

# Outperforming Adversity through Persistent Resilience



Associated Motor Finance  
Company PLC.  
Estd. 1962

# Annual Report 2023/2024

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**ANNUAL REPORT**  
2023 / 2024



**Associated Motor Finance**  
Company PLC  
**Estd. 1962**

## OUTPERFORMING ADVERSITY THROUGH PERSISTENT RESILIENCE



*We cultivate a culture of unity and resilience within our teams, encouraging continuous professional development, fostering a collaborative environment, and embracing user-centric technologies. This collective mindset empowers us to navigate uncertainties with confidence, and poise.*

*Our approach to problem-solving and the ability to swiftly adapt to market fluctuations and industry changes underscores our unwavering determination and strategic mindset in facing challenges. By viewing setbacks as opportunities for growth and learning, we transform obstacles into pathways for innovation and improvement.*

*The consistent ability to adjust and persevere, even in the face of significant challenges, exemplifies our strength and commitment that drive our organization forward. This attitude not only empowers us to surmount immediate obstacles but also strengthens our capacity for sustained achievement and long-term growth, ensuring we remain a steadfastly growing entity in the industry*



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# OVERVIEW

*Advancing through Steadfast  
Perseverance*

## COMPANY PROFILE

Associated Motor Finance Company PLC (AMF), incorporated on 25<sup>th</sup> July 1962, is one of the oldest licensed finance companies registered in Sri Lanka under the Companies Act No. 07 of 2007 and Monetary Board of the Central Bank of Sri Lanka (CBSL) under the Finance Business Act No. 42 of 2011. After a long history of success and significant strength in the specialized area of financing, AMF acquired Arpico Finance Company PLC (AFC), the oldest operating finance company in the nation with a history of over 70 years with a highly diversified asset portfolio in 2014 to double its size.

According to CBSL Master Consolidation Plan, AMF merged with AFC on 1st April 2021, to become a single entity and one of the strongest financial services providers in the industry. Through synergies from this union, AMF now caters to a wider clientele across different market segments with an island-wide branch network as well as an extensive dealer network and stands in better stead than many others in the sector to navigate through the uncertainties and macro-economic challenges we are undergoing as a nation. The Company's diverse portfolio of financial products and services includes leasing and hire purchase, mortgage loans, personal loans, time and savings deposits, Islamic finance, and import and trading.

## VISION

“ Trusted partner for your financial needs ”

## MISSION

“ To provide a resilient foundation for our clients to experience the best in financial services by constantly offering diverse and innovative services, in an empowering and rewarding work culture that ensures increased shareholder value. ”

# VALUES

## ■ TRUST

It is a core value that must be upheld by every employee in order to ensure an honest and value-driven work environment, a strong client relationship and a stable and sustainable organization. It has been a value that has been upheld with pride in the past and continues to be an important principle the company aspires to maintain.

## ■ INNOVATION

This core value is instilled to view the company as an organization that introduces new services, practices and products that foster a progressive outlook on its employees and customers. It is important not merely to be on par with other financial institutions but to surpass competitors and fulfill the organization's responsibility towards its clients by ensuring service excellence and advancement.

## ■ TEAMWORK

Ensuring the employees work in cohesion towards the achievement of the company goals, providing support and assistance to one another and thus, establishing a positive work environment that ensures efficiency, effectiveness, and equity.

## ■ ACCOUNTABILITY

Ensuring responsible management of client wealth and provision of services in an ethical, reliable, and answerable manner. Maintaining accountability is the response of the organization to the trust placed in them by their clients.

## ■ AGILITY

The ability to adapt to changes and developments in the industry to sustain customer demands and expectations. It enhances the responsiveness to reasonable expectations and developments in the market, ensuring a competitive advantage.

## ■ PERFORMANCE DRIVEN CULTURE

This core value is imperative to attract future talent into the organization for long run survival. It guarantees a just and equitable work environment, thereby empowering employees and providing equal opportunities for success.

## Financial Highlights

For the year ended 31<sup>st</sup> march

	2023/24	2022/23	2021/22	% Change
<b>Result on Operation for the Year Ended Rs. Mn</b>				
Interest Income	4,966	3,881	2,468	57%
Interest expense	2,816	2,188	1,519	44.0%
Net interest income	2,150	1,693	949	79%
Profit before income tax	607	367	492	-25%
Profit after income tax	318	200	299	-33%
<b>Financial Position at the Year End Rs. Mn</b>				
Total Asset	19,307	16,023	15,161	6%
Lending portfolio	11,041	10,109	8,777	15%
Deposits from public	14,553	12,443	11,173	11%
Borrowings	724	28	765	-96%
Shareholders' funds	3,242	2,935	2,699	9%
Market capitalisation	2,811	929	963	-4%
<b>Information per Ordinary Share</b>				
Earnings - basic (Rs.)	2.81	1.77	2.86	-38%
Net asset Value (Rs.)	28.61	25.90	23.82	9%
Market value at the end of the period (Rs.)	24.80	8.20	8.50	-4%
Price earnings (time) - ordinary shares	8.83	4.64	2.97	56%
<b>Ratios</b>				
Return on average assets (%)	3.44	2.36	4.55	-48%
Return on average shareholder's funds (%)	10.31	7.12	15.25	-53%
Net interest margin (%)	12.17	10.86	8.76	24%
Equity to assets (%)	16.79	18.32	17.81	3%
<b>Compliance Ratios</b>				
Core capital to risk weighted assts (Tier I) (%)	17.37	16.26	14.87	9%
Total capital to risk weighted assts (Tier II) (%)	17.26	17.24	15.79	9%
Liquid assets to total assets (%)	29.91	19.71	27.68	-29%
Liquid assets to deposits (%)	39.68	25.38	37.56	-32%

ROA = Profit before tax as a percentage of average assets

ROE = Profit after tax as a percentage of average equity

NIM = The ratio of interest income less interest expenses to average assets



## Non - Financial Highlights

**DEPOSIT  
CUSTOMERS**

**3,502**

**LENDING  
CUSTOMERS**

**39,948**

**SHAREHOLDER  
BASE**

**1,724**

**DEPOSIT  
RENEWAL RATIO**

**78%**

**TOTAL  
EMPLOYEES**

**325**

## Reflections from the Chairman

Dear Stakeholders,

Welcome to AMF's Annual General Meeting for the financial year 2023/24. This year's report reflects a period of both challenges and yet success through commitment to excellence. I'm deeply grateful for your unwavering support, which has been critical in navigating these times.

### Sri Lanka's Economic Rebound

Sri Lanka's economy, impacted by the pandemic and economic crisis, showed promising signs of recovery in 2023. The government and Central Bank's decisive actions helped reverse negative trends and improve key economic indicators.

- **Inflation** fell from historic highs to mid-single digits.
- **Interest rates** were reduced by the Central Bank, with market rates following suit.
- **Domestic Debt Optimization** eliminated risk premia on interest rates, benefiting the financial sector.
- **External factors** improved significantly:
  - Trade deficit reached a record low (USD 4.9 Bn).
  - Current account achieved a surplus (USD 1.55 Bn).
  - Increased foreign exchange inflows from tourism, remittances, and the IMF's EFF boosted liquidity.

### Growth and Stability

The stabilized exchange rate and improved foreign exchange situation instilled business confidence. Consequently, the national economy reported positive growth across all sectors in the latter half of 2023. While the full-year GDP contracted by 2.3%, it's a significant improvement over the previous year's 7.3% contraction.

### Navigating Challenges, Delivering Results

Despite positive economic indicators, certain challenges remained. Our core customer segment, those in disadvantaged or lower-income groups, continued to face financial difficulties.

AMF's deep understanding of Sri Lanka's unique economic cycles, honed over seven decades, proved invaluable. We strategically adapted our approach to find solutions for both our customers and our business growth.

### Resilient Performance

These efforts led to AMF achieving some of its best financial results ever. Pre-tax profit (PBT) soared by 65%

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to Rs. 607 Mn, the highest in the Company's history. Total assets grew by an impressive 20% to Rs. 19.3 Bn. All key performance indicators (KPIs) exceeded targets, while liquidity and capital adequacy remained strong, underlining AMF's stability. Core capital (Tier I) and total capital ratios reached 17.37% and 17.26% respectively, exceeding regulatory requirements by a significant margin (8.5% and 12.5%).

### Detailed information on our financial performance can be found in the CEO's Review on Strong Governance Ensures Sustainability

AMF's unwavering commitment to good governance provides a firm foundation for navigating complex environments.

- **Board Oversight:** The Board of Directors closely monitored evolving economic, social, political, and regulatory developments throughout the year, assessing their impact on the Company's financial

performance. They actively guided Management in crafting effective responses that serve the interests of all stakeholders.

- **Strategic Focus:** The Board prioritized key areas such as:
  - Managing the lingering effects of the financial crisis.
  - Implementing the revised Company strategy.
  - Monitoring progress on digitalization and cost management initiatives.
  - Evaluating the effectiveness of risk management and compliance frameworks.
  - Ensuring employee well-being and talent retention.

Board sub-committees and Management Committees functioned effectively, delivering on their mandates and meticulously executing the Company's strategy under Board guidance.

- **Compliance:** AMF remains fully compliant with all applicable regulations and voluntary best practices, including the revised Listing Rules of the Colombo Stock Exchange and relevant corporate governance codes. We are actively working to ensure compliance with all upcoming revisions by the stipulated deadlines.

## Committed to ESG Integration

AMF recognizes the importance of Environmental, Social, and Governance (ESG) factors in fostering sustainable development and long-term value creation for all stakeholders.

- **Policy and Commitment:** The Board is firmly committed to ESG principles and has approved a comprehensive Sustainable Finance Policy to guide our efforts. We are dedicated to introducing innovative financial products aligned with the UN's Sustainable Development Goals (SDGs).
- **Sustainability Initiatives:** Throughout the year, we implemented several measures to enhance our sustainability practices:
  - **Environmental Focus:** We reduced our environmental footprint by transitioning from paper-based processes to digital documentation and encouraging remote work to minimize emissions.
  - **Social Responsibility:** We actively participate in Corporate Social Responsibility (CSR) activities

that benefit the communities we serve.

By integrating ESG priorities into our business model, AMF contributes to a healthier planet and society while ensuring our long-term resilience and relevance as a responsible corporate citizen in a changing financial landscape.

## Fueling Sri Lanka's Growth

AMF plays a vital role in driving Sri Lanka's economic prosperity, particularly for those who need it most.

- **Financial Inclusion:** We focus on the lower-income segment, providing access to formal financial services and empowering them to improve their quality of life.
- **Supporting Through Crisis:** During the economic crisis, we adapted our products and offered financial guidance to help our customers weather the storm.
- **Stimulating Recovery:** As the economy rebounds, our funding for micro and small businesses (MSMEs) fuels income and job creation.
- **Driving the Automotive Industry:** Our expertise in leasing and hire purchase, coupled with our extensive branch network, provides significant support to the automotive industry, particularly for the popular second-hand motorbike segment. By financing vehicle purchases, we boost sales for dealers and create jobs throughout the supply chain.
- **Contributing to Financial Stability:** As a responsible financial institution, AMF upholds strong financial practices and regulatory compliance. This fosters investor confidence and attracts valuable investment into Sri Lanka's economy.

## A Brighter Future for Sri Lanka and AMF

Sri Lanka's progress in macroeconomic stabilization is encouraging, a testament to decisive government policies and the resilience of its people. Continued commitment to IMF reforms bodes well for further economic improvement.

However, we remain mindful of sector-specific risks, particularly in the near term, as high taxes may impact customer repayment capacity.

The economic crisis has significantly expanded our target market, presenting exciting growth opportunities. AMF's strong liquidity positions us perfectly to capitalize on this potential.

## Strategic Focus for Growth

Our near-to-mid-term strategy focuses on strengthening our market position through a three-pronged approach:

- **Aggressive Lending:** Strategically expanding our lending activities.
- **Active Fund Mobilization:** Optimizing our strategies to attract new sources of funding.
- **Effective Recovery Strategies:** Implementing efficient methods to manage loan repayments.

## Digital Transformation

We will leverage digital tools and platforms to streamline processes, enhance efficiency, and deliver innovative solutions to our customers as well as a better working experience to our employees.

## Optimism for the Future

We are optimistic about the government's commitment to implementing business-friendly policies that will accelerate economic growth and improve living standards for all Sri Lankans. The Board of Directors and the entire AMF team remain committed to building upon our 70-year legacy. We are dedicated to serving Sri Lanka and its people for many years to come.

## A Word of Gratitude

As we celebrate another successful year at AMF, I extend my heartfelt gratitude to those who made it possible:

- **Our Board of Directors, Senior Management, and Staff:** Your unwavering dedication hard work and loyalty, especially during challenging times, have been instrumental in navigating significant change and growth.
- **The Governor of the CBSL, the Director, and Officials of the Department of Supervision of Non-Bank Financial Institutions:** Thank you for your steadfast support and guidance.
- **Our Shareholders:** Your trust in our vision and partnership in our success are core strengths for AMF.
- **Our Depositors and Customers:** Your trust and loyalty are the foundation of our success. We remain committed to serving you with excellence.
- **All Stakeholders:** Thank you for believing in AMF's vision and mission. Together, we are building a stronger, more resilient company for the future.

Wishing you all the best,



**K D U S Nanayakkara**  
Chairman

## CEO's Review

Dear Stakeholders,

Associated Motor Finance Company PLC (AMF) is proud to announce another year of exceptional performance in 2023/24. We achieved impressive growth in profitability, liquidity, and capital adequacy. This success demonstrates our ability to navigate challenging economic conditions and highlights the effectiveness of our strategic plans designed to strengthen both AMF and our stakeholders.

### Strong Performance Despite Economic Challenges

Despite the ongoing challenges in Sri Lanka's post-crisis economy, AMF delivered a year of exceptional performance, exceeding budgeted targets. This strong showing generated significant value for our shareholders through increased profitability.

### Financial Highlights

- **Net Interest Income (NII) Growth:** Our core income source, NII, surged by 27% year-over-year (YoY) to a record-breaking Rs. 2.1 Bn. This achievement was fueled by a robust net interest margin (NIM) of 12.17%, one of the highest within the non-banking financial sector.
- **Overall Revenue Increase:** Including non-fund based income, the Company's total operating income reached Rs. 2.3 Bn, reflecting an impressive 25% YoY growth.
- **Profitability Boost:** Profit before tax jumped by 65% to Rs. 607.8 Mn, while profit after tax climbed 59% to Rs. 318.3 Mn. This translated to a significant rise in return on equity, reaching 10.31% compared to 7.12% in the previous year. Earnings per share mirrored this positive trend, increasing to Rs. 2.81 from Rs. 1.77.
- **Solid Financial Position:** Total assets grew by 20% to Rs. 19.3 Bn, maintaining a healthy diversification across various asset classes. Loans and receivables, the largest portion, saw a 9.2% increase to Rs. 11.0 Bn, driven primarily by financing in the second-hand motorbike segment, which witnessed consistent demand amidst vehicle import restrictions.
- **Strong Deposit Base:** Customer deposits, our primary funding source, increased by 17.0% to Rs. 14.6 Bn, resulting in a healthy loans-to-deposit ratio of 75.9%. Total equity reached Rs. 3.2 Bn, bolstered by rising revenue and reserves.



### Managing Credit Risk

While AMF's gross non-performing ratio is higher than the industry average due to our specific customer segment, we actively manage credit risk. We mitigate these risks through several strategies:

- **Strategic Pricing:** We incorporate a risk premium into our asset pricing to offset potential risks associated with our customer base. This approach contributes to our strong net interest margins (NIMs).
- **High Collateral Coverage:** 94% of our loan portfolio is secured by collateral, providing an additional layer of protection against defaults.
- **Conservative Provisioning:** Our impairment provisions exceed industry standards, demonstrating our commitment to proactively managing credit risk.



## Strong Liquidity and Capital Adequacy

AMF maintains a strong financial position with ample liquidity and capital adequacy, exceeding regulatory requirements. We consistently hold buffers above the minimum mandated ratios, ensuring our ability to meet financial obligations and support future growth.

Here's a breakdown of our key metrics:

- **Core Capital Ratio:** 17.37% (up from 16.26% in 2022/23)
- **Total Capital Ratio:** 17.26% (maintained from 2022/23)
- **Liquid Assets to Total Assets:** 29.91%
- **Liquid Assets to Deposits:** 39.68%

Our prudent asset and liability management practices enable us to generate significant returns on surplus liquidity, exceeding the Company's cost of capital.

## Cost Control and Technology Drive Efficiency

AMF's unwavering focus on cost discipline and process optimization has been a cornerstone of our success. This commitment proved especially valuable during challenging times when external factors impacted revenue. Here's how we've embraced efficiency:

- **Cost-Effectiveness:** We conducted a comprehensive expense review, identified non-essential activities, and streamlined procurement processes to secure better pricing and terms. This dedication to cost control helped us maintain profitability.
- **Technology Adoption:** We accelerated technology adoption, replacing manual workflows with automated solutions. This resulted in:
  - **Improved Productivity:** Streamlined processes boosted staff productivity.
  - **Enhanced Customer Experience:** The SMART Lending App offers rapid loan processing, minimizing staff involvement, and streamlining the entire loan application journey for customers.
  - **Reduced Costs:** Initiatives like SMS transaction notifications and email interest advice slips for Fixed Deposit customers eliminated paper usage and postage expenses, contributing to our goal of a paperless operation.
  - **Data-Driven Decisions:** In-house applications like Vlog & Dtracker monitor key activities and generate automated reports using data visualization tools. This empowers management to make informed decisions based on real-time information.

- **Remote Work:** We continued to leverage remote work arrangements, achieving two key objectives:
  - **Cost Reduction:** Reduced overhead costs associated with utilities.
  - **Work-Life Balance:** Enhanced work-life balance for our employees.

By prioritizing cost-consciousness and technology, we've achieved significant efficiency gains and are well-positioned for continued success.

## Supporting Our Customers Through Challenges

We understand the economic crisis has impacted all our stakeholders. We actively supported our customers by:

- **Tailored Solutions:** Identifying their unique needs and providing customized support, including new rental plans and default interest waivers.
- **Financial Guidance:** Equipping customers with the knowledge and tools to maintain financial health.
- **Enhanced Accessibility:** Our nationwide branch network and technology-based interactions ensure we are readily available.

## Rewarding Our Shareholders

Our strong financial performance translates into benefits for our shareholders:

- **Profitability Growth:** As detailed earlier, profitability has increased significantly.
- **Increased Share Price:** The share price rose from Rs. 8.20 to Rs. 24.80, resulting in a substantial total shareholder return.
- **Corporate Social Responsibility:** We remain committed to being a positive force in the community through ongoing social responsibility initiatives.

## Empowering Our Team

Our passionate and dedicated employees are our foundation. We invest in their well-being through comprehensive programs encompassing physical, psychological, and financial aspects. Our experienced leadership combined with a young, energetic workforce ensures we deliver on our promise to be "the trusted partner of your financial needs." Initiatives like work-from-home options promote a healthy work-life balance, while a focus on equality creates a fair and meritocratic environment.

## A Brighter Future

As Sri Lanka recovers, AMF is optimistic about the future. We acknowledge upcoming regulatory changes and see them as opportunities to strengthen the financial services system. We are well-positioned to capitalize on these changes and the expanding market created by the economic crisis.

### Our Strategic Focus:

- **Core Business Growth:** We will prioritize our core business while diversifying our portfolio for sustainable growth.
- **Competitive Advantage:** We will leverage our brand reputation and strong capitalization to maintain a competitive edge.
- **Regulatory Alignment:** We remain committed to meeting all regulatory requirements with healthy buffers.
- **Digital Transformation:** We will continue to pursue our digitalization strategy to drive efficiency and optimize costs.
- **Stakeholder Value Creation:** Our talented team and sound liquidity position empower us to deliver meaningful value to all our stakeholders.

## A Word of Thanks

As we close another successful year, I would like to express my sincere gratitude to those who made it possible.

- Our Chairman and Board of Directors for their invaluable strategic guidance.
- Our dedicated senior management team and staff for their unwavering commitment and hard work.
- The Governor of the Central Bank of Sri Lanka (CBSL), the Director, and the officials of the Department of Supervision of Non-Bank Financial Institutions for their continuous support and regulatory oversight.
- Our valued depositors, customers, and all stakeholders. Your trust and loyalty are the foundation of our success.

We look forward to continuing this journey of shared success together.

Sincerely,



**T M A Sallay**

Executive Director / Chief Executive Officer

## BOARD OF DIRECTORS



### SEATED L TO R

**Mr. K D U S Nanayakkara** - Chairman | **Mrs. A S Dayawansa** - Executive Director | **Mr. Nalatha Dayawansa** - Deputy Chairman / Executive Director

### STANDING ROW L TO R

**Mr. Tauchira Kandamby** - Independent Non-Executive Director | **Mr. Ranil Wijegunawardena** - Independent Non-Executive Director | **Mr. Nilanka Pieris** - Non-Independent Non-Executive Director | **Mr. Shanil Dayawansa** - Executive Director | **Mr. Suren Goonewardene** - Independent Non-Executive Director | **Mr. T M A Sallay** - Executive Director / CEO

### Mr. K D U S Nanayakkara

Chairman – Independent Non-Executive Director

Mr. K.D.U.S Nanayakkara, an Independent Non-Executive Director of the Board of Associated Motor Finance Company PLC since 5th November 2015 was appointed as Chairman of the Company on 18th May 2020.

Mr. Nanayakkara holds a Bachelor of Science Degree in Pure Mathematics and Physics from the University of Colombo and an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He is also a Fellow member of the Chartered Institute of Management Accountants, UK.

Mr. Nanayakkara commenced his career at Linea Intimo, a fully-owned subsidiary of MAS Holdings in 1999 and moved up the rank to become the Director Finance of MAS Active division in 2013, where he served in this capacity till the end of 2017. During this period, the Finance Team of MAS Active won the prestigious CIMA Case Study Award in 2012. This case study was based on the successful Finance transformation with the implementation of Lean Enterprise in a service function. Subsequently, he served as the Director – Manufacturing and Planning of MAS Active, the sportswear division of MAS Holdings. He has been an active member in setting up a manufacturing partnership in China, India

and Jordan. He was also responsible in setting up MAS operations in the Western Hemisphere. He was appointed as a Board Director of MAS Legato (Pvt) Ltd., MAS's captive shared services operation with effect from 1st January 2017. Currently he serves as the Chief Executive Officer of MAS Legato (Pvt) Ltd.

### Mr. J P I Nalatha Dayawansa

Deputy Chairman / Executive Director  
(Operations & Recoveries)

Mr. Nalatha Dayawansa is a Diploma holder in Automobile Engineering in Stuttgart, Germany and has been an apprentice of the Dimo, Mercedes Benz, AG and Bosch GmbH. He has undergone extensive training locally and internationally in relation to automobile engineering. He possesses vast knowledge and experience in this field, which prompted him to start his own business venture namely, Imperial Import & Export Company (Pvt) Ltd in 1983 and pioneered the import of used high end cars. It also involves the importation of farm and earth moving equipment and prime movers from the UK. He is also a Diploma holder in Economics and Management from the London School of Economics, UK.

Mr. Dayawansa was appointed as an Executive Director to the Board of Associated Motor Finance Company PLC in 1982 and after the demise of his father late Mr. J.P.I. Piyadasa in 1995: he succeeded as the Chairman



and Managing Director of the Company. He has four decades of extensive experience in many industries such as Finance, Hospitality and Leisure, Garments, Exports and Imports. In addition to the above, he is currently the Chairman and Managing Director of Poltech (Ceylon) Ltd., a public limited company engaged in garment exports and also the Chairman and Managing Director of Imperial Import & Export Company (Pvt) Ltd., a private limited company engaged in importing and trading of used motor vehicles from the UK.

Mr. Dayawansa served as an Executive Director of Arpico Finance Company PLC from December 2014 until March 2021, prior to the amalgamation with Associated Motor Finance Company PLC.

Subsequently, he was appointed as the Deputy Chairman of the company with effect from 1<sup>st</sup> April 2021.

### **Mr. J P I Shanil Dayawansa**

Executive Director – Lending, Deposits & Marketing

Mr. Shanil Dayawansa holds a Degree in Accounting and Management (BA) from the University of Essex, UK and a Master's Degree in International Business (MA) from the Monash University in Melbourne, Australia. Both these qualifications focus on finance and management of business.

He was appointed as an Executive Director to the Board of Associated Motor Finance Company PLC in September 2009. He provides a youthful perspective to the Board of Associated Motor Finance Company PLC.

Mr. Dayawansa was appointed to the Board of Arpico Finance Company PLC in 2014 and he served as the Managing Director from June 2015 until 31<sup>st</sup> March 2021 prior to the amalgamation with Associated Motor Finance Company PLC.

### **Mr. T M A Sallay**

Executive Director / Chief Executive Officer

Mr. Sallay is a financial professional with over 38 years of extensive and diverse work experience in the fields of Finance, Auditing, Marketing, Credit & Recoveries, Project Management and Event Management. He has held many positions, both strategic and operational, in many organizations and has wide exposure in diverse sectors such as Finance, Hospitality, Healthcare, International Event Organization, Communications and Trading and Manufacturing.

He is a Fellow Member of the Chartered Institute of Management Accountants, UK (FCMA) and Chartered Global Management Accountant (CGMA) and a

fully qualified Member of the Institute of Certified Management Accountants of Australia (CMA). He is also a Fellow Member of Chartered Institute of Marketing, UK (FCIM) and a holder of a Master's in Business Administration from the Asia University of Malaysia.

Mr. Sallay joined Associated Motor Finance Company Ltd., (AMF) in 1997 as the Group Accountant. He was promoted to the post of General Manager in 2003 and to the post of CEO/ General Manager in 2011. He performed as the Head of Finance of the Company. He served as an Executive Director of Arpico Finance Company PLC since December 2014 until March 2021.

He was subsequently appointed to the Board of AMF as an Executive Director /Chief Executive Officer in April 2021.

His past work experience has seen him focus on his core strengths in the realm of finance, through over 28 years of service with several established financial institutions.

### **Mrs. A S Dayawansa**

Executive Director – Human Resources & Administration

Mrs. A.S. Dayawansa was appointed as an Executive Director to the Board of Associated Motor Finance Company PLC in 1995. In addition to this, she has been holding directorships at Poltech (Ceylon) Ltd., a public limited company engaged in garment exports and at Imperial Import & Export Company (Pvt) Ltd., a private company engaged in importing and trading of used motor vehicles from the UK. She is also the Managing Partner of Ayathi, a dress boutique, which caters exclusively to the high-end market. She has over 25 years of experience in sectors such as Finance, Garments, Imports and Exports.

### **Mr. Tauchira Gooneratne Kandamby**

Independent Non-Executive Director

Mr. Kandamby counts 33 years of professional experience in management & consultancy in the fields of accounting, auditing, corporate management, finance, tax and has extensive exposure to a wide range of enterprises relating to construction, engineering, services, trading, agriculture, energy, information technology, entertainment etc.

He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and Certified Management Accountants of Sri Lanka. He also holds a Post-graduate Executive Diploma in Bank Management from the Institute of Bankers Sri Lanka.

Mr. Kandamby was appointed to the Board of Associated Motor Finance Company PLC on 23<sup>rd</sup> April 2020. He serves as the Chairman of Audit, Remuneration & Nomination Committees of the Company.

He has functioned as Chief Executive Officer/General Manager of Nanda Investments & Finance PLC and also held senior management positions as an Accountant abroad and presently serves as Director of private companies & practice in the name of T G Kandamby & Company.

### Mr. Ranil Wijegunawardane

Independent Non-Executive Director

Mr. Wijegunawardane counts over 30 years of professional experience in Financial & Management accounting, Taxation, Auditing, Administration, Procurement, Information Technology, Systems implementations and General & Corporate Management in leading listed Companies as well as other Institutions.

He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka. He also has a Post-graduate Diploma in Management awarded by the University of Sri Jayewardenepura and a Diploma in Treasury Investment & Risk Management awarded by the Institute of Bankers in Sri Lanka.

Mr. R. Wijegunawardane was appointed to the Board of Associated Motor Finance Company PLC on 18th May 2020. He serves as the Chairman of the Related Party Transaction Committee.

He has functioned as the Managing Director /Chief Executive Officer of Colombo Dockyard PLC and previously held the position of Chief Finance Officer at the said company. He has served at several leading Companies in Sri Lanka and overseas in the capacity of Director, CEO, CFO and General Manager.

### Mr. P Suren Goonewardene

Independent Non-Executive Director

Mr. Suren Goonewardene has over three decades worth of rich domain experience spanning across multiple industries from Telecom to Information Communication Technology and has an exceptionally strong track record of transforming organizations and leading business into successes in each of his roles.

He holds a bachelor's degree in Business Accounting from Monash University, Australia, a Fellow Member and holder of the Graduate Diploma in Marketing from the Chartered Institute of Marketing, UK., and Certified Management Accountants of Sri Lanka. He is a Member of the Certified Practicing Accountants, Australia and a Fellow Member of the Sri Lanka Institute of Marketing.

He is the Managing Director of Lankem Ceylon PLC, a well-diversified conglomerate. He also serves on numerous Boards of Private and Public Companies which include First Guardian Equities (Pvt) Ltd, Guardian Insurance Brokers (Pvt) Ltd, Dawi Investment Trust (Pvt) Ltd, Acme Printing and Packaging PLC, SunAgro Life Science Ltd, JF Packaging Limited, Kiffs (Private) Limited, Alliance Five (Private) Limited, Acme Printing Solutions Limited, JF Ventures Limited and Lankem Minerals Ltd.

He has functioned in the capacity of Chairman and Managing Director, Bharti Airtel Lanka Limited, Chief Operating Officer, Dialog Television and Fixed Line Services, Group Managing Director, Lanka Bell Limited and has also served on the Boards of Ceylon Shipping Corporation and Civil Aviation Authority of Sri Lanka. He was a Council Member of the Employers' Federation of Ceylon and a former Vice President of the Indian Chamber of Commerce in Sri Lanka.

Mr. Goonewardene was appointed to the Board of Arpico Finance Company PLC as an Independent Non-Executive Director in August 2019 and functioned as the Chairman of the Audit Committee. He was appointed to the Board of Associated Motor Finance Co PLC in April 2021 and serves as the Chairman of the Integrated Risk Management Committee.

Mr. Goonewardene's experience spans across multiple industries and possesses expertise in the fields of Telecommunication, Information Technology, Strategic Planning, Organizational Restructuring, Investment/Credit Management, Finance, Marketing & Sales, General Management and Business Consultancy.

**Mr. Nilanka Pieris**

Non-Independent Non-Executive Director

Mr Pieris is a Finance Professional with over 30 years of diverse experience in areas of Financial Planning & Control, Financial Auditing, Credit Operations & Management, Business Development & Analysis, Information Technology, Project Management and Logistics Operations.

He is a Fellow Member of the Institute of Bankers (Sri Lanka), Fellow Member of the Sri Lanka Institute of Credit Management, Associate Member of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant, Member of the Sri Lanka Institute of Directors and Chartered Member of the Chartered Institute of Logistics and Transport

Having commenced his banking career with Seylan Bank he was subsequently appointed to the Board of Arpico Finance Company PLC as an Independent Non-Executive Director in January 2012 and appointed as a Senior Director in 2019 until January 2021. He served as the Chairman of the Audit Committee, Integrated Risk and Related Party Transactions Committees. He also functioned as an Independent Non-Executive Director of People's Bank where he served as the Chairman of the Audit, Risk, IT Committees and was a member of the Credit Committee.

