type of Interaction:** Policy & Advocacy
- **Response Time:** Long-Term
- **Engagement Objective:** Policy Alignment, Growth, Regulation
- **Engagement Methods:** Meetings, Reports, Consultations

By understanding and acting on the expectations of each stakeholder group, Assetline Finance ensures that its operations are aligned with the broader interests of its stakeholders. Our engagement strategy is designed to foster trust, maintain transparency, and build long-term relationships that contribute to sustainable growth. As we continue to expand and adapt to changing business environments, we remain committed to refining our engagement practices to meet the needs of our stakeholders and create shared value.

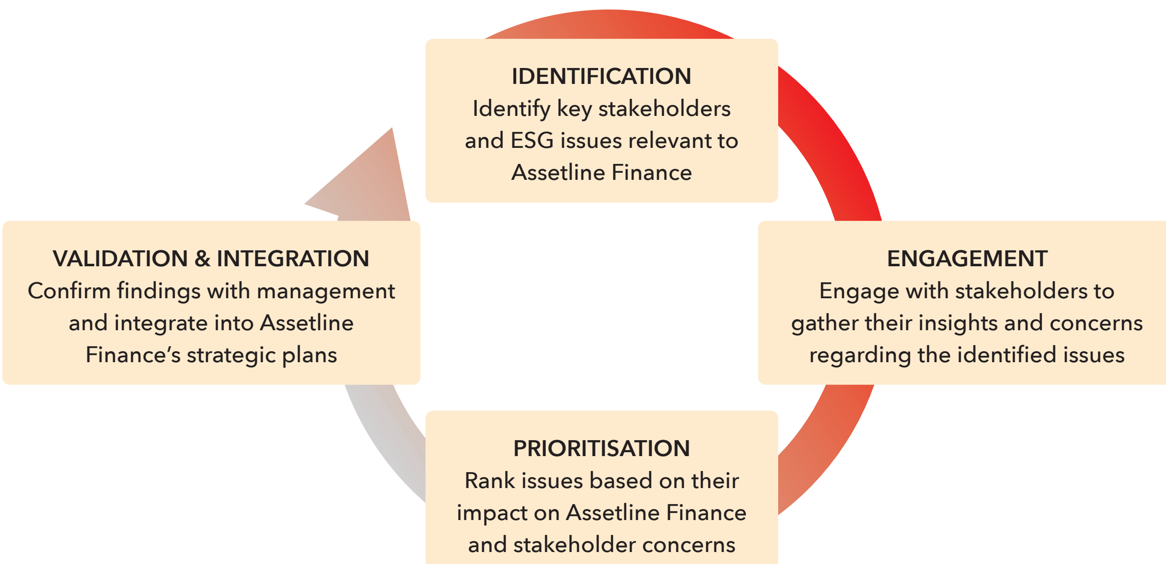
MATERIALITY

A materiality assessment is a pivotal process for Assetline Finance, helping us to identify and prioritise the issues that hold the greatest significance for both our stakeholders and business operations. By systematically evaluating these material matters, we gain a comprehensive understanding of the challenges and opportunities that directly impact our long-term objectives and operational efficiency.

This process not only helps us stay aligned with the evolving expectations of our stakeholders but also enables us to pinpoint areas that will drive sustainable value creation. It guides our sustainability initiatives by ensuring that we address critical issues such as environmental impact, social responsibility, and governance standards, which are integral to the overall strategic direction of the Company.

Incorporating the findings from the materiality assessment into our strategy ensures that we make informed decisions about resource allocation and risk management. By integrating these priorities into our core business strategy, we strengthen our ability to deliver on long-term goals, including enhancing operational efficiency, fostering innovation, and creating positive societal impact. This approach ensures that our sustainability efforts are not only responsive to stakeholder concerns but also drive measurable results that contribute to the continued growth and resilience of Assetline Finance.

Materiality assessment process



Material Theme	Material Matters	Stakeholders Impacted	SDG's
Financial returns and financial strength	Profitability Return on Assets Return on Equity Capital and funding structure	Shareholder / Investors / Regulator/ Community / Employees	SDG 8 SDG 16
Expanding reach and promoting financial inclusivity	Branch expansion and geographical penetration Digital transformation and platform integration Business continuity and IT Data privacy and resilience	Customers/ Employees/ Investors	SDG 7 SDG 8 SDG 9

MATERIALITY

Material Theme	Material Matters	Stakeholders Impacted	SDG's
Creating a talented team of employees	Talent acquisition and workforce planning Creating a diverse team which is engaged and committed Developing team competencies with L&D opportunities Focusing on employee well-being and addressing employee grievances	Employees, Customers	SDG 5 SDG 8 SDG 10
Driving financial inclusion	Financial inclusion by serving underserved segments of society Customer engagement Community development and social empowerment Stakeholder partnerships and collaborations Ethical customer service gender inclusion	Customers	SDG 8 SDG 11 SDG 15 SDG 16 SDG 17
Responsible usage of natural resources	Responsible energy consumption Promoting renewable energy usage through solarization of branches and green lending products Sustainable procurement practices Environmental education and community partnerships	Employees, Customers	SDG 7 SDG 12 SDG 13 SDG 15
Good governance and ethical practices	Practicing robust corporate governance practices whilst complying with the regulations	Regulators, Investors, Shareholders	SDG 16

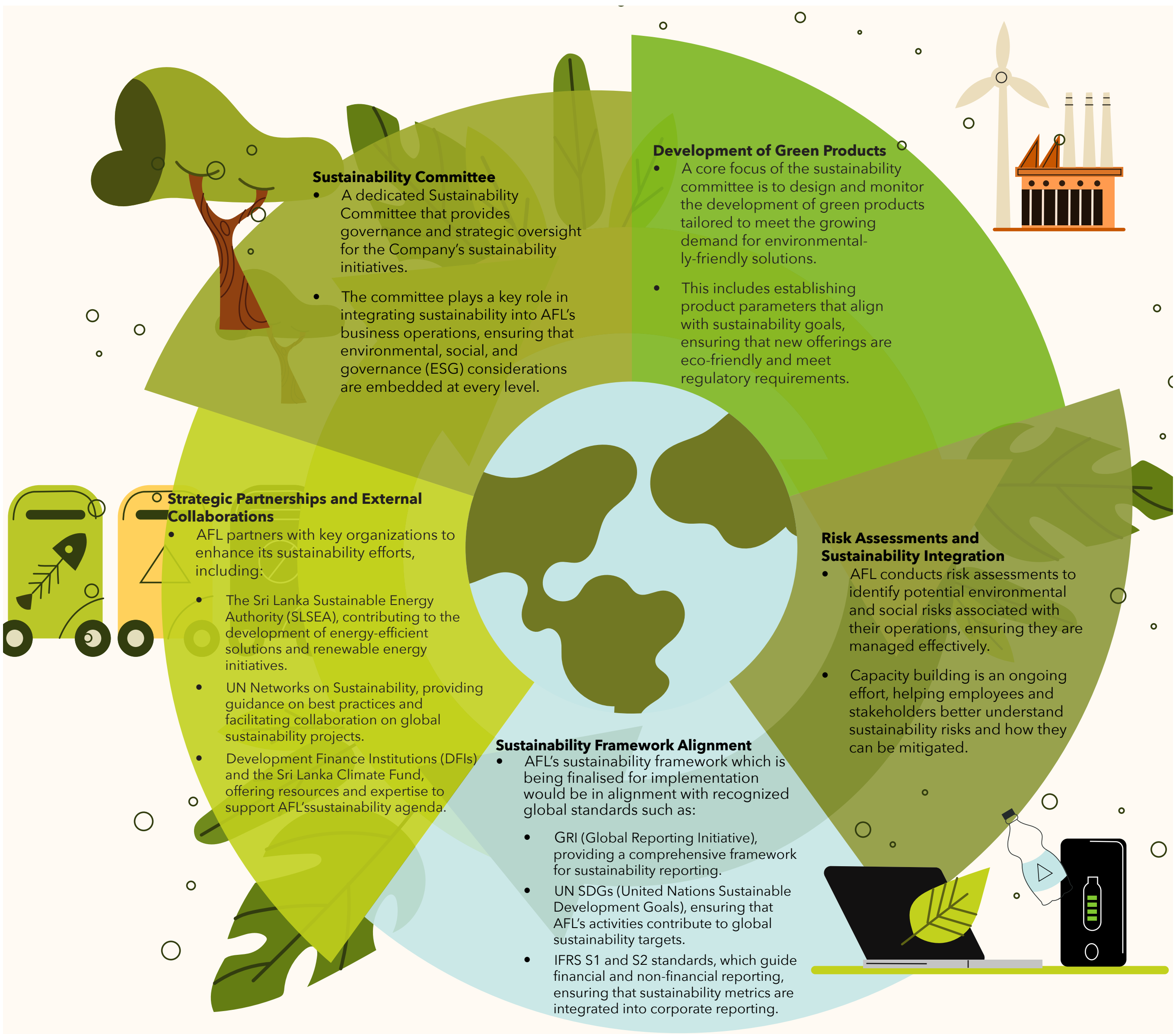
By integrating these key issues into our strategic framework, we are positioning Assetline Finance to thrive in the face of emerging challenges. Whether it's fostering strong governance practices, advancing our environmental sustainability efforts, or ensuring social responsibility, our proactive approach to materiality ensures that we are continuously working toward the long-term well-being of our Company and stakeholders alike.

This approach allows us to make data-driven decisions, refine our risk management strategies, and optimize resource allocation. As we forge ahead, these material matters will remain central to our business strategy, reinforcing our resilience and ensuring that we continue to create value in a way that aligns with both our organizational goals and the broader societal needs. Our commitment to sustainability is not just about compliance; it is about building a stronger, more adaptable, and purpose-driven organization that leads by example in our industry.

SUSTAINABILITY FRAMEWORK

Assetline Finance Limited (AFL) is making significant strides in embedding sustainability into its core operations, demonstrating a commitment to Environmental, Social, and Governance (ESG) principles. Through the establishment of a dedicated Sustainability Committee, AFL is proactively shaping its sustainability strategy and aligning business practices with global standards. The Company is committed to fostering a positive environmental impact, enhancing financial inclusion, and supporting sustainable development in Sri Lanka.

The following key initiatives and strategic efforts drive AFL's sustainability journey.



SUSTAINABILITY FRAMEWORK

Through these strategic initiatives, AFL is strengthening its position as a leader in sustainable finance, contributing to environmental, social, and economic resilience in Sri Lanka.

The Company's sustainability efforts are expected to drive long-term value creation for all stakeholders, from improving operational efficiencies to enhancing their market reputation and fostering innovation in green finance.

AFL's commitment to sustainability is a key pillar in its long-term growth strategy, ensuring that the Company continues to lead by example in shaping a greener, more inclusive future.
AFL's sustainability initiatives are fully aligned with the Central Bank of Sri Lanka's Sustainability Roadmap, which aims to guide financial institutions towards adopting best practices in sustainable finance, digital inclusion, and governance. Through strategic investments in technology, responsible lending, and workforce development, we are not only contributing to Sri Lanka's economic resilience but also enhancing our ability to navigate future challenges in a rapidly evolving global landscape.

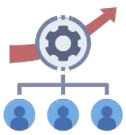
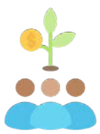
SUSTAINABILITY MODEL

Objective

To embed sustainability across all aspects of our operations by aligning responsible finance with ethical governance and inclusive growth, creating long-term value for stakeholders and the environment.

Supported by

Guiding Principles and Standards	Membership and Affiliations	Stakeholders Impacted
CBSL Guidelines on Sustainable Finance	Council Member of Finance House Association	Customers
United Nations Sustainable Development Goals (SDG)	Member of Sri Lanka Institute of Credit Management	Employees
Internal ESG Policy	Certified ISO 9001:2015	Suppliers
Global Reporting Initaitive Principles		Rural entrepreneurs
		Financial regulators
		Industry peers

	Pillars of Sustainability	Focus Areas	SDG's Impacted
	Sustainable Financing	Financial inclusion through rural outreach and vehicle financing SME lending and empowerment Environmental and Social Management Systems (ESMS) embedded in credit evaluations	
	Responsible Organisation	Zero tolerance to corruption, discrimination, and harmful labour ISO 9001:2015 certification for quality management Digital transformation initiatives for reduced environmental footprint	
	Community Impact	Community Impact "Deshayata Jawayak" social entrepreneurship program Gender equity initiatives Waste and energy use reduction programs at branches Council Member of Finance House Association	

1. Sustainable Financing. Financial Inclusion through Rural Outreach

At the heart of our financing strategy is the drive for financial inclusion, which is a cornerstone of equitable development. AFL has been instrumental in providing financial access to underserved communities, particularly in rural areas. With a focus on vehicle leasing for 2- and 3-wheelers, we have expanded access to income-generating assets that support local entrepreneurship, enhance mobility, and contribute to economic growth in rural Sri Lanka. This directly supports the CBSL's Sustainability Roadmap, which encourages financial inclusion as a means of supporting equitable access to economic opportunities for all communities.

SME Lending and Empowerment

Our financing of micro, small, and medium-scale enterprises (MSMEs) has been another strategic priority. Tailored loan products help entrepreneurs scale their businesses, create jobs, and integrate into the broader economy, strengthening the resilience of local economies. This is in alignment with the CBSL's goals of fostering sustainable and inclusive growth by supporting MSMEs and ensuring that the benefits of financial services extend across various sectors of the economy, particularly those driving social and economic upliftment.

Environmental and Social Management System (ESMS)

At AFL, we are committed to responsible lending through our Environmental and Social Management System (ESMS), which incorporates Environmental, Social, and Governance (ESG) criteria into our credit risk assessments. This ensures that all facilities are granted in line with sustainable business practices, preventing financing for activities that could harm the environment or society.

By applying this system, we not only comply with the CBSL's ESG guidelines but also embed sustainability into our operations, helping businesses adopt environmentally responsible practices while contributing to long-term economic stability.

Digital Financial Infrastructure

In line with CBSL's roadmap for a digitally inclusive financial ecosystem, we have invested heavily in technological innovations that drive operational efficiency and enhance decision-making. Our Online Credit Appraisal (OCA), predictive credit scoring algorithms, and automated vehicle valuation solutions accelerate service delivery, improve credit accuracy, and reduce manual errors. These technologies support the CBSL's Digital Financial Inclusion initiative, which promotes the adoption of digital solutions to improve financial accessibility, enhance customer experience, and reduce operational

SUSTAINABILITY FRAMEWORK

costs for financial institutions.

2. Responsible Organisation

As a forward-looking financial institution, Assetline Finance is committed to being a responsible corporate citizen, which aligns with the CBSL's broader vision of ensuring that financial institutions maintain strong governance and sustainability frameworks. To achieve this, we prioritise governance, ethics, technology, and workforce well-being as foundational pillars of our sustainability strategy.

Governance and Ethics

AFL operates under a robust governance framework that prioritises transparency, accountability, and ethical practices in all business transactions. This aligns with the CBSL's Sustainable Finance Guidelines, which emphasise the importance of incorporating good governance and ethical decision-making in financial institutions to strengthen stakeholder trust and promote financial system integrity.

DEI Framework

The Company has implemented a Diversity, Equity, and Inclusion (DEI) framework for its staff, embedded under its governance practices. This framework ensures that the principles of diversity, fairness, and inclusivity are reflected in the Company's internal culture, leadership, and decision-making processes.

The DEI strategy includes initiatives to foster a more inclusive and equitable work environment, where all employees, regardless of their background, are given equal opportunities to thrive and contribute to the Company's success.

Governance mechanisms are in place to ensure that these DEI principles are not only understood but also practiced across all levels of leadership and organizational structures. The framework is monitored and regularly updated to meet evolving global standards of equality and inclusiveness.

ISO 14064 Certification Process

The Company has initiated the ISO 14064 certification process, a crucial step towards formalizing its commitment to managing and reducing its carbon footprint. ISO 14064 is part of a global standard that focuses on quantifying, monitoring, and verifying greenhouse gas (GHG) emissions to ensure effective environmental performance.

The process has officially commenced and is designed to align the Company's operations with global sustainability benchmarks, enhancing transparency and accountability in environmental practices.

In collaboration with the Sri Lanka Climate Fund Private Limited - a government owned company operating under Ministry of Environment, the Company is currently undergoing the verification process to ensure compliance with the ISO 14064 standards. This collaboration strengthens the Company's efforts to contribute to Sri Lanka's national climate goals and demonstrate leadership in environmental stewardship.

By obtaining the ISO 14064 certification, the Company aims to reinforce its position as a sustainable and responsible corporate entity, committed to reducing its environmental impact while fostering long-term resilience in its business operations.

These strategic initiatives align with the Company's broader vision of creating a sustainable future, demonstrating responsible governance, and proactively addressing environmental challenges. Through these actions, the Company not only complies with global environmental standards but also sets a strong example for other businesses to follow in building a greener, more inclusive economy.

Technology and Innovation

Our continued investments in financial technologies are aligned with the CBSL's Digital Transformation and Financial Inclusion Strategy. By adopting cutting-edge technology, we are able to streamline operations, enhance service delivery, and improve risk management processes. This strategic focus on technology and innovation is crucial to fulfilling the CBSL's vision of a sustainable and innovative financial ecosystem.

Workforce Well-being

AFL takes a comprehensive approach to workforce well-being, which is central to our long-term sustainability. We believe that investing in employee development, providing a safe working environment, and promoting mental and physical health are essential for building a resilient and engaged workforce. These efforts support the CBSL's Roadmap for Human Capital Development, which emphasises the importance of creating a skilled, capable, and motivated workforce within the financial sector to drive sustainable growth.

Environmental Responsibility at the Branch Level

At AFL, we believe that sustainability is a shared responsibility, and we have taken actionable steps to embed environmental responsibility within our operations. All branches of AFL have adopted green practices designed to reduce the environmental impact of our day-to-day operations. These actions not only support our commitment to sustainability but also reflect the broader goals of Sri Lanka's green development initiatives.

Key environmental practices include:

- Energy Efficiency: Replacing traditional lighting with energy-efficient LED lights and installing inverter-type air conditioners has led to significant reductions in energy consumption.

- Reducing Waste: We have taken steps to reduce the use of single-use plastics and encourage reuse wherever possible. Our branches now implement paper recycling programs, and we promote the use of digital documentation to reduce paper waste. During the year, the Company introduced online credit appraisal system and introduced digital payment approvals which helped reduce the paper trail.

- Eco-Conscious Office Behaviour: Employee awareness drives on eco-friendly practices help cultivate a culture of environmental stewardship at all levels of the organisation. We introduced segregation of waste, with separate bins allocated for food waste, plastic and paper. Sign boards educated staff on minimising use of water, tissues whilst the 5S system created enhanced office workflows for better efficiency. These initiatives encouraged staff to reduce their carbon footprint through everyday actions like reducing electricity usage and minimising waste.

- Branch-Level Sustainability Initiatives: Branches are encouraged to adopt eco-friendly materials and green office solutions in both their physical spaces and service delivery methods.

- These steps have not only contributed to a reduction in AFL's environmental footprint but also reinforced our commitment to corporate social responsibility (CSR). By embedding these practices at the branch level, AFL has become an active participant in Sri Lanka's national sustainability goals, leading by example and encouraging both employees and customers to be more environmentally conscious.

3.Community Impact

Building Sustainable Communities

Our commitment to community empowerment goes beyond financial inclusion. Assetline Finance's efforts focus on education, entrepreneurship, and sustainable livelihoods. Through our community outreach programs, we actively contribute to the socio-economic development of rural and underserved communities. This approach complements the CBSL's sustainability objectives of fostering inclusive growth and supporting initiatives that address social inequalities.

We are also committed to fostering environmental sustainability. As part of our business strategy, we focus on supporting green initiatives and promoting the adoption of sustainable practices among our clients, especially in sectors like renewable energy and sustainable agriculture. This resonates with the CBSL's increasing emphasis on environmental stewardship and aligns with national strategies to reduce carbon emissions and improve environmental resilience.

Social Entrepreneur Development – "Deshayata Jawayak"

AFL has long recognised the value of empowering small-scale entrepreneurs, particularly those in financially underserved communities. The "Deshayata Jawayak" initiative, as a core part of our Corporate Social Responsibility (CSR) strategy, has been pivotal in providing entrepreneurs with the tools they need to succeed, including access to credit, training, and mentorship.

This program focuses on fostering both entrepreneurial spirit and repayment discipline among small business owners, promoting a sustainable model for financial growth. Through collaborative partnerships with local organisations and financial literacy programs, we have significantly contributed to creating a business-friendly environment for entrepreneurs. By offering affordable financial products that meet their unique needs, small businesses have been able to scale their operations, contributing to local economic development and creating jobs within their communities.

In addition to providing financial assistance, the initiative also focuses on developing entrepreneurial mindsets through training that equips participants with practical skills to run sustainable businesses. Mentorship programs connect new business owners with seasoned industry leaders who offer valuable advice on growth strategies, risk management, and business expansion.

Regional Upliftment - Northern & Eastern Development Projects

Our commitment to the development of Sri Lanka's marginalised regions is embodied through our Northern and Eastern Development Projects, where targeted interventions have enabled greater asset ownership, self-employment, and sustainable community building. These regions, often faced with historical economic and social challenges, have seen significant strides due to AFL's tailored approach in financial inclusion.

We have provided customised lending solutions to meet the needs of businesses in these regions, particularly focusing on industries that promote sustainable livelihoods such as agriculture, small-scale manufacturing, and tourism. Through financial literacy workshops, individuals have gained the necessary skills to manage their finances

SUSTAINABILITY FRAMEWORK

effectively, reducing financial illiteracy and empowering entrepreneurs to make informed decisions.

Our approach has not only been about access to financial resources but also about capacity building. These programs have helped business owners navigate complex financial landscapes, understand cash flow management, and engage in community-driven development initiatives. The outcomes have been profound, contributing to a steady rise in self-employment, the growth of local economies, and a greater sense of community resilience.

Initiatives:

1. Empowering women entrepreneurs: Eakle Broom manufaturing as a household industry in Dehiathakandiya.
2. Heal camp in Kilinochchi.
3. Awareness session for women with children on promoting well being and building stronger families in Galle.

Gender Equity and Inclusion

Promoting gender equity and inclusion has always been at the forefront of AFL's CSR agenda. As a socially responsible financial institution, we recognise the significant role that women entrepreneurs play in driving economic development. AFL has been dedicated to creating opportunities for women by providing tailored financial products that meet their specific needs and challenges.

Through specialised lending products and training programs, we have helped female entrepreneurs access capital that may otherwise have been unavailable to them due to systemic barriers.

Furthermore, our commitment extends beyond lending: we have worked tirelessly to provide financial literacy programs aimed specifically at women, helping them build the skills necessary to run sustainable businesses.

In addition to external initiatives, AFL has embraced inclusive hiring practices within our organisation. By actively promoting gender diversity in the workplace, we ensure that women are represented across all levels of the organisation. Leadership development programs specifically designed to mentor women and cultivate their leadership skills have empowered many to take on senior roles, ensuring that gender equity is not just a policy but a lived reality within AFL.

Initiatives

1. Stand up for violence against women - Awareness campaign in Moratuwa
2. Kaudulla National Park - Wildlife project: Enhancing the biodiversity protection, promote climate resilience and engaging in sustainable conservation practices.
3. Clean Drinking Water Project: Renovation of a reverse osmosis water purification plant at Bohitiya, Monaragala.
4. Supply of clean drinking water to Ministry of Health - Institute of Forensic Medicine.
5. The SME and Entrepreneurship programs conducted under the "Deshayata Jawayak".

Looking Ahead

Advancing Our Sustainable Goals

As we look to the future, AFL is committed to further strengthening our sustainability efforts by deeply integrating ESG principles into our core business strategy. Recognising the changing expectations of regulators, customers, and stakeholders, we are focused on enhancing our Environmental and Social Risk Management System (ESMS). We will also embed sustainability indicators across our operational scorecards to ensure that all lending and service practices drive long-term environmental and social value.

One of our key priorities will be expanding our sustainable financing portfolio. This includes introducing green lending products, such as renewable energy financing and resource-efficient asset solutions. Additionally, we will pursue strategic partnerships with industry players and community stakeholders to amplify the reach and impact of our CSR initiatives, particularly those focused on underbanked regions and women-led enterprises. AFL partnered with the Sri Lanka Climate Fund (Pvt) Ltd to verify our carbon footprint and chart the course to ISO 14064 certification. Achieving this certification will mark a significant milestone in our journey towards environmental accountability and transparency. Through these efforts, we aim to create inclusive economic opportunities that are both sustainable and regenerative.

Internally, we will focus on capacity building and digital transformation to improve our agility, enhance data-driven governance, and empower employees to deliver sustainable results. We will prioritise training in areas like climate-related financial disclosures, alignment with the Sustainable Development Goals, and responsible sourcing.

With a solid foundation already in place, the coming year will mark a significant step in transforming our sustainability roadmap into measurable and transparent outcomes, creating lasting value for our communities, customers, and the planet.

Financial Capital

Delivering Financial Strength and Resilience

With a focus on enhancing accessibility and empowering communities, Assetline Finance Limited's (AFL) financial capital serves as a cornerstone for sustainable growth and inclusive development. By leveraging a resilient capital structure and prudent financial management, AFL continues to foster economic resilience, drive innovation, and uphold its commitment to delivering value across diverse stakeholder groups.

AFL has demonstrated a robust performance in the financial year 2024/25, driven by substantial growth in key financial metrics and prudent management of financial resources. This period has seen the Company successfully navigate market challenges, execute strategic growth initiatives, and deliver superior financial outcomes. The Company's financial capital performance has been characterised by strong revenue generation, disciplined cost management, improved asset quality, and a fortified balance sheet, all of which have solidified the Company's standing in the competitive financial services sector.

FINANCIAL CAPITAL

Key Financial Highlights

Total Income **2024/25 Rs 11,639 Mn** 2023/24 Rs. 10,351 Mn	**Profit After Tax** **2024/25 Rs 2,715 Mn** 2023/24 Rs 1,288 Mn	**Total Assets** **2024/25 Rs 52,364 Mn** 2023/24 Rs 37,416
Earnings Per Share **2024/25 Rs 20.27** 2023/24 Rs 9.62	**Net Assets Value Per Share** **2024/25 Rs 118.94** 2023/24 Rs 103.73	**Net Interest Margin** **2024/25 20.13%** 2023/24 19.83%
Cost to Income Ratio **2024/25 36.76%** 2023/24 37.78%	**Gross Stage 3 Loans Ratio** **2024/25 3.93%** 2023/24 11.23%	**Total Capital Adequacy Ratio** **2024/25 26.12%** 2023/24 32.84%

Our Impact on Sustainable Development Goals (SDGs)

SDG	Our Contribution
	Creating the financial strength to build and innovative business which is capable to scale and expand with investment in infrastructure
	Building a strong and stable financial institution which complies with all regulatory requirements

Strategic Focus: Strengthening Financial Resilience, Operational Efficiency, and Sustainable Growth

AFL continues to build a robust foundation for long-term success through a strategic focus on enhancing financial resilience, diversifying its revenue streams, and broadening its funding structure. Recognizing the dynamic nature of the financial landscape, AFL has adopted a proactive approach to ensure sustainable growth by addressing key drivers of financial strength.

A cornerstone of this strategy is the diversification of revenue sources. By expanding its portfolio of financial products and services, including green financing solutions, asset leasing, and targeted financing for underserved sectors, AFL positions itself to tap into emerging market opportunities while mitigating risks. This diversification not only contributes to revenue stability but also ensures AFL remains adaptable to shifts in market demand.

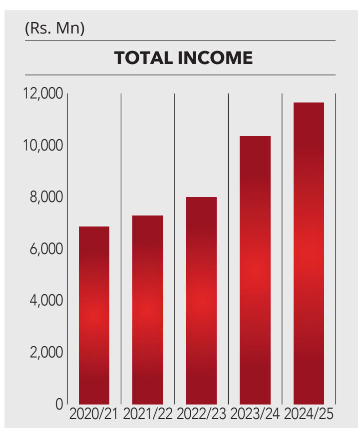
Equally crucial is the broadening of AFL's funding structure. By diversifying funding sources and strengthening capital resilience, AFL secures greater flexibility and ensures it can seize growth opportunities while maintaining a robust financial position. Through strategic partnerships, increased access to public deposits, and collaboration with international financial institutions, AFL fortifies its liquidity and enhances its capacity to navigate economic fluctuations.

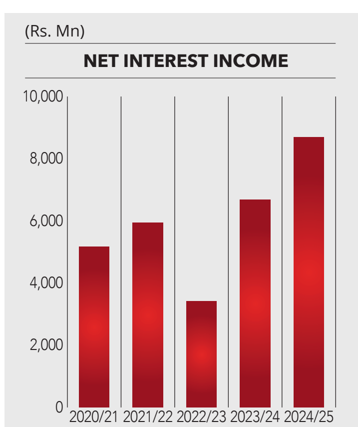
Material Topics

- Successful top line growth with significant business expansion and growth in credit portfolio
- Maintaining impairment ratios within accepted standards through stringent recovery initiatives and credit criteria
- Optimising costs and funding
- Governance, quality, and regulatory compliance

Total Income Growth and Revenue Composition

In FY 2024/25, Assetline Finance achieved a total income of Rs. 11.6 billion, which marks a 12% growth compared to the previous year's total of Rs. 10.3 billion. This increase is largely driven by the rise in interest income, which constitutes 97% of the total income. Interest income grew by 14%, reaching Rs. 11.3 billion from Rs. 9.9 billion in the previous year. This growth was primarily driven by the expansion of AFL's credit portfolio, supported by strategic pricing mechanisms and an increase in disbursements.





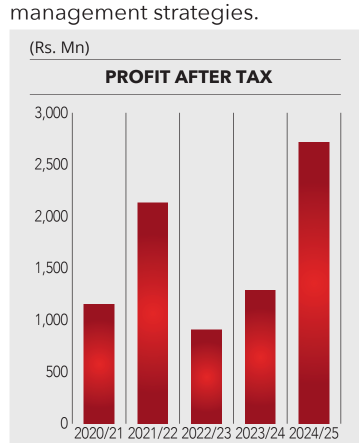
The interest income from the lending portfolio saw a remarkable 16% increase, reflecting the strong growth in disbursements and a strategic approach to portfolio management despite a declining interest rate environment. This strong performance in the lending segment highlights AFL's capability to maintain revenue growth even in a lower interest rate context, positioning it as a resilient player in the market.

In addition, the treasury portfolio made a notable contribution, accounting for 11% of the total interest income. The diverse revenue streams from both lending and treasury operations have enabled AFL to diversify its income base, providing greater stability to its overall financial performance.

Significant Profit Growth

AFL has delivered impressive profitability figures in 2024/25. The Company reported a Profit Before Tax (PBT) of Rs. 5.6 billion, reflecting a 95% increase compared to the previous year's Rs. 2.8 billion. This surge in profitability can be attributed to several factors, including higher interest income, improved operational efficiencies, and a reduction in impairment charges.

Similarly, Profit After Tax (PAT) increased by 111%, reaching Rs. 2.7 billion, up from Rs. 1.3 billion in 2023/24. This significant growth in profit is a testament to AFL's ability to translate its revenue growth into bottom-line results, further enhanced by its disciplined cost management strategies.



FINANCIAL CAPITAL

Operating Expenses and Cost Management

Despite the increase in revenues, AFL has maintained a tight control over its operating expenses. Total operating expenses for the year amounted to Rs. 3.3 billion, reflecting a 24% increase from the previous year's Rs. 2.7 billion. A significant portion of the expense increase can be attributed to the expansion of the Company's branch network, which is aimed at enhancing customer service and increasing access to financial products across Sri Lanka. Additionally, personnel expenses increased by 18%, reflecting salary increments, performance-based incentives, and the hiring of new staff to accommodate the growing business needs.

AFL's cost-to-income ratio improved to 36.8% from 37.8% in 2023/24, demonstrating a higher level of operational efficiency. This improvement indicates that AFL has been able to maintain cost growth while continuing to generate higher income, which reflects the effectiveness of its cost management and operational optimization strategies.

Impairment Charges and Write-offs

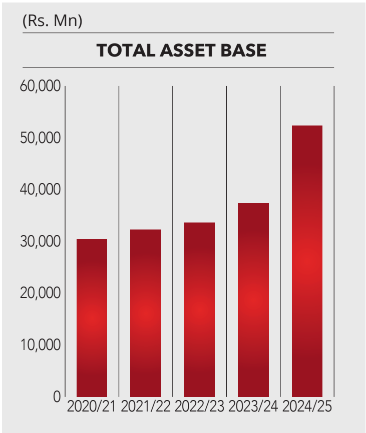
A key area of focus in AFL's financial performance has been its asset quality. The Company reported a significant reduction in impairment charges and write-offs, down by 90% to Rs. 150.7 million from Rs. 1.6 billion in 2023/24. This dramatic decline in impairment charges and write-offs is indicative of a marked improvement in the Company's loan portfolio quality, which was driven by proactive credit risk management strategies and a focus on asset-backed lending.