He was appointed to the Board of Associated Motor Finance Company PLC in April 2021. He heads the IT Steering Committee of the Company in addition to serving as a member of the Audit, Integrated Risk and Related Party Transaction committees.

In addition to his appointments in the Banking and Non-Banking Financial sector he is the Managing Director of Gensoft (Pvt) Ltd which is the largest software development company for the logistics industry in Sri Lanka and also serves as a Director of Gensoft Pte Ltd which is a company incorporated in Singapore.

From an educational perspective he is a visiting lecturer at the University of Kelaniya. In a Honorary Capacity he serves on the Governing Council of the Sri Lanka Institute of Credit Management, as the Treasurer of the Sinhalese Sport Club and as a Member of the Technology and Innovation Committee of the Sri Lanka Institute of Directors.

## CORPORATE MANAGEMENT



## SEATED L TO R

**Ms. Geethika Wickramasinghe** - DGM (Fund Mobilization) | **Mr. Chandrin Fernando** - Deputy CEO

## STANDING ROW L TO R

**Mr. Vajira Panditharathne** - SAGM (Recoveries & Operations) | **Mr. Shantha Gunasekera** - SAGM (Marketing) | **Ms. Shashima Peiris** - AGM (Finance & Strategic Planning) | **Ms. Chamila Herath** - (AGM Company Secretary - Legal)

### Mr. Chandrin Fernando

Deputy Chief Executive Officer

Chandrin Fernando is the former CEO of Arpico Finance Company PLC, Mr. Fernando is a Fellow of the Chartered Institute of Management Accountants, UK, Chartered Global Management Accountant, UK, and a Fellow of the Chartered Certified Accountants, UK. He is a Chartered Marketer holding an Associate Membership from the Chartered Institute of Marketing, UK. He also holds a bachelor's degree in Business Administration (Special) from the University of Sri Jayewardenapura with a Second Upper Division Class Honors and an MBA from the University of Cardiff Metropolitan, UK.

Mr. Fernando served on the CIMA Sri Lanka Board in 2014. He held many positions while serving as a Director of CIMA Sri Lanka Division and he was a member of the 'Global Markets Committee' which reports to the CIMA London Council. He is the former Chairman and Vice Chairman of MESANA Region of AICPA which covers the Middle East, South Asia and North Africa comprising 28 countries. Mr. Fernando possesses extensive experience in the Non-Banking Financial Service industry and counts over 25 years of professional experience. He is well versed in the fields of Finance, Marketing, Trading, Construction, Real Estate and Plantations. He is a lecturer at SLIIT for University of Bedfordshire UK.

### Ms. Geethika Wickramasinghe

Deputy General Manager - Fund Mobilization

Geethika Wickramasinghe has over 35 years of experience in the Banking & Finance sector. She has headed both Branch Operations & Credit Operations at Seylan Bank PLC & served as a Branch Manager at the Union Bank of Colombo PLC. Geethika was at UB Finance Company PLC as AGM Deposits & AGM Credits. She worked at Orient Finance PLC as AGM of fund-mobilization before joining Arpico Finance. She currently serves as the Deputy General Manager (Deposits) at Associated Motor Finance Company PLC. Geethika is a Double Master's Degree holder from the University of Colombo & American City University USA. She holds two international diplomas in Anti Money Laundering (Merit) & Compliance from the University of Manchester UK, awarded by the International Compliance Association UK. Geethika also holds a diploma from the Institute of Bankers of Sri Lanka and a certificate for Graphic Design & Creativity Development from the University of Colombo.

**Mr. Vajira Panditharathne**Senior Assistant General Manager  
Recoveries & Operations

Mr. Panditharathne holds a Diploma in Writership and Communication from the University of Sri Jayewardenepura and also holds a Diploma in Psychology and Counselling. He has successfully completed the Certificate in Marketing from SLIM. He possesses over 21 years of experience in the finance industry and 10 years in the field of Mass Media Communications. Of this period, 12 years were spent in managerial positions.

**Mr. Shantha Gunasekara**

Senior Assistant General Manager – Marketing

Mr. Gunasekara holds a Bachelor of Science Management (Public) General (External) Degree and a Diploma in Marketing from the Faculty of Asia Lanka Vocational Education and a Higher Diploma in Practical Accountancy from the Institute of Professional Accountancy Training. He is also a part qualified member of the Association of Accounting Technicians of Sri Lanka and holds a Diploma in Public Management from the University of Sri Jayewardenepura. He holds a Diploma in Micro Finance from the Institute of Bankers of Sri Lanka. He has 30 years of experience in the finance industry, of which 19 years in managerial positions.

**Ms. Shashima Peiris**Assistant General Manager – Finance & Strategic  
Planning

Ms. Shashima Peiris is an Associate member of the Chartered Institute of Management Accountants, UK and the Chartered Global Management Accountant, UK. She also holds a Bachelor of Science Degree in Applied Mathematics with a minor in Statistics from Rochester Institute of Technology, USA and a Certificate in Wealth & Investment Management awarded by the Chartered Institute of Securities and Investments, UK. She has over 9 years of experience in the Non-Banking Financial Sector. Currently she serves as the Assistant General Manager – Finance & Strategic Planning at Associated Motor Finance Company PLC.

**Mrs. Chamila Herath**

Assistant General Manager – Company Secretary / Legal

Mrs. Herath is an Attorney at Law, Notary Public, Commissioner for Oaths and a Registered Company Secretary. She has obtained an Advanced Diploma in Finance Banking and Insurance Law conducted by the Institute of Advanced Legal Studies in Sri Lanka. She has more than twenty-Seven years of experience as an Attorney at Law in the finance sector. She started her career at Palitha Mathew & Company and then at Mercantile Credit Ltd. She joined Arpico Finance Company PLC in 1999 as a Legal Officer and was promoted to Senior Manager Legal in April 2014. Currently she serves as the Assistant General Manager Legal at Associated Motor Finance PLC.



## TALENT POOL



### SEATED L TO R

**Theruni Perera** – Senior Manager (Strategic Planning) | **Chamara Wanniarachchi** - Senior Manager (Matara Branch) | **Roshan Kaluarachchi** – Senior Manager (Finance) | **Nilmini Karunathilake** – Senior Manager (Compliance)

### STANDING ROW L TO R

**Terrance Waduge** - Senior Manager (Liability Products - Branch sales) | **Subashini Dias** – Chief Manager Fixed Deposit) | **Monro Silva** - Chief Manager (Fixed Deposit) | **Gayan Ranasinghe** – Manager (Human Resources) | **Mohammed Recaz** – Manager (Islamic Finance) | **Chinthaka Jayathilake** – Senior Assistant Manager (Administration) | **Jagath Fernando** - Senior Manager (FD Marketing) | **Niluka Mahanama** - Senior Manager (Internal Audit)

Our talent team plays a pivotal role in guiding our organization towards achieving its strategic goals. Comprising experienced professionals with diverse backgrounds, our team is committed to fostering innovation, maintaining high standards of integrity, and ensuring operational excellence. They provide visionary leadership that inspires our employees to excel and uphold our organizational values.

Through effective decision-making and strategic planning, our talent team navigates challenges and identifies opportunities for growth and development. They prioritize transparency, open communication, and collaboration across all levels of the organization, fostering a cohesive and supportive work environment.

By tapping into the expertise and creativity of these talented professionals, we drive innovation, efficiency, and strategic thinking across all facets of our operations. Leadership from our talent team is instrumental as we look ahead, driving our mission forward, delivering exceptional results, and ensuring long-term success.

## MANAGERIAL TEAM



**Mr. Chiranga Bandara**  
Branch Manager  
Narammala



**Mr. Janaka Ratnayake**  
Branch Manager  
Kandy



**Mr. Deepal Madusanka**  
Branch Manager  
Matugama



**Mr. Tharindu De Silva**  
Branch Manager  
Anuradhapura



**Mr. Pradeep Gala Godage**  
Branch Manager  
Kottawa



**Mr. Shyam Tissera**  
Branch Manager  
Minuwangoda



**Mr. Kithsiri Perera**  
Manager  
FD Marketing



**Ms. Noyomi Pathirana**  
Manager  
Fixed Deposit



**Mr. Asoka Wanigasekara**  
Manager  
Recovery & Operation



**Mr. Prageeth Liyanaarachchi**  
Manager  
Recoveries



**Mr. Suminda Fernando**  
Manager  
Recoveries



**Mr. Prasad Anuruddha**  
Manager Marketing Matara  
Branch



**Mr. Tharmalingam Suseelan**  
Officer In Charge



**Mr. Dasun Thiwanka**  
Senior Assistant Manager  
Team Leader



**Mr. Supun Premachandra**  
Senior Assistant Manager  
Team Leader

02

# MANAGEMENT DISCUSSION AND ANALYSIS

*Progressing with Persistent  
Dedication*



## OPERATING ENVIRONMENT

### SRI LANKAN ECONOMY

The Sri Lankan economy observed a gradual revival in 2023 following its greatest economic downturn encountered in the preceding year. The recovery was reinforced by rapid disinflation, improved external resilience, stronger fiscal balances, and preserved financial system stability. Overall macroeconomic stability was bolstered by the government's and the Central Bank's prompt and coordinated execution of a number of policy measures and the structural reform agenda along with the International Monetary Fund's Extended Fund Facility (IMF-EFF) arrangement. Benefiting from stability that had been reestablished, the economy commenced transitioning to a growth trajectory.

The economy expanded in the second half of 2023 after six consecutive quarters of recession, which limited the annual economic contraction for the year. The growth in aggregate demand was driven by both domestic demand and net external demand. In 2023, labor force participation continued to decline even though unemployment remained unchanged in comparison to the year before. After reaching its highest point in September 2022, inflation restored to single digit levels in less than a year and continued to remain in the vicinity of the target until the end of 2023. Following the completion of the Domestic Debt Optimization (DDO) operation and the Central Bank's adoption of an accommodating monetary policy stance since mid-2023, market interest rates, including yields on government securities, experienced a significant decline in 2023. Credit to the private sector underwent a positive turn from mid-2023, ending the longest run of monthly contractions.

The external current account recorded a surplus in 2023 supported by a significant contraction in the trade deficit amidst increased services exports and improved workers' remittances. Gross official reserves improved with the support of net purchases of foreign exchange by the Central Bank and financing support from multilateral partners. The Sri Lankan rupee had a general appreciation despite sporadic volatility during 2023. This was mostly reflective of market behavior and sentiments, since the Central Bank implemented an exchange rate policy dependent on the market.

The fiscal performance in 2023 was commendable, driven by rigorous consolidation measures for revenue enhancement and expenditure optimization.

The primary balance revealed a surplus in 2023, and the overall budget deficit decreased in comparison to the year before. The Government continued to rely principally on domestic sources to finance the budget deficit, amidst constraints in gaining access to international funding. By the end of 2023, the central government debt as a percentage of GDP declined, primarily due to the growth in nominal GDP and partially due to the impact of rupee appreciation on foreign debt.

### NON-BANK FINANCIAL INSTITUTION (NBFI) SECTOR

The Masterplan for Consolidation of Non-Bank Financial Institutions was implemented, in an effort to build a robust and stable Non-Bank Financial Institutions Sector. Five amalgamations have been accomplished thus far under the Masterplan whilst two Specialized Leasing Companies were upgraded to LFCs, through their active involvement in the Masterplan. Cancellation of 2 LFCs was facilitated through providing funding for the settlement of deposits of those institutions. Further, several LFCs increased their capital levels to comply with the Masterplan's guidelines to be compliant with the requirements imposed under the Masterplan for LFCs to continue as standalone companies.

Despite the challenges stemming from adverse economic conditions, the LFCs sector remained resilient with adequate capital and liquidity buffers throughout the year. The sector recorded growth in terms of assets, deposit base, and profitability except for asset quality which deteriorated as a result of an increase in Stage 3 Loans. The LFC sector comprised 33 LFCs accounting for 5.1 percent of total assets as of end 2023. There were 1,828 branches, of which 1,198 branches (65.6 percent) were located outside the Western Province.

### ASSET BASE

The asset base of the sector recorded growth of 5.1 percent (Rs. 81.8 billion) reaching Rs. 1,692.0 billion by the end of 2023, compared to the 10.9 percent growth in 2022. The primary factor behind this was the notable expansion of the investment portfolio due to a higher allocation to government securities. Loans and advances accounted for 68.6 percent of the total assets of the LFCs sector. During 2023, the loans and advances portfolio of the sector recorded a contraction of 3.2 percent (Rs. 38.0 billion) and amounted to Rs. 1,160.4 billion compared to a growth of 7.7 percent in 2022. This is primarily due to challenges in its core business of leasing and

hire purchase. The restrictions on vehicle imports and unfavorable macroeconomic conditions compelled the sector to diversify its loan portfolio, particularly towards pawning advances or gold-backed loans.

Finance leases dominated the loans and advances portfolio of the sector and accounted for 41.5 percent of total loans and advances by end 2023, compared to 41.6 percent by end 2022. Other secured loans including vehicle loans accounted for 32.5 percent of total loans and advances by end 2023, compared to 33.8 percent by end 2022. Loans against gold and loans against deposits also contracted by 4.7 percent and 3.2 percent, respectively, during the year. Meanwhile, other assets that mainly include cash and balances with banks and financial institutions increased by 3.2 percent in 2023 compared to the 23.2 percent growth in 2022.

## ASSET QUALITY

The asset quality of the LFCs sector deteriorated as indicated by the elevated Gross Stage 3 Loans Ratio of 17.8 percent at end 2023 compared to 17.4 percent at end 2022, thereby increasing the vulnerability of the sector to credit risk. Deterioration in asset quality to some degree can be attributed to the revisions in regulatory requirements for LFCs to adopt 90 days past due for classification of non-performing / Stage 3 loans with effect from 01 April 2023, from the earlier classification of 120 days past due. Meanwhile, the sector reported an impairment coverage ratio of 32.5 percent for Stage 3 loans at end 2023. Accordingly, the net Stage 3 Loans Ratio improved to 12.0 percent by end 2023 from 12.3 percent as at end 2022. Considering the increased capital exposure of numerous LFCs to Stage 3 loans, it would be judicious for the LFC sector to build up greater impairment coverage to withstand any unforeseen credit shock.

## PROFITABILITY

The LFCs sector's Profit After Tax (PAT) increased by 11.3 percent from Rs. 42.8 billion in 2022 to Rs. 47.7 billion in 2023, due to increased net interest income and non-interest income. The increase in profitability was reflected in increased ROA to 4.2 percent in 2023, compared to 3.7 percent in 2022. However, ROE of the sector marginally reduced to 12.4 percent in 2023, compared to 12.7 percent in 2022, due to a comparatively higher increase in equity capital. The cost to income ratio increased to 81.1 percent in 2023, from 79.9 percent in 2022.

## FUNDING & LIQUIDITY

The capital base of the LFCs sector improved marginally by 3.9 percent (Rs. 12.3 billion) to Rs. 329.0 billion by the end of 2023 compared to Rs. 317.0 billion recorded by the end of 2022. The sector's core capital and total capital ratios increased to 21.1 percent and 22.3 percent, respectively, by end 2023 from the levels of 20.6 percent and 22.0 percent, respectively, by end 2022.

The liquidity position of the sector remained well above the regulatory requirement, mainly due to increased investments in Government securities. As of the end of 2023, the sector's total regulatory liquid assets were recorded at Rs. 254.9 billion, exceeding the minimum required amount of Rs. 103.4 billion. This indicates a liquidity surplus of Rs. 151.5 billion at the end of 2023 as opposed to Rs. 86.9 billion at the end of 2022. However, some companies faced challenges in meeting the minimum liquidity requirement. The sector increased its exposure to sovereign risk by investing more in Government securities. Despite the challenges, secure funding sources reduced the sector's funding risk.

Customer deposits which accounted for 55.3 percent of the sector's liabilities continued to be the majority. The deposits increased by 8.2 percent (Rs. 70.8 billion) to Rs. 935.3 billion, while borrowings declined by 17.9 percent (Rs. 57.8 billion) to Rs. 264.6 billion during 2023.

## FINANCIAL REVIEW

### INTEREST INCOME

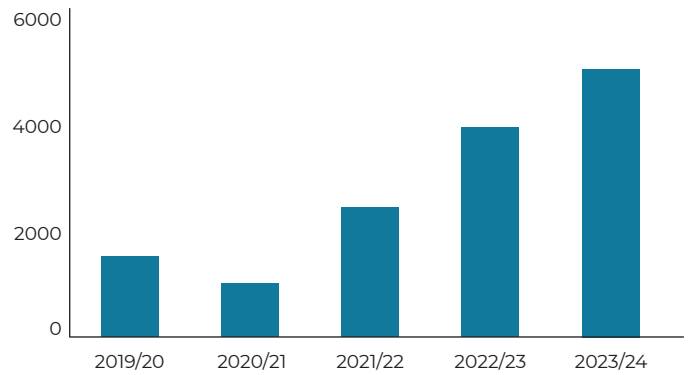
The Company recorded an interest income growth of 28% to Rs. 4,966Mn during the financial year under review compared to Rs. 3,881 Mn recorded in the previous financial year. This is attributed mainly to growth in Lease receivables and investment income.

Total interest income, the leasing portfolio derived an income of Rs. 3,811Mn an increase of 29% compared to the Rs. 2954Mn earned in the previous financial year due to the increase in interest rates and higher lending. As the highest contributor to interest income over the last few years. The leasing portfolio contributed 77% to the total Interest income of the company.

Interest income from other loans and advances showed decrease in 2023/24 and earned Rs. 131 Mn compared to Rs. 190Mn earned in the previous financial year. Fixed deposit loans were key contributor to interest income for other loans and advances.

Other interest income, which includes interest earned on placements with banks and other finance companies, as well as interest income from investments in government securities such as Treasury Bills and Treasury Bonds, reached Rs. 1,024 Mn during the financial year under review. This represents an increase of 39% compared to the previous financial year.

The company will continue to closely monitor external market dynamics while focusing on protecting lease portfolio to achieve target interest income. At the same time, the Company will continuously evaluate and improve the effectiveness of its optimization and risk management strategies for other financial assets, ensuring that they are in line with all economic circumstances are evolving.



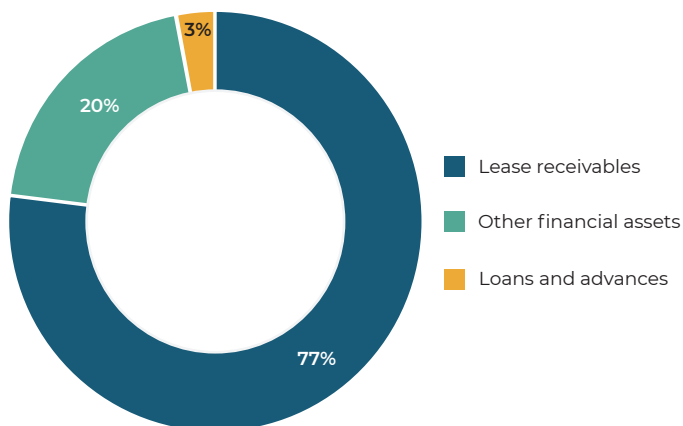
### INTEREST EXPENSE

Total interest expenses, including interest payable to customers and banks and other borrowed funds, increased by 29% during the year under review. The primary reason is attributed to the prevailing high-interest environment during the financial year under review. Thus, the total interest expenses for the financial year ending on 31st March 2024, amounted to Rs. 2816Mn, compared to the previous financial year's expenses of Rs. 2187Mn.

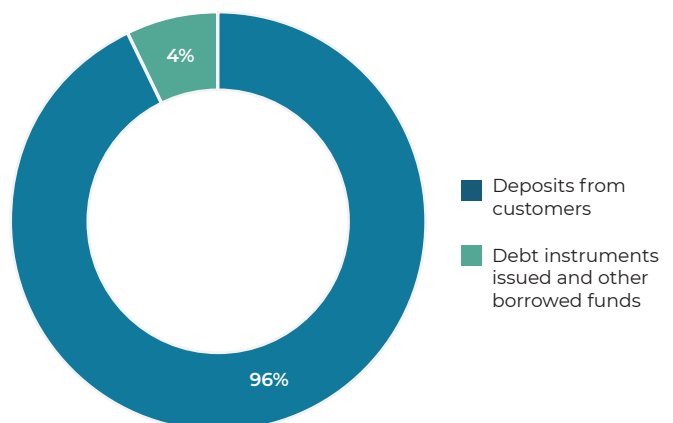
Interest expenses incurred on deposits represent 96% of the total interest expenses. In the year under review, interest expenses on deposits increased significantly by 30% to Rs. 2693Mn. In contrast, interest expenses increased by 77% to Rs. 2078Mn in the previous financial year.

Interest expenses related to securitized borrowings recorded a increase of 12% to Rs. 122Mn during the financial year under review, compared to the previous financial year's expenses of Rs. 110Mn.

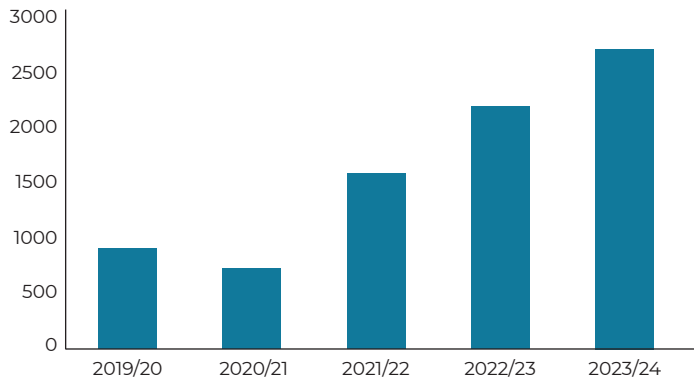
Interest Income



Interest Expenses



### Interest Expenses (Mn)



### NET INTEREST INCOME

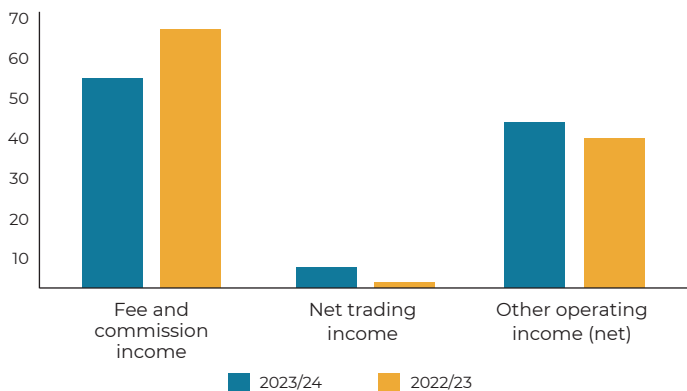
The net interest income increased by 27%, amounting to Rs. 2,150 Mn during the year under review compared to Rs. 1,693 Mn earned in the previous financial year. This is mainly attributed to the increase in interest Income recorded during the year under review. The Company deployed several strategies to manage net interest income growth, including product re-pricing aligned with market fluctuations.

	2020	2021	2022	2023	2024
Interest Income (Mn)	1,339	1,069	2,468	3,881	4,966
Interest Expenses (Mn)	872	696	1,519	2,188	2,816
Net Interest Income (Mn)	467	373	949	1,693	2,150

### TOTAL OPERATING INCOME

The components of operating income include net interest income and other income. The Company achieved a total operating income of Rs. 2,256 Mn for the financial year ending on 31st March 2024, in contrast to the earnings of Rs. 1,799 Mn in the previous financial year. The earnings from other income constituted 2.13% of the Company's gross income.

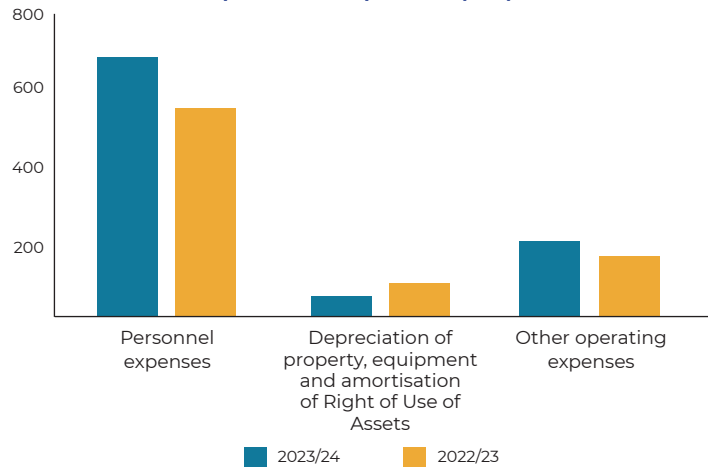
#### Other Income (Mn)



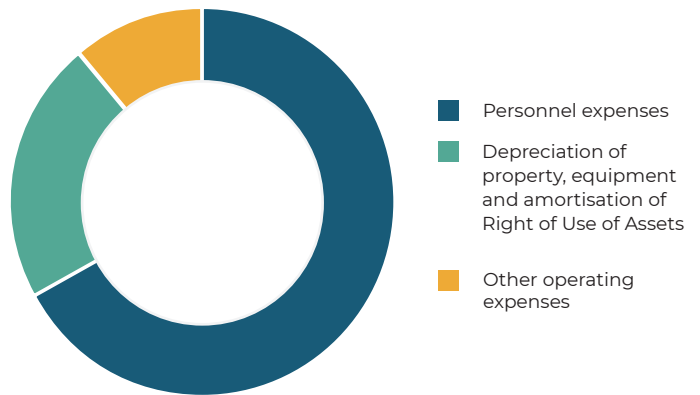
### OPERATING EXPENSES

The Company recorded a 14% increase in total operating expenses to Rs. 997 Mn during the financial year under review, compared to Rs. 877 Mn incurred in the previous financial year. Personnel expenses recorded a 20% increase to Rs. 675 Mn, primarily driven by new recruitment and rising employment benefits amidst a high-inflation operating environment. Additionally, advertising and business promotional expenses accounted for 12% of the total operating reviews, amounting to Rs. 250 Mn for the year under review.

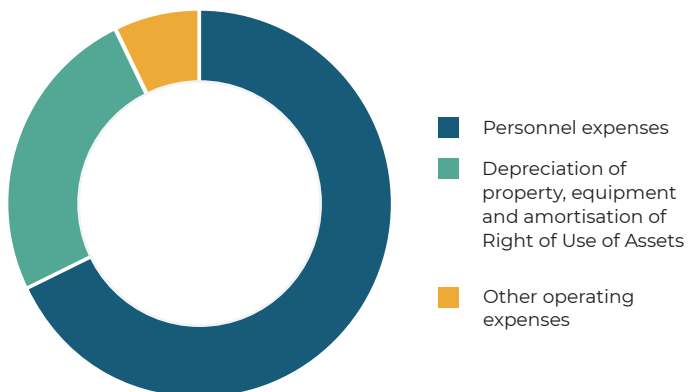
#### Operation Expenses (Mn)



#### Composition of Operation Expenses 2023/24



#### Composition of Operation Expenses 2022/23



## IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES

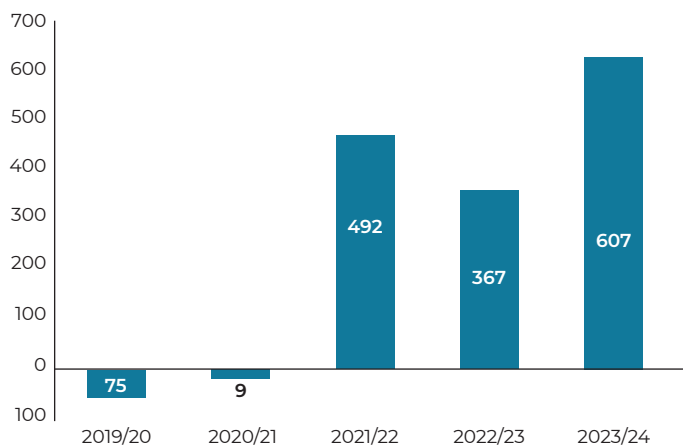
Impairment charges recorded a 10.34% increase to Rs. 457Mn during the year under review compared to Rs. 414 Mn recorded in the previous financial year. Effective management of gross non-performing lease despite the economic crisis has led to these challenges posed by the adverse external operating environment, the company's efforts to mitigate risks and maintain asset quality have played a critical role in achieving the recovery targets.

## PROFITABILITY

The Company experienced a significant increase in profitability during the year under review attributed to the improving macroeconomic and financial services sector operating environment. The total net profit increased by 59% to Rs. 318 Mn, contrasting with the double-digit net profit decrease of 33% to Rs. 200 Mn recorded in the previous financial year. The Company's profit before taxation increased by 65% to Rs. 607 Mn for the financial year under review. The Company's return on average assets (ROA) calculated on profit before tax increased by 46% to recorded 3.44% as of 31st March 2024 compared to 2.36% as of 31st March 2023. The return on average equity (ROE) increased by 45% to record a growth of 10.31% as of 31st March 2024.

Profitability (Mn)	19/20	20/21	21/22	22/23	23/24
<b>Profit before taxation (Mn)</b>	-75	-9	492	367	607
<b>Tax (Mn)</b>	92	-3	193	167	289
<b>Profit after taxation (Mn)</b>	-167	-6	299	200	318

Profit before taxation (Mn)



## Total Assets

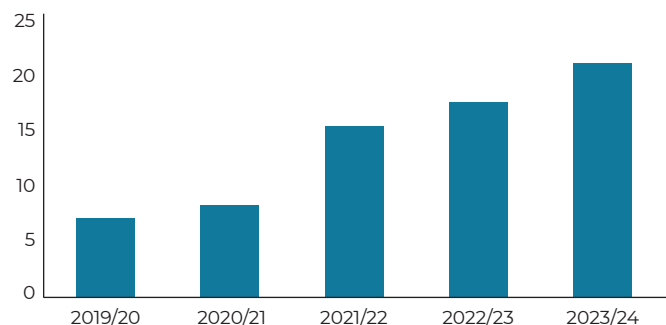
During the year under review, the Company's total assets recorded a 20.47% increase to Rs. 19.30 Bn as of 31st March 2024. This is in contrast to the 5.67% increase to Rs. 16.02 Bn recorded as of 31st March 2023 attributed to the constrained operating conditions and financial liquidity in the market during the previous financial year.

The company's commitment to executing strong strategies to expand the leasing portfolio, coupled with our ability to meet emerging challenges, continues to support total asset growth.

In addition, the company maintains a strict monitoring process on asset composition and takes appropriate measures to ensure effective asset management. These initiatives contribute to stabilizing the asset base, facilitating optimal asset growth and maintaining a high-quality asset portfolio.

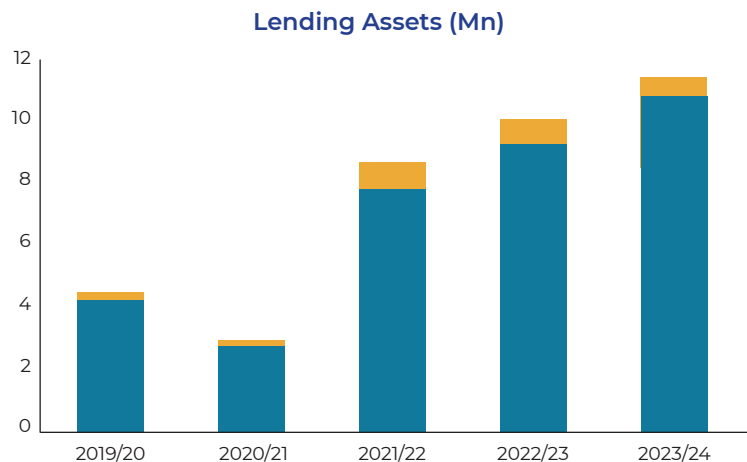
Year	19/20	20/21	21/22	22/23	23/24
<b>Total assets (Bn)</b>	6.5	7.7	15.16	16.02	19.30

Total Assets (Bn)



## LENDING ASSETS

The lending portfolio of the company consists of leasing, hire purchases, and loans against Fixed Deposits. The lending portfolio of the Company was increased by 9.21% from Rs. 10.1 Bn as at 31 March 2023 to Rs. 11.04 Bn as at 31 March 2024 due to increased lending volumes during the latter part of the year. The leasing portfolio contributed 95% to total lending although showing a slight increase compared to the 92% contribution to total lending in the previous financial year. Of the total lending portfolio, the leasing portfolio derived lending of Rs. 10.5 Bn an increase of 14% compared to the Rs. 9.2 Bn in the previous financial year.



## FUNDING

Deposits remained the main funding source representing 95% of the total funding mix. The company's total deposit base as at 31 March 2024 stood at Rs.14.6Bn, indicating a year-on-year growth of 17% compared Rs 12.4Bn in the previous financial year

## LIQUIDITY POSITION

The company continued to maintain a strong liquidity position throughout the year, backed by a combination of investments in reverse repurchase agreements, treasury bills, fixed deposits, savings & current account balances and cash in hand.

The Company was able to maintain substantial excess liquidity levels well above the regulatory requirements throughout the year. At the end of the financial year, the Company's regulatory liquid asset level was Rs. 5,773 Mn and the minimum regulatory level of Rs. 1,455 Mn. The Company's total liquid asset ratio was 33.62% as at 31st March 2024.

The company proactively manages the liquidity by investing most of the assets in risk-free assets at the higher yield to ensure the security of the deposits of our valued customers and wealth of the stakeholders.

## SHAREHOLDERS' FUND

At the end of the financial year under review, the Company's retained earnings grew by 13.25% to Rs. 2.3 Bn, compared to Rs. 2 Bn in the previous financial year. This contributed to a 10.5% growth in the total shareholders' fund, which amounted to Rs. 3.2 Bn as of 31st March 2024, compared to Rs. 2.9 Bn as of 31st March 2023.

## STAKEHOLDER CAPITAL

A stakeholder is any individual, group, or entity that is affected by the products, services, and operations of the Company or that, by their decisions, actions, or attitudes, influence the Company's strategy, objectives, and operations. AMF seeks to establish long-term, mutually beneficial relationships with all its stakeholders by implementing a robust procedure to identify and prioritize its key stakeholder groups. AMF's approach to stakeholder engagement enables it to identify and comprehend the goals and concerns of its stakeholders, and thereafter develop strategies for enhancing stakeholder engagements to establish lasting relationships. This value addition process operates in two ways, which is by offering value to stakeholders and deriving value from stakeholders.

It is essential to have a meaningful engagement with our stakeholders in order to achieve economic, environmental, and social sustainability. In light of this, our approach to stakeholder engagement is a well-organized framework that enables us to identify all stakeholder groups and interact with them in a way that successfully addresses their concerns. The parties affected by our Company operations are identified through a scanning process of the business environment, and they are then clustered together into broad stakeholder groups based on their shared experiences. Stakeholder engagement involves finding the best solutions to their concerns in order to provide them with an exceptional service while assuring the Company's optimal performance.



## CUSTOMER CAPITAL

Our customers remain a vital stakeholder group and the center of our business. We strive to establish long-term, mutually beneficial relationships with them, deliver exceptional customer service, and provide efficient, readily available financial products and services to meet their wide range of needs. We focus on developing simple, transparent products that satisfy our customers' diverse needs while leveraging technology to minimize visits to branches and save time.

### LENDING

We continue to be committed to serving customers at the bottom of the economic pyramid, who have been economically marginalized and have little to no access to obtain services from banks, to help them to become financially stable and bankable. We facilitate customers to make informed decisions by providing them with sufficient information and concise explanations about our products and services. We employ several mechanisms to help our customers to access our products and services and engage directly with our well-trained frontline customer support representatives such as a well-equipped contact center that offers a superior level of individualized care as well as online tools that save time and boost convenience.

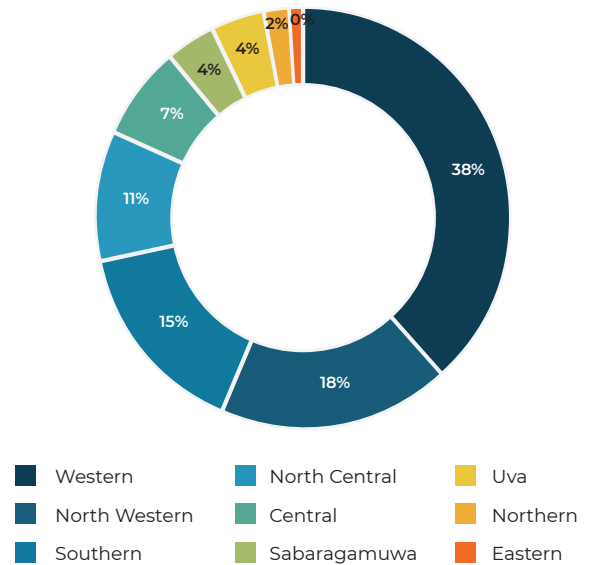
### DEPOSITS

Deposits, which accounted for 79% of the total funding as at 31st March 2024, remained our primary source of funding. We value the confidence that our depositors have continued to place in us by offering the best return on their investments while adhering to regulatory requirements, meeting our responsibilities on time, and ensuring they receive value-added customer service. Throughout the financial year under review, the average deposit renewal ratio remained at 78%, indicating strong customer loyalty to our Company and customer satisfaction with the superior service standards extended by us.

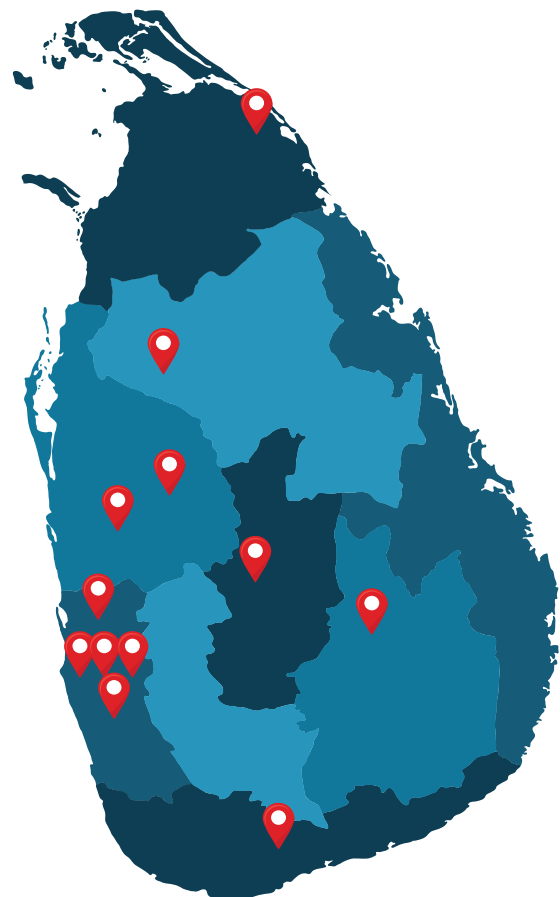
### CUSTOMER REACH

We serve customers nationwide to meet their personal and business needs with our island-wide branch network and extensive dealer network supported by technology. Approximately 38% of our customer base comes from Western Province, followed by Northwestern, Southern, and North Central Provinces.

## GEOGRAPHICAL SPREAD OF CUSTOMERS



## MAP OF SRI LANKA WITH THE BRANCH LOCATIONS





## CUSTOMER COMMUNICATION

We engage with our customers using a wide range of marketing and communication channels. We communicate with our customers through our website, SMS notifications, emails, and IVR calls, and employ social media platforms for lead generation and customer inquiries. We use our website to inform our customers about our product offerings and any developments such as interest rate changes and the introduction of new products. All information which is necessary for customers to make well-informed decisions is made available in all three languages, Sinhala, English, and Tamil, and is posted accurately and in a timely manner.

## CUSTOMER PRIVACY

We continuously ensure that the technological solutions we implement to enhance customer convenience are governed by a strong data protection framework and IT security environment. Our IT operations and systems adhere to the statutory requirements and standards stipulated by the CBSL and other regulatory bodies and our information security is ISO 27001:2013 certified by Bureau Veritas for four consecutive years.

## INVESTOR CAPITAL

The required capital for the expansion and growth of our business is provided by investors. Therefore, we continually strive to achieve sustainable growth and deliver increased returns to our investors. As at end of the financial year 2024, our total no of shareholder base amounted to 1724 of which 94% were individuals and 6% were institutions.

### Shareholder Fund

The Company's shareholder funds increased up to Rs 3,242 Mn as at the end of the financial year 2023/2024 compared to Rs 2,935 Mn as at 31.03.2023. At the end of the financial year under review, the Company's retained earnings grew by 13.25% to Rs. 2.3 Bn, compared to Rs. 2 Bn in the previous financial year. This contributed to a 10.5% growth in the total shareholders' fund, which amounted to Rs. 3.2 Bn as of 31<sup>st</sup> March 2024, compared to Rs. 2.9 Bn as of 31<sup>st</sup> March 2023.

The return on average shareholders' funds increased to 10.31% as of 31<sup>st</sup> March 2024, compared to 7.12% recorded as of 31<sup>st</sup> March 2023. This was due to the increase in profit after tax.

### Market Capitalization and Share Price Movement

The Company's ordinary shareholding was 113,327,268 as of 31<sup>st</sup> March 2024, which is the same as 31<sup>st</sup> March 2023. At the end of the current financial year, the market capitalization of AMF remained at Rs. 2,811 Mn. The share price of AMF recorded a high of Rs. 26.70 and a low of Rs. 6.90 during FY 2023/24. The last traded price during the year was Rs. 24.80.

### Return on Assets (ROA) and Return on Equity (ROE)

The Company's return on average assets (ROA) calculated on profit after tax increased by 45.79% to recorded 3.44% as of 31<sup>st</sup> March 2024 compared to 2.36% as of 31<sup>st</sup> March 2023. The return on average equity (ROE) increased by 44.82% to record a growth of 10.31% as of 31<sup>st</sup> March 2024 compared to 7.12% as of 31<sup>st</sup> March 2023

### Earnings Per Share (EPS) and Price-Earnings Ratio

The company's earnings attributable to ordinary shareholders increased up to Rs 2.81 compared to Rs. 1.77 at the end of last year. The price earnings ratio increased up to 8.83 times from 4.64 times in the last year.

### Net Asset Value Per Share

The NAV per share of the Company increased from Rs 25.90 at the beginning of the financial year to Rs. 28.61 at the end of the financial year under review.

## HUMAN CAPITAL

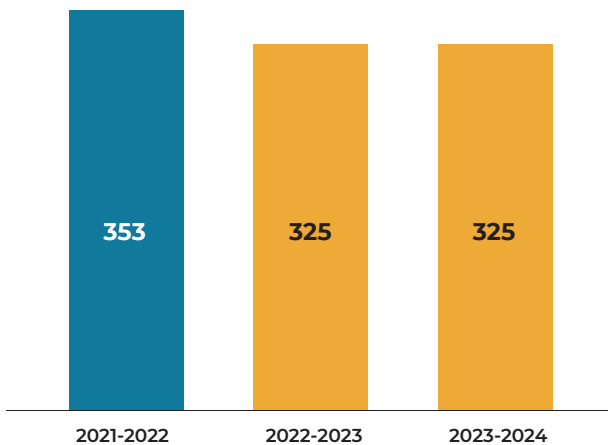
Our dedicated and loyal workforce of 325 individuals is our most valuable asset, driving the achievement of our strategic goals. Prioritizing the development of our team's skills and capabilities is essential. As an equal opportunity employer, we have a female participation rate of 39%, consistent with the national average. Our supportive work environment, high employee motivation, and attractive non-monetary benefits and recognition strategies have contributed to our strong staff retention rates.

### Our Team Profile

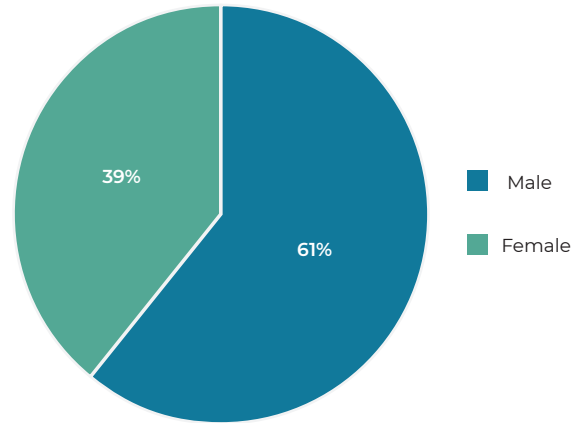
Diversity is a key defining factor of our team, and we strive to achieve the optimum balance between age, skill, gender, experience, and regional representation. Our employees range in age from 18 to 70, with balanced representation across age groups, ensuring a healthy talent pipeline. We have significant female participation, particularly at the middle management level, reflecting our cultural and institutional support for nurturing female leaders. Our regional balance is 28% representation from provinces in which branches are located. When hiring for branch positions, we prioritize applicants from local communities.



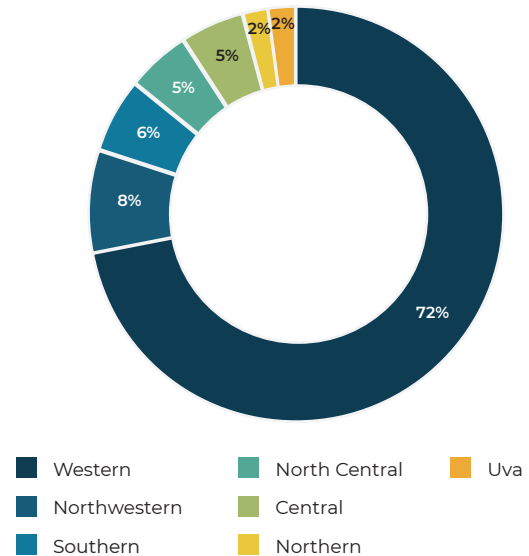
Head Count



Gender Analysis



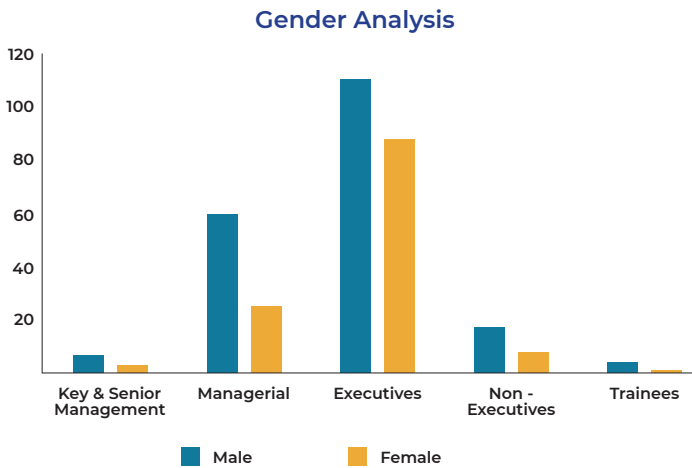
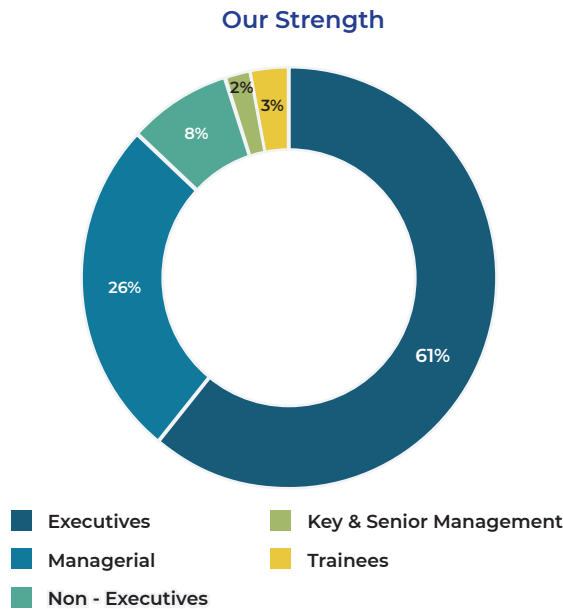
Regional Breakdown



Region	Male	Female	Total	% by region
Western Province	134	99	233	72%
North Central Province	13	5	18	5%
Northwestern Province	19	7	26	8%
Central Province	9	6	15	5%
Southern Province	15	3	18	6%
Northern Province	4	3	7	2%
Uva Province	5	3	8	2%
<b>Total</b>	<b>199</b>	<b>126</b>	<b>325</b>	<b>-</b>
<b>% by gender</b>	<b>61%</b>	<b>39%</b>	<b>100%</b>	<b>100%</b>

## Our Strength

In the year under review, our team comprised 325 employees. A breakdown of various categories is reflected below:



Employment Category	Male	Female	Count	%
Key & Senior Management	7	3	10	3%
Managerial	60	26	86	26%
Executives	111	88	199	61%
Non - Executives	17	8	25	8%
Trainees	4	1	5	2%
<b>Grand Total</b>	<b>199</b>	<b>126</b>	<b>325</b>	<b>100%</b>

## Implementing Best Practices

We are committed to implementing best practices in human resource management to foster a positive and productive work environment. This includes:

- Continuous Learning and Development:** Investing in training programs and professional development opportunities to enhance the skills and capabilities of our employees.
- Employee Engagement:** Regularly conducting engagement activities and surveys to gauge employee satisfaction and address any concerns promptly.
- Equal Opportunity:** Ensuring a fair and inclusive workplace where all employees have equal opportunities for growth and advancement.
- Work-Life Balance:** Promoting policies that support a healthy work-life balance, such as flexible working hours and remote work options.
- Health and Well-being:** Providing comprehensive health benefits and wellness programs to support the physical and mental well-being of our team members.
- Recognition and Rewards:** Implementing a robust recognition and rewards system to acknowledge and celebrate the achievements and contributions of our employees.

By adhering to these best practices, we aim to create an environment where our employees feel valued, motivated, and equipped to excel in their roles.

## Selection and Recruitment

As an equal opportunity employer, we are committed to recruiting a talented workforce without any discriminatory factors. Our selection process includes hybrid interviews, technical tests, and background checks. We recruit employees on a permanent, contract, temporary, and internship basis. Internship opportunities are provided across multiple disciplines for university students and students engaged in professional education courses. During the year, we recruited a total of 61 employees and provided internship opportunities for 06 students.

By following these selection and recruitment best practices, we aim to build a dynamic and capable workforce that drives our success and reflects our commitment to diversity and excellence.

Employment Category	Gender		Total
	Male	Female	
Manager	-	-	-
Assistant Manager	3	1	4
Executive (All levels)	27	12	39
Minor	4	8	12
Trainees	5	1	6
Total	39	22	61
Internships	3	3	6

### Learning and Development

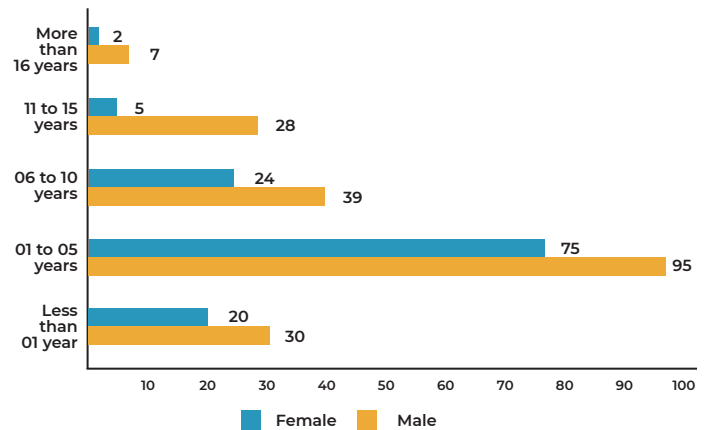
Recognizing the value that learning and development add to employee growth, we have implemented a robust training program during the year under review, setting it as a top priority for the HR Department. Our objective is to empower our workforce to effectively achieve the organization’s goals and objectives. Given that our company’s core strength lies in fostering enduring customer relationships, enhancing our human capital is pivotal to achieving this objective. Employees are carefully selected based on their specific skills and nominated for training programs aimed at improving communication abilities, thereby boosting their performance levels. Senior executives and higher-level managers have been chosen for structured programs such as on-the-job training, CBS training, and other professional development courses designed to enhance their technological proficiency within their respective roles. This proactive approach to learning and development underscores our commitment to nurturing a skilled and adaptable workforce capable of meeting the dynamic challenges of our industry while delivering exceptional results.

### Employee Engagements

Our organization maintains a high level of employee engagement through a combination of formal and informal mechanisms. This includes annual performance appraisals aimed at providing feedback and setting clear objectives aligned with organizational goals. Regular staff meetings facilitate open communication and collaboration across teams and departments. We offer comprehensive health insurance and wellness programs to promote employee well-being. Additionally, our work-life balance initiatives support a healthy equilibrium between professional responsibilities and personal life commitments.

These efforts reflect our commitment to creating a supportive and dynamic workplace environment where employees feel valued, motivated, and engaged. By nurturing a culture of open dialogue, recognizing achievements, and providing opportunities for professional growth, we aim to enhance employee satisfaction and contribute to the overall success of our organization.

Service Analysis Nos.



### Equal Opportunities

In our Key and Senior Management roles, female representation currently stands at 30%. We are committed to fostering gender diversity and equality across all levels of our organization, ensuring equal opportunities and respect for individuals of all genders, religious backgrounds, and diverse identities. Through targeted initiatives and supportive policies that promote leadership development and career advancement opportunities for females and individuals of various backgrounds, we aim to further increase representation in senior leadership positions. Our strategies include implementing mentorship programs, offering leadership training, and cultivating an inclusive workplace culture that values diverse perspectives and contributions. By championing equal opportunities and fostering a culture of mutual respect for different identities, we empower all employees to thrive and contribute to our organizational success.

### Work-Life Balance

At our organization, we prioritize work-life balance as a cornerstone of our employee well-being strategy. We recognize the importance of ensuring that our team members have the flexibility and support they need to excel both professionally and personally. Through initiatives such as roster-based work culture, where

employees can work from any location, flexible work arrangements, remote work options where feasible, and policies that promote time off and wellness, we aim to create an environment where employees can thrive. We believe that a healthy balance between work commitments and personal life not only enhances job satisfaction but also boosts productivity and overall happiness. By fostering a culture that values work-life balance and empowers our employees to manage their work environments effectively, we enable them to achieve their fullest potential while contributing effectively to our organizational goals.

## Recognition and Rewards

At our organization, we value the contributions and achievements of our employees through a comprehensive recognition and rewards program. We celebrate successes, both big and small, fostering a culture of appreciation and motivation. Our program includes regular recognition ceremonies, employee appreciation events, peer-to-peer recognition. In addition to formal recognition, we offer performance-based bonuses, annual increments, and opportunities for promotions to reward exceptional achievements and sustained high performance. These rewards and advancements are supported by personalized development opportunities aimed at fostering career growth and professional advancement. We believe that recognizing and rewarding our team members boosts morale and reinforces our commitment to their continuous development and job satisfaction. By cultivating a culture where achievements are acknowledged, rewarded, and celebrated through various events, including annual get-togethers, we inspire our employees to excel and contribute to our collective success.

## Health and Wellbeing

At our organization, we prioritize the health, safety, and wellbeing of our employees as integral components of our corporate culture. We provide comprehensive health insurance coverage, including accident cover specifically tailored for our field staff, ensuring access to medical care and financial protection in case of workplace accidents. Additionally, we equip all our premises with fire extinguishers to enhance workplace safety measures. We offer regular health check-ups, mental health resources, and wellness workshops, including a Diabetes Awareness program, to support both physical and mental wellness across the organization. Our supportive work environment encourages work-life balance, stress management, and healthy lifestyle choices. Furthermore, we organize an annual get-together to foster team camaraderie and celebrate our collective achievements. By investing in the health and safety of our team members and promoting a positive workplace culture, we foster a productive and engaged workforce that contributes positively to our organizational success.





AMF Friendship Fiesta



Diabetes Awareness Program

## AMF ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

Associated Motor Finance Company PLC is taking steps toward ESG compliance and sustainability in a short- and long-term manner. Company has reviewed and discussed Sri Lanka Green Finance Taxonomy to identify implement sustainable activities through company operations. The sustainable road map in line with activities identified under Sri Lanka Green Finance Taxonomy is under development at AMF..

Environmental, Social, and Governance (ESG) reporting is crucial for listed companies in Sri Lanka. It helps enhance transparency, build investor confidence, and contribute to sustainable development.

The Colombo Stock Exchange (CSE) has formalized an arrangement with the Global Reporting Initiative (GRI) to provide guidance on ESG disclosures for listed companies in Sri Lanka. This collaboration aims to foster effective ESG performance and communication.

Sri Lankan listed companies are encouraged to embrace sustainability reporting as a standard practice. The CSE amended its listing rules to require all listed companies to have an ESG policy.

The Central Bank of Sri Lanka (CBSL) has taken significant steps to promote sustainable finance and integrate environmental, social, and governance (ESG) considerations into the financial sector.

In April 2019, CBSL launched the Sri Lanka Sustainable Finance Roadmap. This roadmap provides guidance to financial regulators and institutions on managing ESG risks associated with projects they finance. It encourages support for greener, climate-friendly, and socially inclusive businesses.

### Core Pillars of the Roadmap:

- Financing VISION 2030: Aligning financial activities with Sri Lanka's development goals.
- ESG Integration into Financial Market: Encouraging ESG considerations in investment decisions.
- Financial Inclusion: Promoting inclusive finance for all segments of society.
- Capacity Building: Enhancing knowledge and skills related to sustainable finance.
- International Cooperation: Collaborating with global partners.
- Measurement and Reporting: Improving ESG data and reporting practices

The company plans to introduce ESG-compliant financial products in the long run, specifically in leasing and fixed deposit categories. This aligns with the growing trend of investors seeking sustainable and responsible investment options.

ESG stands for Environmental, Social, and Governance criteria. AMF incorporates these factors into their operations and decision-making demonstrating a commitment to responsible business practices and strategies.

### Medium-Term Initiatives:

The company is focusing on several initiatives that align with ESG requirements:

- Sustainable Financing Training – as a core training program, Sustainable Financing, the company aims to minimize paper usage. This not only reduces environmental impact but also streamlines processes.
- Reducing Travel: Digital document transmission helps cut down on travel-related emissions. Additionally, allowing staff to work remotely contributes to work-life balance and reduces commuting.
- ESG Committee: The implementation of the ESG plan will be overseen by an ESG committee. This ensures dedicated focus and accountability.
- Sustainable Finance Policy: The company has already approved a Sustainable Finance Policy, emphasizing its commitment to sustainable practices.
- AMF is evaluating the possibility of using electric bikes for the company operations to reduce emission.
- AMF is continuously carrying out various CSR projects but does not actively publish as a policy decision. Such projects support the Sustainability Development Goals and ESG initiatives.



**Long-Term Vision:**

- The introduction of ESG-compliant financial products reflects the company's long-term vision for responsible finance while strengthening the individual ESG initiatives.
- By aligning with sustainability goals, Associated Motor Finance Company PLC can attract socially conscious investors and contribute positively to the environment and society.
- AMF is ready to comply with all future ESG regulatory and disclosure requirements.
- AMF sustainability committee will be developed to a separate department to handle all ESG related planning and implementations in the long run.
- AMF will review its Sustainable policy, Medium- and long-term strategies in regular basis in order to meet Company ESG goals.

03

# STEWARDSHIP

*Leading with Responsible  
Stewardship*

# INTEGRATED RISK MANAGEMENT REPORT

## Risk Environment

The Sri Lankan economy shows signs of gradual recovery with efforts to stabilize the currency and rebuild foreign reserves, supported by international financial aid and restructuring of external debts. However, the recovery is uneven, with persistent inflation and high interest rates continuing to suppress consumer confidence and spending. The government's commitment to stringent fiscal policies and regulatory frameworks aimed at economic stabilization could lead to slow but stable improvements in the business environment.

The financial sector continues to grapple with the ramifications of import restrictions and exchange rate volatility. The tightening of credit due to risk aversion among banks and financial institutions remains a significant hurdle. Additionally, ongoing global economic uncertainties further complicate the operating environment, influencing both investment flows and financial stability. Regulatory organizations continue to closely monitor the financial sector through the implementation of policy measures including the Central Bank of Sri Lanka's guidance on ESG Sustainable Finance and the Colombo Stock Exchange's various listing regulations.

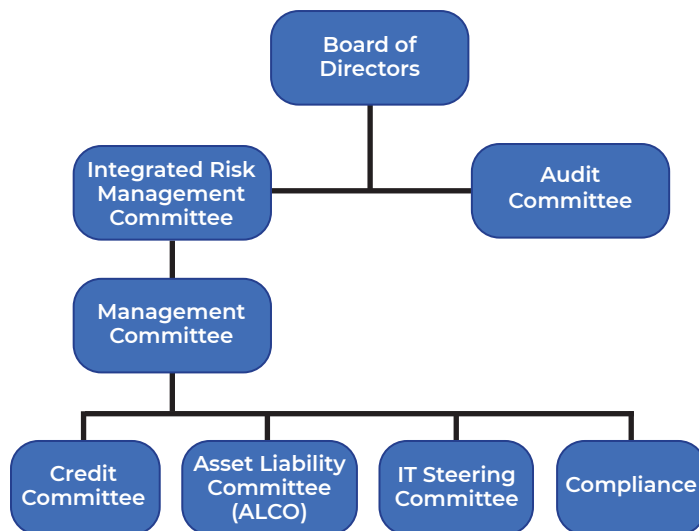
The company has intensified its risk management strategies, focusing on enhancing liquidity management, tightening credit risk assessments, and investing in technology to boost efficiency and competitiveness. We remain engaged with policymakers to support industry-friendly regulations and are cautiously optimistic about navigating through these turbulent times. Our proactive measures are geared towards ensuring that the company not only survives but thrives in this evolving economic landscape.

## Risk Management at AMF

AMF's risk management strategy is designed to proactively manage the company's risks while embracing calculated risks that align with our established risk appetite and tolerance levels. This strategy aims to maximize benefits for all our stakeholders. Oversight of our risk management processes is rigorously maintained by several key committees appointed by the Board are the Integrated Risk Management Committee (IRMC), the

Management Committee, the Credit Committee, and the Asset and Liability Committee (ALCO). These committees operate under the authority delegated by the Board to continuously monitor and manage recognized risks, ensuring the effective implementation of risk management strategies.