The reduction in impairment charges is also a reflection of AFL's successful efforts to manage Non-Performing Loans (NPLs). The gross stage 3 loans ratio decreased significantly from 11.2% to 3.9%, and the net stage 3 loans ratio decreased from 7.3% to 1.3%. These improvements in asset quality have been facilitated by data-driven credit monitoring and risk-sensitive exposure parameters, which have helped AFL identify and mitigate potential risks before they escalate.

Moreover, the Company's stage 3 impairment coverage ratio increased from 37.7% to 67.9%, signaling a stronger buffer against potential loan losses. This improvement in asset quality has had a direct positive impact on AFL's profitability and capital adequacy, positioning the Company for continued growth.

Balance Sheet Growth and Financial Strength

AFL's financial position strengthened significantly in 2024/25, with total assets increasing by 40% to Rs. 52.4 billion, up from Rs. 37.4 billion in the previous year. The primary driver of this growth was the 46% increase in the loans and advances portfolio, which amounted to Rs. 42.8 billion. This growth reflects AFL's successful execution of its lending strategy, which has allowed it to capture greater market share and increase its loan book.



Net loans and advances now constitute 82% of total assets, emphasizing the centrality of lending to AFL's business model. The Company also recorded a substantial rise in disbursements, with Rs. 33.4 billion in new loans issued during the year, reflecting a 69% increase from Rs. 19.8 billion in the prior year. This robust disbursement growth demonstrates AFL's ability to effectively scale its operations and capture demand in a competitive market.

On the liabilities side, total liabilities increased by 55% to Rs. 36.4 billion, driven by substantial growth in both borrowings and deposits from customers, which are critical to funding AFL's expanding loan portfolio. However, despite the rise in liabilities, AFL's capital position remains strong, with total equity increasing by 15% to Rs. 15.9 billion.

Capital Adequacy and Liquidity

AFL has maintained strong regulatory ratios, underscoring the Company's financial stability. Its Tier 1 Capital Adequacy Ratio and Total Capital Adequacy Ratio both stood at 26.1%, well above the minimum regulatory requirements of 8.5% and 12.5%, respectively. These ratios provide AFL with a robust capital base, enabling the Company to absorb shocks and support its growth plans.

Additionally, AFL's Liquidity Ratio of 26% remains well above the minimum regulatory requirement, ensuring that the Company maintains ample liquidity to meet its short-term obligations and capitalise on market opportunities.

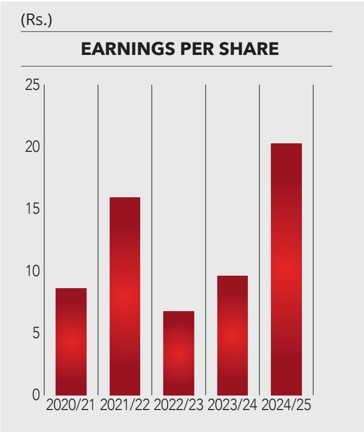
Return on Assets and Equity

AFL has also improved its Return on Assets (ROA) - after taxes, which increased to 6.1% from 3.6% in 2023/24. This increase in ROA is a direct result of improved profitability and asset efficiency. Similarly, Return on Equity

(ROE) - after taxes rose to 18.2% from 10.2%, reflecting the Company's strong financial leverage and effective use of equity capital to generate profits.

Shareholder Value

AFL's financial performance has translated into increased shareholder value. Earnings per share (EPS) surged by 111%, reaching Rs. 20.27 compared to Rs. 9.62 in 2023/24. Furthermore, the Net Asset Value (NAV) per share grew by 15%, from Rs. 103.73 to Rs. 118.94, highlighting the increase in the Company's equity value.



AFL's financial capital performance in 2024/25 has been marked by substantial growth in revenue, profitability, and assets, coupled with improved asset quality and a solid capital base. The Company has effectively leveraged its financial resources to drive growth, manage risk, and enhance shareholder value. AFL's ability to achieve strong financial results while maintaining regulatory compliance and operational efficiency positions it well for continued success in the competitive financial services industry. As AFL looks to the future, its financial capital remains a critical enabler of its strategy for sustainable growth, resilience, and long-term value creation.

Looking Ahead

Infrastructure as an Enabler of Sustainable Growth

AFL remains focused on achieving sustainable profitability and long-term growth by aligning strategic priorities with sound financial management. The company is committed to maintaining a strong return on equity and operating efficiency through a disciplined cost-to-income structure. Growth in income, profitability, and total assets will be pursued in a measured and resilient manner. Liquidity will be carefully managed to remain well above regulatory thresholds, while asset quality will be preserved through prudent credit risk practices to maintain a healthy non-performing loan (NPL) ratio.

AFL also intends to uphold strong capital adequacy by maintaining buffers above the minimum regulatory requirements set by the Central Bank of Sri Lanka. Looking forward, the company is dedicated to generating consistent earnings growth, creating value for shareholders, and strengthening its market competitiveness, all while delivering enhanced value to customers through improved service standards, innovative solutions, and a customer-centric approach.

Manufactured Capital

Empowering Growth through Infrastructure Transformation

During the FY 2024/25 Assetline Finance Limited (AFL) reaffirmed its commitment to building a future-ready financial ecosystem through strategic investments in its physical and technological infrastructure. Our manufactured capital represents not only the tangible assets such as our network of 59 branches but also the systems and platforms that underpin our service delivery, operational resilience, and sustainability agenda. This year's milestones reflect a deliberate strategy to scale operations, improve customer experience, and embed sustainability into the core of our operations.

Our infrastructure journey is guided by a balance of innovation, inclusivity, and operational excellence - enabling us to extend access to finance across Sri Lanka while enhancing process efficiencies and governance standards.

Infrastructure Milestones that Shaped 2024/25

At the heart of our manufactured capital lies a transformative agenda to digitize, automate, and streamline. This year, we invested significantly in upgrading our ERP systems, deploying integrated financial solutions, and enhancing credit appraisal mechanisms to enable faster, data-driven decision-making. Our infrastructure initiatives extended beyond digital platforms, embedding resilience and sustainability into our branch network and IT systems. Our digital initiatives help manage our work flows through digital platforms thereby moving towards paper-less systems and processes which create greater efficiency of systems and processes.

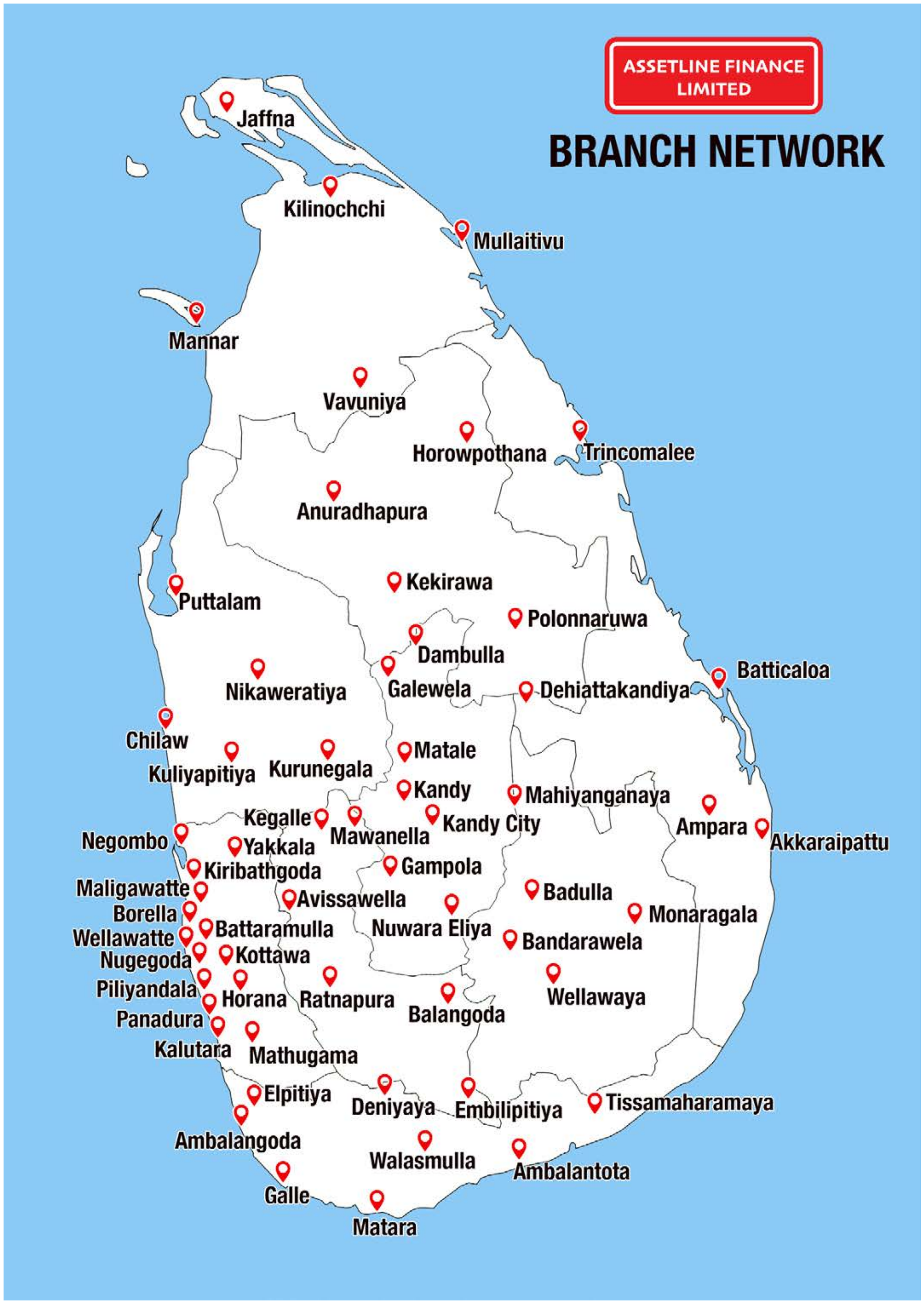
Initiative	Outcome
Expansion of branch network	Three branches opened in FY 2024/25. Two branches were relocated to improve visibility and convenience for customers
ERP System Enhancements	Rs. 23.6 Mn invested to automate workflows and integrate systems
e-Financials System	Rs. 49.1 Mn invested to digitalize liability management
Online Credit Appraisal (OCA)	Rs. 3.3 Mn invested for automated credit assessments
Business Partner Automation System (DAS)	Rs. 2.8 Mn invested in OCR-enabled dealer onboarding
KTMS AML System	Rs. 7.0 Mn invested to strengthen compliance controls
WorkHub24 Platform	Rs. 3.3 Mn invested for no-code workflow automation
Vehicle Valuation Platform	Enabled precision in asset-backed lending valuations
ISO 9001:2015 Certification	The organisation is certified for ISO 9001:2015 Quality Management System (QMS) by Sri Lanka Standards Institution (SLSI)
Fiber Connectivity Upgrade	13 branches migrated to fiber, full rollout underway which will enable the Company to transition to a paperless workflow system

We also fortified business continuity through hosting our core systems on Dialog Enterprise Cloud and Azure Site Recovery (ASR) site with an Recovery Point Objective (RPO) of 15 minutes and Recovery Time Objective (RTO) of 4 hours.

Infrastructure Strengthening: A Closer Look

1. Geographical Expansion

AFL has an expansive reach with 59 strategically located branches serving the evolving financial needs of the community at large. Each of the branches are well-equipped to handle wide variety of financial solutions. Our fully-fledged branches are well positioned to handle a diverse array of needs whilst providing a quick and personalized solutions.



During the year, the Company opened 03 new branches in the key cities of Kottawa, Kandy City, and Wellawatte. These new branches provide a wide array of services and help enhance the Company's geographical positioning.

MANUFACTURED CAPITAL

2. Digital Infrastructure Advancement

In a year defined by digital transformation, AFL's technological investments laid the foundation for efficiency and agility. The online credit appraisal system revolutionized credit evaluation by embedding predictive risk scoring and automated approval workflows. The business partner automation system leveraged OCR technology for instant data capture, ensuring seamless onboarding from dealer point-of-sale to centralized systems. Our adoption of WorkHub24 helped create frictionless workflow automation across departments, reducing manual intervention and turnaround times.

3. Enhancing Cybersecurity & IT Resilience

We fortified our IT security architecture through multi-layered defenses: multi-factor authentication, role-based access controls, endpoint protection via ESET, and a centralized SOC for 24/7 threat monitoring. The upgrade of 13 branches to fiber connectivity eliminated latency challenges, improving speed, redundancy, and overall system reliability.

4. Sustainable Branch Optimisation

Our sustainability strategy extended to infrastructure through solar panel installations at key branches, reducing energy dependence and operational carbon footprint. We also deployed self-service easy payment machines in selected locations, integrating digital touchpoints with personalised support to enhance customer engagement while reducing paper-based transactions.

5. Embedding Quality and Compliance

The achievement of ISO 9001:2015 certification cemented our quality management framework. The deployment of KTMS AML compliance software elevated our adherence to anti-money laundering and counterterrorism financing protocols, safeguarding our operational integrity.

Our Impact on Sustainable Development Goals (SDGs)

SDG	Our Contribution
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Strengthened ICT infrastructure and digital solutions
8 DECENT WORK AND ECONOMIC GROWTH	Boosted operational capacity, created digital roles
7 AFFORDABLE AND CLEAN ENERGY	Integrated renewable energy into branch operations

Strategic Focus: Building Infrastructure for Inclusive Progress

Our infrastructure initiatives are directly aligned with our corporate strategy:

"To create an adaptive, digital, and sustainable platform that fosters financial inclusion and stakeholder trust."

Material Topics

- Branch expansion and geographical penetration
- Digital transformation & platform integration
- Energy-efficient and sustainable operations
- Business continuity and IT resilience
- Data privacy and cybersecurity safeguards
- Governance, quality, and regulatory compliance

Economic Context & Infrastructure Readiness

In a recovering economic landscape marked by a projected 3.5% GDP growth in 2025 as per the World Bank and declining inflation, AFL strategically accelerated infrastructure modernization. This positioned us to capture new growth opportunities, future-proof our operations, and strengthen financial access across urban and rural markets.

Looking Ahead

Infrastructure as an Enabler of Sustainable Growth

Our manufactured capital achievements in FY 2024/25 lay the groundwork for a digitally empowered, sustainable, and inclusive financial institution. By leveraging technological innovation, operational excellence, and sustainability principles, AFL continues to transform its infrastructure into a catalyst for economic empowerment and stakeholder value creation.

As we move forward, AFL's manufactured capital roadmap will focus on:

- Completing the transition to full fiber connectivity across the network.
- Expanding solar installations to 25% of branches.
- Integrating AI into credit appraisal for enhanced credit scoring.
- Scaling WorkHub24 to cover procurement, HR, and compliance workflows.
- Implementing predictive cybersecurity threat intelligence systems.

These initiatives will further embed sustainability, efficiency, and resilience into our infrastructure platform.

Natural Capital

Championing Environmental Responsibility and Stewardship

At Assetline Finance Limited (AFL), our commitment to environmental sustainability is an intrinsic part of our corporate strategy. As a responsible financial institution, we recognize the interdependence between economic growth and environmental protection. In 2024/25, we intensified efforts to embed sustainable environmental practices within our operations, lending activities, and stakeholder engagement to align with global sustainability goals and the national roadmap for sustainable development.

Through responsible resource management, targeted environmental initiatives, and stakeholder education, AFL strives to mitigate its environmental footprint while promoting sustainability across its value chain. Natural capital is a key pillar of our broader ESG framework and contributes to long-term resilience, risk mitigation, and reputation enhancement.

Key Achievements and Milestones: Advancing Environmental Sustainability

Initiative	Achievement in FY 2024/25
Energy Monitoring Program	Monitored electricity usage across all branches under Sri Lanka Energy Authority partnership
Solar Energy Adoption	Solar panel installation at Borella branch reducing grid dependency
Sustainable Branch Conversions	13 branches migrated to fiber connectivity, improving energy efficiency
Paper Reduction	Digital workflows reduced paper usage year-on-year
Environmental Awareness Campaigns	Community environmental campaigns, including national park conservation
Environmental Partnerships	Collaborated with Environmental Authority on clean-up and awareness projects

Strategic Focus: Preserving Natural Resources for Future Generations

AFL's natural capital initiatives prioritize minimizing our environmental impact while fostering sustainable practices among customers, employees, and suppliers. Our strategy focuses on energy efficiency, emissions reduction, responsible resource consumption, and ecosystem conservation.

SDGs and Material Topics

SDG	AFL Contribution
7 AFFORDABLE AND CLEAN ENERGY	Solar installations; promotion of renewable energy adoption
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Paper reduction via digitalization; sustainable procurement
13 CLIMATE ACTION	Green lending; environmental risk screening in lending
15 LIFE ON LAND	Tree planting initiatives; biodiversity conservation awareness

Material Topics:

- Energy consumption and efficiency
- Renewable energy investments
- Carbon emission reduction planning
- Water conservation and access
- Sustainable procurement practices
- Environmental education and community partnerships

Context for FY 2024/25: Sustainability Integration Amid Growth

During FY 2024/25, AFL operated in a recovering economy with renewed focus on environmental compliance and green finance. Our initiatives aligned with both Central Bank sustainability guidelines and national environmental objectives. We invested in solar energy, optimized utility use across our branch network, and broadened environmental awareness campaigns.

Key Priorities: Driving Environmental Impact through Action

1. Energy Efficiency and Emission Reduction

AFL partnered with the Sri Lanka Energy Authority to monitor electricity use across branches and ensure alignment with national efficiency standards.

Solar panel installation at Borella branch marked a milestone in clean energy transition. Our goal is to expand solar adoption to more branches in the coming years.

Additionally, migrating 13 branches to fiber optic connectivity reduced energy wastage from outdated networks while improving operational resilience. Future upgrades are planned for remaining locations.

2. Digitalization for Paper Reduction

Our digital transformation directly supported natural capital preservation by reducing reliance on paper-intensive processes. Transitioning credit appraisals, customer onboarding, and internal approvals to digital platforms resulted in measurable declines in paper consumption. Quantification of this reduction will be expanded in next year's reporting.

3. Environmental Advocacy and Community Engagement

In partnership with environmental authorities, AFL funded and participated in conservation campaigns near national parks, including awareness drives to reduce plastic waste and support biodiversity. Reverse osmosis water plants were installed in Monaragala to improve access to clean water in rural communities, aligning environmental and social goals.

Indicator	Result 2024/25
Branches using solar energy	1 (Borella branch)
Branches migrated to fiber optic	13
Environmental campaigns	4 campaigns conducted in collaboration with authorities
Water purification projects	1 reverse osmosis plant installed
Paper reduction (qualitative)	Reduced usage through digitization across departments

NATURAL CAPITAL

Looking Ahead

Strengthening Environmental Commitments

In FY 2025/26, AFL will continue integrating sustainability into operations by:

- Expanding solar energy installations across additional branches
- Broadening waste reduction efforts through further digitization
- Formalizing carbon footprint measurement and setting reduction targets
- Launching new environmental partnerships supporting reforestation and biodiversity
- Exploring green financing products to support customer sustainability projects

AFL's stewardship of natural capital reflects our responsibility to minimize environmental impact while supporting sustainable economic development. By embedding environmental priorities into our business model, we aim to create long-term shared value for stakeholders, communities, and the planet.

Social and Relationship Capital

Fostering Strong Connections and Social Impact

At Assetline Finance Limited (AFL), our Social and Relationship Capital reflects our commitment to building meaningful, lasting connections with the communities, customers, and partners we serve. In 2024/25, we focused on expanding financial inclusion, enhancing customer experience, empowering underserved communities, and reinforcing partnerships that align with sustainable development. Through proactive engagement and shared value creation, AFL positions itself as a catalyst for social and economic empowerment in Sri Lanka. This year was marked by transformative outreach programs, award-winning initiatives, and a deepened focus on inclusivity and customer trust. Our strategic relationships with stakeholders not only advanced our mission but also contributed toward the national agenda for equitable development.

Key Achievements and Milestones: Advancing Environmental Sustainability

Initiative/Recognition	Achievement
Deshayata Jawayak CSR Program	Provided financial literacy and entrepreneurship training for MSMEs
Northern & Eastern Development Projects	Supported rural communities lacking access to formal finance
Customer Care Unit	Managed grievances and enhanced customer resolution process
Customer Protection Framework Compliance	Fully adhered to CBSL guidelines for customer rights and transparency
Environmental Partnerships	Partnered with the Kaudulla National Park, donating hoardings with environmental messages and jackets to park wardens
Community Development Initiatives	Installed Reverse Osmosis plant in Monaragala to provide clean water
Enhancing Financial Literacy of Customers	Initiated several knowledge building sessions on financial literacy to educate and instill financial discipline among customers

SOCIAL AND RELATIONSHIP CAPITAL

Material Topics

- Financial Inclusion and Accessibility
- Customer Engagement and Trust
- Community Development and Social Empowerment
- Stakeholder Partnerships and Collaboration
- Ethical Customer Service and Complaint Resolution
- Gender Inclusion and Women Empowerment

SDG	AFL Contribution
1 NO POVERTY	Access to finance for underserved, rural communities
5 GENDER EQUALITY	Empowering women entrepreneurs; gender-inclusive hiring
8 DECENT WORK AND ECONOMIC GROWTH	Promoting entrepreneurship through CSR programs
10 REDUCED INEQUALITIES	Expanding financial services beyond urban centers
11 SUSTAINABLE CITIES AND COMMUNITIES	Community infrastructure and water projects
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Upholding customer protection, grievance handling, transparent governance
17 PARTNERSHIPS FOR THE GOALS	Collaborations with environmental and community organizations

Context for 2024/25: Expanding Outreach, Deepening Impact

In 2024/25, AFL operated amidst a recovering economic climate in Sri Lanka. Recognizing our role as an inclusive financier, we prioritized outreach to marginalized regions, empowered women entrepreneurs, and strengthened mechanisms for ethical customer interaction. Our alignment with national financial inclusion goals positioned AFL as a reliable partner in bridging financial accessibility gaps.

Strategic Pillar: Creating Inclusive Growth and Stakeholder Value

AFL's social and relationship capital strategy focuses on inclusive economic participation, enhanced customer trust, and partnership-driven community impact. By embedding fairness, transparency, and accessibility in all stakeholder interactions, we strengthen both social outcomes and organizational resilience.

Priority Areas and Detailed Initiatives

1. Financial Inclusion and Outreach

We extended services to underserved regions through our Northern and Eastern Development Projects, creating access points for rural entrepreneurs and micro-enterprises. Strategic branch placement outside urban hubs supported inclusion.

- Outreach expanded to remote communities
- Tailored lending products for informal sector borrowers
- Embedded customer education on financial literacy during onboarding

2. Empowering Women in Business

AFL's commitment to gender equity was acknowledged by BlueOrchard during the onboarding process, leading to the provision of international funding specifically aimed at supporting women empowerment-focused lending initiatives. AFL provides tailored financial solutions and mentorship to Women entrepreneurs,

- Increased proportion of female customers served
- Special lending programs supporting women-led SMEs
- Awareness workshops targeting women entrepreneurs

3. Strengthening Customer Relationships

The Customer Care Unit resolved grievances through a structured, transparent process aligned with CBSL's Customer Protection Framework. Feedback mechanisms enhanced service quality.

- Improved complaint resolution turnaround time
- Established multi-channel customer feedback system
- Staff training on ethical service and grievance handling

4. Community Development Initiatives

Beyond financing, AFL contributed directly to community well-being through infrastructure and environmental partnerships.

- Reverse Osmosis plant installation benefitting Monaragala community
- Partnership with environmental authorities for park signage and warden support
- Tree-planting initiatives for coastal protection in Batticaloa

5. Stakeholder Engagement and Partnerships

AFL fostered collaborations with environmental, educational, and community bodies to amplify social outcomes.

Partnership Type	Key Activities
Environmental Partnerships	Partnering with Kaudulla National Park to improve hoardings designed to educate visitors about environmental conservation and responsible tourism practices. The jackets, given to the park officers, enhance their ability to patrol the park effectively and protect wildlife from threats like poaching and illegal logging.
Community Collaborations	Development projects in Northern/Eastern provinces
Financial Literacy Partnerships	External trainers for SME capacity-building workshops

Performance Metrics: Social and Relationship Impact

Metric	Result 2024/25
Customers Reached in Rural Regions	25,000+
Women Entrepreneurs Financed	7,500+
CSR Programs Conducted	3 major programs implemented
Customer Complaints Resolved	189 received and resolved
Environmental Partnerships Formed	2 major partnerships

Looking Ahead

Building Enduring Social Value

AFL's social and relationship capital in 2024/25 solidified its reputation as a people-centered financial partner. By investing in customer trust, community empowerment, and collaborative partnerships, we not only deliver financial services - we uplift lives, foster equity, and promote sustainable development across Sri Lanka.

In 2025/26, AFL plans to:

- Scale outreach via mobile service units for rural financial inclusion
- Expand women entrepreneur financing portfolio
- Deepen partnerships with community organizations for integrated development
- Enhance grievance resolution efficiency through digital platforms
- Broaden CSR programming targeting sustainable livelihoods

Human Capital

Building a Resilient and Empowered Workforce

At Assetline Finance Limited (AFL), we believe that our people are our most valuable asset, playing a pivotal role in driving our mission of inclusive finance, innovation, and sustainability. In 2024/25, AFL strengthened its commitment to fostering a diverse, skilled, and engaged workforce through strategic talent management, training, and employee well-being initiatives.

Throughout the year, we expanded our human capital investments to align with business growth, branch network expansion, and evolving regulatory requirements, ensuring our teams are equipped to deliver value in a dynamic financial services sector. We strive to build a team that is versatile and equipped with world-class skills and competencies who are future ready.

Highlights and Achievements: Investing in Our People

Our achievements during 2024/25 reflect our dedication to nurturing talent, promoting diversity, and maintaining a high-performance culture.

Key Area	Achievement/Outcome
Workforce Size	Over 800 employees across all regions
Gender Diversity	21% female workforce; aligned with industry norms
New Recruits	Focused recruitment for sales and recovery roles
Training Programs Delivered	Comprehensive training calendar implemented
Leadership Development	Identified and trained successors for 17 key positions
Internal Trainers Certified	Delivered internal learning via certified trainers
Employee Engagement	Monthly staff engagement initiatives conducted
Grievance Redressal	Whistleblowing and grievance policies actively managed
Work-Life Integration Support	Mandatory vacation leave policy enforced

Strategic Focus: Empowering People for Sustainable Growth

AFL's human capital strategy integrates recruitment, retention, development, and well-being to create an inclusive, high-performing workplace. Our approach aligns with business expansion, customer service goals, and regulatory compliance, while fostering a culture of accountability and continuous improvement.

SDG	AFL Contribution
5 GENDER EQUALITY	Promoting diversity and equal opportunity
8 DECENT WORK AND ECONOMIC GROWTH	Providing fair, secure, and inclusive employment
10 REDUCED INEQUALITIES	Promoting access to employment across regions

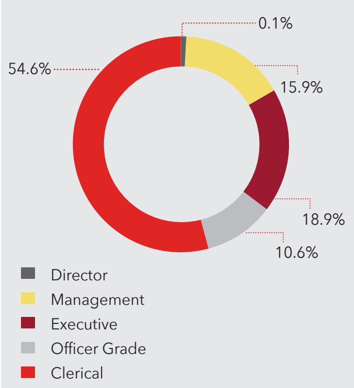
Key Focus Areas:

- Talent acquisition and workforce planning
- Creative, diverse team who is engaged and committed
- Developing a talented team providing learning and development opportunities with a focus on employee well-being whilst promoting ethical labour practices and grievance mechanisms

Context for 2024/25: Expanding and Strengthening Our Workforce

In 2024/25, AFL's rapid business growth, marked by branch network expansion and increased disbursement targets, required parallel scaling of our human resources. Recruitment efforts focused on sales and recovery teams, vital for our growth strategy to build a world-class team. Simultaneously, AFL ensured onboarding of qualified talent while upholding its core values of fairness, inclusivity, and compliance.

CADRE BY EMPLOYEE GRADE



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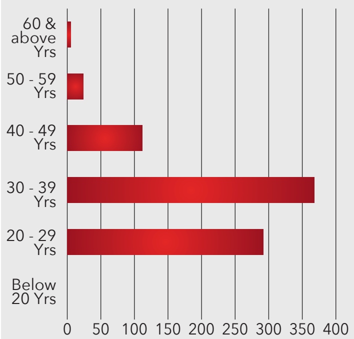


Key Priorities: Driving Human Capital Excellence

1. Workforce Expansion and Talent Acquisition

During FY 2024/25, AFL continued to expand its workforce in alignment with business growth and strategic priorities. A Board-approved manpower plan guided recruitment efforts to ensure alignment with new branch openings, increased business volumes, and organisational goals. Every new role was filled through a structured process ensuring strategic hiring within approved budgetary and operational frameworks.

A total of 222 new recruitments were made during the year to support this expansion and strengthen AFL's operational capacity across regions.

AFL's dedicated Talent Acquisition team led recruitment initiatives, utilising a multi-channel sourcing strategy that included digital media, social platforms, online advertisements, job portals, and employee referrals. Special attention was given to attracting talent from all regions in Sri Lanka, reinforcing our commitment to inclusivity and diversity.

To broaden our reach, AFL partnered with headhunting firms, job agencies, and actively participated in job fairs across the country. These efforts were supported by targeted employer branding initiatives, which helped position AFL as an employer of choice in the financial services sector.

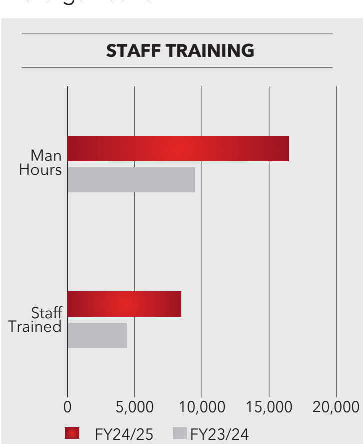
HUMAN CAPITAL

Our selection process remained rigorous and competency-driven, involving a combination of interviews, selection tests, and psychometric assessments to ensure a well-rounded evaluation of candidates. Furthermore, we continued our comprehensive background verification process to safeguard the integrity of our hiring decisions and ensure that the right and credible talent is onboarded.

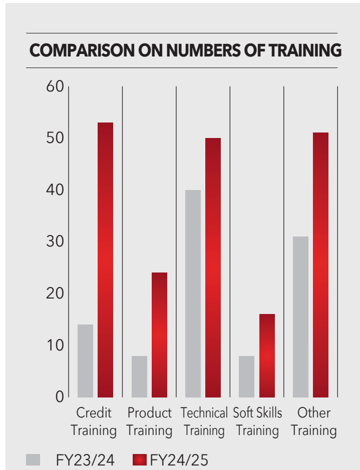
These strategic and quality-driven recruitment practices enabled AFL to build a strong, capable workforce that is well-equipped to drive current operations and support future growth.

2. Learning and Development: Building Capability

In FY 2024/25, Company delivered a robust and structured training calendar aligned with the organisation's strategic priorities. The calendar was developed through comprehensive training needs assessments, performance appraisals, and regulatory requirements, ensuring relevance and impact across all levels of the organisation.



A total of 199 training programs were conducted during the year - a 97% increase compared to the previous year.



These programs addressed key focus areas such as product training, credit training, compliance, customer service excellence, sales effectiveness, technical competencies, and leadership & soft skills development.

One of the key initiatives introduced during the year was the Certified Internal Trainers Program, accredited by City & Guilds, which aims to build in-house training capacity and sustain knowledge transfer. These certified trainers facilitated internal sessions, further supported by external workshops and seminars conducted by industry experts.

Additionally, mandatory compliance training as per the Central Bank of Sri Lanka (CBSL) regulations was successfully completed across all relevant departments, reinforcing our commitment to governance and regulatory adherence.

The results of our focused approach are evident:

- 8,429 staff trained (92% increase from last FY)
- 16,446 man-hours of training delivered (73% increase from last FY)

These achievements reflect our dedication to continuous learning and capability building, ensuring that AFL remains future-ready, agile, and performance-driven.

Training Metrics	2024/25 Outcome
Total Training Programs Conducted	Comprehensive calendar delivered
% Staff Trained	100% for mandatory compliance modules
Leadership Development Sessions	Targeted programs for identified successors

3. Employee Well-being and Work-Life Integration

At AFL, we continued to prioritise the well-being of our employees, recognising that a healthy, engaged, and motivated workforce is central to our long-term success. Our approach to employee well-being is built on proactive policies, work-life balance, and a vibrant engagement culture.

To promote rest and recovery, AFL implemented a mandatory vacation leave policy, encouraging employees to take time off and recharge. Several engagement initiatives and wellness-driven programs fostered a positive, collaborative workplace culture across all levels of the organisation.

AFL organised and supported a variety of employee engagement events throughout the year, including:

- International Women's Day celebrations, recognising the contributions of our female workforce.
- The AFL Spirit of Excellence Awards Night, first ever celebration honouring outstanding employee achievements and exceptional performance across the organization. Held with great enthusiasm, the event recognizes regional and branch teams who have consistently demonstrated a strong results-oriented mindset and commitment aligned with AFL's core values.