## Risk Governance Structure of AMF



Risk governance is crucial for establishing a solid framework that supports the effective implementation of the Company's risk management processes. This is achieved by assigning responsibility across all levels of organizational leadership, ensuring that risk governance is upheld throughout the company.

## Board of Directors

The Board of Directors (BOD) holds the ultimate responsibility for both the establishment and the oversight of the Company's risk management processes. To aid in fulfilling these duties, the Board has formed two key sub-committees: the Integrated Risk Management Committee and the Audit Committee. These sub-committees support the BOD by managing and monitoring the Company's risk exposures over the short, medium, and long term. The responsibility for risk management cascades from the Board to the management team, and subsequently to lower management levels, ensuring a comprehensive governance structure. The Board, however, retains overall responsibility for effective risk management. In other words, the Board,

- Has the ultimate responsibility for the overall operational risk profile and the operational risk framework of the company.
- Establishes a risk-aware culture and possesses a

comprehensive understanding of the operational risks associated with the company's strategies and activities.

- Approves operational risk policies and provides guidance to the management.
- Reviews and approves the risk appetite and is responsible for the implementation of sound risk governance principles.
- Ensures that the operational risk framework is subject to regular independent reviews, conducted by either audit functions or external parties.
- Ensures that the operational risk framework adapts to changes in market conditions and other environmental factors, including risks associated with new products, activities, personnel, and systems.

## Roles of the Committees

### Integrated Risk Management Committee

The Integrated Risk Management Committee (IRMC) plays a critical role in shaping and overseeing the risk management framework of the Company. Specifically, the IRMC is tasked with developing and monitoring the Company's risk management policies and procedures, its risk profiles, and its risk appetite across specified risk categories. The committee meets once in every two months to review all aspects of risk management, ensuring the execution of its duties is both timely and accountable. As mandated by the Board of Directors, the IRMC's responsibilities include:

- Assess all risks, including credit, market, liquidity, operational, and strategic risks, as well as the Company's business continuity plans, using appropriate risk indicators and management information.
- Review the adequacy and effectiveness of all management-level committees, including the Credit Committee, Asset-Liability Committee, and IT Steering Committee, to address specific risks and manage those risks within the quantitative and qualitative risk limits specified by the Committee. Take prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond the prudent levels, decided by the Board based on the Company's policies and regulatory and supervisor's requirements.
- Take appropriate action against officers who fail to identify specific risks and implement the prompt corrective actions recommended by the Committee.

- Report to and advise the Board of Directors on risk management and compliance matters, seeking the Board's views, concurrence, and/or specific directions.
- Review, monitor, and approve, as necessary, the Company's key strategies, frameworks, plans, policies, processes, models, limits, and regulatory requirements that govern risk-taking, ensuring alignment with the risk management strategy and the established risk appetite of the Company.
- Review any issues raised by External Auditors or Internal Audit that could materially impact the Company's risk management framework or risk management processes.
- Oversee and review the results of stress testing of the risk portfolio, including scenario analysis and sensitivity analysis, for the capital adequacy and liquidity adequacy assessment processes.
- Oversee management processes to ensure compliance with the Company's Risk Management Policy and Procedure.

### Audit Committee

The Audit Committee plays a pivotal role in supporting the Board of Directors (BOD) in its oversight responsibilities. These include ensuring the integrity of the financial statements, overseeing the company's adherence to legal and corporate governance requirements, the external auditor's independence, evaluating the performance of the internal audit function, and confirming the efficacy of the internal controls and practices. Additionally, the Audit Committee independently monitors and reviews the risk management policies and procedures and assesses the appropriateness of the risk management strategies employed to manage the company's risks. To effectively carry out these responsibilities, the Audit Committee relies on the expertise and support of the Internal Audit team.

Committee responsibilities:

- The Audit Committee is established primarily to assist the Board in its independent oversight functions concerning the accuracy and integrity of financial statements, internal control systems, and compliance with Company policies, legal, and regulatory requirements. This oversight aims to protect the interests of shareholders, depositors, and other stakeholders.
- The Committee is responsible for supervising and

ensuring the effectiveness of the internal control system, financial reporting, risk management, compliance with laws, regulations, and directives from the CBSL and other regulators, as well as the adequacy and effectiveness of the Company’s governance processes.

- The Committee shall exercise its independent oversight of internal and external assurance functions, ensuring the independence and objectivity of both internal and external auditors, as well as the effectiveness of the audit process, in accordance with relevant Sri Lankan professional and regulatory requirements.
- Review internal audit reports and collaborate with AMF senior management to ensure that precautionary measures are taken to mitigate risks arising from reported control weaknesses, procedure violations, fraud, and errors.
- The Committee is provided with sufficient resources to perform its duties, including support from the Internal Audit Department, external auditor, legal counsel, and management, as necessary. This support is crucial for examining all matters related to the Company’s adopted accounting principles and practices and for reviewing all material financial, operational, and compliance controls.

### Management Committee

The Management Committee conducts regular monitoring and evaluation of all risk exposures and policies pertaining to credit, market, and operational areas, aligning with guidance from the IRMC. Any unresolved matters or risks from the management-appointed committees are escalated and reviewed within the Management Committee.

The Management Committee communicates all risk-related details to the IRMC through a structured Risk Matrix. This matrix is an in-depth risk assessment prepared by the Strategic Planning Unit, outlining the risk level for each item across key risk domains by evaluating the likelihood against the severity of potential consequences. Within this assessment, risk owners are designated, and action plans with specified timelines are provided for each risk item. Additionally, a risk score is determined for every item, contributing to an overall company risk score.

### Risk Matrix

SEVERITY				
1 Insignificant	2 Minor	3 Moderate	4 Major	5 Fatal
LIKELIHOOD				
1 Rare	2 Unlikely	3 Possible	4 Likely	5 Certain
RISK SCORE				
1 - 2	3 - 5	6 - 10	12 - 16	20 - 25

### Assets and Liability Management Committee

The Assets and Liability Management Committee (ALCO) holds accountability for supervising and monitoring the company’s assets, liabilities, and overall liquidity, along with associated management policies and procedures. This oversight ensures that both on and off-balance sheet risks are managed effectively while maintaining compliance with regulatory standards.

Key duties:

- Monitor and manage Assets & Liabilities and overall liquidity.
- Ensure adherence to the regulatory requirements.
- Develop and maintain a contingency funding plan
- Review funding requirements.

### Credit Committee

The Credit Committee is responsible for the ongoing management of credit risk within the company. Its responsibilities include developing the company’s overarching credit policy and setting lending criteria in alignment with the credit risk appetite established by the Board of Directors.

Key duties:

- Monitors AMF’s lending portfolio and oversees the management of asset quality and recovery actions.
- Reviews and monitors AMF’s Non-Performing Advances (NPAs) above a predetermined threshold to initiate timely corrective actions to prevent or reduce credit losses to AMF.
- Periodically reviews and approves credit policies and procedures pertaining to the effective management of all credit portfolios within the lending strategy of AMF.

## IT Steering Committee

The company consistently prioritizes meeting its information security objectives and requirements, ensuring alignment with emerging technologies and the company's overall strategy.

Key duties:

- To ensure that IT has sufficient resources to meet the Company's demands.
- To assess and report IT-related risks and organizational impact.
- To provide feedback about the compliance of IT carrying out the system reviews according to CBSL.
- To conduct reviews to ensure that the objectives are achieved.

## Risk Appetite

As an essential element of the strategy formulation process, the company's Risk Appetite establishes measurable targets and tolerance thresholds for all significant risk categories. This framework enables the evaluation of optimal growth opportunities in conjunction with associated risks, facilitating sustainable performance.

The primary objective of setting a Risk Appetite is to ensure that risks are proactively managed within the Board-approved tolerance limits for each significant risk category. Tolerance levels for Risk Appetite are set at various trigger levels, accompanied by clearly defined escalation requirements, facilitating the identification and implementation of necessary actions. In instances where these tolerance levels are exceeded, it is the duty of the Compliance Officer, Finance Department, and Strategic Planning Unit to promptly notify Management, the relevant Board Subcommittees, and the Board itself, to undertake appropriate action.

The Board is responsible for the ongoing review and approval of the Risk Appetite to ensure its alignment with the organization's strategy, business environment, and stakeholder requirements. Any amendments to the Risk Appetite are formulated through discussions involving Business Line Heads, the relevant Board Subcommittees, the Strategic Planning Unit, the Head of Finance, and the Compliance Officer. These amendments are then recommended to the Board for approval.

The IRMC, in collaboration with the Strategic Planning Unit, has established the following risk indicators for the year under review. The tolerance limits for each of these indicators are updated as necessary.

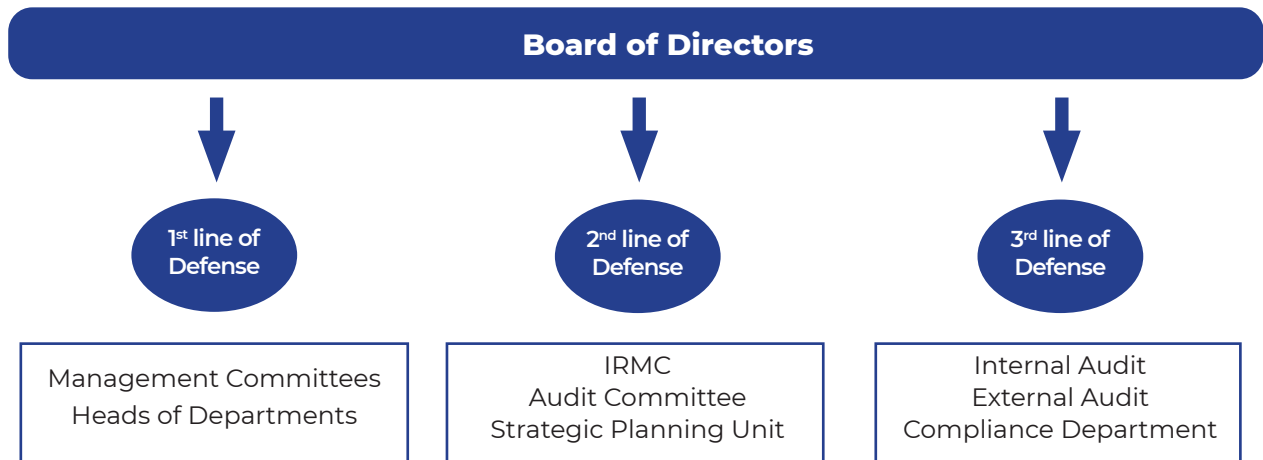
## Risk Appetite Statement

No.	Risk Indicators
1.0	Credit Risk
1.1	Gross NPL Ratio
1.2	Provision Coverage
2.0	Liquidity Risk
2.1	Liquid Assets to Total Assets Ratio
2.2	Fixed Deposit Net Flow
2.3	Minimum Collection to Meet Fixed Commitments
3.0	Market Risk
3.1	Maximum WACC on Fixed Deposits
3.2	Minimum IRR on Lending
4.0	Business Risk
4.1	Lending Volume Per Month
4.2	Renewal Ratio
4.3	Net Interest Margin
4.4	Return on Assets
4.5	Efficiency Ratio
5.0	Regulatory Risk
5.1	Core Capital
5.2	Tier I
5.3	Tier II (To be Well-Capitalized under PCA Framework)



## Risk Management Framework

To ensure a robust risk management framework, the Company has adopted the 'three lines of defense' model. This model promotes accountability for risk-taking, oversight, and assurance within the organization



## 1<sup>st</sup> Line of Defense

### Day-to-Day Management of Risks

- First and direct responsibility for the assessment and control of the Company's risks.
- Embeds risk management framework and sound risk management practices into standard operating procedures.
- Monitors risk management performance in operation.
- Accountable for effectiveness of risk management in operation.

The first line of defense consists of business units, departments, and Management Committees. The primary responsibility for risk management in the day-to-day operations lies with the business units. They operate under the supervision of specific Management Committees, which include the Asset-Liability Committee (ALCO), Credit Committee, and IT Steering Committee.

## 2<sup>nd</sup> Line of Defense

### Oversight of Risk Policies and Framework

- Developing and implementing the framework & management policies, defining roles and responsibilities, and setting goals for implementation.
- Identifying shifts in the company's implicit risk appetite.
- Assisting management in developing processes and controls to manage risks and issues.

The second line of defense comprises two Board-appointed Subcommittees (Integrated Risk Management Committee and the Board Audit Committee) along with the Strategic Planning Unit. The Strategic Planning Unit provides an independent oversight function, assisting business units and functional departments in identifying and managing risks related to their operations. It also monitors the status and effectiveness of the mitigation action plans.

## 3<sup>rd</sup> Line of Defense

### Independent Review and Assurance

- Reviews effectiveness of risk management
- Confirms level of compliance
- Recommends improvements and enforces corrective actions where necessary

The third line of defense, consisting of the Internal Audit Department, the Compliance Department, and the External Auditors, periodically reviews the adequacy of the Company's risk management infrastructure, the level of compliance with policies and standards, and the completeness and reliability of the risk assessment and reporting process. They collectively provide assurance regarding the efficacy of AMF's overall risk control and management processes.

## Key Risk Categories and Mitigation Strategies

The Company is exposed to risks that may impact on its ability to achieve agreed strategic goals, including financial performance. While some risks can be managed internally, other key risks require monitoring to assess their potential impact, as described below.

### RISKS

Controllable Risks	Uncontrollable Risks
Credit Risk	Marco Economic Risk
Liquidity Risk	Regulatory Risk
Market Risk	Social Risk
Strategic Risk	Political Risk
Operational Risk	Environmental Risk
Business Risk	Unforeseen Risks
Reputational Risk	
Compliance Risk	

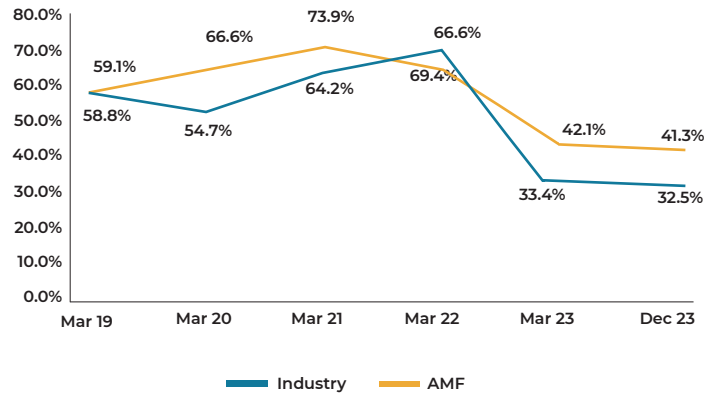
### 1) Credit Risk

Credit risk refers to the potential loss resulting from a customer, borrower, or counterparty failing to meet their financial or contractual obligations to the company. This risk primarily arises from direct lending activities, which are reflected on the Balance Sheet. Credit risk includes counterparty risk, concentration risk, and settlement risk. It may lead to the loss of principal and interest, adversely affecting profits due to impairment provisions or write-offs of non-performing facilities. At AMF, credit risk is relevant for leases, hire purchases, and loan receivables, which together constitute a significant percentage of the total assets.

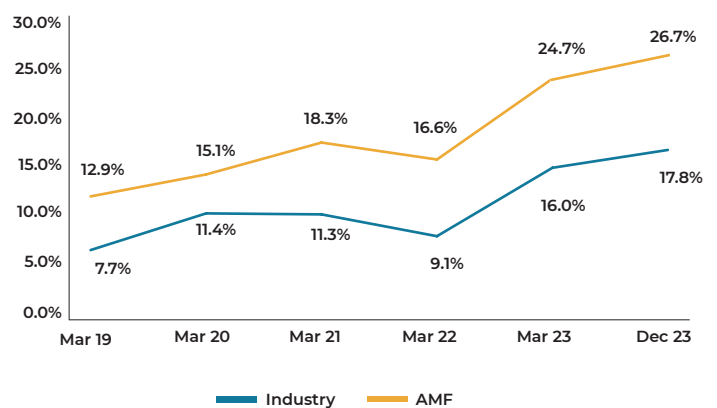
#### 1.1) Default Risk

Default risk is the possibility of incurring a loss due to a borrower's failure to fulfill a financial commitment when it becomes due. This risk affects leases, hire purchases, loans, and advances, which constitute 62 percent of the Company's total assets.

### Provision Coverage

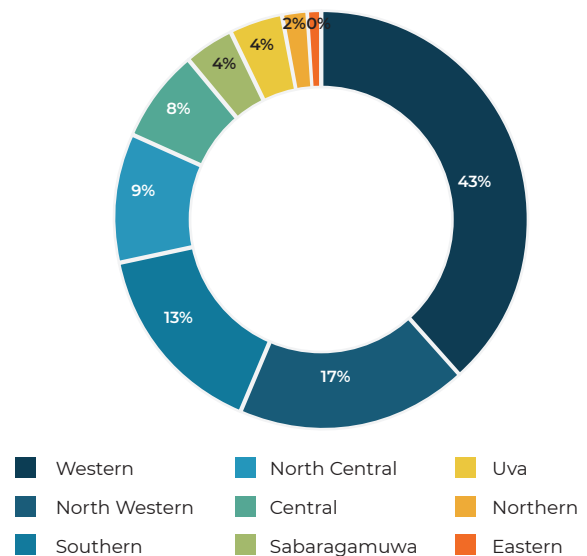


### Gross NPL Ratio

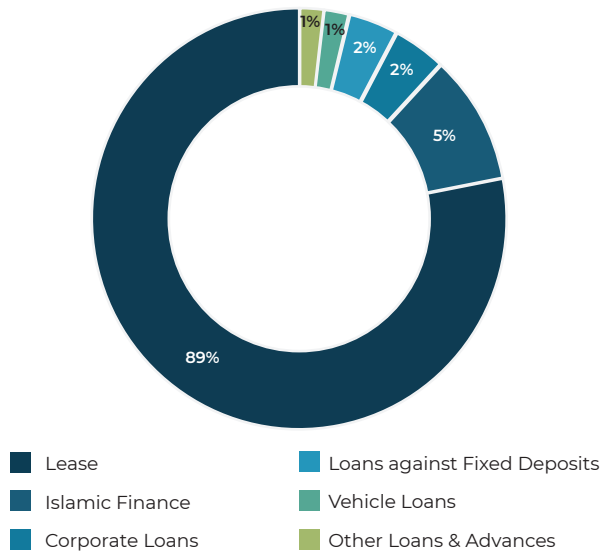


### 1.2) Concentration Risk

Concentration risk refers to the potential for an unequal distribution of the Company's loans and advances across customers, products, or geographical areas. This risk arises from an insufficient level of diversification within the product portfolio.



Key Risk Indicators



The Credit Committee is responsible for overseeing credit risk at AMF. The Credit and Recoveries departments, with support from the Strategic Planning Unit, are responsible for monitoring and managing the Company’s credit risk.

### Risk Minimization Strategies

Areas to be focused on under AMF Credit Risk Management Processes.

- Credit Appraisal
- Credit Approval
- Credit Disbursement
- Credit Risk Measurement and Monitoring
- Credit Recovery
- Impairment Process

Credit risk is managed at two broad levels: pre-disbursement and post-disbursement.

Pre-disbursement is regulated by experienced credit professionals who evaluate and approve credit within a clearly defined authority framework.

Post-disbursement is managed by the in-house call center and visiting officers who ensure the recovery of credit transactions. They follow up with customers with outstanding balances daily, supported by credit indicators and analytical tools.

Pre-disbursement	Post-disbursement
Stringent credit appraisal and pre-credit sanctioning	Consistent monitoring of sector and product exposures
Well defined credit criteria	Monitoring and reporting of NPLs at multiple levels
Delegated approval authority at multiple levels	Periodic revaluation of collaterals
	Periodic Risk Reporting
	Management Committee

## 2) Market Risk

Market risk arises due to adverse changes in market variables such as interest rates, foreign exchange rates, commodity prices, equity and debt prices and their correlations.

### 2.1) Interest Risk

Interest rate risk represents the most substantial risk exposure for AMF compared to other market risks. It pertains to the potential for changes in market interest rates to adversely affect the company’s financial standing. The volatility of market interest rates consistently impacts AMF’s net interest margin and net interest income.

### 2.2) Foreign Exchange Risk

Foreign exchange rate risk concerns the potential losses from adverse exchange rate movements while AMF holds an open position in a currency. If AMF engages in transactions involving foreign currencies, the company must evaluate the risks arising from fluctuations in foreign exchange rates.

### 2.3) Equity Investment Risk

This pertains to the losses incurred due to unfavorable changes in the value of any equity investment held by the company. Stock market prices may decrease for various reasons, such as a decline in the performance or net asset value of a company.

### Risk Minimization Strategies

Market risk is managed by maintaining a diverse mix of funding options, minimizing interest rate-sensitive asset and liability gaps, and ensuring the net interest margin is preserved through periodic reviews of product pricing. The Finance Department and the Strategic Planning Unit continuously evaluate and review interest rates and

market information, reporting their findings to facilitate necessary policy decisions to mitigate related market risks. 94 percent of AMF’s lending portfolio is made up of the leasing portfolio and thereby, interest rates are managed for different leasing product types and vehicle model types.

### 3) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. When operational risks materialize, it often triggers other risks such as reputational, compliance, credit, market, and liquidity risks. The objective of operational risk management is to identify and minimize risks associated with the processes and systems of the Company and improve reliability and effectiveness of business operations.

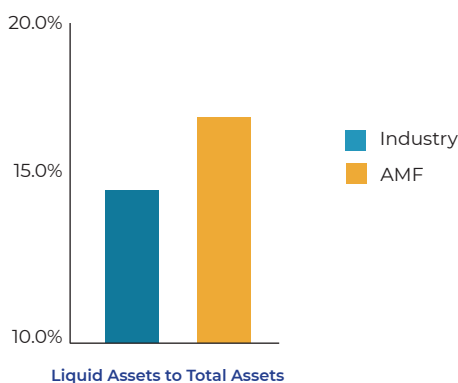
#### Risk Minimization Strategies

Operational risk is mitigated through regular reviews of operational processes within the company to ensure effectiveness. The Internal Audit Department plays a crucial role in this by verifying the adequacy and effectiveness of internal controls and reporting independently to the Audit Committee. The committee reviews the department’s reports, discusses findings, and implements recommendations as needed. Additionally, staff members receive thorough training sessions to ensure compliance with the organization’s operational policies and controls.

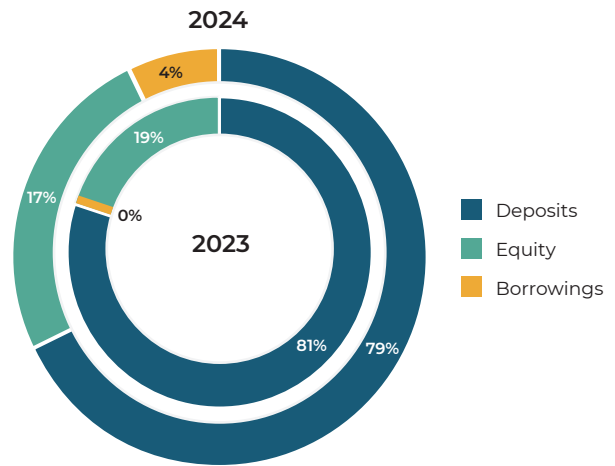
### 4) Liquidity Risk

Liquidity risk arises when the Company, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due or can only do so on materially disadvantageous terms. The objective of liquidity risk management is to ensure proper management of the liquidity position in the Company and to raise funds at the lowest possible cost.

Key Risk Indicators



Key Risk Indicators



#### Risk Minimization Strategies

Liquidity risk is managed by consistently monitoring the liquidity position to ensure compliance with internal targets and regulatory requirements. This involves employing a diversified funding strategy and ensuring the availability of adequate funding for business operations at all times, even during periods of financial distress.

The ALCO holds overall responsibility for ensuring that the Company maintains adequate liquidity levels to meet its contractual obligations. Key aspects of the Company’s liquidity management framework include the following.

- The Company’s liquidity position is consistently monitored to ensure compliance with internal targets and regulatory requirements.
- Diversified funding strategy where funds are sourced from multiple sources.
- Committed lines of credit in place as contingency sources.

All of the Company’s liquidity ratios have been maintained well above the regulatory requirement during the period under review. Our customer deposit base is granular, with the top 10 depositors accounting for only 10% of the total deposit base.

### 5) Strategic Risk

In a competitive market, adopting a practical strategy and executing it effectively is crucial for ensuring continued profitability. The main factors contributing to strategic risk include competition, customer changes, industry dynamics, technological advancements, and regulatory developments.

## Risk Minimization Strategies

The Strategic Planning Unit independently assesses the corporate strategy in alignment with the business environment, and the results are presented to senior management for review. During the monthly Management Committee meetings, the corporate strategy undergoes assessment through collaborative brainstorming sessions, where insights and experiences related to the market, industry trends, and competitor behavior are shared and discussed.

The Integrated Risk Management Committee (IRMC) evaluates strategic risks every two months based on both quantitative and qualitative data collected. Remedial actions are then implemented at the top management level as necessary. Monthly, the Management Committee and the Board review and assess the achievement and appropriateness of budgetary goals. AMF consistently monitors strategic risk exposures by comparing actual performance with predetermined targets.

### 6) Business Risk

Business risk is a component of strategic risk which emerges from the competitive landscape within the financial services sector. In the current scenario, the industry experiences significant competition alongside fluctuations in the macroeconomic environment. Specifically, shifts in policy interest rates, import duty levels, and governmental restrictions on vehicle imports contribute to these volatilities. These factors collectively impact business volumes and market share, consequently influencing the company's profitability.

## Risk Minimization Strategies

To mitigate business risk, the company focuses on several strategies. These include prioritizing prompt delivery of high-quality service to customers, conducting regular market analyses to identify crucial areas of focus, adopting new strategies to build strong relationships with dealers, and continually evaluating variance between budgeted and actual disbursements. Corrective actions are promptly taken whenever necessary to address any deviations.

### 7) Reputation Risk

Reputation risk refers to a risk of loss resulting from damage to an organization's reputation, which can manifest as decreased revenue, elevated operating, capital, or regulatory costs, or destruction of shareholder value. The primary objective of reputation risk

management is to prevent any adverse effects on the organization's reputation and value in the market.

## Risk Minimization Strategies

Reputation risk is managed by maintaining effective communication with key stakeholders, including employees, bankers, regulators, customers, suppliers, and shareholders and implementing a budgetary process and maintaining ongoing budgetary control are essential. These measures are conducted monthly to ensure that the Company's performance consistently aligns with its strategic targets, thereby mitigating any potential damage to its reputation.

AMF has established a whistleblowing policy to handle complaints on non-compliance with statutory and regulatory requirements, financial or non-financial malpractices, fraudulent and malicious activities of organization assets, environmental harm, and unethical behavior. This policy extends to all individuals associated with AMF, including employees, customers, suppliers, contractors, and stakeholders, allowing them to report any concerns or complaints. AMF is committed to maintaining and enhancing standards across all aspects of its business operations.



## CORPORATE GOVERNANCE

FINANCE COMPANIES DIRECTION NO 05 of 2021 ON CORPORATE GOVERNANCE FOR LICENSED FINANCE COMPANIES IN SRI LANKA.