- New Year festivities that brought teams together to celebrate and set a positive tone for the year ahead.
- Christmas Carols and Poson Bathi Gee events that reinforced cultural unity and festive spirit.
- World Children's Day celebrations, promoting family inclusion and community values.
- Online quiz competitions and participation in external quiz tournaments, as well as a Group-level intercompany quiz competition, encouraging healthy intellectual engagement.
- The TikTok Challenge and a Talent Show that provided platforms for employees to showcase their talents in singing, dancing, acting, and compering.

AFL also maintained a strong focus on sports and physical well-being. Our employees actively participated in mercantile-level and inter-company sports events, as well as on the international stage at the SMTFA International Masters Track & Field Championship in Singapore. Employees engaged in a wide range of sports

HUMAN CAPITAL

including cricket, badminton, netball, swimming, hockey, basketball, and athletics, promoting fitness, teamwork, and morale.

To support physical health, AFL conducted a comprehensive annual staff health check-up, enabling early detection of health issues and encouraging preventative care.

In line with our health and safety priorities, workplace cleanliness, safety protocols, and minimum facility standards were regularly monitored and reported monthly to the Board, demonstrating our ongoing commitment to a safe, clean, and supportive work environment.

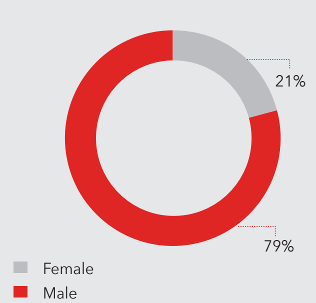
Together, these initiatives reflect our people-first philosophy and our commitment to nurturing a balanced and enriching work experience for every AFL team member.

4. Diversity, Equity, and Inclusion

At AFL, we are committed to fostering a workplace that is inclusive, respectful, and representative of the diverse communities we serve. Our approach to Diversity, Equity, and Inclusion (DEI) is built on the principles of fairness, opportunity, and a deep respect for individual differences.

As of FY 2024/25, AFL maintained a gender diversity ratio of approximately 80:20, reflective of the field-based nature of our core operations, particularly in sales and recovery functions where male representation is traditionally higher. Despite these operational realities, we are making conscious efforts to improve female participation in management and across various other roles within the Company.

CADRE BY GENDER



To support and safeguard female employees, AFL provides transport facilities for staff working beyond regular office hours, ensuring their safety and peace of mind. We offer maternity leave in line with statutory entitlements for female employees. We also organised dedicated engagement programs for working mothers, creating a supportive environment that acknowledges their dual roles at work and home. Our International Women's Day celebrations served as a platform to recognise the contributions of female staff and encourage ongoing dialogue on gender equity.

Our commitment to inclusivity extends to ethnic and regional diversity. AFL's workforce represents all major ethnic groups in Sri Lanka, promoting a culture of mutual respect and unity. We placed specific focus on the Northern and Eastern regions, where we offered internship opportunities to undergraduates, helping to build future-ready talent.

AFL's inclusive culture is further reflected in Company-wide engagement activities - ranging from festive celebrations and sports events to talent showcases and team-building initiatives - which bring together employees from diverse backgrounds to collaborate, connect, and grow together.

These DEI efforts are not just symbolic; they are embedded in our talent acquisition practices, leadership development initiatives, and workplace policies, ensuring equitable access to opportunities and a workplace where everyone feels valued, respected, and empowered to contribute.

5. Succession Planning and Leadership Pipeline

At AFL, we recognise that building a strong leadership pipeline is essential for long-term sustainability and business continuity. During FY24/25, we made significant progress in institutionalising succession planning as a core element of our people strategy.

A comprehensive succession plan was developed for 17 critical leadership roles across the organisation. This plan was formulated with the approval and guidance of the Board Nomination Committee, ensuring alignment with corporate governance principles and strategic direction.

Successor identification was based on a structured talent review process that evaluated employees against leadership competencies, performance history, and future potential. Once identified, successors were included in targeted leadership development initiatives, including:

- Internal and external training programs focused on strategic thinking, financial acumen, people management, and decision-making.
- Cross-functional exposure to broaden their business understanding.
- Mentorship and coaching by senior leaders to accelerate readiness and transfer of institutional knowledge.
- Opportunities to lead strategic projects and participate in high-impact committees, strengthening their capability to handle real-time business challenges.

This proactive approach has not only helped to de-risk key leadership positions, but also to motivate high-potential employees by providing clear growth pathways within the organisation.

Through our succession planning framework, AFL is cultivating a robust internal talent pipeline that is capable of taking on future leadership responsibilities, while reinforcing our commitment to organisational resilience,

HUMAN CAPITAL

talent continuity, and leadership excellence.

6. Ethical Practices, Grievance Handling, and Compliance

At AFL, integrity, accountability, and fairness are foundational to our culture. We uphold the highest standards of ethical conduct, ensuring that our people practices are transparent, lawful, and aligned with both internal policies and national regulations. We ensure that adequate notice is provided for any changes in operational practices.

AFL maintained a comprehensive grievance handling mechanism, enabling employees to raise concerns confidentially and without fear of retaliation. Our Whistleblowing Policy allows for the reporting of unethical behavior, misconduct, or regulatory breaches, with clear escalation protocols up to an independent director on the Board, ensuring impartial review and resolution.

Our human resources practices are fully compliant with Sri Lankan labour laws and we strictly adhere to fair employment policies that promote dignity and equal opportunity for all employees.

We are committed to creating a safe and respectful work environment, especially for female staff, who are provided with equal opportunities for growth and fair treatment.

AFL enforces a strict disciplinary framework governed by our Code of Conduct and Disciplinary Management Policy, which outlines acceptable behaviors, accountability mechanisms, and consequences of violations. This ensures that all employees act in accordance with the Company's values and ethical expectations.

As part of our continued commitment to upholding integrity, accountability, and a positive workplace culture, the Employee Conduct and Ethics Committee (ECEC) was formally established during the year. The ECEC serves as a dedicated body to oversee matters related to employee behavior, ethical standards, and workplace conduct, ensuring alignment with the company's values and code of conduct.

In line with regulatory requirements, AFL remains fully compliant with directives from the Central Bank of Sri Lanka (CBSL) and all labour regulations, including timely completion of mandatory training programs, audits, and employee documentation protocols. Regular internal reviews ensure that all HR practices are in line with governance standards and risk management & compliance frameworks.

Through these efforts, AFL continues to build a workplace founded on trust, ethics, legal compliance, and professional integrity.

Looking Ahead

Advancing Human Capital Resilience

Our human capital investments in 2024/25 reaffirmed AFL's commitment to building a capable, diverse, and principled workforce. By aligning our talent strategy with long-term business objectives, promoting equity and inclusion, and nurturing a culture of accountability and high performance, AFL is well-positioned to navigate emerging challenges and seize future opportunities with confidence and resilience.

As we look forward to 2025/26, AFL remains firmly committed to strengthening the agility, diversity, and resilience of our workforce. Our human capital priorities are aligned with evolving business needs, regulatory requirements, and the strategic goal of fostering a performance-driven and ethically grounded organisational culture.

Key focus areas for 2025/26 will include:

- Expanding diversity and inclusion initiatives to attract and retain more female talent and individuals from all regions and communities, ensuring a more balanced and representative workforce.
- Broadening leadership development programs beyond identified successors to create a deeper leadership bench across all levels, cultivating future-ready talent across functions.
- Investing in digital learning platforms and blended training models, enabling wider access to learning and development opportunities, particularly for geographically dispersed teams.
- Enhancing employee well-being and engagement initiatives with a focus on physical, mental, and emotional health, while continuing to build a collaborative and inclusive work environment.
- Strengthening recruitment pipelines to meet the growing needs of new branch openings, regional expansion, and product diversification, while reinforcing our employer brand.

Intellectual Capital

Harnessing Knowledge and Innovation for Resilience

At Assetline Finance Limited (AFL), intellectual capital is the vital force powering our growth, compliance, and innovation. In 2024/25, we focused on deepening our institutional knowledge, strengthening governance systems, and embedding sustainability principles across our operations. Our intellectual capital encompasses the collective expertise of our people, our proprietary digital systems, certifications, processes, and governance frameworks that together create long-term value.

This year, AFL's commitment to intellectual capital was reflected in strategic investments in quality certifications, anti-money laundering systems, and environmental and social governance (ESG) integration. By institutionalising knowledge through technology and structured frameworks, we fortified our resilience in a dynamic financial sector.

Key Milestones and Achievements: Strengthening Our Intellectual Edge

Our progress in 2024/25 underscores the centrality of intellectual capital to AFL's success. Notable milestones include:

Initiative	Achievement
ISO 9001:2015 Certification	Achieved global standard for quality management
KTMS AML System Implementation	Established comprehensive anti-money laundering framework
ESG Policy Integration	Embedded sustainability principles into governance and lending
Environmental & Social Management System (ESMS)	Launched formal ESG screening for lending activities
Predictive Credit Scoring in OCA	Integrated automated risk scoring in credit approvals
Customer Protection Framework Compliance	Maintained CBSL standards for customer rights and transparency
Deployment of WorkHub24	Introduced digital workflow and knowledge-sharing platform
Automation System (DAS) for Onboarding Business Partners	Digitised onboarding using OCR technology for business partners.

INTELLECTUAL CAPITAL

Strategic Direction: Driving Knowledge-Driven Transformation

AFL's intellectual capital strategy aligns with our commitment to innovation, governance excellence, and customer-centricity. By investing in systems, compliance, and institutional knowledge, we reinforce competitive advantage and future readiness.

Material Topics and SDG Contributions

Our initiatives support key Sustainable Development Goals (SDGs):

SDG	AFL Contribution
4 QUALITY EDUCATION	Ongoing staff training, compliance education, knowledge sharing
8 DECENT WORK AND ECONOMIC GROWTH	Investing in developing employee capabilities to develop a productive and skilled workforce that encourages sustained economic growth and decent employment.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Digital platforms, AML systems, proprietary credit solutions
10 REDUCED INEQUALITIES	AFL contributes to reducing inequalities by enabling the design and delivery of inclusive financial products and services, tailored for underserved communities and SMEs.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Enhanced governance, ethical compliance, transparency

Material Topics:

- Governance certifications and quality systems
- Ethical and regulatory compliance
- Knowledge management platforms
- ESG integration into lending and governance
- Proprietary digital asset development

Context for 2024/25: Building Intellectual Capacity Amid Transformation

During a year marked by economic recovery and tighter regulations, AFL's intellectual capital proved critical in adapting to compliance requirements, embedding sustainability, and digitalising operations. Our integrated digital platforms facilitated faster business decisions, improved compliance monitoring, and enabled knowledge sharing across all levels.

Priority Focus Areas: Advancing Intellectual Capital Leadership

1. Governance and Quality Certification

In 2024/25, AFL secured ISO 9001:2015 certification, positioning our operations within global standards of quality and customer service. The Board-level Integrated Risk Management Committee (BIRMC) strengthened governance oversight, integrating quality management and enterprise risk controls.

2. Strengthening Compliance and Ethical Conduct

We reinforced our compliance frameworks by deploying the KTMS AML system and strengthening reporting structures. Compliance audits, continuous reviews, and adherence to the CBSL Customer Protection Framework underscored our commitment to ethical, transparent operations.

3. Embedding Sustainability Knowledge

Our ESG Policy and the launch of the Environmental & Social Management System (ESMS) formalised ESG screening within credit evaluations. The ESMS now spans 15 sector-specific assessments aligned with IFC guidelines, reinforcing sustainability as a governance pillar.

4. Expanding Digital Intellectual Assets

AFL deepened its digital intellectual capital through proprietary systems including the Online Credit Appraisal (OCA), Dealer Automation System (DAS), KTMS AML platform, and WorkHub24. These platforms institutionalise compliance, automate evaluations, and digitise workflows to support operational agility.

5. Fostering a Knowledge-Driven Culture

We invested in a culture of continuous learning by delivering compliance, ESG, and risk management training across branches. WorkHub24 facilitated cross-functional knowledge sharing and access to learning resources, embedding knowledge as a driver of innovation.

Performance Metrics: Intellectual Capital Indicators

Indicator	Result 2024/25
ISO Certifications Achieved	ISO 9001:2015
Compliance Trainings Delivered	100% coverage across branches
Proprietary Systems Launched	OCA, DAS, KTMS AML, WorkHub24
ESG Screening Operationalised	15-sector ESMS implemented

Looking Ahead

Scaling Knowledge for Long-Term Impact

AFL's intellectual capital strategy has cemented our leadership in governance, compliance, and innovation. By nurturing knowledge, systems, and ethical practices, we create enduring stakeholder value and pave the way for sustainable, resilient financial leadership.

In 2025/26, AFL aims to deepen predictive analytics for credit and risk assessment, align intellectual capital reporting with GRI standards, expand ESG screening to new sectors, build collaborative sustainability knowledge partnerships, and scale digital learning platforms.

STRENGTH THROUGH GOVERNANCE

Our commitment to robust governance and proactive risk management ensures transparency, accountability, and resilience, safeguarding our business and stakeholders in a dynamic global environment.

GOVERNANCE REPORTS

RISK MANAGEMENT DISCUSSION

Overview: Strengthening Resilience Amid Uncertainty

In a year shaped by evolving regulatory pressures, macroeconomic recovery, and accelerating digital adoption, Assetline Finance Limited (AFL) prioritised a robust, organisation-wide risk management framework to safeguard operational and financial sustainability. The FY 2024/25 saw AFL enhance its risk surveillance tools, strengthen its governance infrastructure, and foster a risk-aware culture across every level of the business.

By integrating forward-looking assessments and data-driven evaluations, risk at AFL is not viewed as a barrier but as a lever for value creation. The Company's dynamic response mechanisms allowed it to stay agile, proactively mitigate exposure, and build lasting stakeholder confidence.

Risk Highlights for 2024/25: Measuring Control and Resilience

AFL's strategic approach to managing enterprise risk yielded positive results across multiple domains. The table below summarises key risk areas, primary focus themes, and year-end performance outcomes, demonstrating our commitment to maintaining stability in uncertain conditions.

Risk Category	Focus Areas	Performance Outcome
Credit Risk	Borrower screening, sector exposure, internal valuation, centralised approvals and regular credit trainings	Non-Performing Advance ratio reduced to 1.3%, the best in 5 years; 46% year-on-year portfolio growth
Liquidity Risk	ALCO oversight, funding diversification, maturity matching, stress testing	Over Rs. 50 billion in total assets with uninterrupted liquidity assurance , maintaining adequate capital adequacy ratio & liquidity ratio
Operational Risk	Branch audits, risk self-assessments, monthly KRI tracking	Increased compliance and branch-level accountability
Market & Interest Rate Risk	Strategic pricing, stress testing, duration alignment	Interest margins preserved; volatile market impact mitigated
Cybersecurity & IT Risk	DR sites, endpoint security, centralised monitoring	Zero breaches; 99.5% systems uptime; 13 branches upgraded to fiber connections
Compliance Risk	AML protocols, audit frequency, legal updates	Maintained 100% compliance with all Central Bank and regulatory requirements

Integrated Risk Governance: Our Enterprise-Wide Framework

Enterprise Risk Management (ERM) at AFL is built on a holistic foundation that connects people, processes, technology, and governance into a centralised strategy. Our ERM strategy goes beyond compliance, embedding risk consideration into every business decision while promoting sustainable growth.

During 2024/25, the Company maintained:

- Department-specific risk registers updated monthly
- Heat maps and risk impact-likelihood matrices
- Routine stress testing of financial and operational exposures
- Monthly risk assessment meetings with department heads
- Governance by the Board Integrated Risk Management Committee (BIRMC)

Establishing Risk Appetite and Tolerance Parameters

A clearly articulated risk appetite statement guides decision-making across all business lines. The thresholds reflect our strategic ambition, regulatory obligations, and stakeholder expectations. The FY 2024/25 reaffirmed our risk appetite through revised tolerances and expanded monitoring.

Key boundaries include:

- Exposure caps by sector and product for credit risk
- Adequate liquidity reserves and funding diversification limits
- Strict environmental and social risk exclusion criteria using the Environmental and Social Management System (ESMS)
- Zero tolerance for fraud, money laundering, and employee misconduct

RISK MANAGEMENT DISCUSSION

A Structured Risk Model: The Three Lines of Accountability

Effective risk management begins with clear responsibility. Our "Three Lines of Defense" framework delineates ownership, oversight, and assurance functions, allowing for accountability across all operational levels.

Line of Defense	Responsibility Description
First Line	Business units manage day-to-day risk exposure; perform initial risk identification and control validation
Second Line	Risk and Compliance teams define policies, monitor limits, and validate internal controls. The Internal Audit independently evaluates the risk management effectiveness.
Third Line	The Board Integrated Risk Management Committee (BIRMC) and the Board Audit Committee (BAC) evaluates risk monitoring and the adequacy of internal controls and reports to the Board.

Governance Architecture: Board-Led Risk Oversight

Risk management governance at AFL is coordinated through several oversight bodies with delegated mandates. These include the Credit Committee, the Asset and Liability Committee, and the IT Steering Committee, the Procurement Committee, the Senior Management Committee, the Cross Functional Committee. Each committee meets regularly to monitor risk indicators, policy implementation, and regulatory compliance.

Senior leadership, including the Director and Chief Executive Officer, is directly involved in Credit risk review sessions, reinforcing our top-down commitment to accountability.

Technology and Risk Intelligence: Our Digital Backbone

AFL leverages digital tools to strengthen early warning capabilities, automate monitoring, and accelerate response. Systems are designed to gather, analyse, and flag risk indicators in real time, enabling swift mitigation and better operational planning.

Key elements include:

- Real-time dashboards displaying key risk indicators and threshold alerts
- Updated departmental risk registers with historical trends and forecasts
- Heat mapping tools for scenario analysis
- Stress testing of credit defaults, liquidity mismatches, and cyber threats

Embedding a Culture of Risk Awareness and Ownership

At AFL, cultivating a strong, enterprise-wide risk culture is fundamental to sustainable growth and organisational resilience. The FY 2024/25 saw continued efforts to ensure every employee from front-line marketers to senior leadership understands, identifies, and mitigates risk within their operational domain.

Risk ownership is instilled through clear structures and ongoing education.

Every department is actively engaged in monthly one-on-one reviews with the Risk Unit to update their specific risk registers and assess performance through heat maps and impact-likelihood matrices. This direct engagement promotes accountability and continuous improvement at the operational level.

Furthermore, risk awareness is reinforced through:

- Regular training sessions for marketers, credit officers, and branch heads on Environmental & Social (ES) risk identification
- Compliance and policy orientation to align teams with Central Bank of Sri Lanka (CBSL) regulations
- Department-level Key Risk Indicators and Self-assessment Questionnaires
- Monthly branch-level leadership visits by senior management

Strategic Risk: Anticipating and Adapting to Change

Strategic risk is driven by internal and external uncertainties that could impact AFL's long-term objectives. FY 2024/25 saw a dynamic market recovery, to which AFL responded through a combination of business continuity planning, product diversification, and scenario-based planning.

Initiatives included:

- Realignment of branch network to emerging customer hubs
- Strategic partnerships to expand credit and leasing services
- Inclusion of geopolitical and inflationary risks in stress test models

Credit Risk: Safeguarding Asset Quality

Credit risk is the cornerstone of our financial prudence. AFL ensures lending decisions are guided by rigorous appraisals, predictive analytics, and layered approval structures.

Credit risk controls in 2024/25 included:

- Mandatory second valuations for four-wheeler facilities
- LTV limits based on conservative value estimates within the regulatory guidelines
- Online credit appraisal system assigning internal credit ratings
- Credit committee chaired by the Chief Executive Officer
- Post-disbursement monitoring of financial covenants
- Regular trainings on credit related defaults

Liquidity Risk: Managing Financial Obligations Proactively

Liquidity risk management is aimed at ensuring AFL's ability to meet cash flow needs under normal and stressed conditions. The Company maintained adequate buffers and conducted maturity profiling on a monthly basis.

2024/25 measures included:

- ALCO meetings to assess short-term funding gaps
- Periodic liquidity stress testing
- Increased reliance on deposit mobilisation to stabilise funding mix through international funding lines

Interest Rate Risk: Aligning Profitability with Market Volatility

Interest rate fluctuations directly influence AFL's lending and funding margins. The Company responded with a disciplined repricing strategy and proactive rate monitoring.

Key measures:

- Gap analysis between rate-sensitive assets and liabilities
- Rate simulation models to assess profitability sensitivity
- Flexible repricing based on central bank policy signals

Operational Risk: Strengthening Day-to-Day Integrity

Operational risk encompasses process errors, human failures, and external disruptions. AFL deployed multiple controls to protect operations and ensure branch-level resilience.

Risk controls included:

- Monthly senior management branch inspections
- Standardised self-assessment questionnaires per department
- Centralised incident tracking and escalation framework including regular customer surveys help understand customer service lapses. Further, centralised customer complaint handling process helps address customer complaints in a speedy and efficient manner.

Cybersecurity and Technology Risk: Protecting Digital Infrastructure

With critical systems hosted on cloud environments and increased data volumes, AFL expanded its cybersecurity posture through investments in monitoring and protection tools.

Highlights from 2024/25:

- Security Operations Center with 24/7 surveillance
- Daily offline and cloud backups for disaster recovery
- Access controls with role-based authorisations and multi-factor authentication
- Implementation of WorkHub24 for workflow digitisation

Compliance Risk: Operating Within Legal Boundaries

Compliance risk is managed through well-defined frameworks that include routine training, regulatory updates, and external audits. AFL adheres to national and international standards for anti-money laundering, consumer protection, and fair lending.

Compliance efforts included:

- AML system (KTMS) implementation with automated alerts
- Periodic compliance audits tabled at the Board
- Staff training and certification programs across departments

Comprehensive Risk Outlook and Looking Ahead

AFL ends the financial year with robust risk management systems and a high degree of preparedness. While credit quality, liquidity, and compliance remained strengths, emerging risks in digital infrastructure, ESG, and economic shifts will demand deeper vigilance.

Looking ahead, the Company plans to:

- Expand ESG risk assessment frameworks
- Further digitise risk reporting and monitoring tools
- Continue enhancing stress testing models
- Strengthen supply chain and vendor risk governance

By embedding these initiatives into its strategic plan, AFL ensures that risk resilience becomes an enabler of growth rather than a defensive mechanism.

CORPORATE GOVERNANCE

At Assetline Finance Limited, Corporate Governance serves as the foundation of the Company's commitment to ethical leadership, disciplined operations, and sustainable value creation, recognizing that strong governance is fundamental to maintaining the confidence of shareholders, customers, employees, regulators, and the broader community.

The governance approach is underpinned by the principles of transparency, accountability, stewardship, and fairness. These principles guide strategic and operational decision-making, aligning with the Company's purpose of promoting financial inclusion and delivering long-term stakeholder value.

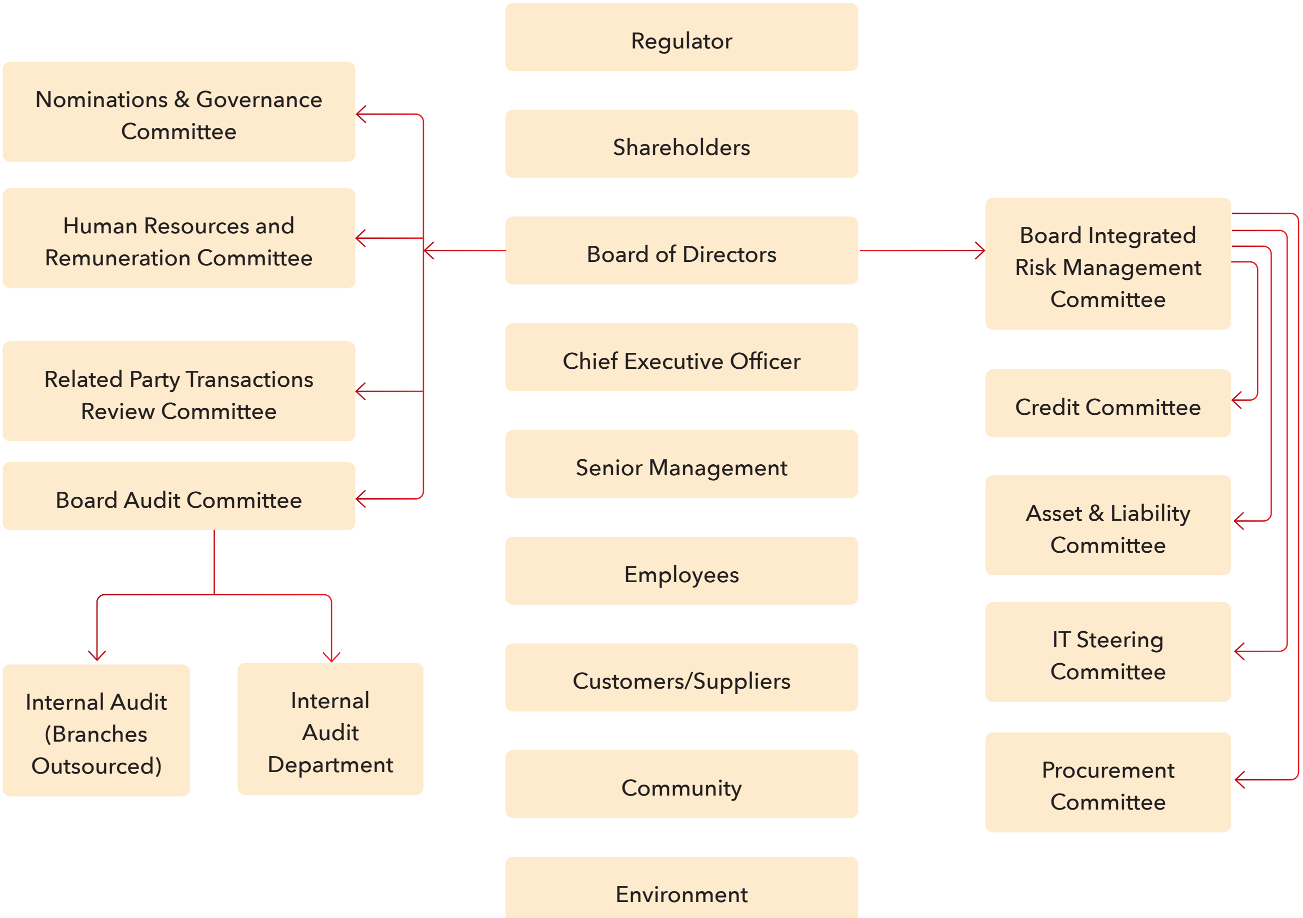
In a sector where trust is paramount, the Company remains focused on continuously enhancing responsible governance practices across all levels of the organization. By embedding ethical standards into its culture and operations, Assetline Finance Limited strives to uphold integrity, protect stakeholder interests, and strengthen its position as a dependable partner within the financial services landscape.

GOVERNANCE FRAMEWORK

The Board of Directors of Assetline Finance Limited holds apex responsibility for implementing sound governance structures and formulating policy frameworks, thereby effectively setting the tone at the top. Governance practices are reviewed and updated regularly to reflect regulatory changes, emerging risks and opportunities and internal changes. Governance Framework has been developed to comply with external & internal benchmarks, as listed below.

Regulatory benchmarks on corporate governance	Internal benchmarks on corporate governance
Companies Act No. 07 of 2007	Articles of Association of the Company
Finance Business Act No. 42 of 2011 and all Directions/ Guidelines issued by the Monetary Board of the Central Bank of Sri Lanka including Corporate Governance Direction No. 05 of 2021	Charters/Terms of Reference of Board, Subcommittees and Management Committees Board approved Corporate Governance Framework
The Code of Best Practice on Corporate Governance as published by the Institute of Chartered Accountants of Sri Lanka (voluntary)	Board approved Policies & Procedures Operational Circulars
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 and amendments thereto including new Act No. 19 of 2021	Policy on Anti-Money Laundering & Countering Financing of Terrorism
AML and CFT legislations and relevant rules and regulations issued by the FIU including Customer Due Diligence Rule 01 of 2016 and Financial Transactions Reporting Act No. 06 of 2006	
Inland Revenue Act No. 24 of 2017 and amendments thereto	

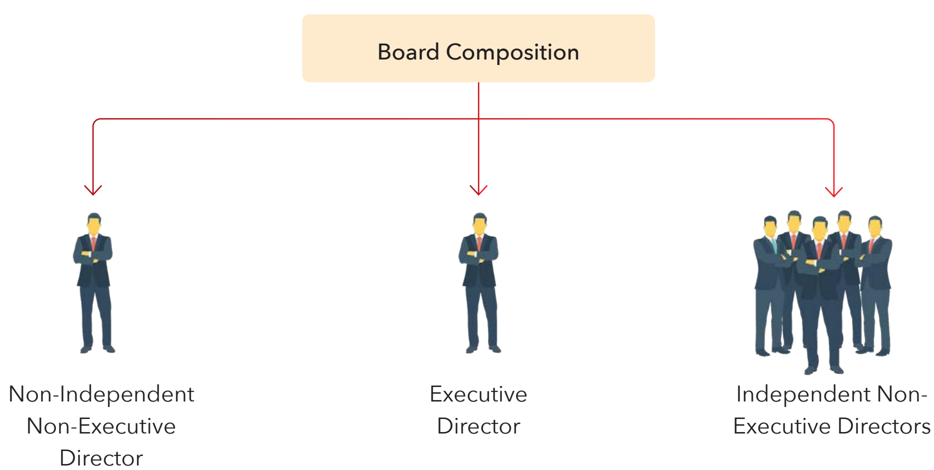
GOVERNANCE STRUCTURE



Board composition and expertise

The Board of Directors is ultimately responsible for ensuring that Assetline Finance Limited functions within a rigorous and effective governance structure. The Board provides ethical and entrepreneurial leadership, to safeguard stakeholder value creation within a framework of robust and effective controls. The Board is well balanced and competent to discharge their statutory and fiduciary duties, objectively and effectively. Careful consideration has been given to ensure that the Board has the right mix of skills and experience as well as varying perspectives.

The Board comprises 07 Directors of whom 05 are Independent Non-Executive Directors including 01 Director as Senior Independent Director among them. They have been appointed in compliance with the Finance Business Act Direction No. 05 of 2021 (Corporate Governance) supporting objectivity and performance oversight, particularly in financial and legal matters. All Board members have experience in business roles.



CORPORATE GOVERNANCE

Roles and responsibilities

The roles of the Chairman and Chief Executive Officer have been clearly defined, taking into consideration the business requirements of the Company. While upholding accountability, the Board has delegated specific responsibilities to the Board sub-committees and the Management team, with well-defined mandates and authority levels. Accordingly, the Board is supported by 05 sub-committees, each entrusted with oversight responsibilities in designated areas. This structure enables the Board to focus on key strategic priorities.

The Board Audit Committee, Human Resources and Remuneration Committee, Nominations & Governance Committee, Board Integrated Risk Management Committee, and the Related Party Transactions Review Committee assist the Board in discharging its governance responsibilities, as defined in the Finance Business Act Directions No. 05 of 2021 on Corporate Governance.

Committee	Composition	Areas of oversight
Board Audit Committee (BAC)	Mr. S L Athukorala - Chairman Mr. J Durairatnam - Member Mr. W M P L De Alwis - Member Mr. M J S Rajakariar – Member	◆ Compliance with financial reporting requirements ◆ Adequacy and effectiveness of internal controls ◆ Assessment of the independence and performance of the external auditors ◆ Make recommendations to the Board pertaining to external auditors, including remuneration and terms of engagement ◆ Review the adequacy of the scope and functions of the internal audit department
Human Resources and Remuneration Committee (HRRC)	Mr. M J S Rajakariar – Chairman Mr. M N R Fernando – Member Mr. K A H Kuruppu - Member	◆ Considering and recommending to the Board, the broad policy for the remuneration package of Executive Directors, Non-Executive Directors, and Key Corporate Management ◆ Review the performance of the senior management against the set targets and goals ◆ Operate remuneration structures that are aligned with best market practice
Nominations & Governance Committee (N&GC)	Mr. J Durairatnam - Chairman Mr. S L Athukorala - Member Mr. W M P L De Alwis - Member	◆ Recommending new appointments and re-election of Directors and senior management ◆ Ensuring governance-related legal and regulatory requirements of Directors to hold office ◆ Overseeing Board and senior management succession plans
Related Party Transactions Review Committee (RPTRC)	Mr. W M P L De Alwis - Chairman Mr. S L Athukorala - Member Mr. J Durairatnam - Member Mr. M J S Rajakariar - Member	◆ Establishing a policy framework and process to review related party transactions of the Company ◆ Ensuring that due process is followed for all related party transactions ◆ Determining whether related party transactions to be entered into by the Company require Board or shareholder approval ◆ Ensuring that Annual Report disclosures are made as required by the Finance Business Act Direction on Corporate Governance
Board Integrated Risk Management Committee (BIRMC)	Mr. J Durairatnam - Chairman Mr. W M P L De Alwis - Member Mr. M N R Fernando - Member	◆ Adequacy and effectiveness of risk management processes ◆ Ensuring compliance with the relevant regulations and legislation ◆ Review the adequacy and effectiveness of senior management-level committees ◆ Assess the performance of the compliance function

The Board's contribution to value creation in FY 2024/25

Strategy

Formulation of the strategic direction to create shared and sustainable stakeholder value. Given the unprecedented operating conditions that prevailed during the year, the Board engaged proactively with the business to ensure continuity of operations amidst volatile business conditions.

Shaping the corporate culture

Board members model ethical behaviour in their decisions and actions and their conduct sets the tone for the entire organisation. The Board maintains transparency in Board activities and decisions to build trust and accountability.

Risk management

The Board assisted by the Board Integrated Risk Management Committee, ensures effective risk management. Effective risk management is underpinned by the Company's comprehensive risk management framework, which is structured to identify, assess, and mitigate potential risks.

Stakeholder engagement

The Board plays a pivotal role in fostering robust stakeholder engagement, which is crucial for building trust, enhancing reputation, and ensuring long-term success. By establishing clear channels for stakeholder interaction and ensuring regular, honest updates, the Board maintains an ongoing dialogue with all stakeholders.

Meeting attendance

The Board meets monthly to review performance and progress against strategy and to assess risks arising from the operating environment. The agenda and Board Papers for meetings are generally sent 03 days before the meeting, allowing members sufficient time to review the same.

Name of Director	Date of Board Meetings																	Total
	10/04/2024	13/05/2024	27/05/2024	11/06/2024	15/07/2024	15/08/2024	03/09/2024	11/09/2024	11/09/2024	10/10/2024	16/10/2024	13/11/2024	11/12/2024	15/01/2025	14/02/2025	14/02/2025	12/03/2025	17
Mr. D. M. R. K. Dissanayake	✓	✓	✓	✓	✓	✓	✓	✓	✓	E	E	E	E	E	-	-	-	9/14
Mr. M. N. R. Fernando	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	17/17
Mr. S.L. Athukorala	✓	✓	✓	✓	✓	✓	✓	E	E	✓	✓	✓	✓	✓	✓	✓	✓	15/17
Mr. J. Durairatnam	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	17/17
Mr. W. M. P. L. De Alwis	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	17/17
Mr. A. Nissanka	✓	✓	✓	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✓	N/A	✓	15/15
Mr. K. A. H. Kuruppu	✓	✓	✓	E	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	16/17
Mr. M. J. S. Rajakariar (Appointed on 16 October 2024)	-	-	-	-	-	-	-	-	-	-	✓	✓	✓	✓	✓	✓	✓	7/7
Ms. R. M. A. S. Parakrama (Resigned on 17 September 2024)	✓	✓	✓	✓	✓	✓	E	E	E	-	-	-	-	-	-	-	-	6/9
Total	8/8	8/8	8/8	7/8	8/8	8/8	7/8	6/8	5/7	6/7	7/8	7/8	7/8	7/8	7/7	6/6	7/7	

Strengthening Governance through Continuous Improvement

Building on our established governance foundations, Assetline Finance Limited remains committed to the continuous enhancement of key practices. We aim to further integrate ESG principles into our governance processes by strengthening existing internal frameworks and deepening alignment with stakeholder expectations. Additionally, we seek to advance the effectiveness of Board oversight by enhancing current performance evaluation mechanisms and incorporating external perspectives where beneficial. These ongoing efforts reflect our dedication to upholding regulatory expectations, reinforcing accountability, and fostering long-term value creation in a dynamic and evolving environment.

CORPORATE GOVERNANCE

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 holds overall responsibility and accountability for the operations of the Company as required by regulation.
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.	The Board has approved the Strategic Business Plan for FY 2025/26 to FY 2027/28 and the budget for FY 2025/26. Corporate performance is systematically evaluated against predefined 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 Board of Directors conducts an annual assessment of the governance framework.
1.2.d	Appoint the Chairman and the Chief Executive Officer and define the roles and responsibilities.	The Board has approved the Roles, Functions and Responsibilities of the Chairman and Director & Chief Executive Officer (CEO), in compliance with the Section 6.4 and 6.5 of the Finance Business Act Direction No. 05 of 2021. The Chairman and CEO positions are held by 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 on one individual. A clear division of responsibilities exists between the governance activities of the Board and the day-to-day operations of the Company, ensuring a balanced distribution 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.

Section	Corporate Governance Principle	Compliance
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.
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, emphasizing the Company's commitment to the value of acting with integrity.
1.3.c	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	The Company has initiated efforts to promote sustainable finance by integrating Environmental, Social, and Governance (ESG) principles into its business strategy.
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 that covers the requirements of the Section.
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.	The Company has established robust systems (from the onboarding stage) and controls to prudently identify, mitigate, and manage risks. The Board Integrated Risk Management Committee (BIRMC) maintains a strong focus on overseeing these activities.
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 has delegated the responsibility for periodically assessing the adequacy and effectiveness of the Company's internal control systems and management information systems to the Board Audit Committee (BAC). The Internal Audit Department conducts annual audits, with findings presented to the BAC and subsequently reported to the Board for review and recommendations.
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 2024/25.
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 actively commit sufficient time and effort to thoroughly address matters pertaining to the Company's affairs, ensuring effective oversight and strategic decision-making.
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.

CORPORATE GOVERNANCE

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.	The Board regularly reviews and determines the training and development needs of its members to ensure continuous growth and effectiveness. During the FY 2024/25, the following training programs were conducted for Board members: ◆ Awareness on AML & CFT ◆ Awareness on Anti Corruption Act No. 09 of 2023 ◆ Awareness on Personal Data Protection Act No. 09 of 2022
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.	The Board complies with the Section, and all associated documents are maintained by the Company Secretary for record-keeping.
1.5.e	The Board shall resolve to obtain external, independent, professional advice to the Board to discharge duties to the FC.	The Board complies with the relevant Section and has sought external professional advice to address specific matters concerning the Company during the financial year.
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.	The Board has identified senior management in accordance with Corporate Governance directives and has clearly defined their respective areas of authority.
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 Nominations & Governance 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 Nominations & Governance Committee and determined through the recruitment process.
1.6.d	Ensuring there is appropriate oversight of the affairs of the FC by senior management.	The Board oversees the Company's affairs managed by senior management through various mechanisms. Clear roles and responsibilities have been defined for the Director & CEO and Key Responsible Persons (KRPs). The KRPs are required to present updates to the Board members during Operational Review Meetings (ORM), which are actively attended by the Board.
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.

Section	Corporate Governance Principle	Compliance
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 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 sub committees.
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, Security Exchange Commission and other regulatory entities. 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.	The Board is acutely aware of the potential civil and criminal liabilities arising from any failure to diligently discharge their duties. Consequently, significant emphasis is placed on understanding and addressing directors' liabilities. The Legal and Compliance Departments provide monthly updates on Directors' liabilities, incorporating any new acts, directions, or regulations issued by governing authorities.
2.	**GOVERNANCE FRAMEWORK**	
2.1	Board shall develop and implement a governance framework in line with the Finance Business Act Directions 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.	The Board comprises 07 members, ensuring a balanced mix of skills and experience appropriate to the Company's size, complexity, and risk profile.

CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance
3.2	The number of directors on the Board shall not be less than 7 and not more than 13.	The Board consists of 07 Directors, which is within the statutory requirement. Following were the Directors of the Company during FY 2024/25.
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 tenure of all Directors during the FY 2024/25 is less than 09 years.

	Name	Designation
1	Mr. D.M.R.K. Dissanayake (From 2019 to 2025)	Non-Independent Non-Executive Chairman
2	Mr. S.L. Athukorala	Senior Independent Non-Executive Director
3	Ms. R.M.A.S. Parakrama (From 2017 to 2024)	Non-Independent Non-Executive Director
4	Mr. J. Durairatnam	Independent Non-Executive Director
5	Mr. W.M.P.L. De Alwis	Independent Non-Executive Director
6	Mr. A. Nissanka	Director & CEO
7	Mr. K.A.H. Kuruppu	Non-Independent Non-Executive Director
8	Mr. M.N.R Fernando (Appointed as Director on 10 April 2024 and as Chairman on 18 March 2025)	Chairman/ Independent Non-Executive Director
9	Mr. M. J.S. Rajakariar (Appointed on 16 October 2024)	Independent Non-Executive Director

Section	Corporate Governance Principle	Compliance
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 09 years of service as at 31 March 2025.
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.	No such circumstance transpired during the FY 2024/25
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.	Mr. A. Nissanka is the only Executive Director of the Company who currently holds the position of Director & CEO.
3.5.d	All Executive Directors shall have a functional reporting line in the organization structure of the FC.	
3.5.e	The Executive Directors are required to report to the Board through the CEO.	

CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance
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 directorship or senior management positions in any other Company.
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, competency 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 have been appointed or function as the CEO/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 05 Independent Non-Executive Directors. The composition of the Board of Directors is published on pages 17 to 21 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 17 to 21.
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.	No such circumstance transpired during FY 2024/25.
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.	No such circumstance transpired during the FY 2024/25
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. K.A.H. Kuruppu

Section	Corporate Governance Principle	Compliance
3.7.c.iv	Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director.	In FY 2024/25, no such circumstance transpired.
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 2024/25, 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. 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. 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 2024/25, 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 2024/25, no such circumstance transpired.

CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance
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 2024/25, no such circumstance transpired.
3.8	**Alternate Directors**	There were no Alternate Director appointments.
3.9	**Cooling off Periods**	In 2024/25, no such appointments were made.
3.10	**Common Directorships**	
3.10	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 2024/25.
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 2024/25, 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.	Mr. S L Athukorala who attained the age of 70 years on 10 September 2024, continued to serve as a Director in accordance with Section 4.3, with the approval granted by the Director of the Department of Supervision of Non-Bank Financial Institutions.

Section	Corporate Governance Principle	Compliance
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:	Mr. S L Athukorala who attained the age of 70 years on 10 September 2024 was permitted to continue in office as Director under this Section by fulfilling all the requirements of the Direction with the approval of Director of the Department of Supervision of Non-Bank Financial Institutions.
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.	
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).	
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.	The Board consists of 07 Directors and only 01 Director has exceeded 70 years of age during the year 2024/2025.
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.	Mr. S L Athukorala, the Director concerned, had completed a minimum period of 03 continuous years in office, as at the date of the approval.
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. 06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons for appointments, resignations, or removals.
6.	**THE CHAIRPERSON 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.	During the year, Mr. D M R K Dissanayake, Non-Independent Non-Executive Chairman ceased from Chairmanship and the Board appointed Mr. M N R Fernando Independent Non-Executive Director as the Chairman of the Company. Mr. S L Athukorala, who was appointed as Senior Independent Non-Executive Director, on 01 October 2019 continued office. Terms of Reference of the Senior independent Non-Executive Director is in place. Non-Executive Directors, including Senior Director have assessed the Chairman's performance for FY 2024/25.

CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance
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. Company Secretary prepares the agenda in consultation with the Chairman, as this function has been delegated to the Company Secretary by the Chairman. The Board approved communication policy is in place for communication with all stakeholders. Annual assessment of the performance and the contribution during the past 12 months of the Board and the CEO have been completed.
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.	
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.	
6.4.j	Annual assessment of the performance and the contribution during the past 12 months of the Board and the CEO.	

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:	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.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.	
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. 17 Board Meetings were held during FY 2024/25 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.

CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance
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 for the end of the previous year, enabling the Board of Directors to attend meetings. Directors are given a notice of at least 03 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.
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 2024/25, 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 their 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 has complied with this Section.
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 to the 'Directors' Attendance at Board Meetings ' table given on page 73 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.

Section	Corporate Governance Principle	Compliance
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.	The Company is compliant with this section.
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.
8.4	The Company Secretary shall maintain the 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. Minutes of the Board meetings are maintained as stipulated by law.
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.	
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.	

CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance
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.	The 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.
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**	
10.1.a	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), Nominations & Governance Committee (N&GC), 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 15 BAC meetings and 06 BIRMC meetings held during the FY 2024/25,, which comply with the requirements. In addition, there were 05 RPTRC meetings and 02 N&GC meetings and 02 HRRC Meetings Please refer 'Directors' Attendance and Committee Memberships' table given from pages 117 to 124 of the Annual Report.

Section	Corporate Governance Principle	Compliance
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 sub-committees are disclosed on pages 117 to 124 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 such secretarial functions under the supervision of the Chairperson of the committee.	The Company Secretary is the Secretary to BAC, RPTRC, N&GC and HRRC. Further, the Head of Enterprise Risk Management is the secretary to BIRMC for the FY 2024/25 under review. The Company Secretary discharges her secretarial functions under the supervision of the Chairmen of the sub-committees. Performance, duties, and functions of all sub-committees are disclosed on pages 117 to 124 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 sub-committees consist of Board members and the performance, duties, and functions of all sub-committees are disclosed on pages 117 to 124 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 Chairs and the Members of the Board sub-committees will be taken into consideration for rotation.
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 served as the Chairman of the Oversight Committee of the United Nations Industrial Development Organization, Vienna, Austria, for 06 years (effective July 2017), among others.

CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance
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 (BAC) comprises the following Members.

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 (Upto 17 September 2024)	Member	Non-Independent Non-Executive Director
Mr. W.M.P.L. De Alwis	Member	Independent Non-Executive Director
Mr. M J S Rajakariar (Appointed on 26 January 2025)	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 (E&Y) 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.	E&Y functions as the External Auditor of the Company. The Company is in compliance with this Direction.
	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.

Section	Corporate Governance Principle	Compliance
	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. The policy has precisely identified the permitted services, prohibited services, approval process and reporting requirements.
	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 Finance Statements 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.	Bi-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 judgments 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 02 meetings with the External Auditors, without the Executive Management being present, to discuss any matters (if any) the auditor may wish to discuss.

CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance
	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 reviewed the External Auditor's Management letter and management responses thereto, relating to the audit for the year ended 31 March 2024 and shall review the same for the financial year ended 31 March 2025.
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 114 to 115 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 Department.
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 Department 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 Department.

Section	Corporate Governance Principle	Compliance
	(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 year 2024/25.
	(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.
10.3	**Board Integrated Risk Management Committee (BIRMC)**	
	The following shall apply in relation to the BIRMC	

CORPORATE GOVERNANCE

<table>
<tr><th>Section</th><th>Corporate Governance Principle</th><th>Compliance</th></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.
<table>
<tr><th>Name</th><th>Position</th><th>Designation</th></tr>
<tr><td>Ms. R.M.A.S. Parakrama (Ceased as Chairman of the Committee on 01 July 2024)</td><td>Chairperson</td><td>Non-Independent Non-Executive Director</td></tr>
<tr><td>Mr. J. Durairatnam (Appointed as Chairman on 10 April 2025)</td><td>Chairman</td><td>Independent Non-Executive Director</td></tr>
<tr><td>Mr. M.N.R. Fernando (Held the Chairman position from 01 July 2024 to 10 April 2025)</td><td>Member</td><td>Independent Non-Executive Director</td></tr>
<tr><td>Mr. A. Nissanka (Ceased as a member on 01 July 2024)</td><td>Member</td><td>Director & CEO</td></tr>
<tr><td>Mr. W.M.P.L. De Alwis</td><td>Member</td><td>Independent Non-Executive Director</td></tr>
</table>
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>
</table>

Section	Corporate Governance Principle	Compliance
10.3.b	The secretary to the committee may preferably be the CRO.	The HERM served as the Secretary to the BIRMC.
10.3.c	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;	The BIRMC plays a critical oversight role by assessing the impact of a wide range of risks, including credit, market, liquidity, operational, strategic, compliance, and technology of the Company. This assessment is conducted at least once every 02 months and is informed by appropriate risk indicators and management information. Based on this analysis, the BIRMC provides informed recommendation to the Board on risk strategies and adjustments to the risk appetite, ensuring alignment with the Company's objectives and evolving risk landscape.
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.	Developing the Company's risk appetite through a risk appetite statement (RAS) is a critical responsibility that defines the individual and aggregate levels of risk the Company is willing to accept or avoid achieving its strategic business objectives. The RAS incorporates both quantitative measures such as metrics tied to earnings, capital, and liquidity, and qualitative measures to address reputational, compliance, and ethical risks, including money laundering. It also outlines the boundaries within which the Company is expected to operate, ensuring alignment between business strategy and risk taking. Furthermore, the RAS supports operational decision making and provides a clear framework for escalating risk issues and strategic concerns across the Company.
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 at least annually to maintain alignment with evolving risks and strategic priorities.
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 the following Management Level Committees. Asset and Liability Committee IT Steering Committee Credit Committee Procurement Committee

CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance
10.3.g	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Business Continuity Plan (BCP) & Disaster Recovery Plan (DRP) 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 2024/25.
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 supported by Board-Approved policies.
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 Compliance Officer has been appointed at the senior management level, with the compliance functions distinctly separated from business operations to ensure the independence of the role.
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.
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. Additionally, a compliance monitoring system is in place to ensure adherence to regulations and prevent any breaches.
	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 requirements and internal standards are monitored and periodically reviewed in accordance with a BIRMC approved compliance plan.

Section	Corporate Governance Principle	Compliance
	(iv) Understand and apply all new legal and regulatory developments relevant to the business of FC;	The Compliance Officer ensures that all new legal and regulatory requirements are clearly understood by all stakeholders and effectively implemented.
	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 HERM holds the primary responsibility for translating the Boards risk appetite into actionable processes. This involves ensuring that the Risk Appetite Statement (RAS) is integrated into day-to-day operations, maintaining oversight of key risk indicators, and continuously enhancing the risk management framework, and ensuring that the risk-taking activities remain within acceptable parameters.

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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: various potential risks and frauds possible sources of such risks and frauds; mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing. effective measures to control and mitigate risks at prudent levels; and 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 BIRMC ensures that the HERM plays a central role in developing and implementing a Board approved integrated risk management framework. The framework addresses: Identification and understanding of various potential risks and frauds. Analysis of possible sources and root causes of such risks and frauds Establishing mechanisms for identifying, assessing, monitoring, and reporting these risks, including both qualitative and quantitative approaches, with stress testing as a core component. Designing and implementing effective, control measures to mitigate risks within prudent thresholds Coordinating with relevant officers and committees to ensure accountability for control and mitigation efforts. Ensure that the framework is reviewed and updated at least annually to maintain alignment with evolving risks and strategic priorities.
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 Chairman of BIRMC briefs the Board on significant issues raised and decisions taken at the BIRMC meetings, enabling the Board to make risk based decisions.

<table>
<tr><th>Section</th><th>Corporate Governance Principle</th><th>Compliance</th></tr>
<tr><td>10.4</td><td>NOMINATION COMMITTEE</td><td></td></tr>
<tr><td></td><td>The following shall apply in relation to the Nomination Committee:</td><td></td></tr>
<tr><td>10.4.a.</td><td>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.</td><td>The Nominations & Governance Committee comprises the following Members.
<table>
<tr><th>Name</th><th>Position</th><th>Designation</th></tr>
<tr><td>Mr. J. Durairatnam</td><td>Chairman</td><td>Independent Non-Executive Director</td></tr>
<tr><td>Mr. D.M.R.K. Dissanayake (Ceased to be a Member on 25 January 2025)</td><td>Member</td><td>Non-Independent Non-Executive Chairman</td></tr>
<tr><td>Mr. S.L. Athukorala</td><td>Member</td><td>Senior Independent Non-Executive Director</td></tr>
<tr><td>Mr. W.M.P.L. De Alwis</td><td>Member</td><td>Independent Non-Executive Director</td></tr>
</table></td></tr>
<tr><td>10.4.b</td><td>Secretary to the nomination committee may preferably be the Company Secretary.</td><td>Secretary to the committee is the Company Secretary.</td></tr>
<tr><td>10.4.c</td><td>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.</td><td>Selection, nomination, appointment, and election of Directors & other KRPs are carried out with the recommendation of the Nominations & Governance Committee.</td></tr>
<tr><td>10.4.d</td><td>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.</td><td>The Committee ensures that this is complied with as per the terms of FBA Direction No. 06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.</td></tr>
<tr><td>10.4.e</td><td>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.</td><td>The selection process is carried out to conform with the stated section.</td></tr>
<tr><td>10.4.f</td><td>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.</td><td>The composition of the Board is not in any manner dominated by an individual or a small group of individuals.</td></tr>
</table>

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Section	Corporate Governance Principle	Compliance
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 has conformed to the stated section.
10.4.i	The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	The Company has conformed 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 N&GC and N&GC is responsible for the selection, nomination, appointment, election, and retirement of KRPs.
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 Nominations & Governance Committee are 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:	

<table>
<tr><th>Section</th><th>Corporate Governance Principle</th><th>Compliance</th></tr>
<tr><td>10.5.a</td><td>The committee shall be chaired by a Non-Executive Director and the majority of the members shall consist of Non-Executive Directors.</td><td>The Human Resources and Remuneration Committee (HRRC) comprises the following Members.
<table><tr><th>Name</th><th>Position</th><th>Designation</th></tr><tr><td>Mr.M. J. S. Rajakariar</td><td>Chairman</td><td>Independent Non-Executive Director</td></tr><tr><td>Mr. M. N. R. Fernando</td><td>Member</td><td>Independent Non-Executive Director</td></tr><tr><td>Mr. K.A.H. Kuruppu</td><td>Member</td><td>Non-Independent Non-Executive Director</td></tr></table></td></tr>
<tr><td>10.5.b</td><td>The secretary to the Human Resources and Remuneration Committee may preferably be the Company Secretary.</td><td>The Company Secretary functions as the secretary to the HRRC.</td></tr>
<tr><td>10.5.c</td><td>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.</td><td>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.</td></tr>
<tr><td>10.5.d</td><td>There shall be a formal and transparent procedure in developing the remuneration policy.</td><td>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.</td></tr>
<tr><td>10.5.e</td><td>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.</td><td>The Remuneration Policy will be reviewed annually. The reviewed policy is recommended by the HRRC and approved by the Board.</td></tr>
<tr><td>10.5.f</td><td>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.</td><td>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.</td></tr>
</table>

CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance
10.5.g	The committee shall review the performance of the senior management (excluding Chief Internal Auditor, Compliance Officer, Chief Risk Officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits, and other payments of performance-based incentives.	The 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.	An effective internal control system has been implemented, encompassing a Board-approved organizational structure, segregation of duties, transparent reporting lines for management, and operational procedures and policies in all necessary areas of the Company. This comprehensive system is designed to minimize operational risks. The Board has taken measures to ensure the effectiveness and adherence to the internal control mechanism through various processes, as mentioned in the Directors' Statement on Internal Control on pages 114 to 115 of the Annual Report. Additionally, the External Auditor has provided an independent assurance of the Directors' Statement on Internal Control over Financial Reporting on pages 114 to 115 in the Annual Report.
11.2	A proper internal control system shall: promote effective and efficient operations; provide reliable financial information; safeguard assets; minimize the operating risk of losses from irregularities, fraud, and errors; ensure effective risk management systems; and 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.	
12.	**RELATED PARTY TRANSACTIONS**	
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following.	

<table>
<tr><th>Section</th><th>Corporate Governance Principle</th><th>Compliance</th></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) comprises the following Members.
<table>
<tr><th>Member</th><th>Position</th><th>Designation</th></tr>
<tr><td>Mr. P.L. De Alwis</td><td>Chairman</td><td>Independent Non-Executive Director</td></tr>
<tr><td>Mr. L. Athukorala</td><td>Member</td><td>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. Parakrama (Ceased to be a Member on 17 September 2024)</td><td>Member</td><td>Non-Independent Non-Executive Director</td></tr>
<tr><td>Mr. M. J. S. Rajakariar (Appointed on 10 April 2025)</td><td>Member</td><td>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 process is in place to ensure that approvals for Related Party Transactions (RPTs) are granted in compliance with regulatory requirements and governance standards.</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:
Granting accommodation;
Creating liabilities to the FC in the form of deposits, borrowings and any other payable;
Providing financial or non-financial services to the FC or obtaining those services from the FC.
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>The Related Party Transactions Review Committee (RPTRC) adheres strictly to the relevant section and regulatory guidelines.
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. Directors and senior management. Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. 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 Directors and senior management of legal persons in paragraph (b) or (c). Relatives of a natural person described in paragraph (a), (b) or (d). Any concern in which any of the 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 Committee has taken necessary steps to prevent any conflicts of interest arising from related party transactions. All transactions are conducted on an arm's-length basis, ensuring fairness and transparency.
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: Granting of "total accommodation" to a related party, exceeding a prudent percentage of the FC's regulatory capital, as determined by the committee. 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; Providing preferential treatment, such as favourable terms, that extends beyond the terms granted in the normal course of business with unrelated parties; Providing or obtaining services to or from a related party without a proper evaluation procedure; 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.	The Committee adheres strictly to the relevant sections and ensures that no transactions are conducted under "more favorable treatment". 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 treatment 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; Identify circumstances that constitute or may give rise to conflicts of interests. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. 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. 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. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and 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 pages 111 to 112 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 pages 190 to 191 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 values of remuneration paid for Directors' & Senior Management for FY 2024/25 was Rs. 401.6 Mn which is given on Note 40.2.1 of the Financial Statement.

CORPORATE GOVERNANCE

<table>
<tr><th>Section</th><th>Corporate Governance Principle</th><th>Compliance</th></tr>
<tr><td>(v)</td><td>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.</td><td>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 Chairman 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.

<table><tr><th>Related Party</th><th>Total Net Accommodation Granted</th><th>Net Accommodation Outstanding as a % of Core Capital</th></tr><tr><td>Directors and senior management.</td><td>12.6 Mn</td><td>0.09%</td></tr><tr><td>Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC.</td><td>-</td><td>-</td></tr><tr><td>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</td><td>4.3 Mn</td><td>0.03%</td></tr><tr><td>Directors and senior management of legal persons in paragraph (b) or (c).</td><td>42.8 Mn</td><td>0.29%</td></tr><tr><td>Relatives of a natural person described in paragraph (a), (b) or (d).</td><td>26.7 Mn</td><td>0.18%</td></tr></table>
The aggregate value of the transactions with its Affiliate Companies', Directors & relatives are as follows;

Deposits - Rs. 95.0 Mn</td></tr>
</table>

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.	Please refer 'Directors' attendance and Committee Memberships' tables are given on pages 117 to 124 of the Annual Report.
(vii)	Group Structure The group structure of the FC within which it operates. The group governance framework	Please refer 'The Group Structure' given on page 07 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.	Given on pages 111 to 112 of the Annual Report.
(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.	Given on pages 114 to 115 of the Annual Report.

CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance
(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 70 to 110 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 pages 12 to 14 on the same.
(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' Section on pages 27 to 65 and the CEO's Message on pages 15 to 16.
(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.

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

The Board of Directors of Assetline Finance Limited has pleasure in presenting their Report on the affairs of the Company together with the Audited Financial Statements of the Company for the year ended 31 March 2025.

Review of the Year

The Chairman's Message (pages 12 to 14), CEO's Message (pages 15 to 16) and Capital Reports (pages 41 to 65), describe the Company's affairs and mention important events that occurred during the year, and up to the date of this report. These reports together with the Audited Financial Statements reflect the state of affairs of the Company.

Principal Activities

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.

Independent Auditors' Report

The independent Auditors' report on the Financial Statements is given on pages 126 to 127 in this Annual Report.

Financial Statements

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 31 March 2025 have been prepared in accordance with Sri Lanka Accounting Standards, SLFRS/LKAS, issued by the Institute of Chartered Accountants of Sri Lanka and the requirement of Section 151 of the Companies Act No. 07 of 2007, 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 Financial Statements duly signed by the Directors are provided on pages 128 to 221 in this Annual Report.

Accounting Policies

The accounting policies adopted in preparing the Financial Statements are provided in notes to the Financial Statements on pages 134 to 221.

The accounting policies adopted are consistent with the previous financial year.

Directors' Responsibilities

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

The Directors statement on internal control is gven on pages 114 to 115.

Corporate Governance

The Company has complied with the Corporate Governance requirements as required by the Finance Business Act Directions (Corporate Governance) No.05 of 2021, the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2023. Details of the Company's adherence to these principles are provided in the Corporate Governance section on pages 74 to 110.

Dividend

In terms of Articles 6 of the Articles of Association an Interim cash dividend of Rs. 3.80 per share was approved by the Directors for the FY 2024/25 and was paid in April 2025, after obtaining the Central Bank approval for same.

The Board signed a Certificate of Solvency stating that the Company would satisfy the Solvency Test immediately after the said distribution is made in accordance with Section 57 of the Companies Act No. 07 of 2007.

The Directors obtained a Certificate of Solvency from the Auditors prior to the date of dispatch of the dividend payment.

Reserves

The Company's reserves and retained profits as at 31 March 2025 are shown in the statement of equity in the financial statements.

Stated Capital

As per the terms of the Companies Act No. 07 of 2007, the Stated Capital of the Company was Rs. 3.55 Bn as at 31 March 2025 comprising of 133,958,971 ordinary shares and was unchanged during the year. Details and movement of the stated capital are given in Note 35 to the Financial Statements.

Events after the Reporting Period

There were no material events occurred after the reporting date which required adjustments to or disclosure in the financial statements except for the payment of dividend.

Directors' Interests and Interest Register

Details of transactions with Director and related entities are disclosed in Note 40 to the Financial Statements and have been declared at the Board Meetings, pursuant to Section 192 of the Companies Act No. 07 of 2007

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

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

Directors' Declaration on Corporate Governance

The Directors declare that;

(a) the Company has complied with all applicable laws, regulations and prudential requirements in conducting business, and the Company has not engaged in any activity which contravenes laws and regulations.

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

(c) The Company has made all endeavours to ensure the equitable treatment for all stakeholders.

(d) The business is a going concern with supporting assumptions.

(e) A review of internal controls covering financial, operational and compliance controls and risk management has been conducted and reasonable assurance of their effectiveness and successful adherence has been obtained.

Code of Conduct

The Directors confirm that a Board-approved Code of Conduct is in place. The Chairman has further certified that there were no major incidents or material violations of any provisions of the Code during the FY 2024/25.

Environmental, Social & Governance

Embracing Sustainability on pages 35 to 40 contains the ESG intiatives undertaken by the Company.

Board Sub-Committees

Board Audit Committee

Following are the names of the Directors comprising the Audit Committee of the Board:

Mr. S.L. Athukorala - Chairman

Mr. J. Durairatnam - Member

Mr. W.M.P.L. De Alwis - Member

Mr. M. J. S. Rajakariar – Member

Board Integrated Risk management Committee

The following are the names of the Directors comprising the Board Integrated Risk management Committee of the Board:

Mr. J. Durairatnam – Chairman

Mr. M.N.R. Fernando – Member

Mr. W.M.P.L. De Alwis - Member

Related Party Transactions Review Committee

The following are the names of the Directors comprising the Related Party Transactions Review Committee of the Board:

Mr. W.M.P.L. De Alwis - Chairman

Mr. S.L. Athukorala - Member

Mr. J. Durairatnam - Member

Mr. M.J.S. Rajakariar – Member

Human Resources and Remuneration Committee

The following are the names of the Directors comprising the Human Resources and Remuneration Committee of the Board:

Mr. M. J. S. Rajakariar – Chairman

Mr. M.N.R. Fernando – Member

Mr. K.A.H. Kuruppu - Member

Nominations and Governance Committee

The following are the names of the Directors comprising the Nominations and Governance Committee of the Board:

Mr. J. Durairatnam - Chairman

Mr. S.L. Athukorala- Member

Mr. W.M.P.L. De Alwis - Member

Litigation against the Company

The total claim on pending litigations against the Company amounted to Rs. 48.5 Mn as at 31 March 2025. Having discussed these claims with legal experts, and after reviewing the information available, the Directors are of the view that no provisions are necessary as at the reporting date.

Donations

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

CSR Activities

During the year under review, the Company has engaged in initiatives of Corporate Social Responsibility, which accounted for Rs. 1.23 Mn.

Statutory Payments

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.

Fernando

Chairman

Director & Chief Executive Officer

Company Secretary

20 June 2025

INDEPENDENT ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING RESPONSIBILITY

EY
Shape the future with confidence

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Chartered Accountants
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ey.com

To the Board of Directors of Assetline Finance Limited.

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

We were engaged by the Board of Directors of Assetline Finance Limited (the "Company") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting (the "Statement") included in the annual report for the year ended 31 March 2025.

Management's responsibility

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

Our Independence and Quality Control

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

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

Our responsibilities and compliance with SLSAE 3051

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

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

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

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

Summary of work performed

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

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

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

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

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

Our conclusion

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

Ernst & Young

11 June 2025
Colombo

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

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

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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 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 report 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 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, 2025 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system of the Company.

By Order of the Board,

Chairman - Board Audit Committee

Chairman

Director & Chief Executive Officer

11 June 2025

GOVERNANCE IN ACTION

Our committees play a pivotal role in shaping strategy, ensuring compliance, and driving operational excellence, reinforcing our commitment to transparency, accountability, and stakeholder trust.

SUB COMMITTEE REPORTS

BOARD AUDIT COMMITTEE REPORT

Composition and Attendance

The Board Audit Committee (BAC) of the Company comprised the following Members in the Financial Year 2024/25.

Name	Position	Designation
Mr. S. L. Athukorala	Chairman	Senior Independent Director
Mr. J. Durairatnam	Member	Independent Non-Executive Director
Ms. R. M. A. S. Parakrama (Ceased to be a Member on 17 September 2024)	Member	Non-Independent Non-Executive Director
Mr. W. M. P. L. De Alwis	Member	Independent Non-Executive Director
Mr. M. J. S. Rajakariar (Appointed Member w.e.f. 26 January 2025)	Member	Independent Non-Executive Director

The BAC met 15 times during the FY 2024/25 and the attendance of the member of the BAC was as follows.