(Subject to the transitional provisions stated in the above Direction, Finance Companies (Corporate Governance) Direction No. 03 of 2008 will be applicable)

Section No	Description	Status
<b>1. Board's overall responsibilities</b>	<b>1.1)</b> The board shall assume overall responsibility and accountability for the governance framework, establishing corporate culture and ensuring compliance with regulatory requirements.	Complied
	<p><b>1.2) Business Strategy and Governance Framework</b></p> <p><b>a)</b> Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next 3 years and update it annually in view of the development in the business environment.</p> <p><b>b)</b> Approving and implementing FC's governance framework commensurate with FC's size, complexity, business strategy and regulatory requirements.</p> <p><b>c)</b> Assessing the effectiveness of its governance framework periodically.</p> <p><b>d)</b> Appointing chairperson and the CEO and define the roles and responsibilities.</p>	Complied
	<p><b>1.3) Corporate Culture and Values</b></p> <p><b>a)</b> Ensuring that there is a sound corporate culture within the FC which reinforces ethical, prudent and professional behavior.</p> <p><b>b)</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.</p> <p><b>c)</b> Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.</p> <p><b>d)</b> Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.</p>	Complied

## CORPORATE GOVERNANCE

Section No	Description	Status
	<p><b>1.4) Risk Appetite, Risk Management and Internal Controls</b></p> <p><b>a)</b> Establishing and reviewing the Risk Appetite statement (RAS) in line with FC's business strategy and governance framework.</p> <p><b>b)</b> Ensuring the implementation of appropriate system and controls to identify, mitigate and manage risks prudently.</p> <p><b>c)</b> Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information system periodically.</p> <p><b>d)</b> 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.</p>	Complied
	<p><b>1.5) Board Commitment and Competency</b></p> <p><b>a)</b> All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.</p> <p><b>b)</b> All members of the board shall possess necessary qualifications adequate skills knowledge and experience.</p> <p><b>c)</b> The board shall regularly review and agree the training and development needs of all the members.</p> <p><b>d)</b> The Boards shall adopt a scheme of self- assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments.</p> <p><b>e)</b> The Board shall resolve to obtain external independent professional advice to the Board to the discharge duties to the FC.</p>	Complied
	<p><b>1.6 ) Oversight of Senior Management</b></p> <p><b>a)</b> Identifying and designating senior management, who are in position to significantly influence policy, direct activities and exercise control over business operations and Risk Management.</p> <p><b>b)</b> Defining the areas of authority and key responsibilities for the senior management.</p> <p><b>c)</b> Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.</p>	Complied

Section No	Description	Status
	<p><b>d)</b> Ensuring there is an appropriate oversight of the affairs of the FC by senior management.</p> <p><b>e)</b> Ensuring the FC has an appropriate succession plan for senior management</p> <p><b>f)</b> meeting regularly with the senior management to review policies, establish lines of communication and monitor towards strategic objectives.</p>	
	<p><b>1.7 ) Adherence to the Existing Legal Framework</b></p> <p><b>a)</b> Ensuring that FC does not act in a manner that is detrimental to the interests of and obligations to depositors, shareholders and other stakeholders.</p> <p><b>b)</b> Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, direction and ethical standards.</p> <p><b>c)</b> Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.</p>	Complied
<b>2. Governance Framework</b>	<p><b>2.1) Board shall develop and implement a governance framework in line with these directions.</b></p> <p><b>a)</b> Role and responsibilities of the Board.</p> <p><b>b)</b> Matters assigned for the Board.</p> <p><b>c)</b> Delegation of authority.</p> <p><b>d)</b> Composition of the Board.</p> <p><b>e)</b> The Board's independence.</p> <p><b>f)</b> The nomination, election and appointment of directors and appointment of senior management.</p> <p><b>g)</b> The management of conflicts of interests</p> <p><b>h)</b> Access to information and obtaining independent advice.</p> <p><b>i)</b> Capacity building of Board members.</p> <p><b>j)</b> The Board's performance evaluation.</p> <p><b>k)</b> Role and responsibilities of the chairperson and the CEO.</p> <p><b>l)</b> Role of the company secretary.</p> <p><b>m)</b> Board sub committees and their role; and limits on related party transactions.</p>	Complied

## CORPORATE GOVERNANCE

Section No	Description	Status
<b>3. Composition of the Board</b>	<b>3.1)</b> 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.	Complied
	<b>3.2)</b> Subject to the transitional provisions contained herein, the number of directors on the Board shall not be less than 5 and not more than 13.	Complied
	<b>3.3)</b> The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to direction 3.4.	Complied
	<b>3.4)</b> 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 number of non- executive directors eligible to exceed 9 years is limited to one-fourth( $\frac{1}{4}$ ) of the total number of directors of the Board.	Complied
	<b>3.5) Executive Directors</b>  <b>b)</b> A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3.  <b>c)</b> In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the FC.  <b>d)</b> All Executive directors shall have a functional reporting line in the organization structure of the FC.  <b>e)</b> The executive directors are required to report to the Board through CEO.  <b>f)</b> Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	Complied

Section No	Description	Status
	<p><b>3.6) Non-Executive Directors</b></p> <p><b>a)</b> Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.</p> <p><b>b)</b> A non-executive director cannot be appointed or function as the CEO/ executive director of the FC.</p>	Complied
	<p><b>3.7) Independent Directors</b></p> <p>This section currently in compliance with the Section 4 of the Finance Companies (Corporate Governance) Direction No 03 of 2008</p>	Complied
	<p><b>3.8) Alternate Directors</b></p> <p><b>a)</b> Representation through an alternate director is allowed only;</p> <p><b>i)</b> With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and</p> <p><b>ii)</b> If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad.</p> <p><b>b)</b> The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.</p> <p><b>c)</b> A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board.</p> <p><b>d)</b> An alternate director cannot be appointed to represent an executive director.</p> <p><b>e)</b> In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to an independent director.</p>	This situation has not arisen

## CORPORATE GOVERNANCE

Section No	Description	Status
	<p><b>3.9) Cooling off Periods</b></p> <p><b>a)</b> There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.</p> <p><b>b)</b> A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non independent under the provisions of this Direction.</p>	No such an appointment for the period
	<p><b>3.10) Common Directorships</b></p> <p>Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).</p>	AMF does not hold common directorship.
	<p><b>3.11)</b> The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/ societies/bodies, including subsidiaries and associates of the FC.</p>	Complied
<p><b>4. Assessment of the Fitness and Propriety Criteria</b></p>	<p><b>4.1)</b> No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.</p>	Complied
<p><b>5. Appointment and Resignation of Directors and Senior Management</b></p>	<p>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.</p>	Complied



Section No	Description	Status
<b>6. The Chairperson and the CEO</b>	<b>6.1)</b> There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.	Complied
	<b>6.2)</b> The chairperson shall be an independent director, subject to 6.3 below.	Complied
	<b>6.3)</b> In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non executive directors including senior director shall assess the chairperson's performance at least annually.	N/A
	<p><b>6.4) Responsibilities of the Chairperson</b></p> <p>The responsibilities of the chairperson shall at least include the following:</p> <ul style="list-style-type: none"> <li><b>a)</b> Provide leadership to the Board.</li> <li><b>b)</b> Maintain and ensure a balance of power between executive and non executive directors.</li> <li><b>c)</b> Secure effective participation of both executive and non-executive directors.</li> <li><b>d)</b> Ensure the Board works effectively and discharges its responsibilities.</li> <li><b>e)</b> Ensure all key issues are discussed by the Board in a timely manner.</li> <li><b>f)</b> Implement decisions/directions of the regulator.</li> <li><b>g)</b> 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.</li> <li><b>h)</b> Not engage in activities involving direct supervision of senior management or any other day to day operational activities.</li> <li><b>i)</b> Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.</li> <li><b>j)</b> Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.</li> </ul>	Complied
	<p><b>6.5) Responsibilities of the CEO</b></p> <p>The CEO shall function as the apex executive-in-charge of the day-to-day management of the FC's operations and business.</p>	Complied

## CORPORATE GOVERNANCE

Section No	Description	Status
<b>7. Meetings of the Board</b>	<p><b>7.1)</b> 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.</p>	Complied
	<p><b>7.2)</b> The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings.</p>	Complied
	<p><b>7.3)</b> A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.</p>	Complied
	<p><b>7.4)</b> A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.</p>	Complied
	<p><b>7.5)</b> 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 (<math>\frac{1}{4}</math>) of the number of directors that constitute the quorum at such meeting are independent directors.</p>	Complied
	<p><b>7.6)</b> 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.</p>	Complied
	<p><b>7.7)</b> A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.</p>	Complied
	<p><b>7.8)</b> A director who has not attended at least two-thirds (<math>\frac{2}{3}</math>) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors.</p>	Complied
	<p><b>7.9)</b> Scheduled Board Meetings and Ad Hoc Board Meetings for the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.</p>	Complied
<b>8. Company Secretary</b>	<p><b>8.1)</b> The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.</p>	Complied

Section No	Description	Status
	<p><b>8.2)</b> All directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.</p> <p><b>8.3)</b> The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.</p> <p><b>8.4)</b> The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.</p> <p><b>8.5)</b> 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.</p> <p><b>8.6)</b> Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.</p> <p><b>8.7)</b> The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>
<p><b>9. Delegation of Functions by the Board</b></p>	<p><b>9.1)</b> 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.</p> <p><b>9.2)</b> In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.</p> <p><b>9.3)</b> The Board may establish appropriate senior management level sub committees with appropriate DA to assist in Board decisions.</p> <p><b>9.4)</b> 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.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>

## CORPORATE GOVERNANCE

Section No	Description	Status
	<p><b>9.5)</b> The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.</p>	Complied
<p><b>10. Board sub-Committee</b></p>	<p>Subject to the transitional provision section 8 of Finance Companies (Corporate Governance) Direction No.3 of 2008 will be applicable.</p>	
<p><b>8 Board Appointed Committees</b></p>	<p><b>8.1)</b> Every finance company shall have at least the two Board committees set out. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the company.</p> <p><b>8.2) Audit Committee</b></p> <p>The following shall apply in relation to the Audit Committee:</p> <p><b>a)</b> The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.</p> <p><b>b)</b> The Board members appointed to the committee shall be non-executive directors.</p> <p><b>c)</b> The committee shall make recommendations on matters in connection with:</p> <p><b>(i)</b> the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes;</p> <p><b>(ii)</b> the implementation of the Central Bank guidelines issued to auditors from time to time;</p> <p><b>(iii)</b> the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.</p> <p><b>d)</b> 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.</p>	<p>Complied</p> <p>Complied</p>

Section No	Description	Status
	<p><b>e)</b> The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider:</p> <ul style="list-style-type: none"> <li><b>(i)</b> whether the skills and experience of the auditor make it a suitable provider of the non-audit services;</li> <li><b>(ii)</b> whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and</li> <li><b>(iii)</b> whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor.</li> </ul> <p><b>f)</b> The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including:</p> <ul style="list-style-type: none"> <li><b>(i)</b> an assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting;</li> <li><b>(ii)</b> the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and</li> <li><b>(iii)</b> the co-ordination between auditors where more than one auditor is involved.</li> </ul> <p><b>g)</b> The committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on:</p> <ul style="list-style-type: none"> <li><b>(i)</b> major judgmental areas;</li> <li><b>(ii)</b> any changes in accounting policies and practices;</li> <li><b>(iii)</b> significant adjustments arising from the audit;</li> <li><b>(iv)</b> the going concern assumption; and</li> <li><b>(v)</b> the compliance with relevant accounting standards and other legal requirements.</li> </ul>	

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Section No	Description	Status
	<p><b>h)</b> The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.</p> <p><b>i)</b> The committee shall review the external auditor's management letter and the management's response thereto.</p> <p><b>j)</b> The committee shall take the following steps with regard to the internal audit function of the finance company:</p> <ul style="list-style-type: none"> <li><b>(i)</b> Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work.</li> <li><b>(ii)</b> 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 department.</li> <li><b>(iii)</b> Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department.</li> <li><b>(iv)</b> Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function.</li> <li><b>(v)</b> Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning.</li> <li><b>(vi)</b> Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.</li> </ul> <p><b>k)</b> The committee shall consider the major findings of internal investigations and management's responses thereto.</p>	
	<p><b>l)</b> The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the chief executive officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.</p>	

Section No	Description	Status
	<p><b>m)</b> The committee shall have:</p> <ul style="list-style-type: none"> <li><b>(i)</b> explicit authority to investigate into any matter within its terms of reference.</li> <li><b>(ii)</b> the resources which it needs to do so.</li> <li><b>(iii)</b> full access to information; and</li> <li><b>(iv)</b> authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.</li> </ul> <p><b>n)</b> The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.</p> <p><b>o)</b> The Board shall, in the Annual Report, disclose in an informative way,</p> <ul style="list-style-type: none"> <li><b>(i)</b> details of the activities of the audit committee.</li> <li><b>(ii)</b> the number of audit committee meetings held in the year; and</li> <li><b>(iii)</b> details of attendance of each individual member at such meetings.</li> </ul> <p><b>p)</b> The secretary to the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.</p> <p><b>q)</b> The committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the external auditor.</p>	
	<p><b>8.3 Integrated Risk Management Committee</b></p> <p>The following shall apply in relation to the Integrated Risk Management Committee:</p> <p><b>a)</b> The committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.</p>	Complied



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Section No	Description	Status
	<p><b>b)</b> The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and a group basis.</p> <p><b>c)</b> The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.</p> <p><b>d)</b> The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.</p> <p><b>e)</b> The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.</p> <p><b>f)</b> The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.</p> <p><b>g)</b> The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.</p> <p><b>h)</b> The committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.</p>	
<p><b>11. Internal Controls</b></p>	<p><b>11.1)</b> 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.</p>	<p>Complied</p>

Section No	Description	Status
	<p><b>11.2)</b> A proper internal control system shall:</p> <ul style="list-style-type: none"> <li><b>a)</b> promote effective and efficient operations;</li> <li><b>b)</b> provide reliable financial information;</li> <li><b>c)</b> safeguard assets.</li> <li><b>d)</b> minimize the operating risk of losses from irregularities, fraud and errors.</li> <li><b>e)</b> ensure effective risk management systems; and</li> <li><b>f)</b> ensure compliance with relevant laws, regulations, directions and internal policies.</li> </ul> <p><b>11.3)</b> All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives</p>	<p>Complied</p> <p>Complied</p>
<p><b>12. Related Party Transactions</b></p>	<p>This section currently in compliance with Section 9 of the Finance Companies (Corporate Governance) Direction No 03 of 2008)</p>	<p>Complied</p>
<p><b>9 Related Party Transactions</b></p>	<p><b>1)</b> The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction, No. 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 2 of 2007 or such other directions that shall repeal and replace the said directions from time to time.</p> <p><b>2)</b> The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction:</p> <p><b>3)</b> The transactions with a related party that are covered in this Direction</p> <p><b>4)</b> The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party “more favourable treatment” than that is accorded to other similar constituents of the finance company.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>
<p><b>13. Group Governance</b></p>	<p><b>13.1)</b> Responsibilities of the FC as a Holding Company</p> <ul style="list-style-type: none"> <li><b>a)</b> The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them.</li> </ul>	<p>N/A</p>

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Section No	Description	Status
14. Corporate Culture	<b>14.1)</b> A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.	Complied
	<b>14.2)</b> The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.	Complied
	<b>14.2)</b> A FC shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confident manner and without the risk of reprisal. The BAC shall review the policy periodically.	Complied
15. Conflicts Interest	<b>15.1)</b> a) Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in	Complied
16. Disclosures	<b>16.1)</b> 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.	Complied  Complied
	The Board shall ensure that at least following disclosures are made in the Annual Report of the FC. <b>i) Financial Statements</b> In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, <ul style="list-style-type: none"> <li>■ 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.</li> <li>■ A statement of responsibility of the Board in preparation and presentation of financial statements.</li> </ul>	Complied
	<b>ii) Chairperson, CEO and Board Related Disclosures</b> <ul style="list-style-type: none"> <li>■ Name, qualification, and a brief profile.</li> <li>■ Whether executive, non-executive and / or independent director.</li> <li>■ Details of the director who is serving as the senior director, if any.</li> <li>■ The nature of expertise in relevant functional areas.</li> <li>■ Relatives and/or any business transaction relationships with other directors of the company.</li> </ul>	Complied

Section No	Description	Status
	<ul style="list-style-type: none"> <li>■ Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity.</li> <li>■ Number/percentage of board meetings of the FC attended during the year; and</li> <li>■ Names of board committees in which the director serves as the Chairperson or a member.</li> </ul>	
	<p><b>iii) Appraisal of Board Performance</b></p> <ul style="list-style-type: none"> <li>■ An overview of how the performance evaluations of the Board and its committees have been conducted</li> </ul>	Complied
	<p><b>iv) Remuneration</b></p> <ul style="list-style-type: none"> <li>■ A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)</li> <li>■ The aggregate values of remuneration paid by the FC to its directors and senior management.</li> </ul>	Complied
	<p><b>v) Related Party Transactions</b></p> <ul style="list-style-type: none"> <li>■ 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.</li> <li>■ 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.</li> <li>■ 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.</li> </ul>	Complied
	<p><b>vi) Board appointed committees</b></p> <ul style="list-style-type: none"> <li>■ The details of the chairperson and members of the board committees and attendance at such meetings.</li> </ul>	Complied

## CORPORATE GOVERNANCE

Section No	Description	Status
	<p><b>vii) Group Structure</b></p> <p><b>viii) Director's Report</b></p> <ul style="list-style-type: none"> <li>■ A report, which shall contain the following declarations by the Board:</li> <li>■ The FC has not engaged in any activity which contravenes laws and regulations.</li> <li>■ The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested.</li> <li>■ The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors.</li> <li>■ The business is a going concern with supporting assumptions; and</li> <li>■ The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.</li> <li>■ The business is a going concern with supporting assumptions; and</li> <li>■ The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.</li> </ul>	<p>N/A</p> <p>Complied</p>
	<p><b>ix) Statement on Internal Control</b></p> <ul style="list-style-type: none"> <li>■ 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.</li> <li>■ The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published.</li> <li>■ A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.</li> <li>■ 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</li> </ul>	<p>Complied</p>
	<p><b>x) Corporate Governance Report</b></p> <ul style="list-style-type: none"> <li>■ 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.</li> </ul>	<p>Complied</p>

Section No	Description	Status
	<p><b>xi) Code of Conduct</b></p> <ul style="list-style-type: none"> <li>■ FC's code of business conduct and ethics for directors, senior management and employees.</li> <li>■ The Chairperson shall certify that the company has no violations of any of the provisions of this code.</li> </ul>	Complied
	<p><b>xii) Management Report</b></p> <ul style="list-style-type: none"> <li>■ Industry structure and developments</li> <li>■ Opportunities and threats</li> <li>■ Risks and concerns</li> <li>■ Sustainable finance activities carried out by the company</li> <li>■ Prospects for the future</li> </ul>	Complied
	<p><b>xiii) Communication with Shareholders</b></p> <ul style="list-style-type: none"> <li>■ The policy and methodology for communication with shareholders.</li> <li>■ The contact person for such communication.</li> </ul>	Complied

The following table indicates the status of compliance on the contents of Annual Report in terms of the Listing Rules of the Colombo Stock Exchange Rule No.7.6

Section No	Description	Status
7.6	<p><b>i)</b> Names of the Directors who held duties during the financial year. Refer the Annual report of the Board of Directors on the affairs of the company on page No 99.</p>	Complied
	<p><b>ii)</b> Principal activities of the company and its subsidiaries during the year and any changes therein.</p> <p>Refer the Annual report of the Board of Directors on the affairs of the company on page No 97.</p>	Complied
	<p><b>iii)</b> The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held as at the end of the financial year.</p>	Complied
	<p>The company has not issued any non-voting shares. Refer Share Information of Annexures on page No 172.</p>	Complied
	<p><b>vi)</b> The public holding percentage.</p> <p>Refer Share Information of Annexures on page No 172.</p>	Complied
	<p><b>v)</b> Directors' and Chief Executive Officer's holding in shares of the company at the beginning and end of the financial year.</p> <p>Refer Share Information of Annexures on page No 172.</p>	Complied
	<p><b>vi)</b> Information pertaining to material foreseeable risk factors. Refer Report of the Integrated Risk Management Committee on page No 92.</p>	Complied
	<p><b>vii)</b> Details of material issues pertaining to employees and industrial relations.</p>	There were no material issues pertaining to the employees and industrial relations during the year 23/24
7.6	<p><b>viii)</b> Extents, locations, valuation and the number of buildings of the land holdings and investment properties as at the end of the financial year.</p> <p>Refer notes to the Financial Statements on page No 141 &amp; 148.</p>	Complied



Section No	Description	Status
	<p><b>xi)</b> Number of shares representing the stated capital as at the end of the financial year. Refer notes to the Financial Statements on page No 156.</p> <p><b>x)</b> A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holding as at the end of the financial year. Refer Share Information of Annexures on page No 172.</p> <p><b>xi)</b> Ratios and market price information on : Equity Dividend per share, Dividend payout, Net asset value per share, Market value per share (highest and lowest values recorded during the financial year and the value as at the end of financial year) Debt Interest rate of comparable Government Security ,Debt/ equity ratio, Interest cover, Quick asset ratio, market prices and yield during the year (Highest, lowest and last traded price) Any changes in credit ratings. Refer page No 97.</p> <p><b>xii)</b> Significant changes in the company's or its subsidiaries' fixed assets and the market value of land. If the value differs substantially from the book value as at the end of the year. Refer notes to the financial statements on page No 148.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>
	<p><b>xiii)</b> Details of funds raised through a public issue, rights issue and a private placement during the year.</p>	<p>No public/ rights issue for the FY 23/24</p>
	<p><b>xiv)</b> Information in respect of Employee Share Ownership or Stock Option Schemes</p>	<p>The company does not have any Employee share ownership or Stock Option Schemes at present.</p>
	<p><b>xv)</b> Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Rules.</p>	<p>Complied</p>
	<p><b>xvi)</b> Related Party Transactions exceeding 10 percent of the equity or 5 percent of the total assets of the entity as per Audited Financial Statements, whichever is lower.</p>	<p>Refer Note in page No 160</p>

The following table indicates the status of compliance on the contents of Annual Report in terms of the Listing Rules of the Colombo Stock Exchange Rule No.9. Corporate Governance. **(Subject to the transitional provisions stated in the rule)**

Section No	Description	Status
9.1	<p><b>Applicability of Corporate Governance Rules</b></p> <p><b>9.1.3)</b> All Listed Entities shall publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity.</p>	The company is complied as per the below sections.
9.2 Policies	<p><b>9.2.1)</b> Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website;</p> <p><b>9.2.2)</b> Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.</p> <p><b>9.2.3)</b> Listed Entities shall disclose in its Annual Report:</p> <p><b>i)</b> the list of policies that are in place in conformity Rule 9.2.1 above, with reference to its website.</p> <p><b>ii)</b> details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above.</p> <p><b>9.2.4)</b> Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy.</p>	<p>Effective date 1<sup>st</sup> October 2024.</p> <p>No such waivers granted</p>
9.3	<p><b>Board Committees</b></p> <p><b>9.3.1)</b> Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include;</p> <p><b>a)</b> Nominations and Governance Committee</p> <p><b>b)</b> Remuneration Committee</p> <p><b>c)</b> Audit Committee</p> <p><b>d)</b> Related Party Transactions Review Committee</p>	Complied
	<p><b>9.3.2)</b> Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.</p> <p><b>9.3.3)</b> The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.</p>	<p>Complied</p> <p>Effective date 1<sup>st</sup> October 2024.</p>

Section No	Description	Status
9.4	<p>Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders</p> <p><b>9.4.1)</b> Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC.</p> <p><b>9.4.2)</b> Communication and relations with shareholders and investors</p> <p><b>a)</b> Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity.</p> <p><b>b)</b> Listed Entities shall disclose the contact person for such communication.</p> <p><b>c)</b> The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p>
9.5	<b>Policy on Matters Relating to the Board of Directors</b>	Effective date 1st October 2024.
9.6	<p><b>Chairperson and CEO</b></p> <p><b>9.6.1)</b> The Chairperson of every Listed Entity shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual.</p> <p><b>9.6.2)</b> A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules).</p> <p><b>9.6.3)</b> The Requirement for a SID</p> <p><b>9.6.4)</b> Reason for non- compliance with rule 9.6.1</p>	<p>Complied</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
9.7	<p><b>Fitness of Directors and CEOs</b></p> <p><b>9.7.1)</b> The Listed Entities shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules:</p> <p><b>9.7.2) 9.7.3)</b> Fit and Proper</p>	<p>Complied</p> <p>Complied</p>

Section No	Description	Status
	<p><b>9.7.4)</b> Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them has continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.</p> <p><b>9.7.5)</b> Disclosures in the Annual Report of Listed Entities</p> <p>Listed Entities shall include the following disclosures/reports in the Annual Report;</p> <p><b>a)</b> A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.</p> <p><b>b)</b> Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such noncompliance/s.</p>	<p>Complied</p> <p>Complied</p>
9.8	<p><b>Board Composition</b></p> <p><b>9.8.1)</b> The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.</p> <p><b>9.8.2)</b> Minimum Number of Independent Directors:</p> <p><b>a)</b> The Board of Directors of Listed Entities shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher.</p> <p><b>9.8.3)</b> Criteria for determining independence.</p> <p><b>9.8.5)</b> The Board of Directors of Listed Entities shall require:</p> <p><b>a)</b> Each Independent Director to submit a signed and dated declaration annually of his or her “independence” or “non-independence” against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein.</p> <p><b>b)</b> Make an annual determination as to the “independence” or “non-independence” of each Independent Director based on the Directors’ declaration and other information available to it and shall set out the names of Directors determined to be ‘independent’ in the Annual Report.</p> <p><b>c)</b> If the Board of Directors determines that the Independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>
9.9	<b>Alternate Directors</b>	N/A
9.10	<p><b>Disclosures Relating to Directors.</b></p> <p><b>9.10.1)</b> Listed Entities shall disclose its policy on the maximum number of directorships its Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above</p>	Effective date 1 <sup>st</sup> October 2024.

Section No	Description	Status
	<p><b>9.10.2)</b> Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following.</p> <p><b>9.10.3)</b> Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.</p>	No such a situation has occurred during the year.
	<p><b>9.10.4)</b> Listed Entities shall also disclose the following in relation to the Directors in the Annual Report:</p> <ul style="list-style-type: none"> <li><b>a)</b> name, qualifications and brief profile;</li> <li><b>b)</b> the nature of his/her expertise in relevant functional areas;</li> <li><b>c)</b> whether either the Director or Close Family Members has any material business relationships with other Directors of the Listed Entity;</li> <li><b>d)</b> whether Executive, Non-Executive and/or independent Director</li> <li><b>e)</b> the total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or Key Management Personnel indicating whether such companies are listed or unlisted Companies and whether such Director functions in an executive or non-executive capacity, provided that where he/she holds directorships in companies within a Group of which the Listed Entity is a part, their names (if not listed) need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies;</li> <li><b>f)</b> number of Board meetings of the Listed Entity attended during the year;</li> <li><b>g)</b> names of Board Committees in which the Director serves as Chairperson or a member;</li> <li><b>h)</b> Details of attendance of Committee Meetings of the Audit, Related Party Transactions Review, Nominations and Governance and Remuneration Committees. Such details shall include the number of meetings held and the number attended by each member.; and,</li> <li><b>i)</b> The terms of reference and powers of the SID (where applicable).</li> </ul>	Refer page 16.
9.12	<p><b>(7.10 (5)) REMUNERATION COMMITTEE</b></p> <ul style="list-style-type: none"> <li><b>a)</b> Composition</li> <li><b>b)</b> Functions</li> <li><b>c)</b> Disclosures</li> </ul> <p>The Remuneration Committee report is given on page No 89.</p>	Complied

Section No	Description	Status
9.13	<p><b>(7.10(6))</b>  <b>AUDIT COMMITTEE</b></p> <ul style="list-style-type: none"> <li><b>a)</b> Composition</li> <li><b>b)</b> Functions</li> <li><b>c)</b> Disclosures</li> </ul> <p>The Audit Committee report is given on page No 90.</p>	Complied
9.14	<p><b>RELATED PARTY TRANSACTIONS REVIEW COMMITTEE</b></p> <ul style="list-style-type: none"> <li><b>a)</b> Composition</li> <li><b>b)</b> Functions</li> <li><b>c)</b> Disclosures</li> </ul> <p>The RPT Committee report is given on page No 93.</p>	Complied
9.16	<p><b>ADDITIONAL DISCLOSURES</b></p> <p>Declarations by the Board of Directors</p>	Complied

COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2017  
ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Section No	Description	Adoption Status
<p><b>A</b></p> <p><b>A.1</b></p>	<p><b>THE BOARD</b></p> <p>The company should be headed by an effective Board, which should direct, lead and control the Company.</p> <p><b>A.1.1)</b> The Board meets regularly on monthly intervals. The Board met 12 times during the year. The attendance at the Board committee meeting for the year 2023/2024 is mentioned on page No 99.</p> <p><b>A.1.2) The Board's Role and Responsibilities</b></p> <p>The Board as a whole is responsible for,</p> <ul style="list-style-type: none"> <li>■ Formulation and implementation of a sound business strategy</li> <li>■ Appointing the chair and the senior independent director if relevant</li> <li>■ Ensures that the Chief Executive Officer and Management team possess the skills, experience, and knowledge to implement the strategy.</li> <li>■ Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy.</li> <li>■ Approving budgets and major capital expenditure.</li> <li>■ Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation.</li> <li>■ Implementing effective systems to secure integrity of information, internal controls, business continuity and risk management.</li> <li>■ Ensuring compliance with laws, regulations, and ethical standards.</li> <li>■ Ensuring all stakeholders interests are considered in corporate decision.</li> <li>■ Recognizing sustainable business development in corporate strategy, decisions, and activities</li> <li>■ Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company.</li> <li>■ Fulfilling other Board functions as are vital given the scale, nature and complexity of the business concerned.</li> </ul>	<p>Adopted.</p> <p>Adopted.</p> <p>Adopted.</p>
	<p><b>A.1.3) The Board collectively and Directors individually are bound to act according to the laws in the country and establish a procedure to obtain independent professional services when required.</b></p> <p>The Board members function collectively and individually according to the laws in the country and the members establish procedures to obtain independent professional service upon the request.</p>	<p>Adopted.</p>



Section No	Description	Adoption Status
	<p><b>A.1.4) The Board members have access to advice the Company Secretary on Corporate services.</b></p> <p>The Company Secretary provides corporate services to the company. The Board has access to advise the Company Secretary in all corporate matters related to the applicable laws and regulations. Removal of the Company Secretary would be a matter for the Board as a whole.</p> <p><b>A.1.5) Providing Independent judgment</b></p> <p>All Directors provide independent judgment for their decision makings on strategy, performance resources and standards of business conduct.</p> <p><b>A.1.6) Dedicating adequate time and effort to matters of the Board and the company.</b></p> <p>The Board allocates sufficient time to scrutinize the matters of the company prior and post to meetings and ensures that the duties and responsibilities owed to the company are satisfactorily discharged.</p> <p><b>A.1.7) One third of directors can call for resolution to be presented to the board.</b></p> <p><b>A.1.8) Every Director should receive appropriate training at the first appointment to the Board.</b></p> <p>The Directors at their first appointment receive an induction with regard to the directorship and affairs of the company and also recognize the need for continuous training and an expansion of the knowledge and skills required to effectively perform his duties as a director.</p>	<p>Adopted.</p> <p>Adopted.</p> <p>Adopted.</p> <p>Adopted.</p> <p>Adopted.</p>
A.2	<p><b>Chairman and Chief Executive Officer (CEO)</b></p> <p>There should be a clear division of responsibilities at the head of the company, which will ensure balance of power and authority, so that no individual has unfettered powers of decision.</p> <p><b>A.2.1) Division of responsibilities of the Chairman and CEO</b></p> <p>The Chairman and the CEO positions of the Company are held by separate persons.</p>	Adopted
A.3	<p><b>Chairman's Role</b></p> <p>The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running of the Board, the Chairman should preserve order and facilitate the effective discharge of the Board functions</p> <p><b>A.3.1) Chairman's responsibility to conduct Board proceedings in a proper manner.</b></p> <p>The Chairman of the Board committee ensures the effective participation and contribution of both Executive and Non-Executive Directors. Also ensures that a balance of power between Executive and Non-Executive Directors is maintained and the Board is in complete control of the company's affairs.</p>	Adopted

Section No	Description	Adoption Status
A.4	<p><b>Financial Acumen</b> The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance. The Board comprises of Directors who have the capacity to provide sufficient financial acumen and knowledge to offer guidance on matters of finance.</p> <p><b>A.4.1)</b> The Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) (FCA) and Certified Management Accountants of Sri Lanka. He holds a Postgraduate Executive Diploma in Bank Management from the Institute of Bankers, Sri Lanka.</p> <p><b>A.4.2)</b> The Chairman of the Integrated Risk Committee holds a bachelor's degree in business accounting from Monash University, Australia, a Fellow Member, and holder of the Graduate Diploma in Marketing from the Chartered institute of Marketing, UK and Certified Management Accountants of Sri Lanka. A Member of the Certified Practicing Accountants, Australia, and a Fellow member of the Sri Lanka Institute of Marketing.</p>	Adopted
A.5	<p><b>Board Balance</b> It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group can dominate the Board's decision making.</p> <p><b>A.5.1) Contribution of Non-Executive Directors</b> The Board comprises five Non-Executive Directors and it carries significant weight in the Board's decisions.</p> <p><b>A.5.2) Independent Non-Executive Directors</b> The Board comprises four Independent Non-Executive Directors.</p> <p><b>A.5.3) A.5.4) Evaluation of independence of Non-Executive Directors</b> The Independent Non-Executive Directors are complied with the applicable rules and regulations, and they annually submit declarations on their independence.</p> <p><b>A.5.5) Determination of independence of Non-Executive Directors</b> The disclosure is made on the independence status of the Directors on page No 99.</p> <p><b>A.5.6) Appointment of Alternative Directors</b> No alternative Director was appointed during the year of 23/24.</p> <p><b>A.5.7) A.5.8) Senior Independent Director</b> Situation has not risen</p> <p><b>A.5.9) Meeting with Non-Executive Directors</b> The Chairman holds meetings with Non-Executive Directors on an annual basis.</p>	Adopted