Name	Attendance	Percentage
Mr. S. L. Athukorala	15/15	100%
Mr. J. Durairatnam	15/15	100%
Ms. R. M. A. S. Parakrama	07/08	88%
Mr. W. M. P. L. De Alwis	15/15	100%
Mr. M. J. S. Rajakariar	03/03	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 2024/25, 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 2024/25, 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 Board Audit Committee reviews the Company's corporate governance framework to ensure compliance with the Corporate Governance Direction for Licensed Finance Companies issued by the Central Bank of Sri Lanka and best practices of Corporate Governance. During the year, the Committee reviewed the effectiveness of governance structures, internal controls, regulatory compliance, and ethical standards. It also recommended improvements where necessary to strengthen oversight mechanisms. The Committee remains committed to upholding transparency, accountability, and sound governance practices across the Company.

The BAC has established annual review of policies and procedures of the Company, such as the Whistle blower Policy, made necessary recommendations for Board approval

BOARD AUDIT COMMITTEE REPORT

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 2024/25.

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 2024/25 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 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. 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. The Board has implemented a policy on the engagement of the External Auditors to provide non-audit services, which was reviewed and approved by the Board of Directors in June 2024, upon the recommendation of the BAC.

Accordingly, the BAC has recommended to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants, be re-appointed as Auditors of the Company for the financial year ending 31 March 2026.

Lakshman Athukorala
Chairman
Board Audit Committee

11 June 2025

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Board Integrated Risk Management Committee (BIRMC) is a subcommittee appointed by the Board of Directors to oversee the Company's overall risk management framework and ensure that risk is identified, assessed, monitored, and mitigated in a structured and strategic manner.

Composition and Attendance

The composition of the BIRMC during the FY 2024/25 was as follows.

Name	Position	Designation	Period
Ms. R.M.A.S. Parakrama	Chairperson	Non-Independent Non-Executive Director	Appointed Chairperson from 11 January 2023 to 01 July 2024.
Mr. J. Durairatnam	Chairman	Independent Non-Executive Director	Member and appointed Chairman from 10 April 2025 to date.
Mr. M.N.R. Fernando	Member	Independent Non-Executive Director	Appointed Chairman From 01 July 2024 to 10 April 2025, continues as a member to date
Mr. W.M.P.L.De Alwis	Member	Independent Non-Executive Director	Member From 12 July 2023 to date
Mr. A. Nissanka	Member	Director & Chief Executive Officer	Ceased to be a member since 01 July 2024

The Company ensures full compliance with the composition requirements outlined in the Finance Business Act Directions No. 05 of 2021 on Corporate Governance from 01 July 2024, as per the transitional period granted by the Central Bank of Sri Lanka (CBSL), in line with the Company's conversion from a specialized leasing company to a finance company.

The BIRMC met 06 times during the FY 2024/25, in line with the Charter, attendance of members was as follows.

Name	Attendance	Percentage
Ms. R.M.A.S. Parakrama	02/02	100%
Mr. M.N.R. Fernando	04/04	100%
Mr. W.M.P.L.De Alwis	06/06	100%
Mr. J. Durairatnam	06/06	100%
Mr. A. Nissanka	02/02	100%

Scope and Responsibilities

The BIRMC supports the Board in the oversight of all significant risks, including credit, market, liquidity, operational, strategic, compliance, reputational, cyber, and technology risks. In the year under review, the Committee played a critical role in:

- Developing and refining the Company's Risk Appetite Statement (RAS), which defines the level of risk the Company is willing to take in pursuit of its strategic goals.
- Regular monitoring of the Risk Register, which captures both current and emerging risks, and reviewing risk tolerances using a blend of quantitative (e.g., capital adequacy, liquidity, earnings volatility) and qualitative (e.g., reputational impact) metrics.
- Reviewing updates on Environment, Social, Governance (ESG)-related risks, reflecting the Company's increased focus on sustainable finance and climate risk management in line with regulatory guidance and market expectations.
- Overseeing enhancements to data governance and cybersecurity controls, in response to the growing sophistication of digital threats and data privacy obligations.
- Facilitating the implementation of an early warning framework, designed to detect stress signals across business operations and financial exposures, enabling preemptive action.

The BIRMC continued to engage closely with the management risk functions, providing directional input on risk mitigation and strategic decisions.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

Oversight of Management Committees and plans

The BIRMC reviewed the adequacy and effectiveness of several senior management-level committees, including:

- Credit Committee
- Asset & Liability Committee (ALCO)
- IT Steering Committee
- Procurement Committee

It also reviewed the Company's Business Continuity Plan (BCP) and Disaster Recovery Plan. The Committee made recommendations to ensure operational resilience, especially in light of climate-related disruptions, cyber threats, and geopolitical uncertainty.

When risk exposures exceeded acceptable thresholds, the Committee advised corrective measures and, where appropriate, supported disciplinary actions aligned with Company policies.

Compliance Function

The BIRMC oversaw the independent Compliance Function, ensuring the Head of Compliance performed their duties as per regulatory expectations. During FY 2024/25, the Committee:

- Assessed the performance of the Head of Compliance.
- Reviewed the effectiveness of compliance controls in line with new regulations introduced by the CBSL and other regulatory bodies.
- Ensured the integration of compliance input in new product development and digital solution rollouts, with special attention to data protection, fair treatment of customers, and anti-money laundering (AML) standards.
- Monitored compliance incidents through the Monthly Risk Register and ensured timely remediation of issues raised.

Risk Management Function

The BIRMC provided strong oversight over the independent Risk Management Function, which is headed by the Company's Head of Enterprise Risk Management. This function plays a pivotal role in embedding a proactive risk culture across the organization.

Key activities included:

- Periodic review of risk controls and RAS alignment with business plans.
- Evaluating the adequacy of fraud detection systems and early-stage risk identification frameworks.
- Enhancing scenario analysis capabilities for assessing potential stress events.
- Promoting cross-functional collaboration for risk awareness and capacity-building at the operational level.

The Risk Register and detailed Risk Appetite Statement were submitted regularly to the BIRMC, which in turn briefed the Board on significant matters and risk-based decisions taken. The BIRMC also ensured that climate-related and ESG risks were incorporated into enterprise risk evaluations, in line with evolving regulatory frameworks and stakeholder expectations.

Conclusion

During the financial year 2024/25, the BIRMC provided strong leadership in strengthening the Company's risk governance framework. The Committee actively supported the integration of new risk initiatives, including enhanced ESG risk oversight, digital risk management, and strategic risk alignment. The BIRMC will continue to work collaboratively with the Board and management to ensure that the Company remains resilient, agile, and compliant in an increasingly complex risk environment.

Jegatheesan Durairatnam
Chairman
Board Integrated Risk Management Committee

11 June 2025

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

The Board of Directors of Assetline Finance Limited (the Company) has established the Board Nominations and Governance Committee (the Committee) to assist in fulfilling its responsibilities in relation to Board composition, succession planning, and senior management appointments. The Committee operates within its established Terms of Reference and works closely with the Board to review the organizational structure, assess leadership requirements, and ensure the Company is equipped with the necessary skills and competencies for sustainable success.

The Committee comprises the following Members.

Name	Position	Designation
Mr. J. Durairatnam	Chairman	Independent Non-Executive Director
Mr. D.M.R.K. Dissanayake (Ceased to be a member on 25 January 2025)	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 N&GC met 02 times during the FY 2024/25, and the attendance of the members was as follows

Name	Attendance	Percentage
Mr. J. Durairatnam	02/02	100%
Mr. D.M.R.K. Dissanayake	01/02	50%
Mr. S.L. Athukorala	02/02	100%
Mr. W.M.P.L. De Alwis	02/02	100%

At the invitation of the N&GC, Senior Management including the Director & Chief Executive Officer (CEO), the Chief Operating Officer (COO) and Assistant General Manager - Human Resources (AGM-HR), attended the meetings.

The Committee strictly ensured that none of its members participated in decisions regarding their own appointments or re-appointments.

Key Activities During the Year

1. Board and Senior Management Appointments

During the year, the Committee made recommendations to the Board concerning appointments and reappointments of Directors and key Senior Management personnel. In doing so, the Committee considered a comprehensive range of factors including expertise, strategic insight, professional qualifications, leadership competencies, diversity, independence, and reputation. These criteria ensured that appointees were well-positioned to support the Company's continued growth and governance.

2. Succession Planning

The Committee carried out an in-depth review of the Company's succession plans for Board and Senior Management roles. Recommendations were made to identify and prepare potential successors, particularly for critical leadership roles, to ensure seamless continuity and strategic alignment. This proactive stance helped secure organizational stability and maintained operational resilience.

3. Assessment of Fitness and Propriety

The Committee meticulously ensured that all appointments of Directors and Senior Management were compliant with the applicable provisions of the Finance Business Act, particularly Direction No. 06 of 2021 concerning the "Assessment of Fitness and Propriety of Key Responsible Persons". Background checks, competency evaluations, and ethical standards were strictly upheld in all appointments.

4. Review of Board Composition and Skills Matrix

A periodic review of the Board's composition was conducted, including an evaluation of the current and future skill requirements to match the Company's evolving strategic goals. The Committee recognized the importance of maintaining a diverse and well-balanced Board that combines deep financial acumen with sectoral expertise and governance experience.

The Committee remains focused on building and maintaining a capable leadership team and an effective, high-performing Board. Through ongoing assessment, structured succession planning, and strategic appointments, the Committee plays a critical role in ensuring that the Company is well-equipped to meet future challenges while upholding the highest standards of governance and accountability.

Jegatheesan Durairatnam
Chairman

Nominations and Governance Committee

20 June 2025

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

The Board of Directors of Assetline Finance Limited (the Company) has established the Board Human Resources and Remuneration Committee (the Committee) to assist the Board in fulfilling its responsibilities in relation to human resource management and remuneration. Operating within its defined Terms of Reference, the Committee is dedicated to upholding principles of transparency, accountability, fairness, and compliance, particularly in line with the provisions of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance.

The Committee comprises the following Members.

Name	Position	Designation
Mr. D.M.R.K. Dissanayake (Ceased to be the Chairman on 25 January 2025)	Chairman	Non-Independent Non-Executive Director
Mr. M. J. S. Rajakariar (Appointed on 10 April 2025)	Chairman	Independent Non-Executive Director
Mr. M.N.R. Fernando (Appointed on 10 April 2025)	Member	Independent Non-Executive Director
Mr. K.A.H. Kuruppu	Member	Non-Independent Non-Executive Director
Mr. A. Nissanka (Ceased to be a member on 10 April 2025)	Member	Executive Director

Meetings

The Committee met 02 times during the FY 2024/25. The attendance of the Committee members is detailed below:

Name	Attendance	Percentage
Mr. D.M.R.K. Dissanayake	01/02	50%
Mr. M. J. S. Rajakariar	N/A	-
Mr. M. N. R. Fernando	N/A	-
Mr. K. A. H. Kuruppu	02/02	100%
Mr. A. Nissanka	02/02	100%

At the invitation of the Committee, members of Senior Management including the Chief Executive Officer and the Head of Human Resources were present at the meetings, except during discussions on matters concerning their own performance evaluations or remuneration.

Key Activities During the Year

Review of Key Performance Indicators (KPIs)

The Committee reviewed the performance against KPIs of all Senior Management for the financial year. Based on the Based on the outcomes of the evaluation, the Committee recommended the promotions of eligible Senior Management staff to the Board of Directors. The Board, upon HRRC's recommendation, submitted the proposed promotions to the Central Bank of Sri Lanka (CBSL) for necessary approvals in compliance with regulatory requirements.

Remuneration Policy Review

The Committee conducted its annual review of the Company's Remuneration Policy to ensure it remains equitable, transparent, and competitive with market benchmarks. The updated policy aligns with modern remuneration practices and is structured to promote performance-linked rewards and long-term value creation. The revised policy was recommended to the Board for approval.

Regulatory Compliance and Risk Mitigation

The company conducted a thorough review of all compensation-related practices and decisions to ensure full compliance with relevant laws and regulations. This process included protecting the organization from potential legal, reputational, and financial risks while promoting a culture of accountability and integrity. This comprehensive approach ensured that the company's compensation strategies were not only competitive but also legally sound and ethically responsible.

The Committee remains committed to fostering a performance-driven culture with fair and responsible reward mechanisms. It continues to work closely with the Board and Senior Management to ensure that the Company's human capital strategies align with its long-term business goals and stakeholder expectations.

Manoha Rajakariar
Chairman
Human Resources and Remuneration Committee

20 June 2025

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Composition of the Committee

The Related Party Transactions Review Committee (" The Committee") currently comprised 04 Independent Non-Executive Directors. The following Directors who's profiles are given on pages 17 to 21of this Annual Report currently serves on the Committee.

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 (Ceased to be a member with effect from 17 September 2024)	Member	Non-Independent Non-Executive
Mr. M. J. S. Rajakariar (Appointed on 10 April 2025)	Member	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 05 times during the FY 2024/25 under review, and the attendance of the Members was as follows:-

Name	Attendance	Percentage
Mr. W. M. P. L. De Alwis	04/05	80%
Mr. S. L.. Athukorala	05/05	100%
Mr. J. Durairatnam	05/05	100%
Ms. R. M. A. S. Parakrama	03/05	60%
Mr. M. J. S. Rajakariar	N/A	-

At the invitation of the Committee Directors, the Director & Chief Executive Officer (CEO), and other Senior Management including the Chief Operating Officer (COO), General Manager - Finance & Accounting, the 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 is tasked with ensuring compliance with all applicable regulatory guidelines and Directions issued by the Central Bank of Sri Lanka, as well as Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Key Responsibilities of the Committee

The Terms of Reference (TOR), adopted on 14 December 2021, and periodically reviewed and updated by the Board as necessary, outlines the responsibilities and functions of the Committee. These include determining, monitoring, and reviewing Related Party Transactions (RPTs) and their terms and conditions, ensuring the effectiveness of established procedures, and ensuring compliance with the Board-approved Policy on RPTs.

The Committee is responsible for continuously evaluating existing relationships between the Company's businesses and counterparties to ensure all related parties are accurately identified, the nature and basis of Related Party Transactions (RPTs) are monitored, and any changes in relationships with counterparties (e.g., transitioning from non-related to related or vice versa) are promptly captured.

Additionally, the Committee evaluates all RPTs to ensure they are not conducted on terms more favorable than those offered in comparable transactions with non-related parties under similar circumstances, safeguards the Company's corporate and business resources against misappropriation or misuse, and assesses potential reputational risks associated with these transactions.

As stipulated in the Terms of Reference (TOR), the Related Party Transactions Review Committee (RPTRC) ensures that transactions involving related parties, including the write-off of exposures, undergo periodic independent reviews or audit processes. The Committee also oversees the implementation of systems for identifying, monitoring, measuring, controlling, and reporting Related Party Transactions (RPTs).

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

In accordance with the RPT Policy, the RPTRC takes measures to prevent Directors, the Director & Chief Executive Officer, Senior Management, Substantial Shareholders, or other related parties from exploiting their positions. Furthermore, the RPTRC ensures that interested members abstain from participating in decision-making processes concerning transactions involving themselves or their close family members unless specifically invited to provide clarification or information. Any matters deemed necessary for escalation will be duly reported to the Board.

Related Party Transactions Policy

The Company has established a Board-approved Related Party Transactions Policy ("the Policy") that defines the categories of persons considered as "related parties" in accordance with applicable rules and regulations, including relevant Directions and Sri Lanka Accounting Standards. The Policy outlines procedures to ensure that the Company does not engage in transactions with related parties in a manner that grants them more favorable treatment than that accorded to others. The Policy is subject to periodic review and updates to ensure its continued relevance and alignment with regulatory requirements.

Methodology used by the Committee

The Committee adopts a systematic approach to performing its duties, prioritizing the avoidance of conflicts of interest that may arise from the Company's transactions with any party, particularly related parties. It ensures that all dealings with related parties are conducted on an arm's length basis and strictly comply with the provisions of applicable Directions and the Company's Board-approved Policy.

Activities in 2024/25

The Committee reviewed all transactions with related parties for the FY 2024/25 and submitted its findings, along with recommendations, to the Board for consideration.

Prasantha Lal De Alwis
Chairman
Related Party Transactions Review Committee

20 June 2025

A RESILIENT PATH TO GROWTH

With a focus on accuracy, transparency, and strategic foresight, our financial statements reflect our strong performance, positioning us for continued success and growth in the coming years.

FINANCIAL PERFORMANCE

INDEPENDENT AUDITOR'S REPORT

EY
Shape the future with confidence

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Chartered Accountants
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CAY/WDPL/TNH/TW

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 2025, 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 2025 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- 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.

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

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

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- 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 2025

Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2025	Note	2025 Rs.'000	2024 Rs.'000
Gross Income	4	11,638,737	10,350,743
Interest Income	5	11,296,638	9,937,951
Interest Expense	6	(2,606,233)	(3,258,244)
Net Interest Income		8,690,405	6,679,707
Fee & Service Charge Income	7	269,532	146,358
Other Operating Income	8	72,567	46,003
Net Gains/(Losses) from Derecognition of Financial Assets	9	-	220,431
Total Operating Income		9,032,504	7,092,499
Impairment Charges & Net Write Off	10	(150,739)	(1,573,118)
Net Operating Income		8,881,765	5,519,381
Operating Expenses			
Personnel Costs	11	(1,541,043)	(1,311,286)
Other Operating Expenses	12	(1,779,142)	(1,368,135)
Operating Profit Before VAT & SSCL on Financial Services		5,561,580	2,839,960
VAT & SSCL on Financial Services	13	(1,210,086)	(717,661)
Profit Before Income Tax		4,351,494	2,122,299
Income Tax Expense	14	(1,636,740)	(833,826)
Profit for the Period		2,714,754	1,288,473
Earnings Per Share (Rs.)	15	20.27	9.62

The Accounting Policies & Notes from pages 134 to 221 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2025	Note	2025 Rs.'000	2024 Rs.'000
Profit for the Year		**2,714,754**	1,288,473
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	21.1	**(275,977)**	1,792,017
Deferred Tax on Gains/(Losses) arising on re-measuring Financial Assets - Fair Value through Other Comprehensive Income	33	**82,793**	(537,605)
Net Other Comprehensive Income/(Loss) to be Reclassified to Statement of Profit or Loss in Subsequent Periods		**(193,184)**	1,254,412
Other Comprehensive Income not to be Reclassified to Statement of Profit or Loss in Subsequent Periods			
Gains/(Losses) arising on Revaluation of Land & Building	25.4	**44,387**	-
Deferred Tax on Gains/(Losses) arising on Revaluation of Land & Building	33	**(13,316)**	-
Actuarial Gains/(Losses) on Retirement Benefit Obligation	34.3	**(9,086)**	(8,433)
Deferred Tax on Actuarial Gain/(Loss)	33	**2,726**	2,530
Net Other Comprehensive Income/(Loss) not to be Reclassified to Statement of Profit or Loss in Subsequent Periods		**24,711**	(5,903)
Other Comprehensive Income for the Year, net of Tax		**(168,473)**	1,248,509
Total Comprehensive Income for the Year, net of Tax		**2,546,281**	2,536,982

The Accounting Policies & Notes from pages 134 to 221 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2025	Note	2025 Rs.'000	2024 Rs.'000
Assets			
Cash and Cash Equivalents	16	496,614	355,681
Securities Purchased Under Repurchase Agreement	17	250,221	-
Deposits with Banks	18	881,510	-
Financial Assets at Amortised cost - Loans and Advances	19	12,860,859	5,496,194
Financial Assets at Amortised cost - Lease Rentals Receivable	20	29,916,894	23,713,449
Financial Assets - Fair Value through Other Comprehensive Income	21	6,712,877	6,748,083
Other Financial Assets	22	131,195	129,047
Other Non Financial Assets	23	104,592	91,145
Investment Property	24	-	107,000
Property, Plant & Equipment	25	263,382	116,576
Intangible Assets	26	466,402	427,622
Right of Use Assets	27	203,718	129,140
Deferred Tax Asset	33	75,572	102,500
Total Assets		52,363,836	37,416,437
Liabilities			
Bank Overdraft		550,113	295,755
Financial Liabilities at Amortized Cost - Due to Depositors	28	6,226,827	680,596
Debt Instruments Issued & Other Borrowed Funds	29	25,827,958	20,445,250
Other Financial Liabilities	30	2,776,937	1,252,866
Other Non Financial Liabilities	31	430,296	244,661
Income Tax Payable	32	422,595	441,429
Retirement Benefit Obligations	34	196,183	160,190
Total Liabilities		36,430,909	23,520,747
Shareholders' Funds			
Stated Capital	35	3,550,000	3,550,000
Statutory Reserve Fund	36	1,312,246	1,176,508
Fair Value through Other Comprehensive Income Reserve	37	1,147,099	1,340,283
Revaluation Reserve	38	31,071	-
Retained Earnings	39	9,892,511	7,828,899
Total Shareholders' Funds		15,932,927	13,895,690
Total Liabilities and Shareholders' Funds		52,363,836	37,416,437
Net Assets Value Per Share (Rs.)	45	118.94	103.73
Commitments and Contingent Liabilities (Rs. '000)	46	408,828	409,260

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

General Manager - Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and Signed for and on behalf of the Board.

Director & Chief Executive Officer **Director**

The Accounting Policies & Notes from pages 134 to 221 form an integral part of these Financial Statements.

11 June 2025
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2025	Stated Capital	Statutory Reserve Fund	FVOCI Reserve	Revaluation Reserve	Retained Earnings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Note 35	Note 36	Note 37	Note 38	Note 39	
Balance as at 31 March 2023	3,550,000	1,112,084	85,871	-	6,610,753	11,358,708
Net Profit for the Year	-	-	-	-	1,288,473	1,288,473
Other Comprehensive Income net of Tax	-	-	1,254,412	-	(5,903)	1,248,509
Transfer to Statutory Reserve	-	64,424	-	-	(64,424)	-
Dividend Declared	-	-	-	-	-	-
Balance as at 31 March 2024	**3,550,000**	**1,176,508**	**1,340,283**	**-**	**7,828,899**	**13,895,690**
Net Profit for the Year	-	-	-	-	2,714,754	2,714,754
Other Comprehensive Income Net of Tax	-	-	(193,184)	31,071	(6,360)	(168,473)
Transfer to Statutory Reserve Fund	-	135,738	-	-	(135,738)	-
Dividend Declared	-	-	-	-	(509,044)	(509,044)
Balance as at 31 March 2025	**3,550,000**	**1,312,246**	**1,147,099**	**31,071**	**9,892,511**	**15,932,927**

The Accounting Policies & Notes from pages 134 to 221 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

As at 31 March 2025	Note	2025 Rs.'000	2024 Rs.'000
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense		4,351,494	2,122,299
Adjustments for			
Depreciation of Property Plant & Equipment	12	43,940	27,532
Amortization of Intangible Assets	12	22,323	15,932
Amortization of Right of Used Assets	12	68,069	50,958
Provision for Gratuity	11	42,859	41,949
(Profit)/Loss on Disposal of Property, Plant & Equipment	8	(1,116)	(3,099)
Impairment Charges and Net Write off on Loans, Lease and Other Losses	10	150,739	1,573,118
Interest Expense	6	2,606,233	3,258,244
Interest Income from Fixed Deposits	5.1	(24,022)	(16,486)
Unrealized Exchange Gain/(Loss) on Foreign Currency Transactions	8	(3)	-
Dividend Income	8	(457)	(359)
Operating Profit before Working Capital Changes		7,260,059	7,070,088
(Increase)/Decrease in Lease Rentals Receivables		(6,278,869)	(784,472)
(Increase)/Decrease in Loans and Advances		(7,439,815)	(4,002,031)
(Increase)/Decrease in Financial Asset - Fair Value through Other Comprehensive Income		(240,771)	277,074
(Increase)/Decrease in Right of Used Assets		(142,647)	(72,822)
(Increase)/Decrease in Other Financial Assets		(2,148)	21,566
(Increase)/Decrease in Other Non Financial Assets		(13,447)	(20,544)
Increase/(Decrease) in Due to Customers Deposits		5,354,207	453,676
Increase/(Decrease) in Other Financial Liabilities		1,091,384	516,426
Increase/(Decrease) in Other Non Financial Liabilities		109,278	169,288
Cash used in Operations		(302,769)	3,628,249
Gratuity Paid	34.1	(15,952)	(17,299)
Income Tax Paid		(1,556,443)	(146,040)
Net Cash From/(Used in) Operating Activities		(1,875,164)	3,464,910
Cash Flows from / (Used in) Investing Activities			
Deposits with Banks		(869,492)	150,000
Acquisition of Property, Plant & Equipment and Intangible Assets		(210,473)	(51,425)
Proceeds from Disposal of Property, Plant & Equipment		3,011	3,237
Proceeds from Disposal of Investment Property	24.1	107,000	86,800
Interest Received on Deposits with Banks		22,524	41,302
Dividend Received		457	359
Net Cash Flows from/(Used in) Investing Activities		(946,973)	230,273

As at 31 March 2025	Note	2025 Rs.'000	2024 Rs.'000
Cash Flows from / (Used in) Financing Activities			
Proceeds From Bank Borrowing	29.1	**44,588,174**	42,750,000
Repayment of Bank Borrowing		**(40,094,399)**	(40,804,200)
Proceeds From Foreign Currency Borrowing	29.1	**889,042**	-
Repayment of Foreign Currency Borrowing		**-**	-
Repayment of Commercial Paper		**-**	(500,000)
Proceeds From Inter Company Borrowings		**-**	6,550,000
Repayment of Inter Company Borrowings		**-**	(7,299,994)
Dividend Paid		**-**	(56,933)
Interest Paid on Bank Borrowings		**(2,293,433)**	(3,232,334)
Interest Paid on Foreign Currency Borrowings	29.1	**(45,944)**	-
Interest Paid on Fixed Deposits		**(84,507)**	(19,576)
Net Cash Flows From /(Used in) Financing Activities		**2,958,933**	(2,613,037)
Net Increase/(Decrease) in Cash and Cash Equivalents		**136,796**	1,082,146
Cash and Cash Equivalents at the Beginning of the Year		**59,926**	(1,022,220)
Cash and Cash Equivalents at the End of the Year		**196,722**	59,926

The Accounting Policies & Notes from pages 134 to 221 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 as per the requirements of the Companies Act No. 07 of 2007. On 29 August 2022 the Company obtained a license to operate as a Licensed Finance Company under the Finance Business Act No. 42 of 2011 and amendments thereto.

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 2025 (including the comparatives for 31 March 2024) were approved and authorized for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 11 June 2025.

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.

Item	Basis of measurement	Note No.
Financial Assets measured at fair value through Other Comprehensive Income (FVOCI)	Measured at the Fair Value	21
Investment Property	Measured at cost at the time of acquisition and subsequently at Fair Value	24
Land & Building	Measured at Fair Value	25
Retirement Benefit Obligation	Measured at the present value of the defined benefit obligation less the fair value of the plan assets (if any)	34

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 42 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 to the nearest thousand Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard (LKAS 1) – 'Presentation of Financial Statements'.

2.1.8 Comparative Information

Comparative information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended where necessary, for better presentation and to enhance comparability with those of the current year.

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 47 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

NOTES TO THE FINANCIAL STATEMENTS

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 2025, 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 41 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.

The Company measures land at revalued amounts with changes in fair value being recognised in equity through other comprehensive income. The Company engages independent professional valuer to assess fair value of land. The key assumptions used to determine fair value is provided in Note 25.4.

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

2.2.4 Deferred Tax Assets/ Liabilities

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 33 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 34 to the Financial Statements.

2.2.6 Commitment and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic 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. Details of commitments and contingencies are given in note 46 to the Financial Statements.

2.2.7 Impairment Losses on Loans & Advances and Lease Rental 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

NOTES TO THE FINANCIAL STATEMENTS

instruments are impaired as at the reporting date. The ECL model is applied to Other Financial Assets measured at amortised cost as well.

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 (IBR). Generally, the Company uses its IBR 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 27 to the financial statements while the corresponding lease liability is presented under note 30.

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

Under SLFRS 16 – Leases, the Company recognises right-of-use assets and corresponding lease liabilities for all leases, except for short-term leases and those involving low-value assets. This represents a change from the previous approach, where leases were classified as either operating or finance leases based on their substance. The Company has elected to apply the recognition exemption for leases of low-value assets and short-term leases, such as those related to IT equipment, with lease payments recognised as an expense on a straight-line basis over the lease term.

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.

'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 1' profit or loss) in the Income Statement over the tenor of the financial instrument using effective interest rate method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Income Statement when the inputs become observable, or when the instrument is derecognised.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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 contractual 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.

Upon derecognition of a financial asset, the difference between the asset's carrying amount (or the portion of the carrying amount derecognised) and the total of (i) the consideration received, including any new asset acquired less any new liability assumed, and (ii) any cumulative gain or loss previously recognised in OCI, is recognised in profit or loss.

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

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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 41 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.

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
- 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 none 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.

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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
- 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 2025.

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.

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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.

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 27.1 to the Financial Statements and corresponding lease liability under note 27.2 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 20, 'Lease Rentals Receivable'. 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

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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 that have been written off. 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, 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

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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 and 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 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 ECL 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 allowances) 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.

NOTES TO THE FINANCIAL STATEMENTS

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%

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 Foreign Currency Transactions

Sri Lankan Rupee is the functional currency of the Company. Transactions in foreign currencies are translated into the functional currency of the Company at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss.

2.3.22 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.

NOTES TO THE FINANCIAL STATEMENTS

2.3.23 Taxation

2.3.23.1 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.

2.3.23.2 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.

As per the Extraordinary Gazette Notification No. 2363/22 dated December 19, 2023, published under section 2A of the Value Added Tax Act No. 14 of 2002, VAT rate was revised with effect from January 01, 2024. Meanwhile, VAT Rate applicable on supply of financial services remains unchanged at Eighteen per centum (18%).

2.3.23.3 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.

2.3.24 Regulatory Provisions

2.3.24.1 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.3.24.2` 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 effected 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, 2024 (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.

- Non-current Liabilities with Covenants – Amendments to LKAS 1
- Classification of Liabilities as Current or Non-current – Amendments to LKAS 1
- Lease Liability in a Sale and Leaseback – Amendments to SLFRS 16

3.2 Sri Lanka Accounting Standards issued but not yet effective as at 31 March 2025

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 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 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.

3.2.2 LKAS 21 – The Effects of Change in Foreign Exchange Rates

Amendments to LKAS 21 specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position, and cash flows.

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

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

4. GROSS INCOME

Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
Interest Income (Note 5.1)	11,296,638	9,937,951
Fee & Service Charge Income (Note 7)	269,532	146,358
Other Operating Income (Note 8)	72,567	46,003
Net gains/(losses) from Derecognition of Financial Assets (Note 9)	-	220,431
	11,638,737	10,350,743

5. INTEREST INCOME

Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
5.1 Financial Assets at Amortised Cost		
Interest on Lease (Note 5.1.1)	7,796,188	6,868,561
Interest on Term loan	1,222,639	600,070
Interest on Margin Trading	111,894	52,306
Overdue Interest	848,195	1,076,649
Interest on Saving Deposits	5,411	1,013
Interest on Fixed Deposits	24,022	16,486
Interest on Government Securities	1,288,289	1,322,866
	11,296,638	9,937,951
5.1.1 Interest on Lease		
Leasing Interest Income	8,432,055	7,411,073
Deferred Promotion Expenses	(635,867)	(542,512)
	7,796,188	6,868,561

6. INTEREST EXPENSE

Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
Interest on Commercial Papers	-	12,526
Interest on Bank Loans (Note 29.1)	2,216,168	2,813,617
Interest on Intercompany Loans	-	245,531
Interest on Foreign Currency Borrowings (Note 29.1)	46,826	-
Interest on Bank Overdrafts	30,076	117,866
Interest on Fixed Deposits	282,435	45,113
Finance Lease (Note 27.2)	30,728	23,591
	2,606,233	3,258,244

NOTES TO THE FINANCIAL STATEMENTS

7. FEE & SERVICE CHARGE INCOME

Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
Service Charge	182,403	99,359
Vehicle Transfer Fee	87,129	46,999
	269,532	146,358

8. OTHER OPERATING INCOME

Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
Dividend Income	457	359
Profit/(Loss) on Disposal of Property, Plant and Equipment	1,116	3,099
Rent Income	7,484	14,635
Foreign Exchange Gain/(Loss) on Transactions	3	-
Other Income	63,507	27,910
	72,567	46,003

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	2025	2024
	Rs.'000	Rs.'000
Government Securities	-	220,431
	-	220,431

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

Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
Impairment Charges/(Reversal)		
Deposits with Banks (Note 10.1)	165	(31)
Financial Assets at Amortised Cost - Loans and Advances (Note 10.1)	60,697	(19,212)
Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 10.1)	(387,402)	(502,793)
Other Charges Receivable from Client (Note 10.1)	(4,015)	(3,999)
	(330,555)	(526,035)
Provision Against Net Write Off		
Financial Assets at Amortised Cost - Loans and Advances (Note 19.3.1)	14,453	16,383
Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 20.3.1)	510,383	846,746
Other Charges Receivable from Client (Note 22.1.3.1)	1,444	3,469
	526,280	866,598
Direct Net Write Off		
Loans and Lease Receivables (Note 10.2)	(44,986)	1,232,555
	150,739	1,573,118

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 2024/25	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deposits with Banks (Note 18)	165	-	-	165
Financial Assets at Amortised Cost - Loans and Advances (Note 19.3)	19,489	10,782	30,426	60,697
Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 20.3)	25,987	(248,045)	(165,344)	(387,402)
Other Charges Receivable from Client (Note 22.1.3)	(483)	(533)	(2,999)	(4,015)
	45,158	(237,796)	(137,917)	(330,555)

For the Year 2023/24	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deposits with Banks	(31)	-	-	(31)
Financial Assets at Amortised Cost - Loans and Advances	13,495	(2,667)	(30,040)	(19,212)
Financial Assets at Amortised Cost - Lease Rentals Receivable	134,665	348,270	(985,728)	(502,793)
Other Charges Receivable from Client	(66)	(887)	(3,046)	(3,999)
	148,063	344,716	(1,018,814)	(526,035)

NOTES TO THE FINANCIAL STATEMENTS

10.2 Write Off & Write Back - Loan and Lease Receivable

Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
Direct Write Off during the year	234,712	1,394,869
Direct Write Back during the year	(279,698)	(162,314)
	(44,986)	1,232,555

10.3 Analysis of Write Off and Write Back

	2025	2024
Write Off		
Direct Write Off during the year	234,712	1,394,869
Provision Against Write Off		
Financial Assets at Amortised Cost - Loans and Advances (Note 19.3.1)	14,453	16,383
Financial Assets at Amortised Cost - Lease Rental Receivables (Note 20.3.1)	516,396	848,111
Other Charges Receivable from Client (Note 22.1.3.1)	1,444	3,469
	767,005	2,262,832
Write Back		
Direct Write Back during the year	(279,698)	(162,314)
Provision Against Write Back		
Financial Assets at Amortised Cost - Loans and Advances (Note 19.3.1)	-	-
Financial Assets at Amortised Cost - Lease Rental Receivables (Note 20.3.1)	(6,013)	(1,365)
Other Charges Receivable from Client (Note 22.1.3.1)	-	-
	(285,711)	(163,679)
	481,294	2,099,153

11. PERSONNEL COSTS

Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
Salary & Bonus	1,215,727	1,061,100
Contribution to Defined Contribution Plan	119,145	97,476
Gratuity Charge for the Year - Retirement Benefit Obligation (Note 34.2)	42,859	41,949
Staff Training	7,893	3,613
Staff Welfare Expenses	155,419	107,148
	1,541,043	1,311,286

12. OTHER OPERATING EXPENSES

Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
Directors' Emoluments	46,267	32,530
Auditors' Remuneration - Audit & Related Services	5,221	4,747
Non-Audit Fee to Auditors	2,128	897
Professional & Legal Expenses	66,321	54,417
Depreciation on Property, Plant & Equipment (Note 25.1)	43,940	27,532
Amortization of Intangible Assets (Note 26.2.1)	22,323	15,932
Amortization of Right of Used Assets (Note 27.1)	68,069	50,957
Operating Lease Expense	84,416	60,007
Office Administration & Establishment Expenses	1,257,383	1,024,157
Advertising and Sales Commission Expenses	132,313	56,753
Insurance Expenses	47,241	36,529
Deposit Insurance Premium Expenses	1,875	175
Community Welfare Expense	1,645	3,502
	1,779,142	1,368,135

13. VAT & SSCL ON FINANCIAL SERVICES

Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
VAT on Financial Services	1,054,637	625,699
Social Security Contribution Levy	155,449	91,962
	1,210,086	717,661

NOTES TO THE FINANCIAL STATEMENTS

14. TAXATION

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

Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
Income Statement		
Current Income Tax		
Income Tax for the Year	1,537,609	693,958
Under/(Over) Provision of Current Taxes in Respect of Previous Year	-	-
	1,537,609	693,958
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Note 33)	99,131	139,868
	1,636,740	833,826

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	2025	2024
	Rs.'000	Rs.'000
Accounting Profit Before Income Taxation	4,351,494	2,122,299
Statutory Income Tax *	1,305,448	636,690
Tax Effect of Non Deductible Expenses	391,077	255,712
Tax Effect of Other Allowable Credits	(158,916)	(198,444)
	1,537,609	693,958
Deferred Taxation Charge/(Reversal) Due to Change in Temporary Differences (Note 33)	99,131	139,868
Total Expenses for the Year	1,636,740	833,826
Effective Tax Rate	37.61%	39.29%

* Statutory income tax has been calculated by using 30% for the period of 2024/25.

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.

For the Year ended 31 March	2025	2024
Profit/ (Loss) Attributable to Ordinary Shareholders (Rs. '000)	2,714,754	1,288,473
Weighted Average Number of Ordinary Shares during the year	133,958,971	133,958,971
Earnings Per Share (Rs.)	20.27	9.62

16. CASH AND CASH EQUIVALENTS

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Cash in Hand	372,913	294,846
Cash at Bank	123,701	60,835
	496,614	355,681

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	2025	2024
	Rs.'000	Rs.'000
Cash and Cash Equivalents	496,614	355,681
Securities Purchased Under Repurchase Agreement - Maturity less than 3 Months (Note 17)	250,221	-
Bank Overdraft	(550,113)	(295,755)
Cash and Cash Equivalent for Cash Flows Purpose	196,722	59,926

17. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENT

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Balance as at 01 April	-	-
Investments	250,221	-
Withdrawals	-	-
Balance as at 31 March	250,221	-
Face Value of Securities Purchased Under Repurchase Agreement	268,000	-

The collateral value of Securities Purchased Under Repurchase Agreement as at 31 March 2025 was Rs. 277.68 Mn.

NOTES TO THE FINANCIAL STATEMENTS

18. DEPOSITS WITH BANKS

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Foreign Currency Deposits with Banks	**881,675**	-
Less: Allowance for Expected Credit Losses	**(165)**	-
	881,510	-

18.1 Movement of Deposits with Banks

2024/25	Balance as at 01 April	Deposits/ Additions	Withdrawals/ Removals	Balance as at 31 March
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Deposits with Banks	-	881,675	-	881,675
Less: Allowance for Expected Credit Losses	-	(165)	-	(165)
	-	881,510	-	881,510

2023/24	Balance as at 01 April	Deposits/ Additions	Withdrawals/ Removals	Balance as at 31 March
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deposits with Banks	174,815	-	(174,815)	-
Less: Allowance for Expected Credit Losses	(31)	-	31	-
	174,784	-	(174,784)	-

19. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Term Loan	**11,249,821**	5,119,594
Loans Against Deposits	**21,120**	-
Margin Trading	**1,819,502**	545,487
	13,090,443	5,665,081
Less: Specific Impairment	**(9,287)**	(4,522)
Less: Collective Impairment	**(220,297)**	(164,365)
	12,860,859	5,496,194

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

As at 31 March 2025	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Loans and Advances	12,090,508	795,987	203,948	13,090,443
Allowance for Expected Credit Losses	(40,943)	(23,617)	(165,024)	(229,584)
Net Loans and Advances	12,049,565	772,370	38,924	12,860,859

As at 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Loans and Advances	5,065,735	400,064	199,282	5,665,081
Allowance for Expected Credit Losses	(21,454)	(12,835)	(134,598)	(168,887)
Net Loans and Advances	5,044,281	387,229	64,684	5,496,194

19.2 Allowance for Expected Credit Losses - Loans and Advances

	2025	2024
	Rs.'000	Rs.'000
Balance as at 01 April	168,887	188,099
Gross Charge to Profit or Loss (Note 19.3)	75,150	(2,829)
Provision Against Net Write Off during the year (Note 19.3.1)	(14,453)	(16,383)
Balance as at 31 March	229,584	168,887

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

	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 April 2024	21,454	12,835	134,598	168,887
Gross Charge to Profit or Loss	19,489	10,782	44,879	75,150
Provision Against Net Write Off during the year (Note 19.3.1)	-	-	(14,453)	(14,453)
Balance as at 31 March 2025	40,943	23,617	165,024	229,584

19.3.1 Provision Against Net Write Off

	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Provision Against Write Off	-	-	14,453	14,453
Provision Against Write Back	-	-	-	-
	-	-	14,453	14,453

NOTES TO THE FINANCIAL STATEMENTS

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

2025	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. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans & Advances at Amortised Cost								
Balance as at 01 April 2024	5,065,735	21,454	400,064	12,835	199,282	134,598	5,665,081	168,887
- Transfer to stage 1	16,968	818	(16,968)	(818)	-	-	-	-
- Transfer to stage 2	(176,990)	(924)	181,299	1,360	(4,309)	(436)	-	-
- Transfer to stage 3	(27,896)	(222)	(2,108)	(296)	30,004	518	-	-
Net remeasurement of impairment	-	(2,007)	-	12,758	-	32,551	-	43,302
New financial assets originated or purchased	10,074,485	34,565	635,762	17,227	30,074	14,846	10,740,321	66,638
Financial assets that have been derecognised	(2,861,794)	(12,741)	(402,062)	(19,449)	(142,727)	(2,600)	(3,406,583)	(34,790)
Write-offs	-	-	-	-	91,624	(14,453)	91,624	(14,453)
Balance as at 31 March 2025	12,090,508	40,943	795,987	23,617	203,948	165,024	13,090,443	229,584

2024	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. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans & Advances at Amortised Cost								
Balance as at 01 April 2023	1,253,083	7,958	136,598	15,502	224,151	164,639	1,613,832	188,099
- Transfer to stage 1	11,802	6,495	(5,820)	(513)	(5,982)	(5,982)	-	-
- Transfer to stage 2	(31,083)	(236)	47,159	12,367	(16,076)	(12,131)	-	-
- Transfer to stage 3	(26,776)	(408)	(66,480)	(12,451)	93,256	12,859	-	-
Net remeasurement of impairment	-	(6,318)	-	(9,673)	-	10,811	-	(5,180)
New financial assets originated or purchased	4,824,685	18,185	363,341	9,908	8,139	806	5,196,165	28,899
Financial assets that have been derecognised	(965,976)	(4,222)	(74,734)	(2,305)	(157,471)	(20,021)	(1,198,181)	(26,548)
Write-offs	-	-	-	-	53,265	(16,383)	53,265	(16,383)
Balance as at 31 March 2024	5,065,735	21,454	400,064	12,835	199,282	134,598	5,665,081	168,887

20. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLE

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Gross Rentals Receivable	44,342,252	36,853,762
Less: Unearned Income	(12,909,181)	(11,236,734)
Less: Specific Impairment	(18,082)	(62,114)
Less: Collective Impairment	(1,498,095)	(1,841,465)
Total Rentals Receivable	29,916,894	23,713,449

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

As at 31 March 2025	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Lease Rentals Receivable	24,416,613	5,495,213	1,521,245	31,433,071
Allowance for Expected Credit Losses (Note 20.2)	(233,343)	(258,021)	(1,024,813)	(1,516,177)
Net Lease Rentals Receivable	24,183,270	5,237,192	496,432	29,916,894

As at 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Lease Rentals Receivable	16,140,577	6,212,550	3,263,901	25,617,028
Allowance for Expected Credit Losses (Note 20.2)	(207,356)	(506,066)	(1,190,157)	(1,903,579)
Net Lease Rentals Receivable	15,933,221	5,706,484	2,073,744	23,713,449

NOTES TO THE FINANCIAL STATEMENTS

20.2 Allowance for Expected Credit Losses - Lease Rentals Receivable

	2025	2024
	Rs.'000	Rs.'000
Balance as at 01 April	1,903,579	2,406,372
Gross Charge to Profit or Loss (Note 20.3)	122,981	343,954
Provision Against Net Write Off (Note 20.3.1)	(510,383)	(846,747)
Balance as at 31 March	1,516,177	1,903,579

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

	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 April 2024	207,356	506,066	1,190,157	1,903,579
Gross Charge to Profit or Loss	28,051	(237,114)	332,044	122,981
Provision Against Net Write Off during the year (Note 20.3.1)	(2,064)	(10,931)	(497,388)	(510,383)
Balance as at 31 March 2025	233,343	258,021	1,024,813	1,516,177

20.3.1 Provision Against Net Write Off

	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Provision Against Write Off	2,243	11,532	502,621	516,396
Provision Against Write Back	(179)	(601)	(5,233)	(6,013)
	2,064	10,931	497,388	510,383

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

2025	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. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease Rentals Receivable at Amortised Cost								
Balance as at 01 April 2024	16,140,577	207,356	6,212,550	506,066	3,263,901	1,190,157	25,617,028	1,903,579
- Transfer to stage 1	1,933,027	169,836	(1,662,148)	(131,027)	(270,879)	(38,809)	-	-
- Transfer to stage 2	(2,660,714)	(42,851)	2,984,656	86,069	(323,942)	(43,218)	-	-
- Transfer to stage 3	(431,590)	(7,253)	(532,518)	(49,201)	964,108	56,454	-	-
Net remeasurement of impairment	-	(203,668)	-	(81,915)	-	538,089	-	252,506
New financial assets originated or purchased	16,650,293	154,936	1,868,237	96,010	229,544	132,747	18,748,074	383,693
Financial assets that have been derecognised	(7,214,980)	(45,013)	(3,375,564)	(167,981)	(1,768,568)	(300,224)	(12,359,112)	(513,218)
Write-offs	-	-	-	-	(572,919)	(510,383)	(572,919)	(510,383)
Balance as at 31 March 2025	24,416,613	233,343	5,495,213	258,021	1,521,245	1,024,813	31,433,071	1,516,177

2024	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. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease Rentals Receivable at Amortised Cost								
Balance as at 01 April 2023	12,856,153	72,691	5,802,739	157,796	8,322,035	2,175,885	26,980,927	2,406,372
- Transfer to stage 1	1,891,562	129,533	(1,262,732)	(31,526)	(628,830)	(98,007)	-	-
- Transfer to stage 2	(2,777,849)	(15,855)	3,639,316	137,160	(861,467)	(121,305)	-	-
- Transfer to stage 3	(563,349)	(3,243)	(726,876)	(23,509)	1,290,225	26,752	-	-
Net remeasurement of impairment	-	(80,017)	-	171,640	-	450,929	-	542,552
New financial assets originated or purchased	9,888,925	118,628	1,862,904	143,356	565,973	106,373	12,317,802	368,357
Financial assets that have been derecognised	(5,154,865)	(14,381)	(3,102,801)	(48,851)	(3,291,352)	(503,724)	(11,549,018)	(566,956)
Write-offs	-	-	-	-	(2,132,683)	(846,746)	(2,132,683)	(846,746)
Balance as at 31 March 2024	16,140,577	207,356	6,212,550	506,066	3,263,901	1,190,157	25,617,028	1,903,579

NOTES TO THE FINANCIAL STATEMENTS

20.5 Contractual Maturity Analysis of Lease Rentals Receivable

As at 31 March 2025	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease Rentals Receivable	20,072,594	24,263,749	5,909	44,342,252
Less: Unearned Income	(7,053,120)	(5,855,875)	(186)	(12,909,181)
	13,019,474	18,407,874	5,723	31,433,071
Less: Specific Impairment				(18,082)
Less: Collective Impairment				(1,498,095)
				29,916,894

As at 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rental Receivables	16,445,024	20,399,493	9,245	36,853,762
Less: Unearned Income	(5,980,059)	(5,256,113)	(562)	(11,236,734)
	10,464,965	15,143,380	8,683	25,617,028
Less: Specific Impairment				(62,114)
Less: Collective Impairment				(1,841,465)
				23,713,449

21. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Treasury Bonds (Note 21.1)	6,712,682	6,747,888
Unquoted Shares*	195	195
	6,712,877	6,748,083

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

21.1 Movement in Treasury Bond Investment

	2025	2024
	Rs.'000	Rs.'000
Balance as at 01 April	6,747,888	5,232,946
Purchase of Treasury Bonds	-	-
Sale of Treasury Bonds	-	(454,901)
Interest Accrued	240,771	177,826
Mark to Market Gain	(275,977)	1,792,017
Balance as at 31 March	6,712,682	6,747,888

22. OTHER FINANCIAL ASSETS

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Refundable Deposits and Prepayments	48,941	26,296
Amounts Due From Related Parties	23,851	12,177
Other Charges Receivable from Client (Note 22.1)	58,403	90,574
	131,195	129,047

22.1 Other Charges Receivable from Client

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Other Charges Receivable from Client (Note 22.1.1)	61,184	97,370
Less: Specific Impairment	-	-
Less: Collective Impairment	(2,781)	(6,796)
	58,403	90,574

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

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

As at 31 March 2025	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Loan and Lease Rental Receivables	19,518	12,475	29,191	61,184
Allowance for Expected Credit Losses	(838)	(561)	(1,382)	(2,781)
Net Loan and Lease Rental Receivables	18,680	11,914	27,809	58,403

As at 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Loan and Lease Rental Receivables	20,685	15,400	61,285	97,370
Allowance for Expected Credit Losses	(1,321)	(1,094)	(4,381)	(6,796)
Net Loan and Lease Rental Receivables	19,364	14,306	56,904	90,574

NOTES TO THE FINANCIAL STATEMENTS

22.1.2 Allowance for Expected Credit Losses - Other Charges Receivable from Client

	2025	2024
	Rs.'000	Rs.'000
Balance as at 01 April	6,796	10,795
Gross Charge to Profit or Loss (Note 22.1.3)	(2,571)	(529)
Provision Against Net Write Off (Note 22.1.3.1)	(1,444)	(3,470)
Balance as at 31 March	2,781	6,796

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

	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 April 2024	1,321	1,094	4,381	6,796
Gross Charge to Profit or Loss	(477)	(491)	(1,603)	(2,571)
Provision Against Net Write Off (Note 22.1.3.1)	(6)	(42)	(1,396)	(1,444)
Balance as at 31 March 2025	838	561	1,382	2,781

22.1.3.1 Provision Against Net Write Off

	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Provision Against Write Off	6	42	1,396	1,444
Provision Against Write Back	-	-	-	-
	6	42	1,396	1,444

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

2025	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. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Other Charges Receivable at Amortised Cost								
Balance as at 01 April 2024	20,685	1,321	15,400	1,094	61,285	4,381	97,370	6,796
- Transfer to stage 1	4,901	342	(3,654)	(255)	(1,247)	(87)	-	-
- Transfer to stage 2	(2,981)	(208)	4,286	299	(1,305)	(91)	-	-
- Transfer to stage 3	(501)	(35)	(1,310)	(91)	1,811	126	-	-
Net remeasurement of impairment	-	(328)	-	(247)	-	176	-	(399)
New financial assets originated or purchased	5,554	293	1,219	274	1,602	237	8,375	804
Financial assets that have been derecognised	(8,140)	(547)	(3,466)	(513)	(32,955)	(1,916)	(44,561)	(2,976)
Write-offs	-	-	-	-	-	(1,444)	-	(1,444)
Balance as at 31 March 2025	19,518	838	12,475	561	29,191	1,382	61,184	2,781

2024	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. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Other Charges Receivable at Amortised Cost								
Balance as at 01 April 2023	16,468	1,388	17,199	1,981	96,369	7,426	130,036	10,795
- Transfer to stage 1	5,594	464	(3,303)	(274)	(2,291)	(190)	-	-
- Transfer to stage 2	(3,524)	(293)	5,914	491	(2,390)	(198)	-	-
- Transfer to stage 3	(825)	(68)	(2,361)	(196)	3,186	264	-	-
Net remeasurement of impairment	-	(101)	-	114	-	2,230	-	2,243
New financial assets originated or purchased	7,188	502	1,347	93	3,237	226	11,772	821
Financial assets that have been derecognised	(4,216)	(571)	(3,396)	(1,115)	(17,092)	(1,908)	(24,704)	(3,594)
Write-offs	-	-	-	-	(19,734)	(3,469)	(19,734)	(3,469)
Balance as at 31 March 2024	20,685	1,321	15,400	1,094	61,285	4,381	97,370	6,796

NOTES TO THE FINANCIAL STATEMENTS

23. OTHER NON FINANCIAL ASSETS

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Trading Stock	13,902	12,292
Prepayments and Advances	90,690	78,853
	104,592	91,145

24. INVESTMENT PROPERTY

As at 31 March	2025	2024
	Rs.'000	Rs.'000
24.1 Qualitative and Quantitative Disclosures of the Investment Properties		
Balance at the beginning of the year	107,000	193,800
Disposals/Transfer	(107,000)	(86,800)
Balance at the end of the year	-	107,000

The property located on Pelawatta - Parliament Road was sold on the current financial year, on 15 May 2024, for its fair value of Rs. 107Mn, based on the valuation confirmation obtained from Mr. U.S. Silva, Chartered Valuation Surveyor.

Location	Buildings Sq. Ft	Land in Extent	Fair Value 2025	Fair Value 2024
			Rs.'000	Rs.'000
Pelawatta - Parliament Road	11040	08P	-	107,000
Embilipitiya	1224	27A 01R 24P	21,200	21,200
Provision made - Embilipitiya			(21,200)	(21,200)
			-	107,000

24.2 Net profit from Investment Properties

For the Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
Rental income derived from investment properties**	-	6,079
Direct operating expenses (including repair and maintenance) generate rental income	-	(1,554)
Direct operating expenses (including repair and maintenance) that did not generate rental income	(144)	(693)
Net profit arising from investment properties carried at fair value	(144)	3,832

**The Company has not rented out and earned any income on its investment property during the current financial year, since the investment property was sold on 15 May 2024.

24.3 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.

25. PROPERTY, PLANT AND EQUIPMENT

	Balance As at 01.04.2024 Rs. '000	Additions/ Revaluation for the year Rs. '000	Disposals/ Transfers Rs. '000	Balance As at 31.03.2025 Rs. '000
25.1 Gross Carrying Amounts				
Land & Building	38,310	44,387	(1,697)	**81,000**
Furniture & Fittings	47,587	7,976	(1,324)	**54,239**
Office Equipment	294,814	102,316	(33,635)	**363,495**
Leasehold Improvements	138,044	36,265	(4,297)	**170,012**
	518,755	190,944	(40,953)	**668,746**

	Balance As at 01.04.2024 Rs. '000	Charge/ Transfers for the year Rs. '000	Disposals/ Transfers Rs. '000	Balance As at 31.03.2025 Rs. '000
Depreciation				
Land & Building	1,131	566	(1,697)	**-**
Furniture & Fittings	45,088	1,505	(1,324)	**45,269**
Office Equipment	237,147	26,441	(33,437)	**230,151**
Leasehold Improvements	118,813	15,428	(4,297)	**129,944**
	402,179	43,940	(40,755)	**405,364**

NOTES TO THE FINANCIAL STATEMENTS

25.2 Gross Carrying Amounts

	Balance As at 01.04.2023	Additions/ Revaluation for the year	Disposals/ Transfers	Balance As at 31.03.2024
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Land & Building	38,310	-	-	38,310
Furniture & Fittings	47,085	515	(13)	47,587
Office Equipment	270,833	36,598	(12,617)	294,814
Leasehold Improvements	134,377	3,768	(101)	138,044
	490,605	40,881	(12,731)	518,755

	Balance As at 01.04.2023	Charge/ Transfers for the year	Disposals/ Transfers	Balance As at 31.03.2024
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Land & Building	566	565	-	1,131
Furniture & Fittings	43,506	1,595	(13)	45,088
Office Equipment	234,652	14,975	(12,480)	237,147
Leasehold Improvements	108,516	10,397	(100)	118,813
	387,240	27,532	(12,593)	402,179

25.3 Net Book Values

As at 31 March	**2025**	2024
	Rs.'000	Rs.'000
Land & Building	**81,000**	37,179
Furniture & Fittings	**8,970**	2,499
Office Equipment	**133,344**	57,667
Leasehold Improvements	**40,068**	19,231
	263,382	116,576

During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 190.94 Mn (2024 Rs. 40.88 Mn).

Cost of fully depreciated assets which are still in use by the Company as at 31 March 2025 is Rs. 454.80Mn (2024 Rs. 460.5 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.

25.4 Details of Land & Buildings Revaluation

The company has revalued its land & building as at 31 March 2025. The valuation is performed by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The details of the valuation performed is as follows,

Valuer	W.M. Chandrasena, Chartered Valuation Surveyor	
Location of the Property	No: 243, Ward Place, Borella	
Date of Valuation	31 March 2025	
Land in Extent	3.36 perches	
Building in Extent	2,760 sq. ft.	
Method of Valuation	Contractor's Method	Investment Method
	Estimated Price per sq.ft (Building) - Rs. 12,000/- Estimated Price per perch (Land) - Rs. 18 Mn	Estimated Price per sq.ft (Building) - Rs. 220/- Estimated Annual Income - Rs. 7.2 Mn
	Significant increases/ (decreases) of significant unobservable inputs above would result in a significantly higher/ (lower) fair value.	

Movement of the Revalued Land & Building during the year is as follows,

	Cost	Accumulated Depreciation	Net Book Value before Revaluation	Revaluation Gain / (Loss)	Revalued Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Land	27,000	-	27,000	33,300	60,300
Building	11,310	1,697	9,613	11,087	20,700
Total	38,310	1,697	36,613	44,387	81,000

The carrying amount of Company's revalued land and buildings, if they were carried at cost less accumulated depreciation, would be as follows:

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Cost		
Land	27,000	27,000
Building	11,310	11,310
Total	38,310	38,310
Carrying Value		
Land	27,000	27,000
Building	9,613	10,179
Total	36,613	37,179

NOTES TO THE FINANCIAL STATEMENTS

26. INTANGIBLE ASSETS

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Finance Business License (Note 26.1)	400,000	400,000
Computer Software (Note 26.2)	66,402	27,622
	466,402	427,622

26.1 Finance Business License

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Cost of the Finance Business License	400,000	400,000
Impairment (Note 26.1.1)	-	-
Net Book Value	400,000	400,000

26.1.1 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 10.27%, 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. 64.82 billion.

	Rs.'000
Present Value of Future Cashflows (a)	97,432,354
Present Value of Total Debt (b)	(32,610,802)
Value in Use (a-b)	64,821,552

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.

26.1.2 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 41%. This rate of growth was arrived, based on expected sales volumes, historical performance, market trends, and economic forecasts of the country.
- Operating Expenses: A 38% growth in the operating expenses is expected. This is, taking into account the annual increments, expansions, 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 11% and the yield to achieve 32%.
- 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 portfolio growth of 31% 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 3.1% of the financial services sector and will continue its market of being within the top 10 LFCs in the country.

26.2 Computer Software

	Balance As at 01.04.2024	Additions Improvements & Charge to P/L	Balance As at 31.03.2025
	Rs. '000	Rs. '000	Rs. '000
Cost of the Intangible Assets	171,688	61,103	**232,791**
Amortisation & Impairment	(144,066)	(22,323)	**(166,389)**
Net Book Value	27,622	38,780	**66,402**

NOTES TO THE FINANCIAL STATEMENTS

	Balance As at 01.04.2023	Additions Improvements & Charge to P/L	Balance As at 31.03.2024
	Rs. '000	Rs. '000	Rs. '000
Cost of the Intangible Assets	161,144	10,544	171,688
Amortisation & Impairment	(128,134)	(15,932)	(144,066)
Net Book Value	33,010	(5,388)	27,622

The amount of contractual commitments for the acquisition of intangible assets as at the reporting date is Rs. 15.8Mn. (2024 Rs. 24.6Mn)

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.

27. RIGHT OF USE ASSETS

		2025	2024
		Rs.'000	Rs.'000
27.1	**Gross Carrying Amounts**		
	Balance as at 01 April	270,573	234,684
	Addition and Improvement	149,649	72,821
	Removal	(40,335)	(36,932)
	Balance as at 31 March	379,887	270,573
	Accumulated Amortisation		
	Balance as at 01 April	141,433	127,408
	Charge for the Year	68,069	50,957
	Disposals	7,002	-
	Removal	(40,335)	(36,932)
	Balance as at 31 March	176,169	141,433
	Net Book Value as at 31 March	203,718	129,140
27.2	**Lease Liability**		
	Balance as at 01 April	159,279	133,798
	Additions	149,649	72,821
	Ascertain of Interest	30,728	23,591
	Disposals	(11,862)	-
	Payment	(103,095)	(70,931)
	Balance as at 31 March	224,699	159,279

As at 31 March	2025	2024
	Rs.'000	Rs.'000
27.2.1 Contractual Maturity Analysis of Lease Liability		
Less than one Year	53,805	36,987
1-5 Year	161,978	122,292
More than 5 Year	8,916	-
	224,699	159,279
27.2.2 Undiscounted Maturity Analysis of Lease Liability		
Less than one Year	80,818	59,564
1-5 Year	198,841	155,037
More than 5 Year	11,371	-
	291,030	214,601

28. FINANCIAL LIABILITIES AT AMORTIZED COST - DUE TO DEPOSITORS

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Deposits from Customers - Term Deposits	6,226,827	680,596
	6,226,827	680,596

28.1 Contractual Maturity Analysis of Customer Deposits

As at 31 March 2025	1 Year	1- 5 Year	More than 5 Year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deposits from Customers - Term Deposits	3,798,371	2,428,456	-	6,226,827
	3,798,371	2,428,456	-	6,226,827

As at 31 March 2024	1 Year	1- 5 Year	More than 5 Year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deposits from Customers - Term Deposits	680,087	509	-	680,596
	680,087	509	-	680,596

NOTES TO THE FINANCIAL STATEMENTS

29. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Bank Loans	24,938,034	20,445,250
Foreign Currency Borrowings (FCB)	889,924	-
	25,827,958	20,445,250

29.1 Movement of Borrowings

Institution	Currency	Collateral	As at 31.03.2024	Loans Obtained	Interest Expenses	Total Repayment	As at 31.03.2025
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Commercial Bank of Ceylon PLC	LKR	Unsecured	3,078,553	4,450,000	314,508	4,323,243	3,519,818
Hatton National Bank PLC	LKR	Unsecured	5,527,176	9,150,000	556,308	7,612,119	7,621,365
Sampath Bank PLC	LKR	Unsecured	2,003,711	1,750,000	86,560	3,640,016	200,255
Nations Trust Bank PLC	LKR	Unsecured	1,053,972	6,800,000	224,245	5,570,904	2,507,313
Nations Trust Bank PLC	LKR	USD Fixed Deposit*	-	778,174	21,125	19,007	780,292
NDB Bank PLC	LKR	Unsecured	1,008,031	2,400,000	37,391	2,793,035	652,387
Seylan Bank PLC	LKR	Unsecured	5,767,043	10,250,000	684,475	10,454,085	6,247,433
DFCC Bank PLC	LKR	Unsecured	1,004,054	300,000	74,236	775,860	602,430
Pan Asia Bank PLC	LKR	Unsecured	1,002,710	3,150,000	77,344	3,729,499	500,555
Bank of Ceylon PLC	LKR	Unsecured	-	4,560,000	59,744	3,215,834	1,403,910
Cargills Bank PLC	LKR	Unsecured	-	1,000,000	80,232	177,956	902,276
			20,445,250	44,588,174	2,216,168	42,311,558	24,938,034
BlueOrchard Finance Ltd*	USD	Unsecured	-	889,042	46,826	45,944	889,924
			-	889,042	46,826	45,944	889,924
Total Borrowings			20,445,250	45,477,216	2,262,994	42,357,502	25,827,958

*The Company obtained USD 3 Mn loan facility from BlueOrchard Finance Ltd during the financial year and deposited those funds in foreign curency deposit and obtain rupee loan against such deposit.

29.1.1 Assets Pledged as Collateral Against Borrowings

	Gross Carrying Amount		Fair Value	
For the Year ended 31st March	2025	2024	2025	2024
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Asset Type				
Foreign Currency Fixed Deposit (Note 18)	881,510	-	881,510	-

29.2 Repayment Analysis

	2025			2024		
	Repayable within 1 year	Repayable after 1 year	Total	Repayable within 1 year	Repayable after 1 year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank Loans	12,247,813	12,690,221	24,938,034	16,949,850	3,495,400	20,445,250
Foreign Currency Borrowings	955	888,969	889,924	-	-	-
	12,248,768	13,579,190	25,827,958	16,949,850	3,495,400	20,445,250

NOTES TO THE FINANCIAL STATEMENTS

30. OTHER FINANCIAL LIABILITIES

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Trade Payables to Related Parties	774,706	95,512
Trade Payables to Other Parties	470,464	317,107
Amount Collected from Customers	590,751	469,593
Amounts Due to Related Parties	141,553	92,423
Lease Liability (Note 27.2)	224,699	159,279
Advertising and Promotion Expenses Payable	43,804	13,654
Dividend Payable (Note 35.2)	432,687	-
Accruals and Expenses Payables	98,273	105,298
	2,776,937	1,252,866

31. OTHER NON FINANCIAL LIABILITIES

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Statutory Payment Payable	232,094	148,948
Other Payables	198,202	95,713
	430,296	244,661

32. INCOME TAX PAYABLE

	2025	2024
	Rs.'000	Rs.'000
Income Taxation Receivable /(Payable)		
As at 01 April	441,429	(106,490)
Income Tax Paid	(1,554,361)	(146,040)
Adjustment (ESC/ WHT etc.)	(2,082)	-
Provision for the Year (Note 14.1)	1,537,609	693,959
Balance as at 31 March	422,595	441,429

33. 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 follows;

	2025	2024
	Rs.'000	Rs.'000
Balance as at 01 April	102,500	777,443
Charge to Profit or Loss - Due to Change in Temporary Difference	(99,131)	(139,868)
Charge to Other Comprehensive Income on Actuarial Valuation	2,726	2,530
Gains/(Losses) Arising on Revaluation of Land & Building	(13,316)	-
Gains/(Losses) Arising on Re-measuring Financial Assets	82,793	(537,605)
Balance as at 31 March - Asset/(Liability)	75,572	102,500

Deferred Tax Assets (Liabilities) and Income Tax Relates to the following.