Section No	Description	Adoption Status
	<p><b>A.5.10) Recording of concerns about the matters of the company which cannot be unanimously resolved.</b> Concerns raised by the Directors are recorded in the minutes and there were no such instances which the Directors could not unanimously resolve.</p>	Adopted
A.6	<p><b>Supply of Information</b> The Board should be provided with timely information in a form and of quality appropriate to enable it to discharge its duties</p> <p><b>A.6.1) Providing adequate information to the Board</b> The Management provides adequate information to the Board within the stipulated time period.</p> <p><b>A.6.2) Minutes, Agendas, and papers should provide to the Board members at least seven days before the meeting.</b> The Minutes, agendas and papers are provided to the Board seven days prior to the meeting.</p>	Adopted
A.7	<p><b>Appointment to the Board</b> There should be a formal and transparent procedure for the appointment of new Directors to the Board.</p> <p><b>A.7.1) A.7.2) Establishment of the Nomination Committee</b> The Company has formed a Nomination Committee and the report of the Nomination Committee is presented on page No 95.</p> <p><b>A.7.3) Disclosure of details of the new Directors to shareholders</b> Disclosures are made to the shareholders subsequent to the approval obtained by the Central Bank of Sri Lanka.</p>	Adopted
A.8	<p><b>Re-Election</b> All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.</p> <p><b>A.8.1) Appointment of Non-Executive Directors</b> The requirement is specified in the Articles of Association of the company.</p> <p><b>A.8.2) Re-Election by the Shareholders</b> The requirement is specified in the Articles of Association of the company.</p> <p><b>A.8.3) Resignation</b> In the event of a resignation of a director prior to completion of his appointed term, the director should provide a written communication to the board of his reason for his resignation.</p>	Adopted

Section No	Description	Adoption Status
A.9	<p><b>Appraisal of Board Performance</b> Board members should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.</p> <p><b>A.9.1) A.9.1) A.9.1) A.9.1) Annual appraisal of Board performance</b> The Board annually evaluates its performance in the discharge of its key responsibilities and the relevant disclosures are made on page No 89.</p>	Adopted
A.10	<p><b>Disclosure of Information in Respect of Directors</b> Shareholders should be kept advised of relevant details in respect of Directors.</p> <p><b>A.10.1) Disclosure of information in respect of Directors</b> Profiles of the Board of Directors are given on page No 16.</p>	Adopted
A.11	<p><b>Appraisal of Chief Executive Officer (CEO)</b> The Board is required at least annually to assess the performance of the CEO.</p> <p><b>A.11.1) Setting targets by the Board in line with the short-, medium- and long-term objectives of the company, reasonable financial and non-financial targets that should be met by the CEO during the year.</b> The Board appraises the CEO by a formal annual review at the end of each financial year.</p>	Adopted

Section No	Description	Adoption Status
B.1	<p><b>DIRECTORS' REMUNERATION</b></p> <p><b>Remuneration Procedure</b> The company has a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.</p> <p><b>B.1.1) Formation of Remuneration Committee</b> The committee is responsible for making recommendations to the Board with regard to the remuneration of Executive Directors.</p> <p><b>B.1.2) B.1.3) Composition of Remuneration Committee</b> The Remuneration Committee comprises of Non-Executive Directors. The Remuneration Committee report is given on page No 89.</p> <p><b>B.1.4) Remuneration of Non-Executive Directors</b> The Board as a whole determines the remuneration of Non-Executive Directors, and they receive a fee for attending Board and subcommittee meetings.</p> <p><b>B.1.5) Access to Professional Advice</b> The Committee is empowered to seek professional advice inside and outside the Company as and when it is deemed necessary.</p>	Adopted
B.2	<p><b>The Level and Makeup of Remuneration</b> Level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully.</p> <p><b>B.2.1) - B.2.9) The Level and Make up of Remuneration of the Executive Directors</b> The committee considers the following when determining the remuneration,</p> <ul style="list-style-type: none"> <li>■ Sufficient capacity to attract, retain and motive the Executive Directors to achieve the company objectives.</li> <li>■ Comparison of industrial remuneration standards</li> </ul> <p><b>B.2.10) Level of remuneration for Non-Executive Directors</b> The remuneration for the Non-Executive Directors are paid according to the time commitment, responsibilities of their role and market practices.</p>	Adopted
B.3	<p><b>Disclosure of Remuneration</b> The company's Annual Report should contain a statement of Remuneration policy and details of remuneration of the Board as a whole.</p> <p><b>B.3.1) Disclosure of Directors' Remuneration in the Annual Report</b> The pertinent disclosures are made on page No 119 and 159.</p>	Adopted



Section No	Description	Adoption Status
	<p><b>Disclosures Requirement</b> Public listed companies should in addition comply with disclosure requirements and shareholder approval by special resolution.</p>	Adopted
D.1	<p><b>ACCOUNTABILITY AND AUDIT</b></p> <p>The Board should present a balanced and an understandable assessment of the company's financial position and prospects.</p> <p><b>D.1.1) D.1.2) Reports to Public, Regulatory &amp; Statutory Reporting</b> AMF has complied with the requirements of the Companies Act No. 7 of 2007, Finance Business Act No. 42 of 2011 and Sri Lankan Accounting Standards in the preparation and presentation of financial statements and complied with the reporting requirement prescribed by the Regulatory Authorities such as the Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.</p> <p><b>D.1.3) Declaration of Chief Executive Officer's and Chief Financial officer's</b> financial statements for a financial period, obtain from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards.</p> <p><b>D.1.4) Statement of Directors' Report.</b> Directors Responsibility for Financial Reporting is given on page No 101.</p> <p><b>D.1.5) Financial Reporting- Statement on Board Responsibilities</b> Refer the Report of the Board of Directors on page No 101.</p> <p><b>D.1.6) Management Discussion and Analysis</b> Management discussion and analysis is given on pages 25 to 41.</p> <p><b>D.1.7) Net Assets</b> In the event of the net assets of the company fall below 50% of the value of the company's shareholders fund, the directors shall forthwith summon and EGM.</p> <p><b>D.1.8) Disclosure of Related Party Transactions</b> Related party transactions are disclosed in this Annual Report on page 93 A process is in place to obtain the required declaration and to maintain the relevant records.</p>	Adopted



Section No	Description	Adoption Status
D.2	<p><b>Risk Management and Internal Control</b> The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the company assets</p>	Adopted
D.3	<p><b>Audit Committee</b> The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the company's Auditors.</p>	Adopted
D.3	<p><b>D.3.1) Composition of the Audit Committee</b> The Audit Committee consists of five members, four of whom are Independent Non-Executive Directors. Details of the committee members, are mentioned in the Report of the Audit Committee given in this Annual Report on Page No 90.</p> <p><b>D.3.2) Terms of Reference of the Audit Committee</b> The Audit Committee is guided by the Board approved Terms of Reference which specifies the authority and responsibility of the Committee.</p> <p><b>D.3.3) Disclosures of the Audit Committee</b> Refer 'Audit Committee Report' on page No 90 of this Annual Report.</p>	Adopted Adopted Adopted
D.4	<p><b>Related Party Transaction Review Committee</b> The Board should establish a procedure to ensure that the company does not engage in transactions with more favorable treatment.</p> <p><b>D.4.1)</b> The related party and Related party transactions will be as defined LKAS 24</p> <p><b>D.4.2)</b> Composition of Related Party Transaction Review Committee - Annual report page No 93.</p> <p><b>D.4.3) Terms of Reference of the Related Party Review Committee</b> The Related Party Review Committee is guided by the Board approved Terms of Reference which specifies the authority and responsibility of the Committee.</p>	Adopted
D.5	<p><b>D.5.1) Code of Business Conduct and Ethics</b> Companies must adopt a Code of Conduct &amp; Ethics for Directors, Key Management Personnel and all other employees</p>	Adopted

Section No	Description	Adoption Status
D.6	<p><b>Corporate Governance Disclosures</b> The company should disclose the extent of adoption of best practices in Corporate Governance</p> <p>This requirement is met through the disclosures related to Corporate Governance made in this Annual Report.</p>	Adopted
E.1	<p><b>INSTITUTIONAL INVESTORS</b></p> <p>Institutional shareholders are required to make considerable use of their votes and are encouraged to ensure their voting intentions are translated into practice.</p> <p><b>E.1.1) Shareholder Voting</b> Regular dialogue to be maintained with shareholders and Chairman to communicate shareholders views to the Board.</p> <p>General Meetings are used to have an effective dialogue with the shareholders on matters which are relevant.</p>	Adopted
F	<p><b>F.1) Investing/Divesting Decision</b> Individual shareholders who invest directly in shares of the Company are encouraged seeking independent advice in investing or divesting decisions.</p> <p><b>F.2) Shareholder Voting</b> Individual shareholders are encouraged to participate at the Annual General Meeting and to exercise their voting rights.</p>	Adopted
G	<p><b>Internet of things and Cybersecurity</b></p> <p>The board should have a process to identify how in the organization's business model, IT devices within and outside the organization can connect to the organization's network to send and receive information and the consequent cybersecurity risk that may affect the business</p>	Adopted
H	<p><b>ESG Reporting</b></p> <p>Annual Report should contain sufficient information to assess how ESG risk and opportunities are recognized, managed, measured and reported.</p>	Adopted

## REPORT OF THE HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Remuneration Committee, appointed by and responsible to the Board of Directors, comprises four Non-Executive Independent Directors and a Non-Independent Non-Executive Director.

- **Mr. T G Kandamby**  
Independent Non-Executive Director (Chairman of the Remuneration Committee)
- **Mr. R Wijegunawardane**  
Independent Non-Executive Director
- **Mr. K D U S Nanayakkara**  
Board Chairman / Independent Non-Executive Director
- **Mr. P S Goonewardene**  
Independent Non-Executive Director
- **Mr. N M Pieris**  
Non-Independent Non-Executive Director

The remuneration policy of the Company endeavors to attract, motivate, and retain quality management in a competitive environment with the skills, experience and quality demanded necessary to achieve the objectives of the Company. This is to ensure that the Company is able to attract, motivate and retain high quality management in a competitive environment and to be well-placed to meet the challenges of the Company. The Committee is responsible for ensuring that the total compensation packages are competitive and can attract the best talent in the market.

The following decisions were taken by the committee;

- Equity based or performance-based compensation will not be extended to Non-Executive Directors as adopted previously.
- The remuneration policy of the Company encourages enhanced performance in a fair and responsible manner that rewards individuals for their contribution to the success of the Company
- The Committee should lead the process and make recommendations to the Board, ensuring there is a formal, rigorous and transparent procedure.
- Determine and agree with the Board the remuneration policy set and monitor the remuneration of the Chairman and Executive Directors of the Company and the Company's senior management as agreed from time to time and recommend to the Board a remuneration framework for each category.
- Request the structure of and determine targets for performance related pay schemes provided by the

Company.

- Review the ongoing appropriateness of the remuneration policy taking into consideration the provisions and recommendations.
- When setting the remuneration of the Executive Directors and the Company's senior management, review and have regard to the remuneration trends across the Group.

The Committee reviews the remuneration levels annually by evaluating the individual performances of senior management staff and its impact to the company together with competitor market prices.

All Executive remuneration decisions are made at Board level, upon recommendation by the Remuneration Committee.

### MEETINGS

The Remuneration Committee held Two (02) meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below:

Name of Committee member	No of Meetings eligible to attend	Attended
Mr. T G Kandamby	02	02
Mr. R Wijegunawardane	02	02
Mr. K D U S Nanayakkara	02	02
Mr. P S Goonewardene	02	02
Mr. N M Pieris	02	02

*Remuneration Committee Meeting Attendance*

### FEES AND REMUNERATION

The remuneration and other benefits of the Board of Directors of the Company is disclosed in Note 43 to the Financial Statement on page 159.

on behalf of the Remuneration Committee



**Mr. T G Kandamby**

Chairman - Remuneration Committee

21 July 2024

## AUDIT COMMITTEE REPORT

The Company's Audit Committee was constituted on 8th September 2011 and the members were appointed by the Board of Directors of Associated Motor Finance Company PLC, comprise of four Independent Non-Executive Directors and a non-Independent Non-Executive Director, and chaired by Mr. T.G. Kandamby.

The members of the Audit Committee are –

- **Mr. T G Kandamby**  
Independent Non-Executive Director (Chairman of the Audit Committee)
- **Mr. R Wijegunawardane**  
Independent Non-Executive Director
- **Mr. K D U S Nanayakkara**  
Board Chairman / Independent Non-Executive Director
- **Mr. N M Pieris**  
Non-Independent Non-Executive Director
- **Mr. P S Goonewardene**  
Independent Non-Executive Director

Profiles of the Audit Committee members are given on Page No 16 to 19. The Company Secretary functions as the Secretary to the Audit Committee.

Audit committee is designed to help the Board and Directors discharge their duties regarding reported financial information, internal controls and corporate codes of conduct. In many cases, the Audit Committee is also expected to assume responsibility for risk management as well.

Members of the Audit Committee must be able to discuss the fundamental accounting issues faced by the company and advise the Board on their impact and consequences.

The role of the Audit Committee will typically cover overseeing the financial reporting process; improving the quality of financial reporting in terms of accuracy, clarity and timeliness; appointing the external and internal auditors; reviewing the scope and results of the external and internal auditing processes; and ensuring, as a result, that the Board makes properly informed decisions regarding accounting policies, practices and disclosure.

The Company's Management is responsible for the Financial Statements and for maintaining effective internal control over financial reporting. The key purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibility for,

- The quality and integrity of the Company's Financial Statement and financial reporting process including the preparation, presentation and adequacy of disclosures in the Financial Statements of the Company in accordance with the Sri Lanka Accounting Standards.
- The Company's compliance with financial reporting and information requirement of the Companies Act No. 07 of 2007 and other relevant financial reporting-related regulations.
- Ensure that the Company's internal controls and risk management are adequate to meet the requirement of Sri Lanka Auditing Standards and Compliance by the Company with legal and statutory requirements.
- Assessing the independence and performance of the Company's External Auditors.
- Monitoring of timely payments of all statutory liabilities.

The Audit Committee invited Mr. J.P.I.N. Dayawansa, Deputy Chairman/Executive Director, Mr. J.P.I.S. Dayawansa, Executive Director and Mr. T.M.A. Sallay, Executive Director/CEO to attend its meetings. During the year the Committee carried out the following activities:

- Review of Quarterly Financial Statements and discussion of these Financial Statements with management.
- Review of the Audited Financial Statements for the year and discussion of those Financial Statements with the management and External Auditors.
- Discussion of the management letter issued by the External Auditors and monitoring follow-up action by the management.
- Review of the internal audit plan for the Company and monitoring the performance of the Internal Auditors.
- Review of the internal audit reports and monitoring follow-up action by the management of the Company.

## MEETINGS

The Audit Committee held Six (06) meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below;

Name of Committee member	No of Meetings eligible to attend	Attended
<b>Mr. T G Kandamby</b>	06	06
<b>Mr. R Wijegunawardane</b>	06	06
<b>Mr. K D U S Nanayakkara</b>	06	06
<b>Mr. P S Goonewardene</b>	06	06
<b>Mr. N M Pieris</b>	06	06

*Audit Committee Meeting Attendance*

Other members of the Board and the members of the Management, as well as the external auditors were present at the discussions when appropriate.

## INTERNAL AUDITS

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Auditors' roles include monitoring, assessing, and analyzing organizational risk and controls; and reviewing and confirming information and compliance with policies, procedures, and laws. Working in partnership with management, internal auditors provide the board, the audit committee, and executive management assurance that risks are mitigated and that the organization's corporate governance is strong and effective. And, when there is room for improvement, internal auditors make recommendations for enhancing processes, policies, and procedures.

## EXTERNAL AUDITS

External audit is a periodic or specific purpose conducted by an external party. Its objectives are to determine, among other things, whether the accounting records are accurate and complete, prepared in accordance with the provisions of GAAP, and the statements prepared from the accounts present fairly the organization's financial position, and the results of its financial operations. The

committee with the approval of the Board of Directors developed and implemented policy for engagement of External Auditor to provide non-audit services to safe guard the Auditors' independence and objectivity. The committee had meetings with the external auditors to review the nature, approach and scope of the audit. Action taken by the management in response to the issues raised were discussed with the key management personnel of the company.

The Committee recommended the appointment of BDO Partners as External Auditors for the financial year ending 31st March 2025 as Deloitte Associates, current external auditor has served as the statutory engagement partner for Associated Motor Finance Company PLC for the past 10 years. In compliance with Section 10.2 of the Finance Companies (Corporate Governance) Direction No.05, the Committee recommended the appointment of BDO Partners as new auditor at the Audit Committee Meeting held on 14th August 2024. The Committee expresses sincere gratitude to Deloitte Associates for their excellent service over the years. With no special concerns raised by the existing auditor, the committee approved the transition to BDO Partners, considering their expertise, industry experience and strong reputation.

On behalf of the Audit Committee,



**Mr. T G Kandamby**  
Chairman – Audit Committee  
21 July 2024

## REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Company's Risk Committee was constituted on 15th February 2012 and the members were appointed by the Board of Directors of Associated Motor Finance Company PLC. The committee comprises of following members and chaired by Mr. P.S. Goonewardene.

The members of the Committee are,

- **Mr. P S Goonewardene**  
Independent Non-Executive Director (Chairman of the Risk Committee)
- **Mr. J P I N Dayawansa**  
Deputy Chairman / Executive Director
- **Mr. K D U S Nanayakkara**  
Chairman/ Executive Director
- **Mr. T M A Sallay**  
Executive Director/ CEO
- **Mr. J P I S Dayawansa**  
Executive Director
- **Mrs. A S Dayawansa**  
Executive Director
- **Mr. T G Kandamby**  
Independent Non-Executive Director
- **Mr. R Wijegunawardane**  
Independent Non-Executive Director
- **Mr. N M Pieris**  
Non-Independent Non-Executive Director

### PURPOSE

The Committee integrated all the risk areas, and these along with identified Company requirements make up the overall function of the committee being:

- Reviewing and assessing the integrity and effectiveness of the risk management process considering the consolidated risk assessment results and determining trends, common areas of concern, emerging risks, and the most significant risks for reporting to the Board
- Monitoring and reviewing changes in stakeholders' expectations, corporate governance codes and best practice guidelines relating to risk issues.
- Reviewing and approving the renewal program.
- Assisting the board with activities relating to the governance of information technology

### DUTIES CARRIED OUT

The committee assists the board in recognizing all material risks to which the Company is exposed and ensuring that the requisite risk management culture,

policies and systems are progressively implemented and functioning effectively.

The Committee is accountable to the Board for implementing and monitoring the processes of risk management and integrating this into day-to-day activities. This ensures risks and opportunities are adequately identified, evaluated and managed at the appropriate level in each division, and that their individual and joint impact on the Company is considered.

### MEETINGS

The Risk Management Committee held Six (06) meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below;

Name of Committee member	No of Meetings eligible to attend	Attended
Mr. P S Goonewardene	06	06
Mr. J P I N Dayawansa	06	06
Mr. K D U S Nanayakkara	06	06
Mr. T M A Sallay	06	06
Mr. J P I S Dayawansa	06	06
Mrs. A S Dayawansa	06	06
Mr. T G Kandamby	06	06
Mr. R Wijegunawardane	06	06
Mr. N M Pieris	06	06

*Risk Management Committee Attendance*

On behalf of the Risk Committee.



**Mr. P S Goonewardene**

Chairman – Integrated Risk Management Committee  
21 July 2024

## REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee was established on 3rd June 2016 in terms of the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practices on Related Party Transactions issued by CA and the Securities and Exchange Commission of Sri Lanka (SEC). The Committee is formally constituted as a sub-committee of the Board of Directors and reports to the Board.

### COMPOSITION

The Committee comprises of four Independent Non-Executive Directors and a Non-Independent Non-Executive Director. Mr. R. Wijegunawardane, Independent Non-Executive Director is the Chairman of the Committee and the composition meets the requirements stipulated in the Listing Rules of the CSE. The Company Secretary functions as the Secretary to the Committee.

The members of the Committee are,

- **Mr. R Wijegunawardane**  
Independent Non-Executive Director (Chairman of the Related Party Transaction Review Committee)
- **Mr. T G Kandamby**  
Independent Non-Executive Director
- **Mr. K D U S Nanayakkara**  
Board Chairman / Independent Non-Executive Director
- **Mr. P S Goonewardene**  
Independent Non-Executive Director
- **Mr. N M Pieris**  
Non-Independent Non-Executive Director

### DUTIES CARRIED OUT

The primary function of the Committee is to review Related Party Transactions (RPTs) as prescribed in Section 9 of the Listing Rules of the CSE, in order to ensure that transactions with related parties are on normal commercial terms, similar to those afforded to non-related parties.

Scope of the Committee includes,

- Review in advance all proposed related party transactions of the company, except those explicitly exempted in the Code.
- Determine whether the Related Party Transaction is fair and in the best interest of the Company
- Review, revise, formulate and approve policies on Related Party Transactions

### MEETINGS

The Related Party Transactions Review Committee held Four (04) meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below;

Name of Committee member	No of Meetings eligible to attend	Attended
<b>Mr. R Wijegunawardane</b>	04	04
<b>Mr. T G Kandamby</b>	04	04
<b>Mr. K D U S Nanayakkara</b>	04	04
<b>Mr. P S Goonewardene</b>	04	04
<b>Mr. N M Pieris</b>	04	04

*Related Party Transactions Review Committee Attendance*

### RELATED PARTY TRANSACTIONS DURING THE PERIOD

During the financial year, the Committee reviewed possible Related Party Transactions and communicated its comments/observations to the Board of Directors.

The aggregate value of all RPTs during the year is disclosed in Note 43 to the Financial Statements on page No 159. The value of non-recurrent RPTs during the year was below the threshold for immediate disclosure in terms of Listing Rules. The aggregate value of recurrent Related Party Transactions entered into during the year was below the threshold for disclosure in the Annual Report as per Rule 9.3.2(b) of the Listing Rules.

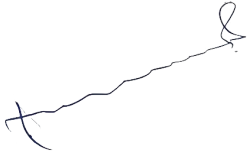
### POLICIES AND PROCEDURES

The Board has adopted a Related Party Transactions Policy that gives necessary guidelines in recognizing, recording and reporting of Related Party Transactions. According to the policy, declarations are obtained quarterly from each Director on Related Party Transactions.

## DECLARATION

A declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions is given on page No 159.

On behalf of the Related Party Transactions Review Committee.

A handwritten signature in black ink, appearing to be 'R. Wijegunawardane', written in a cursive style.

**Mr. R Wijegunawardane**

Chairman - Related Party Transactions Review  
Committee

21 July 2024



## NOMINATION COMMITTEE REPORT

Pursuant to the Corporate Governance, the Company's Nomination Committee was constituted on 25th September 2015. The members were appointed by the Board of Directors of Associated Motor Finance Company PLC, comprise of following members and chaired by Mr. T.G. Kandamby.

The members of the Committee are

- **Mr. T G Kandamby**  
Independent Non-Executive Director (Chairman of the Nomination Committee)
- **Mr. R Wijegunawardane**  
Independent Non-Executive Director
- **Mr. K D U S Nanayakkara**  
Board Chairman / Independent Non-Executive Director
- **Mr. N M Pieris**  
Non-Independent Non-Executive Director
- **Mr. P S Goonewardene**  
Independent Non-Executive Director

### SCOPE AND OBJECTIVE

The main objective of the Nomination Committee is to lead the process for new appointments to the Board.

### DUTIES CARRIED OUT

The Nomination Committee recommends new appointments to the Board. Based on the recommendation of the Nomination Committee, the Board approves the new appointments of Executive and Non-Executive Directors to the Board. Any Director of the Board may be invited to attend.

### MEETINGS

During the Financial year 2023/24 Committee held One (01) meeting and the attendance of the committee members are as follows,

Name of Committee member	No of Meetings eligible to attend	Attended
<b>Mr. T G Kandamby</b>	01	01
<b>Mr. R Wijegunawardane</b>	01	01
<b>Mr. K D U S Nanayakkara</b>	01	01
<b>Mr. P S Goonewardene</b>	01	01
<b>Mr. N M Pieris</b>	01	01

On behalf of the Nomination Committee



**Mr. T G Kandamby**

Chairman - Nomination Committee

21 July 2024

04

# FINANCIAL REPORT

*Continuing Our Journey with Resilience  
and Determination*

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

The Board of Directors of Associated Motor Finance Company PLC 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 31st March 2024. The Auditors' Report on those Financial Statements, conforming to the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and directions issued thereunder.

This report provides the information as required by the Companies Act No 07 of 2007, Finance Business Act No 42 of 2011 and Directions issued thereunder, the code of best practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC) and Listing Rules of the Colombo Stock Exchange. This report was approved by the Board of Directors on 27 June 2024.

## LEGAL STATUS

Incorporated as a Limited Liability Company on July, 25, 1962 under Chapter 145 of the Companies Ordinance No.51 of 1938 and a registered Finance Company with the Monetary Board of the Central Bank of Sri Lanka under the Finance Companies Act No. 78 of 1988 and the Finance Business Act No. 42 of 2011 and re-registered under the Companies Act No. 07 of 2007 and changed its status of the name as Associated Motor Finance Company PLC on 09th August 2011. Ordinary Shares of the Company are listed on the Colombo Stock Exchange from 23rd May, 2011 onwards.

## COMPANY VISION, MISSION AND CORPORATE CONDUCT

The Company Vision and Mission are provided on page No 06 of this Annual Report. Lanka Rating Agency Ltd (LRA) has assigned a BB- (Stable) rating to the Company, in July 2023.

## PRINCIPAL BUSINESS ACTIVITIES

The principal activities of the company are acceptance of public deposits, leasing and hire purchase, Islamic Finance, real estate trading, import and trading of private and commercial vehicles by offering various financing solutions.

## REVIEW OF OPERATIONS

A review of the Company's business and its performance during the year with comments on financial results and future developments is contained in the Chairman's Review on pages No 10 to 12 and the Director/ CEO's Review on pages No 13 to 15.

## FINANCIAL STATEMENTS OF THE COMPANY

The Financial Statements of the Company, which are approved by the Board of Directors and signed by the two Directors and the Chief Executive Officer of the Company, are appearing on pages 108 to 168 of this Annual Report.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements, maintenance of proper accounting records and disclosures regarding accounting policies and principles of the Company. The Directors are of the view that the Financial Statements appearing on pages 108 to 168 have been prepared in conformity with the requirements of Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011.

## AUDITOR'S REPORT

The Company's Auditors, Messrs Deloitte Associates performed the audit on the consolidated financial statements for the year ended 31st March 2024 and the Auditor's Report issued thereon is given on pages 105 to 107 of this Annual Report.

## ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

Section 168 (1) (d) of the Companies Act No. 07 of 2007 Significant new accounting policies adopted in preparation of the financial statements of the Company are given on pages 112 to 168. These financial statements comply with the requirements of Sri Lanka Accounting Standards 01 on “Presentation of Financial Statements” (LKAS 01) and comply with Section 168 (1) (d) of the Companies Act No. 07 of 2007.

## CORPORATE GOVERNANCE

The Board of Directors has adopted a Corporate Governance Charter to ensure that proper systems and procedures are in place within the Company. The Board has ensured that the Company is in compliant with the recommendations of the Code of Best Practices on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and the Finance Companies – Corporate Governance Directions.

## STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments in relation to the Government had been made up to date.

## STATED CAPITAL

The Stated Capital of the Company as per the Audited Accounts as at 31st March 2024 was Rs. 611,273,941

## RESERVES

The reserves of the company with the movements during the year are given on page No 157 of the Financial Statements.

## PROPERTY AND EQUIPMENT

Details and movements of Property and Equipment are shown on Note No 30 to the Financial Statements on page No 143 to 148.

## DONATIONS

The total donations made by the Company were nil

## APPRAISAL OF BOARD PERFORMANCE

The Directors perform a self-assessment of the Board conduct annually by answering a Self-Assessment Questionnaire. The responses to the Self-Assessment Questionnaire are evaluated by the Chairman and any action, recommendations and/or concerns are discussed with the Board and accordingly noted and action taken where deemed appropriate.

## DIRECTORS' INTEREST IN CONTRACTS

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed on this Annual Report. These interests have been declared at Directors' meetings. As a practice, Directors have refrained from voting on matters in which they were materially interested.

## INTEREST REGISTER

The Directors of the Company has made the General Disclosures provided for in Section 192(2) of Companies Act No. 07 of 2007 and maintains an Interest Register. Directors' shareholding of ordinary shares in the Company is given below.

Name of Directors	No of shares as at 31.03.2024	No of shares as at 31.03.2023
Mr. J P I N Dayawansa	45,273,864	45,273,864
Mrs. A S Dayawansa	1,884,144	1,884,144
Mr. J P I S Dayawansa	1,762,212	1,762,212

## DIRECTORATE

The Board of Directors of the company consists of nine Directors with financial and commercial knowledge and experience. The qualifications and experience of the Directors are given on pages 16 to 19 of the annual report.

- **Mr. K D U S Nanayakkara**  
Chairman / Independent Non-Executive Director
- **Mr. J P I N Dayawansa**  
Deputy Chairman / Executive Director
- **Mrs. A S Dayawansa**  
Executive Director
- **Mr. J P I S Dayawansa**  
Executive Director
- **Mr. T M A Sallay**  
Executive Director / Chief Executive Officer
- **Mr. T G Kandamby**  
Independent Non-Executive Director
- **Mr. R Wijegunawardane**  
Independent Non-Executive Director
- **Mr. P S Goonewardene**  
Independent Non-Executive Director
- **Mr. N M Peiris**  
Non-Independent Non-Executive Director

## RE-ELECTION OF DIRECTORS

In terms of the Articles of Association of the Company, one-third of the Directors, excluding Executive Directors (or the number nearest to one third) retire by rotation at each AGM and offer themselves for reappointment by the shareholders.

Mr. Nilanka Mevan Pieris, who has been the longest in office since his appointment, retires by rotation in terms of Article 35 of the Articles of Association of the Company and being eligible offers him for re-election.

## BOARD MEETINGS AND ATTENDANCE

The Company held Fourteen (14) board meetings (Including Two (02) Special Board Meeting) during the financial year. Information on the attendance at these meetings are given below:

Name of the Director	Attendance
<b>Mr. K D U S Nanayakkara</b>	14/14
<b>Mr. J P I N Dayawansa</b>	14/14
<b>Mrs. A S Dayawansa</b>	14/14
<b>Mr. J P I S Dayawansa</b>	14/14
<b>Mr. T G Kandamby</b>	14/14
<b>Mr. R Wijegunawardane</b>	14/14
<b>Mr. P S Goonewardene</b>	14/14
<b>Mr. N M Pieris</b>	14/14
<b>Mr. T M A Sallay</b>	14/14

## DISCLOSURES

There is no financial, business, family or other relationship between the Chairman and the CEO. Mr. J. P. I. N. Dayawansa, Mrs. A. S. Dayawansa and Mr. J. P. I. S. Dayawansa share a family relationship.

## THE REMUNERATION AND OTHER BENEFITS OF THE DIRECTORS

The Remuneration and other benefits of the board of directors of the company is disclosed in Note 43.2 to the financial statements on page 159.

## AUDITORS

The financial statements for the year have been audited by Messrs. Deloitte Associates, Chartered Accountants. The Auditors, Messrs. Deloitte Associates, was paid Rs. 3,550,000/- as audit fees by the Company. As far as the Directors are aware, the Auditors do not have any relationships (other than that of an auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

## RELATED PARTY TRANSACTIONS

The Directors have disclosed transactions that could be classified as Related Party Transactions in terms of LKAS 24 in the presentation of financial statement. During the year ended 31st March 2024, there were no non recurrent Related Party Transactions that exceeds the respective thresholds set out in the Listing rules of the Colombo Stock Exchange. The aggregate value of Related Party

Transactions are disclosed in Note 43 to the financial statements on pages 159 to 160.