	Statements of Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2025	2024	2025	2024	2025	2024
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred Tax Liability						
Depreciation of Property Plant & Equipment	(8,933)	(2,393)	(6,540)	(3,143)	-	-
Fair Value Gain on IP	-	-	-	-	-	-
Depreciation of Lease Assets	(290)	(1,542)	1,252	12,596	-	-
Gains/(Losses) Arising on re-measuring Financial Assets	(491,650)	(574,443)	-	-	82,793	(537,605)
Gains/(Losses) Arising on Revaluation of Land & Building	(13,316)	-	-		(13,316)	-
	(514,189)	(578,378)	(5,288)	9,453	69,477	(537,605)
Deferred Tax Assets						
Right of Use of Assets	6,294	9,042	(2,748)	1,085	-	-
Impairment	524,612	623,779	(99,167)	(157,801)	-	-
Retirement Benefit Obligation	58,855	48,057	8,072	7,395	2,726	2,530
	589,761	680,878	(93,843)	(149,321)	2,726	2,530
Deferred Income Tax (Charge)/ Reversal	75,572	102,500	(99,131)	(139,868)	72,203	(535,075)

NOTES TO THE FINANCIAL STATEMENTS

34. RETIREMENT BENEFIT OBLIGATIONS

	2025	2024
	Rs.'000	Rs.'000
Balance as at 01 April	160,190	127,108
Provision made during the year	51,945	50,381
Benefits paid by the plan	(15,952)	(17,299)
Balance as at 31 March	196,183	160,190

34.1 Defined Benefit Obligation Movement

	Notes	2025	2024
		Rs.'000	Rs.'000
Balance as at 01 April		160,190	127,108
Current Service Cost	34.2	23,636	19,069
Interest Cost	34.2	19,223	22,880
Benefits paid by the plan		(15,952)	(17,299)
(Gains) /Losses due to the Changes in Financial Assumptions	34.3	4,451	4,161
(Gains) /Losses due to the Changes in Experience	34.3	4,635	4,271
Balance as at 31 March		196,183	160,190

34.2 Amounts Recognised in Profit or Loss

For the Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
Current Service Cost for the Year	23,636	19,069
Interest Cost for the Year	19,223	22,880
	42,859	41,949

34.3 Amounts Recognised in Other Comprehensive Income

For the Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
(Gains) /Losses due to the Changes in Financial Assumptions	4,451	4,161
(Gains) /Losses due to the Changes in Experience	4,635	4,271
	9,086	8,432

34.4 Distribution of Present Value of Defined Benefit Obligation

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Within the next 12 months	23,449	20,101
Between 1 to 5 years	74,657	63,205
Between 5 to 10 years	58,085	44,577
More than 10 years	39,992	32,307
	196,183	160,190

34.5 Assumptions

	2025	2024
Discount Rate	10.50%	12.00%
Salary Increment	9.00%	10.00%
Retirement Age	60 Years	60 Years
Expected Average Future Working Years	7.3 Years	7.5 Years

Actuarial valuations of the gratuity of the Company was carried out as at 31 March 2025 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).

34.6 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.

2024/25			
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%		10.65	-10.65
-1%		-11.86	11.86
	1%	-12.81	12.81
	-1%	11.68	-11.68

NOTES TO THE FINANCIAL STATEMENTS

2023/24			
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

35. STATED CAPITAL

35.1 Issued and Fully Paid-Ordinary Shares

As at 31 March	2025		2024	
	No. of Shares	Rs. '000	No. of Shares	Rs. '000
Stated Capital	133,958,971	3,550,000	133,958,971	3,550,000
	133,958,971	3,550,000	133,958,971	3,550,000

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.

35.2 Dividends Paid and Proposed

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.

Payment of Dividends:
The Board of Directors proposed an interim cash dividend of Rs 3.80 per share for the financial year 2024/25, amounting to a total sum of Sri Lankan Rupees five hundred and nine million forty four thousand ninety (Rs. 509,044,090). This was payable as at 31 March 2025 due to pending approval from CBSL. Subsequently, upon receiving the approval of CBSL, the dividend was paid in April 2025.

	2025	2024
Dividend Per Share (Rs.)	3.80	-
No. of ordinary shares as at 31 March	133,958,971	133,958,971
Total Dividend Payable (Rs.)	509,044,090	-
(-) With Holding Tax @ 15%	(76,356,613)	-
Net Dividend Payable (Rs.)	432,687,477	-

36. 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.

	2025	2024
	Rs.'000	Rs.'000
Balance as at 01 April	1,176,508	1,112,084
Profit transferred during the year	135,738	64,424
Balance as at 31 March	1,312,246	1,176,508

37. 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

	2025	2024
	Rs.'000	Rs.'000
Balance as at 01 April	1,340,283	85,871
Changes in fair value during the year (net of tax)	(193,184)	1,254,412
Balance as at 31 March	1,147,099	1,340,283

38. REVALUATION RESERVE

Revaluation Reserve represents the fair value changes of Company's Land & Buildings. A detailed disclosure on the underlying valuations is available in Note 25.4

	2025	2024
	Rs.'000	Rs.'000
Balance as at 01 April	-	-
Revaluation gain during the year	44,387	-
Less: Tax impact on revaluation gain	(13,316)	-
Balance as at 31 March	31,071	-

NOTES TO THE FINANCIAL STATEMENTS

39. RETAINED EARNINGS

This represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividend payments.

	2025	2024
	Rs.'000	Rs.'000
Balance as at 01 April	7,828,899	6,610,753
Net Profit for the Year	2,714,754	1,288,473
Other Comprehensive Income net of Tax	(6,360)	(5,903)
Transfer to Statutory Reserve Fund	(135,738)	(64,424)
Dividend Declared	(509,044)	-
Balance as at 31 March	9,892,511	7,828,899

40. 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.

40.1 Terms and Condition

The Company carries out transactions with Parent Company, Affiliate Companies, 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.

40.2 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.

40.2.1 Key Management Personnel Compensation

For the Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
Short Term Employees Benefits	321,655	266,467
Post - Employment Benefits	26,062	21,403
Money Value of Perquisites	10,351	8,608
Other Long Term Benefits	43,523	31,297
	401,591	327,775

40.2.2 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.

	2025	2024
	Rs.'000	Rs.'000
As at 31 March		
Lease Rentals Receivable	12,541	24,904
	12,541	24,904
Net Accommodations Outstanding as a Percentage of Capital Funds	0.09%	0.18%
For the Year ended 31 March		
Interest Income on Lease Receivables	998	1,844
	998	1,844

	2025	2024
	Rs.'000	Rs.'000
As at 31 March		
Deposits from Customers - Term Deposits	-	3,085
	-	3,085
For the Year ended 31 March		
Interest Expense on Term Deposits	65	85
	65	85

NOTES TO THE FINANCIAL STATEMENTS

40.3 Transactions with Ultimate Parent Company

Company Name	Nature of Transactions	2025	2024
		Rs.'000	Rs.'000
David Pieris Holdings (Pvt) Ltd			
	As at March 31		
	Non Trading Receivable	978	153
	Non Trading Payable	102,499	57,166
	Transactions for the period		
	Sale of Assets	-	-
	Purchase of Assets	-	568
	Rent Income from Shared Locations	213	-
	Reimbursement of Operating Expenses	2,704	-
	Other Operating Expenses	295,507	258,742

40.4 Transactions with Parent Company

Company Name	Nature of Transactions	2025	2024
		Rs.'000	Rs.'000
DPMC Assetline Holdings (Pvt) Ltd			
	As at March 31		
	Non Trading Receivable	-	6,906
	Non Trading Payable	34	-
	Transactions for the period		
	Reimbursement of Operating Expenses	761	734
	Other Operating Expenses	-	496
	Rent Expenses	-	520
	Dividend Paid	-	56,933
	Sale of Investment Property	107,000	86,800

40.5 Transactions with Other Group Companies

Company Name	Nature of Transactions	2025	2024
		Rs.'000	Rs.'000
Members of David Pieris Group of Companies			
	As at March 31		
	Fixed Deposits	2,380,000	450,000
	Interest Payable on Fixed Deposits	103,618	19,691
	Non Trading Receivable	22,873	5,118
	Non Trading Payable	39,020	20,244
	Trading Payable	774,706	95,512
	Lease Receivable	4,341	-
	Transactions for the period		
	Fixed Deposits Obtained	2,380,000	650,000
	Fixed Deposits Repaid	650,000	400,000
	Loan Obtained	-	6,550,000
	Loan Repayments	-	7,800,000
	Interest Expenses on Fixed Deposits	148,543	33,113
	Interest Expenses on Borrowing	-	254,292
	Supplier Payments on Leased Motor Vehicles	7,976,205	1,666,598
	Leasing of Motor Vehicles	5,600	-
	Repayments Received on Leasing	1,969	-
	Leasing Interest Income	671	-
	Stock Purchases	-	29,298
	Purchase of Assets (Tangible & Intangible)	25,846	6,976
	Sale of Vehicles	18,378	13,510
	Reimbursement of Operating Expenses	15,866	6,558
	Other Operating Expenses	318,102	160,208
	Dividend Paid	-	-

NOTES TO THE FINANCIAL STATEMENTS

40.5.1 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. '000)	7,611,220
Aggregate transaction value as a % of gross income	74%
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 & Three Wheelers.

Transaction 2	
Name of the related party	David Pieris Motor Company (Lanka) Ltd
Relationship	Affiliate Company
Nature of transaction	Fixed Deposits obtained
Aggregate transaction value (Rs. '000)	2,250,000
Aggregate transaction value as a % of gross income	22%
Terms & Conditions of the transaction	Same as the terms and conditions applicable for other depositors.
Rationale for entering the transaction	Obtaining funding via Fixed Deposits.

There were no any other non-recurrent related party transactions which requires separate disclosures within the current financial year.

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

41.1 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.

	2025			2024		
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Financial Assets FVOCI	6,712,682	-	-	6,747,888	-	-
Investment Property	-	-	-	-	-	107,000
PPE - Land & Building	-	-	81,000	-	-	38,310
Total Assets	6,712,682	-	81,000	6,747,888	-	145,310

Level 3 - Land & Building Valuation

The Company valued its owned property located at No: 243, Ward Place, Borella on 31 March 2025. Detailed disclosures regarding this is available under Note 25.4 to the Financial Statements.

41.2 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.

NOTES TO THE FINANCIAL STATEMENTS

	2025				2024			
	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. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000	
Financial Assets								
Financial Assets at Amortised Cost - Loans and Advances	-	13,321,503	-	12,860,859	-	5,563,378	-	5,496,194
Financial Assets at Amortised Cost - Lease Rentals Receivable	-	34,936,494	-	29,916,894	-	28,112,087	-	23,713,449
	-	48,257,997	-	42,777,753	-	33,675,465	-	29,209,643
Financial Liabilities								
Financial Liabilities at Amortized Cost - Due to Depositors		6,769,123	-	6,226,827	-	680,596	-	680,596
Debt Instruments Issued and Other Borrowed Funds	-	27,123,226	-	25,827,958	-	20,445,250	-	20,445,250
	-	33,892,349	-	32,054,785	-	21,125,846	-	21,125,846

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 Banks
Financial Assets - Fair Value through Other Comprehensive Income
Other Financial Assets

Financial Liabilities

Bank Overdraft
Other Financial Liabilities

42. 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 2025	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS						
Cash and Bank Balances	496,614	-	-	-	-	496,614
Securities Purchased Under Repurchase Agreement	250,221	-	-	-	-	250,221
Deposits with Banks	1,498	-	880,012	-	-	881,510
Financial Assets at Amortised Cost - Loans and Advances	2,661,469	5,151,426	3,088,311	1,921,444	38,209	12,860,859
Financial Assets at Amortised Cost - Lease Rentals Receivable	4,104,048	8,287,431	14,561,854	2,958,114	5,447	29,916,894
Financial Assets - Fair Value through Other Comprehensive Income	539,158	-	5,345,169	345,837	482,713	6,712,877
Other Financial Assets	109,163	-	22,032	-	-	131,195
Other Non Financial Assets	76,828	17,378	10,386	-	-	104,592
Investment Properties	-	-	-	-	-	-
Property, Plant & Equipment	-	-	-	-	263,382	263,382
Intangible Assets	-	-	-	-	466,402	466,402
Deferred Tax Asset	-	-	-	-	75,572	75,572
Right of Use Assets	20,706	56,865	103,926	22,221	-	203,718
Total Assets	8,259,705	13,513,100	24,011,690	5,247,616	1,331,725	52,363,836
Composition (%)	16%	26%	45%	10%	3%	100%
LIABILITIES						
Bank Overdraft	550,113	-	-	-	-	550,113
Financial Liabilities at Amortized Cost - Due to Depositors	1,480,012	2,318,359	2,425,787	2,669	-	6,226,827
Debt Instruments Issued and Other Borrowed Funds	8,448,649	3,800,118	9,822,763	3,756,428	-	25,827,958
Other Financial Liabilities	2,565,253	40,790	101,350	60,628	8,916	2,776,937
Other Non Financial Liabilities	232,843	197,453	-	-	-	430,296
Income Tax Payable	-	422,595	-	-	-	422,595
Retirement Benefit Obligations	-	23,449	-	74,657	98,077	196,183
Total Liabilities	13,276,870	6,802,764	12,349,900	3,894,382	106,993	36,430,909
Composition (%)	36%	19%	34%	11%	0%	100%

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42. MATURITY ANALYSIS

As at 31 March 2024	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS						
Cash and Bank Balances	355,681	-	-	-	-	355,681
Deposits with Banks	-	-	-	-	-	-
Financial Assets at Amortised Cost - Loans and Advances	989,039	2,418,720	1,233,442	839,623	15,370	5,496,194
Financial Assets at Amortised Cost - Lease Rentals Receivable	3,563,516	6,123,807	11,757,463	2,260,625	8,038	23,713,449
Financial Assets - Fair Value through Other Comprehensive Income	312,011	-	2,342,724	3,399,017	694,331	6,748,083
Other Financial Assets	108,085	-	20,962	-	-	129,047
Other Non Financial Assets	86,428	4,717	-	-	-	91,145
Investment Properties	-	-	-	-	107,000	107,000
Property, Plant & Equipment	-	-	-	-	116,576	116,576
Intangible Assets	-	-	-	-	427,622	427,622
Deferred Tax Asset	-	-	-	-	102,500	102,500
Right of Use Assets	13,761	38,851	68,671	7,857	-	129,140
Total Assets	5,428,521	8,586,095	15,423,262	6,507,122	1,471,437	37,416,437
Composition (%)	15%	23%	41%	17%	4%	100%
LIABILITIES						
Bank Overdraft	295,755	-	-	-	-	295,755
Financial Liabilities at Amortized Cost - Due to Depositors	166,226	240,070	273,800	-	500	680,596
Debt Instruments Issued and Other Borrowed Funds	14,874,550	2,075,300	2,807,900	687,500	-	20,445,250
Other Financial Liabilities	1,126,542	22,751	61,058	42,515	-	1,252,866
Other Non Financial Liabilities	150,205	94,456	-	-	-	244,661
Income Tax Payable	-	441,429	-	-	-	441,429
Retirement Benefit Obligations	-	20,101	-	63,205	76,884	160,190
Total Liabilities	16,613,278	2,894,107	3,142,758	793,220	77,384	23,520,747
Composition (%)	72%	12%	13%	3%	0%	100%

43. RISK MANAGEMENT

43.1 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, currency risk, price 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.

43.1.1 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 appetite 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 three Independent Non-Executive Directors of the Company.

In addition to the BIRM Committee, Risk Management function is managed by Enterprise Risk Management Department (ERMD), headed by the Head of Enterprise Risk Management. ERMD is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The division works closely with the BIRMC to ensure that procedures are compliant with the overall framework. ERMD is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This department also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported to the IRMC, where necessary, 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.

43.1.2 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

43.2 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/lease 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/lease 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.

43.2.1 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 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/lease 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
- 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 none 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 agriculture & construction 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.

43.2 Credit Risk

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)
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.

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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 Loan/Lease 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.

43.2.1.1 Assessment of Provision for Impairment

Analysis of the total provision for impairment is as follows

As at 31 March 2025	Notes	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Deposits with Banks	18	165	-	-	165
Financial assets at Amortised Cost - Loans and Advances	19.1	40,943	23,617	165,024	229,584
Financial assets at Amortised Cost - Lease Rentals Receivable	20.1	233,343	258,021	1,024,813	1,516,177
Other Charges Receivable from Client	22.1.1	838	561	1,382	2,781
Total provision for impairment		275,289	282,199	1,191,219	1,748,707

As at 31 March 2024	Notes	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Deposits with Banks	18	-	-	-	-
Financial assets at Amortised Cost - Loans and Advances	19.1	21,454	12,835	134,598	168,887
Financial assets at Amortised Cost - Lease Rentals Receivable	20.1	207,356	506,066	1,190,157	1,903,579
Other Charges Receivable from Client	22.1.1	1,321	1,094	4,381	6,796
Total provision for impairment		230,131	519,995	1,329,136	2,079,262

	2025 Rs.'000	2024 Rs.'000
Movement of the total provision for impairment during the period		
Balance as at 01 April	2,079,262	2,605,297
Net charge to profit or loss	(330,555)	(526,035)
Balance as at 31 March	1,748,707	2,079,262

43.2.1.2 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, 2025, 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, 2025 to a reasonably possible change in PDs, LGDs and forward looking information.

Sensitivity on ECL	Sensitivity Effect on Statement of Financial Position [Increase/(Decrease) in Impairment Provision]				Sensitivity Effect on Income Statement
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	
Change in Probability of Default (PD)					
PD 1% increase across all age buckets	19,666	4,619	-	24,285	(24,285)
PD 1% decrease across all age buckets *	(19,666)	(4,619)	-	(24,285)	24,285
Change in Loss Given Default (LGD)					
LGD 1% increase	28,346	30,129	8,147	66,622	(66,622)
LGD 1% decrease *	(28,346)	(30,129)	(8,147)	(66,622)	66,622
Changes in Probability Weighted Economic Scenarios (EFA)					
EFA Worse case 5% increase, best case 5% decrease, base case constant **	9,606	5,925	-	15,531	(15,531)
Worse case 5% decrease, best case 5% increase, base case constant **	(9,606)	(5,925)	-	(15,531)	15,531

* The PD/LGD decrease is capped to 0%, if applicable.

* Since a 100% PD is applied to Stage 3 facilities by default, sensitivity analysis is not applicable for Stage 3 exposures.

** Since the Probability of Default (PD) for Stage 3 is 100%, the best and worst-case scenarios have no impact on Stage 3.

NOTES TO THE FINANCIAL STATEMENTS

43.2.2 Analysis of Maximum Exposure to Credit Risk

The following table shows the maximum exposure and net exposure (net of fair value of any collaterals held) to credit risk by class of financial asset, before netting off impairment for expected credit losses.

As at 31 March	2025		2024	
	Maximum Exposure to Credit Risk	Net Exposure	Maximum Exposure to Credit Risk	Net Exposure
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and Bank Balance	496,614	123,701	355,681	60,835
Deposits with Banks	881,510	881,510	-	-
Financial Assets at Amortised Cost - Loans and Advances	13,090,443	196,492	5,665,081	209,373
Financial Assets at Amortised Cost - Lease Rentals Receivable	31,433,071	-	25,617,028	-
Other Financial Assets	61,184	61,184	97,370	97,370
	45,962,822	1,262,887	31,735,160	367,578

43.2.3 Impaired Financial Instruments

Impaired Financial Assets are assets for which the company does not expect to recover all contractual cash flows, or anticipates receiving them later than originally agreed. A financial asset such as a lease receivable, loan receivable or other financial instrument is considered impaired when there is objective evidence that a loss event has occurred after initial recognition, and that this event is expected to negatively affect the asset's future cash flows.

According to SLFRS 9 – Financial Instruments, assets classified under Stage 3 are considered credit-impaired. A lease/loan that has been renegotiated due to a deterioration in the borrower's financial condition is typically treated as impaired, unless there is clear evidence that the credit risk has significantly improved and no other indicators of impairment exist.

	As at 31 March 2025		
	Gross Balance	Impairment	Net Balance
	Rs. '000	Rs. '000	Rs. '000
Impaired Financial Assets (Stage 3)			
Financial Assets at Amortised Cost - Loans and Advances	203,948	(165,024)	38,924
Financial Assets at Amortised Cost - Lease Rentals Receivable	1,521,245	(1,024,813)	496,432
Other Financial Assets - Other Charges Receivable from Client	29,191	(1,382)	27,809
	1,754,384	(1,191,219)	563,165

	As at 31 March 2024		
	Gross Balance	Impairment	Net Balance
	Rs. '000	Rs. '000	Rs. '000
Impaired Financial Assets (Stage 3)			
Financial Assets at Amortised Cost - Loans and Advances	199,282	(134,598)	64,684
Financial Assets at Amortised Cost - Lease Rentals Receivable	3,263,901	(1,190,157)	2,073,744
Other Financial Assets - Other Charges Receivable from Client	61,285	(4,381)	56,904
	3,524,468	(1,329,136)	2,195,332

43.2.4 Loans and Lease Receivables with Renegotiated Terms and the Company's Forbearance Policy

The contractual terms of a loan or lease may be modified for various reasons, including changing market conditions, customer retention, or other factors unrelated to actual or potential credit deterioration of the customer. When the terms of an existing loan are modified, the original loan or lease is derecognised, and the renegotiated loan or lease is recognised as a new financial asset at its fair value.

The Company may also renegotiate loans or leases for customers experiencing financial difficulties as part of its forbearance activities. These actions are intended to maximise recovery and minimise the risk of default. Forbearance is considered when there is evidence that the borrower is either already in default or at a high risk of default, has made reasonable efforts to meet their obligations under the original terms, and is expected to comply with the revised terms. Renegotiated terms typically include extending the loan/lease maturity, adjusting the timing of interest payments, or amending loan covenant conditions.

The Company also reassesses these facilities on whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stages are determined based on the regulatory directions issued by the Central Bank of Sri Lanka.

In accordance with Section 4.2 of Finance Business Act Direction No. 01 of 2020, the Company aggregates the number of Days Past Due (DPD) from the original facility with the DPD of the renegotiated facility, treating the new facility as an extension of the original one. Furthermore, the Company continuously monitors the repayment behavior of borrowers whose facilities have been renegotiated. This monitoring continues for a period ranging from 90 days to 360 days, in line with Table 3 of the aforementioned Direction, until all outstanding dues have been settled and the borrower consistently services the facility in a timely manner.

The table below set out information about the loans and lease receivables with renegotiated terms:

As at 31 March	2025	2024
	Rs.'000	Rs.'000
Gross carrying amount of renegotiated loan and lease receivables	461,559	963,852
Total gross loans and lease receivables	44,584,698	31,379,479
Percentage of renegotiated loans (%)	1.0%	3.1%

From a risk management point of view, once a financial asset is forborne or modified due to financial difficulties of the borrower, the Company's recovery department continues to monitor the exposure until it exits forbearance, where it is either cured or completely derecognised.

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12mECL measurement during the period.

As at 31 March 2025	Post-Modification		Pre-Modification	
	Gross Carrying Amount	Related Expected Credit Loss	Gross Carrying Amount	Related Expected Credit Loss
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	80,683	883	153,765	2,219
Facilities that reverted to LTECL having once cured (Stage 2)	28,513	1,137	45,988	2,113
Facilities that reverted to LTECL having once cured (Stage 3)	352,363	285,290	560,071	271,168
	461,559	287,310	759,824	275,500

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As at 31 March 2024	Post-Modification		Pre-Modification	
	Gross Carrying Amount Rs. '000	Related Expected Credit Loss Rs. '000	Gross Carrying Amount Rs. '000	Related Expected Credit Loss Rs. '000
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	157,078	3,654	251,315	2,696
Facilities that reverted to LTECL having once cured (Stage 2)	35,240	2,618	54,462	2,898
Facilities that reverted to LTECL having once cured (Stage 3)	771,534	338,557	1,038,725	364,020
	963,852	344,829	1,344,502	369,614

Write-Off Policy

The Company writes off a loan or lease receivable, along with any related impairment allowances, when it determines that the asset is uncollectible. This determination is based on factors such as significant changes in the borrower's financial position, indicating that the obligation can no longer be met, or that the proceeds from collateral will be insufficient to cover the full exposure. The Company's policy is to pursue timely realisation of the collateral in an orderly manner.

The table below set out information about the loans and lease receivables written off and their contractual amounts outstanding, which are still subject to enforcement activities.

For the Year ended 31 March	2025	2024
	Rs.'000	Rs.'000
Net loan and lease receivable written off during the year (Note 10.3)	767,005	2,262,832
Gross contractual outstanding of written off loans and leases which are subject to recovery	2,615,824	3,441,239

43.2.5 Credit Quality by Class of Financial Assets

As at 31 March 2025	Not subject to ECL	Subject to ECL			ECL	Carrying Amount
		Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000		
Assets						
Cash and Bank Balances	496,614	-	-	-	-	496,614
Securities Purchased Under Repurchase Agreement	250,221	-	-	-	-	250,221
Deposits with Banks	-	881,675	-	-	165	881,510
Financial Assets at Amortised Cost - Loans and Advances	-	12,090,508	795,987	203,948	229,584	12,860,859
Financial Assets at Amortised Cost - Lease Rentals Receivable	-	24,416,613	5,495,213	1,521,245	1,516,177	29,916,894
Financial Assets - Fair Value through Other Comprehensive Income	6,712,877	-	-	-	-	6,712,877
Other Financial Assets	72,792	19,518	12,475	29,191	2,781	131,195
Total	7,532,504	37,408,314	6,303,675	1,754,384	1,748,707	51,250,170

As at 31 March 2024	Not subject to ECL	Subject to ECL			ECL	Carrying Amount
		Stage 1	Stage 2	Stage 3		
		Rs. '000	Rs. '000	Rs. '000		
Assets						
Cash and Bank Balances	355,681	-	-	-	-	355,681
Financial Assets at Amortised Cost - Loans and Advances	-	5,065,735	400,064	199,282	168,887	5,496,194
Financial Assets at Amortised Cost - Lease Rentals Receivable	-	16,140,577	6,212,550	3,263,901	1,903,579	23,713,449
Financial Assets - Fair Value through Other Comprehensive Income	6,748,083	-	-	-	-	6,748,083
Other Financial Assets	38,473	20,685	15,400	61,285	6,796	129,047
Total	7,142,237	21,226,997	6,628,014	3,524,468	2,079,262	36,442,454

43.2.6 Aging Analysis of Loan & Lease Receivables

As at 31 March 2025	Stage	Gross	Impairment	Net	Mix
		Rs. '000	Rs. '000	Rs. '000	
Current	1	28,299,733	140,799	28,158,934	66%
Overdue below 30 days	1	8,207,388	133,487	8,073,901	19%
Overdue 31 to 90 days	2	6,291,200	281,638	6,009,562	14%
Overdue above 91 days	3	1,725,193	1,189,837	535,356	1%
Total		44,523,514	1,745,761	42,777,753	100%

As at 31 March 2024	Stage	Gross	Impairment	Net	Mix
		Rs. '000	Rs. '000	Rs. '000	
Current	1	15,694,698	112,379	15,582,319	54%
Overdue below 30 days	1	5,511,614	116,431	5,395,183	18%
Overdue 31 to 90 days	2	6,612,614	518,901	6,093,713	21%
Overdue above 91 days	3	3,463,183	1,324,755	2,138,428	7%
Total		31,282,109	2,072,466	29,209,643	100%

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43.2.7 Sector-wise Analysis of Risk Concentration

The industry sector wise breakdown for the risk concentration on Loans and Advances & Lease Rentals Receivable was as follows.

	2025				2024			
	Financial Assets at Amortised Cost - Loans and Advances	Financial Assets at Amortised Cost - Lease Rentals Receivable	Total	Concentration (%)	Financial Assets at Amortised Cost - Loans and Advances	Financial Assets at Amortised Cost - Lease Rentals Receivable	Total	Concentration (%)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sector								
Agriculture	596,241	8,231,430	8,827,671	20%	218,999	6,363,475	6,582,474	21%
Construction	374,005	1,544,389	1,918,394	4%	213,449	1,363,951	1,577,400	5%
Industry & Manufacture	412,531	751,335	1,163,866	3%	242,126	636,117	878,243	3%
Services	7,512,484	13,292,526	20,805,010	46%	2,317,534	9,645,317	11,962,851	38%
Tourism	392,175	378,182	770,357	2%	145,786	323,532	469,318	2%
Trading	2,999,402	3,594,020	6,593,422	15%	2,121,761	3,218,290	5,340,051	17%
Transport	784,723	3,640,147	4,424,870	10%	401,904	4,065,589	4,467,493	14%
Government	-	-	-	0%	-	-	-	0%
Others	18,882	1,042	19,924	0%	3,522	757	4,279	0%
Total	13,090,443	31,433,071	44,523,514	100%	5,665,081	25,617,028	31,282,109	100%

43.2.8 Location-wise Analysis of Risk Concentration

The geographical breakdown for the risk concentration on Loans and Advances & Lease Rentals Receivable was as follows.

	2025				2024			
	Financial Assets at Amortised Cost - Loans and Advances	Financial Assets at Amortised Cost - Lease Rentals Receivable	Total	Concentration (%)	Financial Assets at Amortised Cost - Loans and Advances	Financial Assets at Amortised Cost - Lease Rentals Receivable	Total	Concentration (%)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Province								
Western	7,185,706	6,354,222	13,539,928	29%	3,274,559	4,490,022	7,764,581	25%
Central	1,041,187	3,668,068	4,709,255	11%	445,700	3,372,139	3,817,839	12%
Southern	1,475,719	3,700,253	5,175,972	12%	491,036	3,297,149	3,788,185	12%
Sabaragamuwa	1,067,523	3,414,944	4,482,467	10%	421,173	3,030,739	3,451,912	11%
NorthWestern	849,967	3,725,836	4,575,803	10%	335,900	2,788,972	3,124,872	10%
Uva	365,036	2,795,658	3,160,694	7%	153,843	2,543,033	2,696,876	9%
NorthCentral	415,120	2,963,389	3,378,509	8%	191,968	2,394,193	2,586,161	8%
Eastern	265,017	2,780,285	3,045,302	7%	79,859	2,046,259	2,126,118	7%
Northern	425,168	2,030,416	2,455,584	6%	271,043	1,654,522	1,925,565	6%
Total	13,090,443	31,433,071	44,523,514	100%	5,665,081	25,617,028	31,282,109	100%

43.2.9 Disclosures on Collaterals Against Credit Exposures

The Company holds collaterals against its credit exposures. The amount and type of collateral required depends on an assessment of the credit risk of the relevant counterparty. The borrowers who are considered the counterparties in credit exposures are classified by the Company as Micro, Small, Medium, and Corporate, in accordance with the regulations issued by the Central Bank of Sri Lanka.

The table below sets out the maximum exposure to credit risk by class of financial asset along with the principal types of collateral held against each types counterparties.

As at 31 March 2025	Loan and Lease Receivables from Counterparties				
	Micro	Small	Medium	Corporates	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Maximum exposure to credit risk	26,584,018	16,392,732	1,419,737	127,027	44,523,514
Fair value of collaterals held*					
Fixed Deposits	-	21,120	-	-	21,120
Immovable Properties	-	37,405	22,646	36,860	96,911
Personal and Corporate Guarantees	1,910	144,492	50,090	-	196,492
Listed Shares and Debt Securities	82,808	1,150,655	586,040	-	1,819,503
Vehicles and Machinery	26,499,300	15,039,060	760,961	90,167	42,389,488
Total fair value of collaterals held	26,584,018	16,392,732	1,419,737	127,027	44,523,514
Percentage of exposure subject to collateral requirement	100%	100%	100%	100%	100%

*For each loan/lease, the value of the collateral is capped at the maximum of amortised cost of the loan/lease.

As at 31 March 2024	Loan and Lease Receivables from Counterparties				
	Micro	Small	Medium	Corporates	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Maximum exposure to credit risk	20,802,055	9,630,971	772,524	76,559	31,282,109
Fair value of collaterals held*					
Fixed Deposits	-	-	-	-	-
Immovable Properties	-	48,126	21,108	36,860	106,094
Personal and Corporate Guarantees	6,482	152,321	50,569	-	209,372
Listed Shares and Debt Securities	118,613	-	426,875	-	545,488
Vehicles and Machinery	20,676,960	9,430,524	273,972	39,699	30,421,155
Total fair value of collaterals held	20,802,055	9,630,971	772,524	76,559	31,282,109
Percentage of exposure subject to collateral requirement	100%	100%	100%	100%	100%

*For each loan/lease, the value of the collateral is capped at the maximum of amortised cost of the loan/lease.