The Directors declare that the company is in compliance with Section 9 - Related Party Transactions of the Listing Rules of the Colombo Stock Exchange, during the financial year ended 31st March 2024.

## GOING CONCERN

After considering the financial position, operating conditions regulatory and other factors, the Directors have a reasonable expectation that the company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be virtually held on the 27th September 2024 at 10.00 a.m.

## NOTICE OF MEETING

Notice of the meeting relating to the Annual General Meeting is provided on page 176 of this Annual Report.

Signed on behalf of the Board

**ASSOCIATED MOTOR FINANCE COMPANY PLC**



K D U S Nanayakkara

**CHAIRMAN**



T M A Sallay

**DIRECTOR / CEO**



H M C S Herath

**COMPANY SECRETARY**

21 July 2024

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The following statement sets out the responsibilities of the Board of Directors in relation to the preparation and presentation of the Financial Statement of the company. These responsibilities differ from those of the Auditors, which are set out in their Report appearing on Page No 105 of this Annual Report.

The Companies Act No. 07 of 2007 requires that the Directors are required to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the company as at the end of the financial year and the profit or loss of the company for the financial year.

The Board of Directors is responsible for ensuring that the company maintains adequate accounting records, which are sufficient enough to prepare financial statements that disclose with reasonable accuracy the financial position of the company. Further the Directors have the responsibility for the general supervision, control and administration of the affairs and business of the company.

The overall responsibility for the company's internal control systems lies with the Board of Directors. Whilst recognizing the fact that there is no single system of internal control that could provide absolute assurance against material misstatements and fraud, the Directors confirm that the prevalent internal control systems are so designed that, there is reasonable assurance that the assets are safeguarded and transactions properly authorized and recorded so that materials misstatements and irregularities are either prevented or detected within a reasonable period of time. The Finance Committee under the guidance of the Management, monitors the effectiveness of the system of internal controls and recommends modifications where necessary.

The Directors are responsible to ensure that the Financial Statements presented in the Annual Report give a true and fair view of the state of affairs of the company as at 31st March 2024 and the profit/loss for the year ended.

The Directors confirm that the financial statements have been prepared and presented in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Listing Rules of the Colombo Stock Exchange. The Directors confirm that suitable accounting policies have been used and applied consistently and that all applicable accounting standards have been followed in the preparation of the Financial Statements. Furthermore, reasonable and prudent judgments and estimates have been made in the preparation of these Financial Statements. Directors confirm that to the best of their knowledge all taxes, statutory dues and levies payable by the company as at the Balance Sheet date have been paid for or where relevant provided for.

By order of the Board,



HMC Herath

**Company Secretary**

21 July 2024

# DIRECTORS' RESPONSIBILITY STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

## RESPONSIBILITY

In line with the section 16 of the Finance Companies (Corporate Governance) Direction, No. 05 of 2021, the Board of Directors presents this report on internal control over financial reporting.

The Board of Directors ('Board') has overall responsibility for Associated Motor Finance Company PLC's ('Company') internal control over financial reporting and for reviewing its adequacy and effectiveness.

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

The Board is of the view that the system of internal control over financial reporting in place is adequate to provide reasonable assurance regarding the reliability of financial reporting that the preparation of the 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 on risk and control, by identifying and assessing the risks faced and in design, operation and monitoring of suitable internal controls over financial reporting to mitigate and control these risks.

Internal controls over financial reporting are checked by the Internal Auditors of the Company for suitability of design and effectiveness on an ongoing basis. The scope, quality and reports of internal audits are reviewed by the Board Audit Committee at its meetings which are conducted once in two months and improvements recommended wherever necessary.

## 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 and 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 AUDITORS

The External Auditors have submitted a certification on the process adopted by the Directors on the system of internal controls over financial reporting. The matters addressed by the External Auditors in this respect, are being looked into.



T G Kandamby

**Chairman – Board Audit Committee**



T M A Sallay

**Director- CEO**

21 July 2024

Colombo





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No. 11, Castle Lane  
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## INDEPENDENT ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL TO THE BOARD OF DIRECTORS OF ASSOCIATED MOTOR FINANCE COMPANY PLC

### Introduction

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

### Management's responsibility for the statement of internal control

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 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 company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

The standard requires that the practitioner plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

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

### Summary of work performed

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

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

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

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's

## INDEPENDENT ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL TO THE BOARD OF DIRECTORS OF ASSOCIATED MOTOR FINANCE COMPANY PLC

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 have adopted in the review of the design and effectiveness of internal control of the Company.



**Deloitte Associates**

Chartered Accountants

Colombo

04 July 2024

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASSOCIATED MOTOR FINANCE COMPANY PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Associated Motor Finance Company PLC ("the Company"), which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other 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 of the Company give a true and fair view of the financial position of the Company as at 31 March 2024, and of their financial performance and 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.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and receivables	
<p><b>Risk description:</b></p> <p>As at the reporting date, 57% of the total assets of the Company consisted of loans &amp; advances and lease receivables amounted to Rs. 11,040 Mn. Such amount is net of impairment allowance of Rs. 1,487 Mn.</p> <p>Significant judgments and assumptions were used by the management to determine the impairment allowance for loans and receivables and complex calculations were involved in its estimation.</p> <p>Due to the higher level of estimation uncertainty involved and significance of its impact on the amounts reported in the financial statements, we have considered it as a Key Audit Matter.</p> <p>Basis of impairment allowance and assumptions used by the management in its calculation, is disclosed in note 2.12 and note 25 to 27.</p>	<p><b>How the matter was addressed in our audit</b></p> <p>We designed our audit procedures to obtain sufficient and appropriate evidence on the reasonableness of the impairment allowance and included the following.</p> <ul style="list-style-type: none"> <li>■ Obtained an understanding on the management process for the determination of impairment of Loans and receivables and, evaluate the designing and operating effectiveness of the controls used by the management in that process.</li> <li>■ Evaluated the model used to calculate impairment allowance to assess its appropriateness.</li> <li>■ Assessed the completeness and relevance of the underlying information used in the impairment calculation by agreeing details to source documents and information in IT systems.</li> <li>■ Rechecked the underlying calculations in the model.</li> <li>■ Assessed the reasonableness of the judgments and assumptions used by management in determining the impairment allowances by corroborating them with data and information available within the Company and publicly available sources, as appropriate.</li> <li>■ Assessed the adequacy of the disclosures made in the notes 25 to 27 of the financial statements.</li> </ul>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with financial statements or our knowledge obtained in the audit, or otherwise appeared to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## 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.
- 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 and 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 doubts 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

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASSOCIATED MOTOR FINANCE COMPANY PLC

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.

### **DELOITTE ASSOCIATES**

Chartered Accountants

Colombo

31 May 2024

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 6355.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

	Note	2023/2024 Rs.	2022/2023 Rs.
<b>Gross income</b>	<b>7</b>	<b>5,072,097,014</b>	<b>3,986,498,558</b>
Interest income		4,966,228,032	3,880,860,398
Less :Interest expenses		(2,816,229,848)	(2,187,630,642)
<b>Net interest income</b>	<b>8</b>	<b>2,149,998,184</b>	<b>1,693,229,756</b>
Fee and commission income	9	54,114,954	65,976,670
Net trading income	10	6,293,206	349,361
Other operating income	11	45,460,822	39,312,129
<b>Total operating income</b>		<b>2,255,867,166</b>	<b>1,798,867,916</b>
Less: Impairment charges and other losses	12	(457,282,106)	(414,444,607)
<b>Net operating income</b>		<b>1,798,585,060</b>	<b>1,384,423,309</b>
<b>Less: Operating expenses</b>			
Personnel expenses	13	(675,037,914)	(565,055,907)
Depreciation of property, equipment and amortisation of Right of Use of Assets		(69,250,261)	(84,387,310)
Amortisation of intangible assets		(2,707,093)	(3,899,480)
Other operating expenses	14	(250,471,092)	(224,210,726)
Profit before tax on financial services		801,118,700	506,869,886
Less : Tax on financial services	15	(194,246,795)	(139,454,116)
<b>Profit before taxation</b>		<b>606,871,905</b>	<b>367,415,770</b>
Less: Income tax (expense) / reversals	16	(288,588,053)	(166,952,732)
<b>Net profit / (loss) for the year</b>		<b>318,283,852</b>	<b>200,463,038</b>
<b>Other comprehensive income / (expense), net of tax items that will not be reclassified to profit or loss</b>			
Financial assets measured at fair value through other comprehensive income :			
Net changes in fair value during the period		2,151,758	1,722,521
Gains on revaluation of land and buildings		-	31,982,185
Retirement benefit obligations - actuarial gain / (loss)		(12,846,790)	1,180,882
<b>Total other comprehensive income / (expenses) for the year, net of taxes</b>		<b>(10,695,032)</b>	<b>34,885,588</b>
<b>Total comprehensive income for the year</b>		<b>307,588,820</b>	<b>235,348,627</b>
<b>Earnings per share</b>			
Basic earnings per share (Rs.)	17	2.81	1.77

The accounting policies and notes from 1 to 44 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 31<sup>ST</sup> MARCH 2024

	Note	31.03.2024	31.03.2023
		Rs.	Rs.
<b>Assets</b>			
Cash and cash equivalents	21	192,969,203	161,388,335
Financial assets - amortised cost	22	6,270,936,008	3,893,786,671
Financial assets - measured at fair value through profit or loss	23	26,534,372	20,642,164
Loans and receivables	24	498,634,959	826,506,936
Lease rental receivables from customers	25	10,541,944,016	9,282,671,481
Financial assets - measured at fair value through other comprehensive income	27	37,096,782	35,810,964
Inventories		2,004,891	2,104,892
Investment properties	28	150,000,000	113,000,000
Other assets	29	67,020,931	94,927,042
Property, equipment and right of use of assets	30	1,120,205,526	1,146,971,047
Intangible assets	31	14,595,724	3,707,554
Deferred tax assets	32	-	56,474,473
Goodwill		385,244,360	385,244,360
<b>Total assets</b>		<b>19,307,186,772</b>	<b>16,023,235,919</b>
<b>Liabilities</b>			
Dues to banks and other borrowings	33	723,726,558	28,221,643
Deposits from customers	34	14,552,850,301	12,442,822,754
Trade and other payables	35	515,758,598	411,780,303
Current tax liability	36	103,998,753	138,954,930
Retirement benefit obligations	37	93,567,035	66,674,596
Deferred tax liability		74,915,015	-
<b>Total liabilities</b>		<b>16,064,816,260</b>	<b>13,088,454,226</b>
<b>Equity</b>			
Stated capital	38	611,273,941	611,273,941
Retained earnings	39	2,286,168,002	2,018,644,749
Other reserves	40	344,928,569	304,863,002
Total equity		3,242,370,512	2,934,781,693
<b>Total liabilities and equity</b>		<b>19,307,186,772</b>	<b>16,023,235,919</b>
<b>Net asset value per share (Rs. )</b>		<b>28.61</b>	<b>25.90</b>

These financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



**T M A Sallay**  
Chief Executive Officer/Director



**A S Dayawansa**  
Director  
31 May 2024



**J P I S Dayawansa**  
Director  
31 May 2024

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.

The accounting policies and notes from 1 to 44 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

	Stated Capital	Capital Reserves	Revaluation Reserve	General Reserve	Statutory Reserve Fund	Fair Value Reserve	Regulatory Loss Allowance Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01 April 2022</b>	<b>611,273,941</b>	<b>32,864,774</b>	-	<b>1,029,052</b>	<b>103,587,155</b>	<b>11,865,508</b>	-	<b>1,938,812,636</b>	<b>2,699,433,066</b>
Net profit / (loss) for the period	-	-	-	-	-	-	-	200,463,038	200,463,038
Other comprehensive income net of tax	-	-	31,982,185	-	-	1,722,521	-	1,180,882	34,885,588
Rights issue ordinary shares	-	-	-	-	-	-	-	-	-
Transfers to / (from) during the year	-	-	-	-	10,023,152	-	111,788,655	(121,811,807)	-
<b>Balance as at 31 March 2023</b>	<b>611,273,941</b>	<b>32,864,774</b>	<b>31,982,185</b>	<b>1,029,052</b>	<b>113,610,307</b>	<b>13,588,029</b>	<b>111,788,655</b>	<b>2,018,644,749</b>	<b>2,934,781,692</b>
Net profit / (loss) for the period	-	-	-	-	-	-	-	318,283,852	318,283,852
Other comprehensive income net of tax	-	-	-	-	-	2,151,758	-	(12,846,790)	(10,695,032)
Transfers to / (from) during the year	-	-	-	-	15,914,193	-	21,999,617	(37,913,810)	-
<b>Balance as at 31 March 2024</b>	<b>611,273,941</b>	<b>32,864,774</b>	<b>31,982,185</b>	<b>1,029,052</b>	<b>129,524,500</b>	<b>15,739,787</b>	<b>133,788,272</b>	<b>2,286,168,002</b>	<b>3,242,370,512</b>

The accounting policies and notes from 1 to 44 form an integral part of these financial statements.



# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024

	2023/2024 Rs.	2022/2023 Rs.
<b>Cash flow from operating activities</b>		
Net profit / (loss) before taxation	606,871,905	367,415,770
<b>Adjustments for;</b>		
Depreciation of property and equipment and amortisation of right of use assets and intangible assets	71,957,353	88,286,789
Profit on disposals of property and equipment	(1,738,086)	(2,047,478)
Fair value gain on investment property	(37,000,000)	(21,150,000)
Provision for bad and doubtful debts	457,282,106	414,444,607
Provision for gratuity	19,864,293	15,292,727
Interest on borrowings	122,675,556	105,714,337
Dividend receipt	(1,505,341)	(2,103,415)
Written off - Loans and advances	(325,171,408)	(36,501,725)
<b>Operating profit before working capital changes</b>	<b>913,236,378</b>	<b>929,351,613</b>
(Increase) / decrease in financial investments	(2,383,041,545)	115,502,964
(Increase) / decrease in loans and advances	(1,063,511,256)	(1,709,813,913)
(Increase) / decrease in other assets	27,906,111	13,824,100
(Increase) / decrease in inventories	100,000	20,223,378
Increase/ (decrease) in public deposits	2,110,027,548	1,269,640,259
Increase / (decrease) in trade and other payables	103,978,295	(20,779,917)
	<b>(1,204,540,848)</b>	<b>(311,403,128)</b>
<b>Cash generated from operations</b>	<b>(291,304,471)</b>	<b>617,948,485</b>
Income tax paid	(194,253,446)	(99,160,880)
Retirement benefits liabilities paid	(2,854,000)	(3,878,750)
Interest paid	-	(167,970,412)
<b>Net cash from operating activities</b>	<b>(488,411,917)</b>	<b>346,938,443</b>
<b>Cash flow from investment activities</b>		
Dividends received	1,505,341	2,103,415
Purchase of property and equipment, intangible assets and ROU Asset	(42,617,070)	(19,826,950)
Purchase of intangible assets	(13,595,264)	-
Proceeds from disposal of property and equipment	1,870,418	3,085,002
<b>Net cash flow (used in) / from investing activities</b>	<b>(52,836,575)</b>	<b>(14,638,534)</b>
<b>Cash flow from financing activities</b>		
Proceeds on borrowings	601,051,002	-
Repayments of borrowings	-	(674,744,467)
<b>Net cash flow used in financing activities</b>	<b>601,051,002</b>	<b>(674,744,467)</b>
Net increase / (decrease) in cash and cash equivalents	59,802,511	(342,444,558)
Cash and cash equivalents at the beginning of the year	133,166,692	475,611,250
<b>Cash and cash equivalents at the end of the year</b>	<b>192,969,203</b>	<b>133,166,692</b>
<b>Cash and cash equivalents comprises</b>		
Cash and bank balances	192,969,203	161,388,335
Bank overdrafts	-	(28,221,643)
<b>Cash and cash equivalents at the end of the year</b>	<b>192,969,203</b>	<b>133,166,692</b>

The accounting policies and notes from 1 to 44 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

## 1) Reporting Entity

### 1.1) Corporate Information

Associated Motor Finance Company PLC (“The Company”) regulated under the Finance Business Act No. 42 of 2011, was incorporated on 25 July 1962 and domiciled in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 as a Public Limited Liability Company and re-registered under the Companies Act No. 07 of 2007.

The registered office of the Company is located at 89, Hyde Park Corner, Colombo 2.

The shares of the Company have a primary listing on the Diri Savi Board of the Colombo Stock Exchange.

### Parent Entity and Ultimate Parent Entity

The Company does not have an identifiable parent of its own.

### No. of Employees

The total number of employees ending 31 March 2024 was 325. (Previous period ending 31 March 2023 - 325).

### 1.2) Principal Activities and Nature of Operations

The principal business activity is providing finance leasing, hire-purchase asset financing, term loans, Islamic finance, share trading, and mobilization of public deposits.

## 2) Basis of Preparation and other Material Accounting Policies

### 2.1) Statement of Compliance

The financial statements of the Company for the year ending 31 March 2024, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007.

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

These financial statements include the following components:

- statement of profit or loss and other comprehensive income
- statement of financial position
- statement of changes in equity
- statement of cash flows
- Notes to the financial statements comprising accounting policies and other explanatory information.

### 2.2) Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of these financial statements of the Company as per the provision of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility as set out in the “Annual Report of the Board of Directors on the Affairs of the Company”, “Directors’ Responsibility for Financial Reporting” and in the certification on the Statement of Financial Position.

### 2.3) Approval of Financial Statements by the Board of Directors

The financial statements of the Company for the year ended 31 March 2024 (including comparatives) were approved and authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 31 May 2024.

### 2.4) Basis of Measurement

The financial statements of the Company have been prepared on the historical cost basis except for the following material items stated in the statement of financial position:

- financial assets recognised through profit or loss - measured at fair value
- financial assets measured at fair value through other comprehensive income
- Investment property measured at fair value
- Liability of defined benefit obligation is recognized at the present value of the defined benefit obligation .
- Freehold land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts less depreciation. Revalued amounts are the fair values at the date of revaluation.

## 2) Basis of Preparation and other Material Accounting Policies (Contd.)

### 2.5) Presentation of Financial Statements

The assets and liabilities of the Company presented in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 44 on 'Current and Non Current Analysis of Assets and Liabilities' to these Financial Statements.

### 2.6) Functional and Presentation Currency

The financial statements of the Company are presented in Sri Lankan rupees (LKR), which is the principle currency of the primary economic environment, in which the Company operates (Company's functional currency).

### 2.7) Materiality and Aggregation

In compliance with the Sri Lanka Accounting Standard - 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.

### 2.8) Rounding

The amounts in the financial statements have been rounded-off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard- LKAS 01 on 'Presentation of financial statements.

### 2.9) 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 recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of profit or loss and other

comprehensive income, unless required or permitted by an Accounting Standard or Interpretation and as specifically disclosed in the significant accounting policies of the Company.

### 2.10) Comparative Information

Comparative information including quantitative, narrative and descriptive 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 relevant for better presentation and to be comparable with those of the current year.

### 2.11) Changes in Accounting Policies

The accounting policies adopted by the Company are consistent with those used in the previous financial year. Further, the Company has not early adopted any other accounting standard, interpretation or amendment that has been issued but not effective.

### 2.12) Significant Accounting Judgements, Estimation Uncertainties and Assumptions

The preparation of the financial statements of the Company in conformity with SLFRS and LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and having effects in future periods.

The most significant areas of estimation uncertainties, critical judgments and assumptions in applying accounting policies that have most significant effect on the amounts recognised in the financial statements

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 2) Basis of Preparation and other Material Accounting Policies (Contd.)

of the Company are as follows, whereas the respective carrying amounts of such assets and liabilities are as given in related notes.

#### Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### Determination of Lease Terms and Estimating Incremental Borrowing Rate

Details on the basis for determination of lease terms and estimating incremental borrowing rate are given in Note 4.4.1 of the financial statements.

#### Impairment Losses on Lease Rental Receivables from Customers and Loans and Receivables

Details of the 'Impairment Losses on Lease rental receivables from customers and Loans and Receivables' are given in Note 26 of the financial statements.

#### Deferred Taxation

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

#### Defined Benefit Obligations

The cost of the defined benefit plans are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, etc. Due to the long-term nature of these plans, such estimates are subject to significant uncertainties.

#### Provisions for Liabilities, Commitments and Contingencies

The Company receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding to make any provision. The time of concluding a legal claim is uncertain, which is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process in respective legal jurisdictions.

Information about significant areas of estimation uncertainty and critical judgments in applying Accounting Policies other than those stated above that have a significant effect on the amount recognised in the financial statements are described in Note 41.

#### 2.13) Events after the Reporting Period

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date on which the financial statements have been authorized for issue.

In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures have been made in note 42 wherever it is appropriate.

### 3) Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted pricing in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

### 3) Fair Value Measurement (Contd.)

The fair value of an asset or a liability is measured using the assumptions that market participants would use the fair value hierarchy when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and buildings.

An analysis of fair value measurement of financial and non-financial assets and liabilities is provided in Note 20.

## 4) General Accounting Policies

### 4.1) Impairment of Non Financial Assets

The carrying amounts of the Company's non financial assets, other than deferred tax assets are reviewed at each Reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment loss had decreased. In such an event the Company estimates

the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/ amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in statement of profit or loss.

### 4.2) Provisions

Provisions are recognised in the statement of financial position when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard - LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

### 4.3) Borrowing Costs

As per Sri Lanka Accounting Standard- LKAS 23 on 'Borrowing Costs', the Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of 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. Other borrowing costs are recognised in the statement of profit or loss in the period in which they occur.

### 4.4) Leases (SLFRS 16 )

At inception of a contract, the Company assesses whether a 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 assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 4) General Accounting Policies (Contd.)

#### 4.4.1) Company as a Lessee

As per SLFRS 16, when the Company determined that a contract contains a lease component and one or more additional lease components or non-lease components, the consideration in the contract is allocated to each lease component on the basis of relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. At the date of commencement, the Company recognises right-of-use of an asset and a lease liability which is measured at the present value of the lease payments that are payable on that date. Lease payments are discounted using the IBR. After initial recognition, the Company applies cost model for the right-of-use of an asset and depreciate the asset from commencement date to the end of the useful life of the underlying asset. Where the right does not transfer the ownership of the asset, the Company depreciates it from commencement date to the earlier of the end of the useful life of the right-of-use asset or end of the lease term. In addition, interest expense on the lease liability is recognised in the profit or loss.

#### Company as a Lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the date of commencement, the Company recognises assets held under finance lease in the SOFP and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease. The Company's net investment in lease is included in Note 25 on "Lease rental receivables from customers"

#### Determination of Lease Term and Estimating the Incremental Borrowing Rate

The Company uses its judgement to determine whether a lease contract qualifies for recognition of right-of-use assets. The Company applies judgements in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That considers all relevant factors that create economic benefits for it to exercise either the renewal or termination.

Further, as the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

#### 4.5) Statement of Cash Flows

The statement of cash flows is prepared using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flows'. 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.

### 5) Segment Information

The Company does not have any operating segment that engages in business activities from which it may earn revenues, and on which expenses incurred whose operating results are regularly reviewed by the entity's management to determine the resources to be allocated to the segment and assess its performance for which discrete financial information is available.

### 6) Goodwill

Goodwill arising on an acquisition of business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses if any.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, more frequently when there is an indication that the unit may be impaired.

The company tests goodwill for impairment annually and assesses for any indications of impairment to ensure that its carrying amount does not exceed the recoverable amount. If an impairment loss is identified, it is recognized immediately in the Income Statement. Recoverable amount has been assessed based on the recent market transactions (Level 2) and considering the company as a whole.



## 7) Gross Income

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. Specific recognition criteria, for each type of income, given under the respective income notes.

	2023/2024 Rs.	2022/2023 Rs.
Interest income	4,966,228,032	3,880,860,398
Fee and commission income	54,114,954	65,976,670
Net trading income	6,293,206	349,361
Other operating income (net)	45,460,822	39,312,129
	<b>5,072,097,014</b>	<b>3,986,498,558</b>

## 8) Interest Income and Interest Expenses

The Company used the effective interest rate (EIR) method for recognition of interest income and interest expense of the financial assets and financial liabilities that are measured at amortised cost.

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

The calculation of EIR takes into account all the contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not the 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. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as an impairment charge or reversal to the income statement.

Overdue interest on rental arrears have been accounted on cash received basis.

	2023/2024 Rs.	2022/2023 Rs.
<b>Interest income</b>		
Loans and advances	131,257,336	189,762,986
Lease receivables	3,811,452,279	2,953,587,923
Placements with banks and other financial institutions	283,981,896	119,029,220
Other financial assets	739,536,521	618,480,268
<b>Total interest income</b>	<b>4,966,228,032</b>	<b>3,880,860,398</b>

	2023/2024 Rs.	2022/2023 Rs.
<b>Interest expenses</b>		
Deposits from customers	2,693,554,969	2,077,989,284
Debt instruments issued and other borrowed funds	122,674,879	109,641,358
Total interest expenses	2,816,229,848	2,187,630,642
<b>Net interest income</b>	<b>2,149,998,184</b>	<b>1,693,229,756</b>

## 9) Fee and Commission Income

The Company earns fee and commission income from a diverse range of services it provides to its customers. These fees include credit-related fees and commission income. All fees and commissions are recognised to the Income Statement on an accrual basis. Fee and commission income that are integral to the EIR of a financial asset or financial liability are capitalised and included in the measurement of the EIR and recognised in the Profit or Loss over the expected life of the instrument.

	2023/2024 Rs.	2022/2023 Rs.
Service charges	23,000	13,000
commission income	54,091,954	65,963,670
	<b>54,114,954</b>	<b>65,976,670</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 10) Net Trading Income

Net trading income includes all gains and losses from changes in fair value of financial assets 'recognised through profit or loss.

	2023/2024 Rs.	2022/2023 Rs.
Fair value gain on dealing securities	6,293,206	349,361
	<b>6,293,206</b>	<b>349,361</b>

### 11) Other Operating Income

Income earned on other sources, which are not directly related to the normal operations of the Company is recognised as other operating Income on an accrual basis.

#### Dividend Income

Dividend income received from financial assets measured at fair value through other comprehensive income is recognised when the Company's right to receive the payment is established.

#### Gain or Loss on Disposal of Property and Equipment

The profit/(loss) on disposal of property, plant and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item of other operating income in the financial year in which significant risks and rewards of ownership are transferred to the buyer.

### Other Income

	2023/2024 Rs.	2022/2023 Rs.
Dividend income	1,505,341	2,103,415
Profit on disposal of property and equipment	1,738,086	2,047,478
Sundry income	5,331,991	5,943,485
Trading income	-	7,412,835
Fair value gain on investment property	37,000,000	21,150,000
Exchange gain / (loss)	(114,596)	654,917
	<b>45,460,822</b>	<b>39,312,129</b>

#### 11.1) Trading Income

	2023/2024 Rs.	2022/2023 Rs.
<b>Profit from the sale of motor vehicles</b>		
Sales proceeds	-	32,600,000
Less: Cost of vehicles	-	(19,198,314)
Less : Direct costs	-	(6,043,024)
<b>Profit for the year</b>	<b>-</b>	<b>7,358,662</b>
<b>Profit from the sale of generators</b>		
Sales proceeds	-	595,902
Less: Cost of vehicles	-	(541,729)
<b>Profit for the year</b>	<b>-</b>	<b>54,173</b>
	<b>-</b>	<b>7,412,835</b>

### 12) Impairment Charges on Financial Assets and Other Losses

The Company recognises the changes to the impairment provision which are assessed based on expected credit loss method in accordance with Sri Lanka Accounting Standard - SLFRS 09 (Financial Instruments). The methodology adopted by the company is explained in the Note 26 to these Financial Statements. Recovery of amounts written-off as bad and doubtful debts is credited to impairment charges and other losses.



## 12) Impairment Charges on Financial Assets and Other Losses (Contd.)

	2023/2024 Rs.	2022/2023 Rs.
Impairment charges / (reversal) for loans and advances	27,746,669	(13,226,388)
Impairment charges / (reversal) for leases	456,349,911	457,440,351
Loss on inventory valuation	100,000	483,335
Bad debt recovered	(26,914,474)	(30,252,691)
	<b>457,282,106</b>	<b>414,444,607</b>

## 13) Personnel Expenses

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

### Defined Contribution Plans – Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF)

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in the Sri Lanka Accounting Standard – (LKAS 19) – 'Employee Benefits'.

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and are recorded as expenses when they become due. Unpaid contributions are recorded as liabilities.

The Company and the employees contribute 12% and 8% respectively on the salary of each employee to the Private Provident Fund.

The Company contributes 3% from the salary of each employee to the Employees' Trust Fund.

### Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity was considered as defined benefit plan as per LKAS 19 - Employee Benefits.

	2023/2024 Rs.	2022/2023 Rs.
Salaries and other related expenses	578,501,753	478,424,160
Employer's contribution to Employees' Provident Fund	46,937,494	42,671,388
Employer's contribution to Employees' Trust Fund	11,734,374	10,667,632
Gratuity charge for the year	19,864,293	15,292,727
Directors fees	18,000,000	18,000,000
	<b>675,037,914</b>	<b>565,055,907</b>

Directors' fee include fees paid to Non-Executive Directors. Remunerations paid to Executive Directors are included under Salaries and Other Related Expenses.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 14) Other Operating Expenses

Other operating expenses are recognised in the statement of profit or loss and other comprehensive income on the basis of a direct association between the cost incurred and the earnings of the specific items of the income. All the expenses incurred in the running of the business and in maintaining the property, plant & equipment have been charged to the statement of profit or loss and other comprehensive income in arriving at the profit for the year.

Operating expenses also include the following expenses

	2023/2024 Rs.	2022/2023 Rs.
Auditor's remuneration	3,550,000	2,865,000
Non-audit fee to auditors	190,000	190,000
Donations	-	-
Subscriptions	5,755,290	3,650,014
Professional fees	10,678,743	11,920,002
Legal expenses	-	1,214,312
Rights of use asset - interest expense	13,826,031	12,409,336
Deposit insurance premium	20,237,425	16,912,454
Crop insurance levy expense	3,161,715	1,989,485
Other expenses	193,071,888	173,060,123
	<b>250,471,092</b>	<b>224,210,726</b>

#### Crop Insurance Levy

As per the provisions of the section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy was introduced with effect from 1 April 2013 and was payable to the National Insurance Trust Fund. Currently, the Crop Insurance Levy is payable at 1% of profit after tax.

### 15) Tax on Financial Services

Tax on Financial Services include Value Added tax on Financial Services and Social Security Contribution Levy.

#### Value Added Tax (VAT) on Financial 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 VAT on Financial Services is the accounting profit before VAT on Financial Services and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits.

VAT on Financial Services was charged at 15% from 1 April 2021 to 31 December 2021 and 18% with effect from 1 January 2022.

#### Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) is calculated in accordance with Social Security Contribution Levy Act, No. 25 Of 2022 and subsequent amendments thereto. SSCL is payable on 2.5% of Company's value addition attributable to financial services with effect from 01 October 2022. The value addition attributable to financial services is as same as to the value use to calculate the VAT on Financial Services.