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43.2.10 Stage-wise Analysis of Collateral Held Against Loan & Lease Receivables

The following table sets out the principal types of collateral held by the Company against its Loans and Advances & Lease Rentals Receivable

	2025				2024			
	Financial Assets at Amortised Cost - Loans and Advances	Financial Assets at Amortised Cost - Lease Rentals Receivable	Total	Mix (%)	Financial Assets at Amortised Cost - Loans and Advances	Financial Assets at Amortised Cost - Lease Rentals Receivable	Total	Mix (%)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Stage 1								
Fixed Deposits	21,120	-	21,120	0.1%	-	-	-	0.0%
Immovable Properties	51,608	-	51,608	0.1%	48,657	-	48,657	0.2%
Personal and Corporate Guarantees	109,375	-	109,375	0.3%	99,255	-	99,255	0.5%
Listed Shares and Debt Securities	1,819,502	-	1,819,502	5.0%	545,487	-	545,487	2.6%
Vehicles and Machinery	10,088,903	24,416,613	34,505,516	94.5%	4,372,336	16,140,577	20,512,913	96.7%
	12,090,508	24,416,613	36,507,121	100.0%	5,065,735	16,140,577	21,206,312	100.0%
Stage 2								
Immovable Properties	655	-	655	0.0%	3,453	-	3,453	0.1%
Personal and Corporate Guarantees	62	-	62	0.0%	9,498	-	9,498	0.1%
Vehicles and Machinery	795,270	5,495,213	6,290,483	100.0%	387,113	6,212,550	6,599,663	99.8%
	795,987	5,495,213	6,291,200	100.0%	400,064	6,212,550	6,612,614	100.0%
Stage 3								
Immovable Properties	44,648	-	44,648	2.6%	53,984	-	53,984	1.6%
Personal and Corporate Guarantees	87,055	-	87,055	5.0%	100,620	-	100,620	2.9%
Vehicles and Machinery	72,245	1,521,245	1,593,490	92.4%	44,678	3,263,901	3,308,579	95.5%
	203,948	1,521,245	1,725,193	100.0%	199,282	3,263,901	3,463,183	100.0%
Total	13,090,443	31,433,071	44,523,514		5,665,081	25,617,028	31,282,109	

*For each loan/lease, the value of the collateral is capped at the maximum of amortised cost of the loan/lease.

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.

43.3 Interest Rate Risk

Interest Rate Risk is the risk which the Company is exposed due to uncertain and adverse movements in future interest rates. The fluctuation of interest rates is an external factor which is beyond the control of the company. Assetline Finance Limited is exposed to the 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 at least 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

43.3.1 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) inbasis points	Sensitivity to Profit Before Tax	Sensitivity to Profit After Tax
	%	Rs. Mn	Rs. Mn
Term Loans linked to AWPLR - 2025	+1/ (-1)	(145)/145	(77)/77

The base ratio considered in the Interest Rate Sensitivity Analysis is the AWPLR. Since 45% of Company's total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Statement of Profit or Loss and to Equity.

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43.3.2 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 2025	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets							
Cash and Bank Balances	33,044	-	-	-	-	463,570	496,614
Securities Purchased Under Repurchase Agreement	250,221	-	-	-	-	-	250,221
Deposits with Banks	1,498	-	880,012	-	-	-	881,510
Financial Assets at Amortised Cost - Loans and Advances	2,661,470	5,151,426	3,088,311	1,921,443	38,209	-	12,860,859
Financial Assets at Amortised Cost - Lease Rentals Receivable	4,104,048	8,287,431	14,561,854	2,958,114	5,447	-	29,916,894
Financial Assets - Fair Value through Other Comprehensive Income	539,158	-	5,345,169	345,837	482,518	195	6,712,877
Other Financial Assets	58,403	-	-	-	-	72,792	131,195
Total Assets	7,647,842	13,438,857	23,875,346	5,225,394	526,174	536,557	51,250,170
Liabilities							
Bank Overdraft	550,113	-	-	-	-	-	550,113
Financial Liabilities at Amortized Cost - Due to Depositors	1,480,012	2,318,359	2,425,787	2,669	-	-	6,226,827
Debt Instruments Issued and Other Borrowed Funds	8,448,649	3,800,118	9,822,763	3,756,428	-	-	25,827,958
Other Financial Liabilities	7,473	22,751	61,058	42,515	-	2,643,140	2,776,937
Total Liabilities	10,486,247	6,141,228	12,309,608	3,801,612	-	2,643,140	35,381,835
Total Interest Sensitivity Gap	(2,838,405)	7,297,629	11,565,738	1,423,782	526,174	(2,106,583)	15,868,335

As at 31 March 2024	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets							
Cash and Bank Balances	33,272	-	-	-	-	322,409	355,681
Financial Assets at Amortised Cost - Loans and Advances	989,039	2,418,720	1,233,442	839,623	15,370	-	5,496,194
Financial Assets at Amortised Cost - Lease Rentals Receivable	3,563,516	6,123,807	11,757,463	2,260,625	8,038	-	23,713,449
Financial Assets - Fair Value through Other Comprehensive Income	312,010	-	2,342,724	3,399,017	694,137	195	6,748,083
Other Financial Assets	90,575	-	-	-	-	38,472	129,047
Total Assets	4,988,412	8,542,527	15,333,629	6,499,265	717,545	361,076	36,442,454
Liabilities							
Bank Overdraft	295,755	-	-	-	-	-	295,755
Financial Liabilities at Amortised Cost - Due to Depositors	166,226	240,070	273,800	-	500	-	680,596
Debt Instruments Issued and Other Borrowed Funds	14,874,550	2,075,300	2,807,900	687,500	-	-	20,445,250
Other Financial Liabilities	7,473	22,751	61,058	42,515	-	1,119,069	1,252,866
Total Liabilities	15,344,004	2,338,121	3,142,758	730,015	500	1,119,069	22,674,467
Total Interest Sensitivity Gap	(10,355,592)	6,204,406	12,190,871	5,769,250	717,045	(757,993)	13,767,987

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43.4 Currency Risk

Currency risk refers to the potential for fluctuations in the value of financial instruments due to changes in foreign exchange rates. This risk arises when a company holds assets or liabilities denominated in currencies other than its functional or reporting currency.

Management of Currency Risk

The intention of managing currency risk is to curtail the currency losses incurred due to foreign currency transactions. The only currency risk faced by the Company is from the foreign currency borrowings and foreign currency investments. The Company monitors exchange rates daily and take necessary steps to mitigate the Currency Risk by adjusting its Foreign Currency Exchange rates accordingly. Further, the Company follows an internal hedging mechanism to minimize its currency risk. Therefore, currency risk to the Company is minimal.

The Company obtained a USD 3 Mn loan facility from BlueOrchard Finance Ltd during the financial year and deposited those funds in foreign curency deposit and obtain rupee loan against such deposit, following internal hedging mechanism.

Foreign currency exposures of the Company is shown below.

	2025			2024		
	Amount	Exchange Rate	Value	Amount	Exchange Rate	Value
	USD '000	Rs.	Rs. '000	USD '000	Rs.	Rs. '000
Foreign Currency Deposits with Banks	2,970	296.35	880,177	-	-	-
	2,970		880,177	-		-
Foreign Currency Borrowings	3,000	296.35	889,042	-	-	-
	3,000		889,042	-		-

43.5 Price Risk

Price risk refers to the potential for losses due to fluctuations in the market prices of financial instruments held by a company. These instruments may include bonds, equities, commodities, and derivatives. For the Company, price risk is particularly relevant in its investments that are marked to market.

Government Security Price Risk

The Company has invested in Sri Lanka Government Treasury bonds. Government Security price risks arises as a result of fluctuations in market prices of Government securities and Management conducting mark-to-market calculation on monthly basis.

The Company's investments in government securities are as follows,

	2025	2024
	Rs.'000	Rs.'000
Investments in Government Treasury Bonds	6,712,682	6,747,888
	6,712,682	6,747,888

43.6 Liquidity Risk

Liquidity risk is the risk that a company may not have enough cash or liquid assets to meet its financial obligations, such as loan repayments, operating expenses, or new lending. The liquidity risk arises when there is uncertainty about the institution's ability to access funds when required.

Management of Liquidity Risk

The objective of the Company's liquidity risk management framework is to ensure that the Company can fulfil its payment obligations at all times and can manage liquidity and funding risk within risk appetite.

The Company's risk for managing liquidity risk and oversight of the implementation is administered by ALCO. Treasury Department manages the Company's liquidity position on a day to day basis. The Company has established a liquidity and treasury management framework, supported by a comprehensive treasury management policy, to ensure that liquidity risk is effectively and proactively managed.

The Company's approach to managing liquidity risk is to ensure, 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.

Key elements of the Company's liquidity management strategy include:

- Maintaining balanced funding lines which consists of bank borrowings, deposits from customers and foreign funding.
- Holding a portfolio of highly liquid assets diversified by currency and maturity.
- Monitoring liquidity ratios, maturity mismatches, behavioral patterns of assets and liabilities, and the encumbrance of assets.
- Carrying out stress testing of the Company's liquidity position.

The Treasury division coordinates with business units to assess liquidity profiles and projected cash flows, maintaining sufficient short-term liquid assets. Liquidity costs are considered in performance assessments through fund transfer pricing.

The Company maintains a portfolio of highly marketable and diversified assets that can be readily liquidated in the event of an unexpected cash flow disruption. In addition, the Company has access to committed lines of credit to meet liquidity requirements.

43.6.1 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, not 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 31 March 2025, the Company maintained Statutory Liquid Asset ratio at 25.97%. (As at 31 March 2024 - 33.12%)

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43.6.2 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 2025	Carrying Amount	Total	Contractual Cash Flows Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets							
Cash and Bank Balances	496,614	496,614	496,614	-	-	-	-
Securities Purchased Under Repurchase Agreement	250,221	250,221	250,221	-	-	-	-
Deposits with Banks	881,510	993,353	-	-	993,353	-	-
Financial Assets at Amortised Cost - Loans and Advances	12,860,859	15,192,892	2,916,301	5,829,553	4,215,375	2,191,214	40,449
Financial Assets at Amortised Cost - Lease Rentals Receivable	29,916,894	42,826,075	6,181,423	13,263,176	19,918,384	3,457,460	5,632
Financial Assets - Fair Value through Other Comprehensive Income	6,712,877	7,090,136	516,883	-	5,673,766	387,335	512,152
Other Financial Assets	131,195	131,195	131,195	-	-	-	-
Total Financial Assets	51,250,170	66,980,486	10,492,637	19,092,729	30,800,878	6,036,009	558,233
Liabilities							
Bank Overdraft	550,113	550,113	550,113	-	-	-	-
Financial Liabilities at Amortized Cost - Due to Depositors	6,226,827	6,864,321	1,499,346	2,465,359	2,895,553	4,063	-
Debt Instruments Issued and Other Borrowed Funds	25,827,958	30,301,368	8,975,720	5,499,541	11,787,061	4,039,046	-
Other Financial Liabilities	2,776,937	2,909,600	2,580,040	79,863	164,536	71,335	13,826
Total Financial Liabilities	35,381,835	40,625,402	13,605,219	8,044,763	14,847,150	4,114,444	13,826

As at 31 March 2024	Carrying Amount	Total	Contractual Cash Flows Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets							
Cash and Bank Balances	355,681	355,681	355,681	-	-	-	-
Financial Assets at Amortised Cost - Loans and Advances	5,496,194	6,701,686	1,118,630	2,758,354	1,813,798	994,487	16,417
Financial Assets at Amortised Cost - Lease Rentals Receivable	23,713,449	34,950,182	5,299,217	10,368,164	16,564,375	2,709,826	8,600
Financial Assets - Fair Value through Other Comprehensive Income	6,748,083	7,366,112	-	-	2,548,171	4,011,235	806,706
Other Financial Assets	129,047	129,047	129,047	-	-	-	-
Total Financial Assets	36,442,454	49,502,708	6,902,575	13,126,518	20,926,344	7,715,548	831,723
Liabilities							
Bank Overdraft	295,755	295,755	295,755	-	-	-	-
Financial Liabilities at Amortized Cost - Due to Depositors	680,596	722,276	146,189	575,249	-	838	-
Debt Instruments Issued and Other Borrowed Funds	20,445,250	21,687,636	15,134,599	2,488,026	3,317,693	747,318	-
Other Financial Liabilities	1,252,866	1,308,189	1,109,068	44,084	113,108	41,929	-
Total Financial Liabilities	22,674,467	24,013,856	16,685,611	3,107,359	3,430,801	790,085	-

43.7 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide range of causes related to the Company's internal processes, people, systems, or external events. These include failures in internal controls, technology, infrastructure, or events such as fraud, legal and regulatory breaches, or natural disasters. Unlike credit, market, or liquidity risk, operational risk arises from day-to-day business activities across all areas of the Company.

Management of Opeartional Risk

The Company cannot expect to eliminate all operational risks, thus it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. The Company's objective in managing operational risk is to minimise the risk of financial loss and reputational damage, while ensuring cost-effective operations and maintaining the capacity for innovation and growth. In doing so, the Company is committed to full compliance with all applicable legal and regulatory requirements, as well as with best practices in corporate governance and ethical conduct.

The Board of Directors has delegated oversight of operational risk management to the Integrated Risk Management Committee, which is responsible for the development and implementation of the Operational Risk Management Framework. Day-to-day responsibility for identifying, assessing, monitoring, and mitigating operational risk is assigned to Senior Management. The Company's compliance with operational risk management standards is further reinforced through periodic internal audits. Audit findings are reviewed by the Board Audit Committee and Senior Management to ensure effective oversight and accountability.

The Company focuses on following key areas in managing its operational risk,

NOTES TO THE FINANCIAL STATEMENTS

- Segregation of duties and independent authorisation – Ensuring that critical functions, particularly transaction approvals, are separated among individuals to prevent fraud and error.
- Reconciliation and transaction monitoring – Regular independent reconciliation of accounts and review of transactions to detect anomalies and ensure accuracy.
- Regulatory and legal compliance – Maintaining systems and controls to ensure full adherence to all applicable laws, regulations, and internal policies.
- Documentation of controls and procedures – All risk controls and operational procedures are documented, regularly reviewed, and updated in line with evolving risks.
- Periodic risk assessments – Ongoing identification and evaluation of operational risks and the effectiveness of corresponding controls.
- Operational loss reporting and remedial action – Timely reporting of incidents and losses, including root cause analysis and implementation of corrective measures.
- Business continuity and contingency planning – Established and tested plans to ensure the Company can operate through and recover from disruptions.
- Training and professional development – Continuous training programs to strengthen staff awareness and competence in managing operational risk.
- Ethical and business conduct standards – A strong risk culture supported by high ethical standards and corporate values.
- Risk mitigation and insurance – Where appropriate and cost-effective, risk transfer mechanisms such as insurance are used to reduce the impact of potential losses.

These elements form the foundation of a robust Operational Risk Management Framework that aligns with regulatory expectations and supports sustainable business operations.

44. 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.

44.1 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 while providing dividends. The capital structure of the Company consists of debt and equity of the Company. The capital structure of the Company is reviewed by ALCO periodically.

44.2 Regulatory Capital Requirements

The Company manages its capital considering the regulatory capital requirements. CBSL sets and monitors capital requirements for all LFCs. Accordingly, LFCs with an asset base less than Rs. 100 Bn need to maintain a minimum core capital adequacy ratio (Tier I) of 8.5% and a minimum total capital adequacy ratio of 12.5%. The Company has always maintained the Capital Adequacy Ratio above the minimum regulatory requirements.

	2025	2024
	Rs.'000	Rs.'000
Core Capital (Tier 1 Capital)	**14,288,355**	12,127,785
Total Capital	**14,288,355**	12,127,785
Total Risk Weighted Assets	**54,702,564**	36,925,420
Tier 1 Capital Adequacy Ratio	**26.12%**	32.84%
Total Capital Adequacy Ratio	**26.12%**	32.84%

45. NET ASSETS VALUE PER SHARE

	2025	2024
Total Equity Attributable to Equity Holders (Rs. '000)	**15,932,927**	13,895,690
Total Number of Ordinary Shares	**133,958,971**	133,958,971
Net Asset Value per Share (Rs.)	**118.94**	103.73

46. COMMITMENTS AND CONTINGENT LIABILITIES

46.1 Contingent 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 recognised in the Statement of Financial Position but are disclosed unless they are remote.

There were no material contingent liabilities outstanding as at the reporting date.

	2025	2024
	Rs.'000	Rs.'000
46.2 Commitments		
Commitments on Unutilised Credit Facilities	**385,108**	384,574
Capital Commitments on Intangible Assets	**15,820**	24,686
Gurantees Issued on Customer Deposits	**7,900**	-
	408,828	409,260

46.3 Litigations Against the Company

Litigation is a common aspect of the financial services industry due to the nature and complexity of the business. In addressing the same, the Company has established formal policies and controls to manage and defend against legal claims brought against it. The Company seeks professional legal advice where necessary, to assess the potential financial impact of such claims. Based on this assessment, appropriate accounting provisions are made to reflect any anticipated losses.

	2025	2024
	Rs.'000	Rs.'000
Cases pending against the Company	**48,500**	56,500
	48,500	56,500

NOTES TO THE FINANCIAL STATEMENTS

47. 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.

There was no any material events occurred after the reporting date which required adjustments to or disclosure in the financial statements except for the following,

Payment of Dividends:

The Board of Directors proposed an interim cash dividend of Rs 3.80 per share for the financial year 2024/25, amounting to a total sum of Sri Lankan Rupees five hundred and nine million forty four thousand ninety (Rs. 509,044,090). This was payable as at 31 March 2025 due to pending approval from CBSL. Subsequently, upon receiving the approval of CBSL, the dividend was paid in April 2025.

48. COMPARATIVE INFORMATION

No any comparative information have been reclassified during the financial year.

49. 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 2025	Leasing and Loans	Investments	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Income	9,978,916	1,317,722	-	11,296,638
Interest Expense	(2,202,828)	(403,405)	-	(2,606,233)
Net Interest Income	7,776,088	914,317	-	8,690,405
Other Operating Income	332,602	2,013	7,484	342,099
Total Operating Income	8,108,690	916,330	7,484	9,032,504
Impairment Charges & Net Write Off	(150,904)	165	-	(150,739)
Net Operating Income	7,957,786	916,495	7,484	8,881,765
Operating Expenses	(2,806,271)	(513,914)	-	(3,320,185)
Operating Profit before VAT & SSCL on Financial Services	5,151,515	402,581	7,484	5,561,580
VAT & SSCL on Financial Services				(1,210,086)
Profit before Income Tax				4,351,494
Income Tax Expense				(1,636,740)
Profit for the Period				2,714,754
As at 31 March 2025				
Segment Assets				
Total Assets	44,258,714	8,105,122	-	52,363,836
Segment Liabilities				
Total Liabilities	30,791,961	5,638,948	-	36,430,909

For the Year ended 31 March 2024	Leasing and Loans	Investments	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Income	8,597,586	1,340,365	-	9,937,951
Interest Expense	(2,640,478)	(608,124)	(9,642)	(3,258,244)
Net Interest Income	5,957,108	732,241	(9,642)	6,679,707
Other Operating Income	395,765	2,360	14,667	412,792
Total Operating Income	6,352,873	734,601	5,025	7,092,499
Impairment Charges & Net Write Off	(1,573,087)	(31)	-	(1,573,118)
Net Operating Income	4,779,786	734,570	5,025	5,519,381
Operating Expenses	(2,171,400)	(500,091)	(7,930)	(2,679,421)
Operating Profit before VAT & SSCL on Financial Services	2,608,386	234,479	(2,905)	2,839,960
VAT & SSCL on Financial Services				(717,661)
Profit before Income Tax				2,122,299
Income Tax Expense				(833,826)
Profit for the Period				1,288,473
As at 31 March 2024				
Segment Assets				
Total Assets	30,322,241	6,983,464	110,732	37,416,437
Segment Liabilities				
Total Liabilities	19,061,188	4,389,950	69,609	23,520,747

FIVE YEAR SUMMARY

Year ended 31 March	2020/21	2021/22	2022/23	2023/24	**2024/25**
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Statement of Comprehensive Income					
Interest Income	6,671	7,110	7,845	9,938	**11,297**
Interest Expense	(1,500)	(1,173)	(4,431)	(3,258)	**(2,606)**
Net Interest Income	5,171	5,937	3,414	6,680	**8,691**
Other Operating Income	190	174	147	412	**342**
Total Operating Income	5,361	6,111	3,561	7,092	**9,033**
Impairment Charges & Net Write Off	(1,356)	(337)	(857)	(1,573)	**(151)**
Operating Expenses	(1,707)	(1,967)	(2,148)	(2,679)	**(3,321)**
Operating Profit	2,298	3,807	556	2,840	**5,561**
VAT & SSCL on Financial Services	(405)	(647)	(271)	(718)	**(1,210)**
Profit Before Income Tax	1,893	3,160	285	2,122	**4,351**
Income Tax Expense	(738)	(1,030)	620	(834)	**(1,637)**
Profit for the Period	1,155	2,130	905	1,288	**2,714**
Other Comprehensive Income, net of Tax	4	(10)	90	1,249	**(168)**
Total Comprehensive Income, net of Tax	1,159	2,120	995	2,537	**2,546**
Statement of Financial Position					
Assets					
Cash and Cash Equivalents	392	190	251	356	**497**
Securities Purchased Under Repurchase Agreement	-	-	-	-	**250**
Deposits with Banks	1,252	1,909	175	-	**882**
Financial Assets at Amortised cost - Loans and Advances	2,160	1,299	1,426	5,496	**12,861**
Financial Assets at Amortised cost - Lease Rentals Receivable	25,855	28,258	24,575	23,713	**29,917**
Financial Assets - Fair Value through Other Comprehensive Income	121	26	5,233	6,748	**6,713**
Other Financial Assets	170	132	147	129	**131**
Other Non Financial Assets	40	26	71	91	**104**
Investment Property	301	232	194	107	**-**
Property, Plant & Equipment	66	48	103	117	**263**
Intangible Assets	23	27	433	428	**466**
Right of Use Assets	89	109	107	129	**204**
Income Tax Receivable	-	-	106	-	**-**
Deferred Tax Asset	-	-	777	102	**76**
Total Assets	30,469	32,256	33,598	37,416	**52,364**
Liabilities					
Bank Overdraft	482	1,427	1,274	296	**550**
Financial Liabilities at Amortized Cost - Due to Depositors	-	-	201	681	**6,227**
Debt Instruments Issued & Other Borrowed Funds	14,047	17,639	19,792	20,445	**25,828**
Other Financial Liabilities	1,074	1,163	793	1,253	**2,777**
Other Non Financial Liabilities	73	155	52	245	**430**
Income Tax Payable	257	347	-	441	**423**
Deferred Tax Liability	191	45	-	-	**-**
Retirement Benefit Obligations	90	106	127	160	**196**
Total Liabilities	16,214	20,882	22,239	23,521	**36,431**
Shareholders' Funds					
Stated Capital	3,550	3,550	3,550	3,550	**3,550**
Statutory Reserve Fund	960	1,067	1,112	1,176	**1,312**
Fair Value through Other Comprehensive Income Reserve	3	-	86	1,340	**1,147**
Revaluation Reserve	-	-	-	-	**31**
Retained Earnings	9,742	6,757	6,611	7,829	**9,893**
Total Shareholders' Funds	14,255	11,374	11,359	13,895	**15,933**
Total Liabilities and Shareholders' Funds	30,469	32,256	33,598	37,416	**52,364**

BRANCH NETWORK

	Branch	Address	Contact No.
1.	Akkaraipattu	Main Street, Akkaraipattu 02	0674 700100
2.	Ambalangoda	No. 24, Urawatte, Galle Road, Ambalangoda	0914 700 120
3.	Ambalantota	No. 165, 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.	Avissawella	No. 35/1/1, Kudagama Road, Avissawella	0364 700 100
7.	Badulla	No. 30, Race Course Road, Badulla	0554 700 111
8.	Balangoda	No.133/A, Barns Rathwaththe Mawatha, Balangoda	0454 700 111
9.	Bandarawela	No. 505, Badulla Road, Bandarawela	0574 700 100
10.	Battaramulla	No. 120, 120A, Pannipitiya Road, Battaramulla	0114 700 100
11.	Batticaloa	No. 60B, New Road, Batticaloa	0654 700 100
12.	Borella	No. 243, Ward Place, Colombo 08	0117 622 522
13.	Chilaw	No. 66, Puttalam Road, Chilaw	0324 700 101
14.	Dambulla	No. 353/A, Matale Road, Dambulla	0664 700 101
15.	Dehiattakandiya	No. 27/E, Shopping Complex, Dehiattakandiya	0274 700 100
16.	Deniyaya	No. 152/B, Akuressa Road, Deniyaya	0414 700 111
17.	Elpitiya	No. 117/B, Ambalangoda Road, Elpitiya	0914 700 110
18.	Embilipitiya	No. 168/A, New Town, Embilipitiya	0474 700 100
19.	Galewela	No. 87, Matale Road, Galewela	0664 700 111
20.	Galle	No. 12/1, Sri Dewamitta Mawatha, China Garden, Galle	0914 700 100
21.	Gampola	No. 133, 135, Nuwara Eliya Road, Gampola	0814 700 101
22.	Horana	No. 257, Ratnapura Road, Horana	0344 658 180
23.	Horowpothana	No. 88, Main Street, Horowpothana	0254 700 101
24.	Jaffna	No. 61, Palali Road, Jaffna	0214 700 100
25.	Kalutara	No. 425, Galle Road, Kalutara North, Kalutara	0344 700 101
26.	Kandy	No. 249/B, Katugastota Road, Kandy	0814 658 252
27.	Kandy City	No. 19, Cross Street, Kandy	0814 700 300
28.	Kegalle	No. 364, Colombo Road, Ranwala, Kegalle	0354 700 100
29.	Kekirawa	No.20, Yakalla Road, Kekirawa	0254 700 111
30.	Kilinochchi	A-9 Road, Karadipokku Junction, Kilinochchi	0214 700 101
31.	Kiribathgoda	No. 161/5/F, Makola Road, Kiribathgoda	0114 500 860
32.	Kottawa	No. 1069, Highlevel Road, Makumbura, Pannipitiya	0114 700 411
33.	Kuliyapitiya	No. 272, Madampe Road, Kuliyapitiya	0374 700 101
34.	Kurunegala	No. 226, Puttalam Road, Kurunegala	0374 700 100
35.	Mahiyanganaya	No. 102A, Padiyathalawa Road, Mahiyanganaya	0554 700 100

BRANCH NETWORK

	Branch	Address	Contact No.
36.	Maligawatte	No. 251, Sri Saddarma Mawatha, Maligawatta, Colombo 10	0114 658 000
37.	Mannar	No. 37, Thalvupadu Road, Mannar	0234 700 100
38.	Matale	No. 75, Kandy Road, Matale	0664 700 100
39.	Matara	No. 234/A, Anagarika Dharmapala Mawatha, Matara	0414 658 365
40.	Mathugama	No. 191/193, Agalawatta Road, Mathugama	0344 700 100
41.	Mawanella	No. 296, Kandy Road, Mawanella	0354 700 101
42.	Monaragala	No. 470, Hulandawa Junction, Monaragala	0554 700 101
43.	Mullaitivu	Beach Road, Mullaitivu	0214 700 111
44.	Negombo	No. 394, Colombo Road, Negombo	0314 700 100
45.	Nugegoda	No. 189, 189 1/1, Stanley Thilakarathna Mawatha, Nugegoda	0114 729 302
46.	Nikaweratiya	No. 81, Maho Road, Nikaweratiya	0374 700 111
47.	Nuwara Eliya	No. 72, Tharanga Building, Park Road, Nuwara Eliya	0524 700 100
48.	Panadura	No. 519, Galle Road, Panadura	0384 700 100
49.	Piliyandala	No. 168/A, Colombo Road, Piliyandala	0114 658 463
50.	Polonnaruwa	No. 142/5, Tamasha Place, Polonnaruwa	0274 700 101
51.	Puttalam	No. 128/A, Kurunegala Road, Puttalam	0324 700 100
52.	Ratnapura	No. 222/2, Colombo Road , Ratnapura	0454 700 100
53.	Tissamaharama	No. 193/A, Hambanthota Road, Thissamaharama	0474 700 112
54.	Trincomalee	No. 681, 1/1, 4th Mile Post, Kandy Road, Trincomalee	0264 700 100
55.	Vavuniya	No. 193/B, Station Road, Vavuniya	0244 700 100
56.	Walasmulla	No. 31/1, Pallekanda Road, Walasmulla	0474 700 101
57.	Wellawatte	No. 250, Galle Road, Colombo 06	0114 701 800
58.	Wellawaya	No. 162, Monaragala Road, Wellawaya	0554 700 112
59.	Yakkala	No. 83, Kandy Road, Yakkala	0334 700 100

GRI INDEX

STATEMENT OF USE						
GRI 1 used						
Applicable GRI Sector Standard(s)						
GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
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	2-2 Entities included in the organization's sustainability reporting	6				
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	2-4 Restatements of information	4				
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	2-6 Activities, value chain and other business relationships	6				
	2-7 Employees	57				
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STATEMENT OF USE						
GRI 1 used						
Applicable GRI Sector Standard(s)						
GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
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	2-30 Collective bargaining agreements	N/A				

STATEMENT OF USE						
GRI 1 used						
Applicable GRI Sector Standard(s)						
GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Material topics						
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	3-2 List of material topics	33-34				
	3-3 Management of material topics	33-34				
Economic performance						
GRI 201: Economic Performance 2016	3-3 Management of material topics	33				
	201-1 Direct economic value generated and distributed	158-162				
Indirect economic impacts						
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	33				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers					
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	33-34				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	50				
	302-3 Energy intensity	N/A				

GRI INDEX

STATEMENT OF USE						
GRI 1 used						
Applicable GRI Sector Standard(s)						
GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	302-4 Reduction of energy consumption	50				
	302-5 Reductions in energy requirements of products and services	50				
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	33-34				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	38,51, 52				
	306-2 Management of significant waste-related impacts	38,51				
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	33-34				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	57				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	59				
	401-3 Parental leave	61				
Labor/management relations						
GRI 3: Material Topics 2021	3-3 Management of material topics	33-34				
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	62				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	33-34				

STATEMENT OF USE						
GRI 1 used						
Applicable GRI Sector Standard(s)						
GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	33-34				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	58				
	404-2 Programs for upgrading employee skills and transition assistance programs	58				
	404-3 Percentage of employees receiving regular performance and career development reviews	58				
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	33-34				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	57,71				
	405-2 Ratio of basic salary and remuneration of women to men	Not disclosed due to confidentiality				
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	33-34				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	N/A				
Freedom of association and collective bargaining						
GRI 3: Material Topics 2021	3-3 Management of material topics	33-34				

GRI INDEX

STATEMENT OF USE						
GRI 1 used						
Applicable GRI Sector Standard(s)						
GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A				
Child labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	33-34				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	37				
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	33-34				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	N/A				
Customer privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics	33				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	53				

NOTES

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CORPORATE INFORMATION

Name of the Company

Assetline Finance 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

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Web: www.assetlinefinance.lk
Email: info@assetline.lk

Financial Year End

March 31

Credit Rating

Rated A (Positive) by Lanka Rating Agency

Tax Payer Identification Number

134010622

VAT Registration Number

134010622-7000

Board of Directors

Mr. Nanda Fernando
Independent Non-Executive Chairman

Mr. Lakshman Athukorala
Senior Independent Non-Executive Director

Mr. Jegatheesan Durairathnam
Independent Non-Executive Director

Mr. Prashantha Lal De Alwis
Independent Non-Executive Director

Mr. Heshana Kuruppu
Non-Independent Non-Executive Director

Mr. Manoha Rajkariar
Independent Non-Executive Director

Mr. Ashan Nissanka
Director & Chief Executive Officer

Company Secretary

Ms. Christine Munasinghe

Board Audit Committee

Mr. Lakshman Athukorala (Chairman)
Mr. Jegatheesan Durairathnam
Mr. Prashantha Lal De Alwis
Mr. Manoha Rajakariar

Board Integrated Risk Management Committee

Mr. Jegatheesan Durairathnam (Chairman)
Mr. Nanda Fernando
Mr. Prashantha Lal De Alwis

Related Party Transactions Review Committee

Mr. Prashantha Lal De Alwis (Chairman)
Mr. Lakshman Athukorala
Mr. Jegatheesan Durairathnam
Mr. Manoha Rajakariar

Nominations and Governance Committee

Mr. Jegatheesan Durairathnam (Chairman)
Mr. Lakshman Athukorala
Mr. Prashantha Lal De Alwis

Human Resources and Remuneration Committee

Mr. Manoha Rajakariar (Chairman)
Mr. Nanda Fernando
Mr. Heshana Kuruppu

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 7687869

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)
The Ceylon Chamber of Commerce

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