	2023/2024 Rs.	2022/2023 Rs.
Value Added Tax on Financial Services	170,558,162	128,060,986
SSCL on Financial Services	23,688,633	11,393,130
	<b>194,246,795</b>	<b>139,454,116</b>

## 16) Taxation

As per Sri Lanka Accounting Standard – (LKAS 12) – ‘Income Taxes’, tax expense is the aggregate amount included in the 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.

### 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 adjustments to tax payable in respect of previous years. The tax rates and tax laws are 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.

### Accounting Estimates

Significant judgment was required to determine the total provision for current and deferred tax. 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, deferred and other 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, deferred and other tax amounts in the period in which the determination is made.

### Deferred Taxation

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 31 to the financial statements.

	2023/2024 Rs.	2022/2023 Rs.
<b>Current Income Tax</b>		
Income tax for the year	123,817,775	176,729,065
Provision for income tax under provision - prior year	35,479,494	28,391,008
<b>Deferred Tax</b>		
Deferred taxation charge / (reversal)	129,290,784	(38,167,341)
	<b>288,588,053</b>	<b>166,952,732</b>

A reconciliation between the tax expense and the accounting profit multiplied by the relevant tax rate is as follows:

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 16) Taxation (Contd.)

	2023/2024 Rs.	2022/2023 Rs.
<b>Accounting Profit as per Draft Income Tax Computation</b>	<b>606,871,905</b>	<b>367,415,770</b>
Income tax expense at the statutory income at 24% ,30%	182,061,571	99,055,882
Tax effect of disallowable expenses	243,578,580	250,451,152
Tax effect of allowable expenses and other deductions	(209,113,721)	(77,498,087)
Tax effect on losses (claimed) / incurred	-	-
Effect of tax exempt income	(13,960,990)	(6,915,350)
Tax effect on qualifying payments - investment in subsidiary	(78,747,665)	(88,364,532)
<b>Current tax expense for the year</b>	<b>123,817,775</b>	<b>176,729,065</b>
Effective tax rate	47.55%	45.44%
Effective tax rate (excluding deferred tax)	20.40%	48.10%

Pursuant to the Inland Revenue (Amendment) Act No. 45 of 2022 (an amendment to the Inland Revenue Act No. 24 of 2017), the applicable income tax rate for the Company has increased from 24% to 30% with effect from 01 October 2022. Accordingly, the new tax rate has been applied for current income tax and computation of deferred tax provision as of 31 March 2024.

### 17) Earnings Per Share

The earnings per share have been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, as per the Sri Lanka Accounting Standard - LKAS 33 - Earnings per Share.

The weighted average number of ordinary shares outstanding during the year and the previous years are adjusted for events that have changed the number of ordinary shares outstanding during the year.

	2023/2024 Rs.	2022/2023 Rs.
Profit attributable to ordinary shareholders	318,283,852	200,463,038
Weighted average number of ordinary shares	113,327,268	113,327,268
Earnings per ordinary share-basic and diluted (Rs.)	2.81	1.77

The Company's diluted earnings per ordinary share are equal to the basic earnings per ordinary share since it does not have any convertible securities as at the reporting date.

## 18) Financial Instruments

### Date of Recognition

Financial assets and financial liabilities, except the loans and advances to customers and balances due to depositors, are initially recognised on the trade date, i.e. the date the Company becomes a party to the contractual provisions of the instrument. This includes the regular way trades, purchases or sales of financial assets that require delivery of assets to customers within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised on the date on which it originated. The Company recognises balances due to depositors when funds are transferred to the Company.

### Classification and Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per Sri Lanka Accounting Standard - SLFRS 09 (Financial Instruments).

When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1' Profit or loss.

### Day 1' profit or loss

When the transaction price of the instrument differs from the fair value at the origination and the fair value is based on a valuation technique using only inputs from observable in market transactions, the Company recognises the difference between the transaction price and the fair value.

### Classification and Subsequent Measurement of Financial Assets

The Company classifies all its financial assets based on the business model for managing the assets and asset's contractual terms measured at either;

- Amortised cost or
- Fair Value through Profit or Loss (FVTPL)

- Fair Value through Other Comprehensive Income (FVOCI)

The subsequent measurements of financial assets depends on their classifications.

### Business Model Assessment

The Company determines its business model at the level that 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 business model and the financial assets held within the 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 asset held within the said 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 flows collected)
- The expected frequency, value and the timing of sales

The business model assessment is based on reasonably expected scenario without taking 'worst case' or 'stress case' scenario into account. If cash flows after initial recognition are realized 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.

### Contractual Cash Flow Characteristic Test (The SPPI Test)

As the second test of the classification process the Company assesses the contractual terms of the financial asset to identify whether they meet 'Solely the Payment of Principle and Interest' (SPPI) criteria.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition which may change over the life of the financial asset

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024

### 18) Financial Instruments (Contd.)

(for example, if there are repayments of principal or amortization 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 judgement and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

#### Classification and Subsequent Measurement of Financial Liabilities

As per SLFRS 09, the Company classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories;

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

The subsequent measurements of financial liabilities depend on their classifications.

#### Reclassification of Financial Assets and Financial Liabilities

As per SLFRS 09, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial liabilities are not reclassified in accordance with SLFRS 09.

#### Derecognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the right to receive cash flows had expired.

A financial liability is derecognised when its obligation is discharged, cancelled or expired.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

Income and expenses are presented on a net basis only when permitted under LKAS / SLFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

During the year the Company has not offset any financial assets with its financial liabilities in the statement of financial position.

The rights of set off relating to the financial instruments and cash collateral are conditional upon the default of the counterparty. Offsetting of financial instruments based on the rights of set off relating to the financial instruments and cash collateral is as follows;

	31.03.2024		
	Gross amount receivable Rs.	Financial instrument collateral Rs.	Net amount Rs.
<b>Financial assets</b>			
Loans and receivables	304,937,274	604,093,153	-
<b>Financial liabilities</b>			
Borrowings	723,726,558	1,103,760,160	-

## 19) Analysis of Financial Instruments by Measurement Basis

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial instrument is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard - SLFS 09 'Financial Instruments: Recognition and Measurement' under the headings of the statement of financial position.

FVPL : Fair Value through Profit or Loss

AC : Amortised Cost

FVOCI : Fair Value through Other Comprehensive Income

As at 31<sup>st</sup> March 2024

	FVPL Rs.	AC Rs.	FVOCI Rs.	Total Rs.
<b>Assets</b>				
Cash in hand and at bank	-	192,969,203	-	192,969,203
Financial assets - amortised cost	-	6,270,936,008	-	6,270,936,008
Financial assets - measured at FVPL	26,534,372	-	-	26,534,372
Loans and advances	-	498,634,959	-	498,634,959
Lease rental receivables from customers	-	10,541,944,016	-	10,541,944,016
Financial assets - measured at FVOCI	-	-	37,096,782	37,096,782
<b>Total financial assets</b>	<b>26,534,372</b>	<b>17,504,484,185</b>	<b>37,096,782</b>	<b>17,568,115,340</b>

	FVPL Rs.	AC Rs.	Total Rs.
<b>Liabilities</b>			
Dues to banks and financial institutions	-	723,726,558	723,726,558
Deposits from customers	-	14,552,850,301	14,552,850,301
Trade payables	-	297,460,026	297,460,026
<b>Total financial liabilities</b>	<b>-</b>	<b>15,574,036,886</b>	<b>15,574,036,886</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 19) Analysis of Financial Instruments by Measurement Basis (Contd.)

As at 31<sup>st</sup> March 2023

	FVPL Rs.	AC Rs.	FVOCI Rs.	Total Rs.
<b>Assets</b>				
Cash in hand and at bank	-	161,388,335	-	161,388,335
Financial assets - amortised cost	-	3,893,786,671	-	3,893,786,671
Financial assets - measured at FVPL	20,642,164	-	-	20,642,164
Loans and advances	-	826,506,936	-	826,506,936
Lease rental receivables from customers	-	9,282,671,481	-	9,282,671,481
Financial assets - measured at FVOCI	-	-	35,810,964	35,810,964
<b>Total financial assets</b>	<b>20,642,164</b>	<b>14,164,353,423</b>	<b>35,810,964</b>	<b>14,220,806,550</b>

	FVPL Rs.	AC Rs.	Total Rs.
<b>Liabilities</b>			
Dues to banks and financial institutions	-	28,221,643	28,221,643
Deposits from customers	-	12,442,822,754	12,442,822,754
Trade payables	-	200,639,795	200,639,795
<b>Total financial liabilities</b>	<b>-</b>	<b>12,671,684,191</b>	<b>12,671,684,191</b>

### 20) Fair Value Measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses various valuation methodologies that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

Level 1: Inputs include quoted prices for identical instruments and are the most observable.

Level 2: Inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates and yield curves.

Level 3: Inputs include data not observable in the market and reflect management judgement about the assumptions market participants would use in pricing the instruments.

We review the inputs to the fair value measurements to ensure they are appropriately categorised within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognised as if they had taken place at the end of the reporting period.



## 20) Fair Value Measurement (Contd.)

Assets and Liabilities measured at fair value and fair value hierarchy

As at 31<sup>st</sup> March 2024

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
<b>Non financial assets</b>				
Property, plant and equipment				
Land and buildings	-	-	980,310,000	980,310,000
Investment property	-	-	150,000,000	150,000,000
<b>Financial assets</b>				
Financial assets - measured at FVPL	26,534,372	-	-	26,534,372
Financial investments - FVOCI				
Investments in quoted shares	27,059,297	-	-	27,059,297
Investments in unquoted shares	-	-	10,037,485	10,037,485

As at 31<sup>st</sup> March 2023

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
<b>Non financial assets</b>				
Property, plant and equipment				
Land and buildings	-	-	980,310,000	980,310,000
Investment property	-	-	113,000,000	113,000,000
<b>Financial assets</b>				
Financial assets - measured at FVPL	20,642,164	-	-	20,642,164
Financial investments - FVOCI				
Investments in quoted shares	35,810,964	-	-	35,810,964
Investments in unquoted shares	-	-	9,307,801	9,307,801

There was no inward or outward transfer at the hierarchy levels during the year 2024-2023 and 2023-2022.

Details of valuation methodologies and assumptions are disclosed in the relevant notes 22, 26, 28 and 30 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### Financial Instruments not Measured at Fair Value and Fair Value Hierarchy

The following table sets out the estimated fair values of financial assets and liabilities not measured at fair value and hence reflected at the carrying amounts in financial statements and the fair value hierarchy used:

As at 31<sup>st</sup> March 2024

	Amortised cost Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
<b>Financial assets - Amortised Cost</b>					
Cash and cash equivalents	192,969,203	192,969,203	-	-	192,969,203
<b>Financial assets - Amortised Cost</b>					
Investments in fixed deposits	214,974,276	-	214,974,276	-	214,974,276
Investments in treasury bonds	5,344,403	-	5,344,403	-	5,344,403
Investments in treasury bills	1,656,126,207	-	1,656,126,207	-	1,656,126,207
Investments in repos	3,902,851,915	-	3,902,851,915	-	3,902,851,915
Investments in debt securities	491,639,207	-	491,639,207	-	491,639,207
Loans and receivables	498,634,959	-	498,634,959	-	498,634,959
Lease rental receivables from customers	10,541,944,016	-	10,541,944,016	-	10,541,944,016
<b>Financial liabilities - Amortised Cost</b>					
Dues to banks and other borrowings	723,726,558	-	723,726,558	-	723,726,558
Deposits from customers	14,552,850,301	-	14,552,850,301	-	14,552,850,301
Trade and other payables	515,758,598	-	515,758,598	-	515,758,598

As at 31<sup>st</sup> March 2023

	Amortised cost Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
<b>Financial assets - Amortised Cost</b>					
Cash and cash equivalents	161,388,335	161,388,335	-	-	161,388,335
<b>Financial assets - Amortised cost</b>					
Investments in fixed deposits	108,635,421	-	108,635,421	-	108,635,421
Investments in treasury bonds	5,270,227	-	5,270,227	-	5,270,227
Investments in treasury bills	2,508,465,100	-	2,508,465,100	-	2,508,465,100
Investments in repos	448,425,418	-	448,425,418	-	448,425,418
Investments in debt securities	822,990,505	-	822,990,505	-	822,990,505
Loans and receivables	826,506,936	-	826,506,936	-	826,506,936
Lease rental receivables from customers	9,282,671,481	-	9,282,671,481	-	9,282,671,481
<b>Financial liabilities - Amortised Cost</b>					
Dues to banks and other borrowings	28,221,643	-	28,221,643	-	28,221,643
Deposits from customers	12,442,822,754	-	12,442,822,754	-	12,442,822,754
Trade and other payables	411,780,303	-	411,780,303	-	411,780,303

## 21) Cash and Cash Equivalents

Cash and cash equivalents includes cash and bank balances and money at call and short notice. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

	31.03.2024 Rs.	31.03.2023 Rs.
Cash in hand	50,115,562	27,831,237
Cash at bank	142,853,641	133,557,098
	<b>192,969,203</b>	<b>161,388,335</b>

## 22) Financial Assets - Amortised Cost

Investments in fixed deposits, treasury bonds, treasury bills, Reverse Repurchase Agreements and debt securitisation papers are initially measured at fair value and subsequently measured at amortised cost. Interest income is accrued over the tenor of the investment using the effective interest rate (EIR) method.

	31.03.2024 Rs.	31.03.2023 Rs.
Investment in treasury bills	1,656,126,207	2,508,465,100
Investments in fixed deposits	214,974,276	108,635,421
Investments in treasury bonds	5,344,403	5,270,227
Investments in repos	3,902,851,915	448,425,418
Investments in debt securities	491,639,207	822,990,505
	<b>6,270,936,008</b>	<b>3,893,786,671</b>

22.1) The collateral value of the repurchase agreements was Rs. 5,275,698,586/- as at 31 March 2024. (Rs.598,347,533 as at 31 March 2023).

## 22.2) Investments in Fixed Deposits

	31.03.2024 Rs.	31.03.2023 Rs.
Investments in fixed deposits	215,107,292	108,768,438
Provision for impairments	(133,017)	(133,017)
	<b>214,974,276</b>	<b>108,635,421</b>

Counter party external credit rating (A - By Fitch Rating)

Sampath Bank FD A (Ika)'; Outlook Stable

## 23) Financial Assets - Measured at Fair Value through Profit or Loss

The Company classifies financial assets recognised through profit or loss when they have been purchased primarily for short term profit making through trading activities. They are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in Net Trading Income.

Financial assets recognised through profit or loss include quoted equity securities that have been acquired principally for the purpose of selling in the near term, and are recorded at fair values. The quoted equity securities are valued using the market prices published by the Colombo Stock Exchange.

	31.03.2024 Rs.	31.03.2023 Rs.
Investments in dealing with securities	26,534,372	20,642,164
	26,534,372	20,642,164

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024

### 23.1) Investments in Dealing with Securities

	31.03.2024			31.03.2023		
	No. of shares	Cost Rs.	Fair value Rs.	No. of shares	Cost Rs.	Fair value Rs.
<b>Bank, Financial &amp; Insurance</b>						
Alliance Finance Co. PLC	52,000	305,474	4,773,600	52,000	305,474	3,525,600
DFCC Bank PLC	27	1,551	2,052	27	1,551	1,188
Lanka Orix Leasing Company PLC	5,700	511,869	2,280,000	5,700	511,869	2,137,500
Citizens Development Bank PLC	4,109	283,139	901,926	4,109	283,139	940,961
People's Leasing & Finance Company PLC	141,816	1,872,000	1,574,158	134,411	1,872,000	1,061,847
<b>Beverages, Food and Tobacco</b>						
Lanka Milk foods PLC	216,000	2,734,628	5,853,600	21,600	2,734,628	3,121,200
<b>Chemicals and Pharmaceuticals</b>						
Lankem Ceylon PLC	42	3,570	2,927	42	3,570	3,150
Chemenex PLC	4,300	588,773	310,030	4,300	588,773	335,830
<b>Hotel &amp; Tourism</b>						
Sigiriya Village Hotel PLC	1,600	159,034	75,840	1,600	159,034	88,800
Hotel Corporation PLC	10,478	404,080	199,082	10,478	404,080	235,755
Serendib Hotels PLC (N/V)	10,000	192,128	98,000	10,000	192,128	67,000
<b>Power and Energy</b>						
Laughs Gas PLC	8,000	184,000	276,000	8,000	184,000	227,200
<b>Utilities</b>						
Laughs Power PLC	8,000	-	72,000	8,000	-	65,600
<b>Manufacturing</b>						
Blue Diamond Jewellery PLC	19	48	6	19	48	-
ACL Cables PLC	47,600	780,646	4,003,160	47,600	780,646	3,950,800
<b>Diversified Holdings</b>						
Valible One PLC	100,000	2,600,000	5,090,000	109,012	2,600,000	4,022,543
<b>Motors</b>						
Diesel & Motor Engineering PLC	1,166	788,918	596,992	1,166	788,918	542,190
<b>Land and Property</b>						
Seylan Developments PLC	25,000	479,309	425,000	25,000	479,309	315,000
<b>Total</b>		<b>11,889,166</b>	<b>26,534,372</b>		<b>11,889,167</b>	<b>20,642,164</b>

## 24) Loans and Receivables

Loans and receivables include financial assets measured at amortised cost if both of the following conditions are met:

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in the statement of profit or loss and other comprehensive income. The loss arising from impairments are recognised in 'impairment (charge)/reversal on loans and other losses' in the statement of profit or loss.

	<b>31.03.2024</b> <b>Rs.</b>	<b>31.03.2023</b> <b>Rs.</b>
Corporate loans	193,798,430	217,366,773
Personal loans	156,862,200	240,968,286
Micro loans	3,320,972	4,439,408
Other loans	308,005,860	497,262,319
Hire purchases and Murabaha	21,001,435	24,397,941
Mediation / consent motion loans	111,123,225	107,678,645
Pawning advances	8,687,485	8,687,485
Prepaid rentals	(2,328,326)	(204,270)
	800,471,280	1,100,596,588
Less: allowance for impairment losses	(301,836,321)	(274,089,652)
Net loans and advances	<b>498,634,959</b>	<b>826,506,936</b>

## 25) Lease Rentals Receivable from Customers

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are recognised in the statement of financial position. The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

After initial measurement, lease receivable and stock out on hire are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in the statement of profit or loss and other comprehensive income. The losses arising from impairments are recognised in 'impairment charge on loans and other losses' in the statement of profit or loss and other comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024

### 25) Lease Rentals Receivable from Customers (Contd.)

	31.03.2024 Rs.	31.03.2023 Rs.
Gross rentals receivables	14,743,441,074	13,060,272,318
Rentals dues and other receivables	2,422,704,270	2,108,728,867
	17,166,145,344	15,169,001,185
Less: unearned income	(5,365,444,259)	(4,767,246,974)
	11,800,701,085	10,401,754,211
Less: Lease rentals prepaid	(72,710,766)	(64,214,930)
Net rentals receivables	11,727,990,319	10,337,539,281
Less : Allowances for impairment losses (Note 26.1)	(1,186,046,303)	(1,054,867,800)
<b>Total net rentals receivable</b>	<b>10,541,944,016</b>	<b>9,282,671,481</b>

#### 25.1) Rental Receivables on Finance Lease

Within 1 year		
Gross receivable	10,164,618,802	6,019,083,314
Unearned income	(3,475,645,486)	(2,594,018,414)
<b>Net receivable</b>	<b>6,688,973,316</b>	<b>3,425,064,900</b>
1-5 years		
Gross receivable	6,928,815,777	9,085,702,941
Unearned income	(1,889,798,773)	(2,173,228,560)
<b>Net receivable</b>	<b>5,039,017,004</b>	<b>6,912,474,382</b>
More than 5 years		
Gross receivable	-	-
Unearned income	-	-
Net receivable	-	-
<b>Total net receivable</b>	<b>11,727,990,320</b>	<b>10,337,539,281</b>

## 26) Allowance for Impairment Losses

The adoption of SLFRS 09 has fundamentally changed the Company's loan loss impairment method forward-looking Expected Credit Loss (ECL) approach. The Company has all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments' for allowance for expected credit losses with effect from 01 April 2017. Equity instruments are not subject to impairment under SLFRS 09.

The ECL allowance is based on the credit losses expected to arise over the life of the asset.

The 12 months ECL is the portion of life time ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both Lifetime and 12 months ECLs are calculated on either an individual basis or a 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 of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on such process Company allocates loans in Stage 1, Stage 2, Stage 3 as described below;

Stage 01: When loans are first recognised, the Company recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 02: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the Lifetime ECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 03: When a loan is considered to be credit impaired/contain objective evidences of incurred loss, the Company records an allowance for the Lifetime ECLs.

### Significant Increase in Credit Risk

The Company continuously monitors all assets subjected to ECL, in order to determine whether there has been a significant increase in credit risk since initial recognition and whether the instrument or a portfolio of instruments is subject to 12 months ECL or Lifetime ECL. The Company considers an exposure to have a significant increase in credit risk at 30 days past due.

#### Individually Significant Impairment Assessment and Loans which are Not Impaired Individually

Company will individually assess all significant customer exposures to identify whether there are any indicators of impairment. Loans with objective evidence of incurred losses are classified as Stage 3. Loans which are individually significant but not impaired will be assessed collectively for impairment under either Stage 1 or Stage 2, based on the above specified criteria to identify whether there have been a significant credit deterioration since origination.

While establishing significant credit deterioration, Company will consider the following criteria;

- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument
- Other Information related to the borrower, such as changes in the price of a borrower's debt/equity instrument
- An actual/expected internal credit rating downgrade for the borrower or decrease in behavioral score used to assess credit risk internally

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 26) Allowance for Impairment Losses (Contd.)

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its obligations
- An actual or expected significant changes in the operating results of the borrower in relation to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing and liquidity management problems
- Significant increase in credit risk on other financial instruments of the same borrower
- An actual or expected significant adverse changes in the regulatory, economic or technological environment of the borrower that results in a significant change in the borrower's ability to meet the debt obligations.

#### Definition of Default

The Company considers the following event constitutes as of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicate that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the company).

Irrespective of the above analysis, the Company considers that default had occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### Grouping Financial Assets Measured on a Collective Basis

As explained above, Company calculates ECL either on a collective or individual basis. Asset classes where Company calculates ECL on an individual basis include all individually significant assets which belong to Stage 3. All assets which belong to Stage 1 and Stage 2 will be assessed collectively for impairment.

Asset classes where the Company calculates ECL on an individual basis include Repossessed contracts, Hire purchase contract, Consent motion contract, Age above 24+ and Legal cases on individual basis and other all contracts are assessed on collective basis.

The Company allocates smaller homogeneous exposures based on a combination of internal and external characteristics such as product type, customer type, days past due etc.

#### Calculation of ECL

The expected cash shortfalls are calculated by multiplying respective loan level PDs, EADs and LGDs. The cash shortfall is discounted to the Effective Interest Rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

PDs and LGDs are adjusted to the forward looking information using statistically quantified variance.

The mechanics of the ECL calculation are outlined below and the key elements are as follows;

- Probability of Default (PD): PD is an estimate of the likelihood of default over a given time horizon. Hence majority of our client base being retail; we use internal information to estimate the PDs. The client has two credit status which can be identified as default or not. We used Cohort method (CM) to compute the PDs.
- Exposure at Default (EAD): EAD is the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of the principal and interest, whether scheduled by contract or otherwise and expected draw downs on committed facilities.
- Loss Given Default (LGD): LGD is an estimate of the loss arising, where a default occurs at a given time calculated based on historical recovery data. It is usually expressed as percentage of the EAD.



For all products, Company considers the maximum period over which the credit losses are determined is the contractual life of a financial instrument.

### Forward Looking Information

Company relies on broad range of qualitative / quantitative forward looking information as economic inputs in the Multiple economic factor model developed to forecast the expected Non-Performing Loans (NPL), such as;

- GDP growth
- Inflation
- Interest rate
- Unemployment rates
- Exchange rate

### Reversals of Impairments

If an amount in the impairment loss decrease 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 profit or loss.

### Write-off of Loans and Receivables

Financial assets are written off either partially or entirety only when the Company has stopped pursuing the recovery. If the amount to be is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of profit or loss.

### Collateral Valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, vehicles, gold, securities, letters of guarantees, real estate, receivables, inventories and other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral, such as real estate, is valued based on data provided by third parties such as independent valuers.

### Collateral Repossessed

Reposessed collateral will not be taken into books of accounts unless the Company has taken those collaterals into its business operations. However such additions from the reposessed collaterals to the business operations are not significant.

**NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024**26) Allowance for Impairment Losses (Contd.)**

26.1)

	Loans and Advances		Lease Rentals Receivable from Customers	
	31.03.2024 Rs.	31.03.2023 Rs.	31.03.2024 Rs.	31.03.2023 Rs.
<b>As at the beginning of the year</b>	<b>274,089,652</b>	<b>287,316,040</b>	<b>1,054,867,800</b>	<b>633,929,174</b>
Adjustment due to amalgamation	-	-	-	-
Charge for the period	27,746,669	(13,226,388)	456,349,911	457,440,351
Amounts written off	-	-	(325,171,408)	(36,501,725)
<b>As at the end of the period</b>	<b>301,836,321</b>	<b>274,089,652</b>	<b>1,186,046,303</b>	<b>1,054,867,800</b>
Individual impairment	299,713,169	263,891,408	612,945,403	650,365,664
Collective impairment	2,123,152	10,198,244	573,100,900	404,502,137
	<b>301,836,321</b>	<b>274,089,652</b>	<b>1,186,046,303</b>	<b>1,054,867,800</b>
<b>Collective impairment</b>				
Stage 1 impairment	441,250	1,037,846	70,108,792	35,022,658
Stage 2 impairment	454,262	1,334,787	256,100,497	144,616,345
Stage 3 impairment	1,227,640	7,825,611	246,891,611	224,863,134
	<b>2,123,152</b>	<b>10,198,244</b>	<b>573,100,900</b>	<b>404,502,137</b>

26.1) The followings tables shows reconciliations from the opening to closing balances of amortize cost and loss allowances for lease and loan portfolios.

#### Lease & Loan Portfolios

	2023 / 2024			Total Rs.
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	
<b>Amortised cost as at 31.03.2023</b>	<b>5,394,164,915</b>	<b>2,745,838,098</b>	<b>3,298,132,856</b>	<b>11,438,135,869</b>
Transfer to Stage 01	410,257,158	(333,778,186)	(76,478,972)	-
Transfer to Stage 02	(1,214,013,525)	1,413,931,856	(199,918,331)	-
Transfer to Stage 03	(588,718,762)	(727,767,363)	1,316,486,125	-
New assets originated or purchased	5,035,230,558	1,626,143,143	588,196,093	7,249,569,794
Financial assets derecognized or repaid	(2,856,787,925)	(1,334,669,683)	(1,642,615,047)	(5,834,072,655)
Write-offs	(12,617,385)	(45,902,650)	(266,651,373)	(325,171,408)
<b>Amortised cost as at the 31.03.2024</b>	<b>6,167,515,034</b>	<b>3,343,795,215</b>	<b>3,017,151,350</b>	<b>12,528,461,599</b>

#### Impairment Charge on Lease & Loan Portfolios

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
<b>As at the beginning of the year 31.03.2023</b>	<b>35,925,256</b>	<b>145,476,511</b>	<b>1,147,555,685</b>	<b>1,328,957,452</b>
Charge for the period	47,309,928	157,715,167	279,071,484	484,096,579
Amounts written off	(12,617,385)	(45,902,650)	(266,651,373)	(325,171,408)
<b>As at the end of the year 31.03.2024</b>	<b>70,617,800</b>	<b>257,289,028</b>	<b>1,159,975,795</b>	<b>1,487,882,623</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 26.1) (Contd.)

#### Lease & Loan Portfolios

	2022 / 2023			Total Rs.
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	
<b>Amortise cost as at 31.03.2022</b>	<b>6,091,758,688</b>	<b>1,493,851,955</b>	<b>2,112,941,958</b>	<b>9,698,552,601</b>
Transfer to Stage 01	268,790,995	(175,621,597)	(93,169,398)	-
Transfer to Stage 02	(1,329,707,932)	1,443,538,940	(113,831,008)	-
Transfer to Stage 03	(1,015,422,559)	(503,782,100)	1,519,204,659	-
New assets originated or purchased	4,235,496,503	1,361,435,626	837,591,885	6,434,524,014
Financial assets derecognized or repaid	(2,852,373,015)	(871,287,647)	(934,778,361)	(4,658,439,022)
Write-offs	(4,377,765)	(2,297,079)	(29,826,881)	(36,501,725)
<b>Amortise cost as at the 31.03.2023</b>	<b>5,394,164,915</b>	<b>2,745,838,098</b>	<b>3,298,132,856</b>	<b>11,438,135,869</b>

#### Impairment Charge on Lease & Loan Portfolios

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
<b>As at the beginning of the year 31.03.2022</b>	<b>48,689,423</b>	<b>62,254,249</b>	<b>810,301,545</b>	<b>921,245,216</b>
Charge for the period	(8,386,402)	85,519,341	367,081,021	444,213,960
Amounts written off	(4,377,765)	(2,297,079)	(29,826,881)	(36,501,725)
<b>As at the end of the year 31.03.2023</b>	<b>35,925,256</b>	<b>145,476,511</b>	<b>1,147,555,685</b>	<b>1,328,957,452</b>

### 26.2) Sensitivity Analysis of Allowance for Impairments

Changed criteria	Changed factor	Effect on impairment allowance Rs.
Loss Given Default (LGD)	Increased 10%	57,537,490
Probability of Default (PD)	Increased 1%	10,942,878

## 27) Financial Assets - Measured at Fair Value through Other Comprehensive Income

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its investments in equity instruments as Financial Assets at FVOCI when they meet the definition of financial assets and are not held for trading. Such classification is determined on an instrument by instrument basis.

Investments in quoted shares are recorded at fair value and the unquoted shares are recorded at the deemed cost in which the fair value cannot be measured due to the unavailability of sufficient and recent information. Gains and losses on these investments are never recycled to the profit. Dividends are recognised in the statement of profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments measured at FVOCI are not subject to an impairment assessment.

	31.03.2024 Rs.	31.03.2023 Rs.
Investments in quoted shares and unit trusts (Note 27.1)	27,059,297	26,503,163
Investments in unquoted shares & unit trust (Note 27.2)	10,037,485	9,307,801
	<b>37,096,782</b>	<b>35,810,964</b>

### 27.1) Investments in Quoted Shares and Unit Trusts

	31.03.2024			31.03.2023		
	No. of shares	Cost Rs.	Fair value Rs.	No. of shares	Cost Rs.	Fair value Rs.
Ceylinco Insurance PLC	1,250	12,500	3,224,687	1,250	12,500	2,745,000
Blue Diamond Jewellery Worldwide PLC	6,839	50,000	2,735	6,839	50,000	5,471
The Finance Company PLC	1,749	6,937	-	1,749	6,937	-
Central Industries PLC				24	2,400	1,961
Merchant Bank of Sri Lanka & Finance PLC	224	625	1,165	224	625	784
Chemanex PLC	600	38,395	43,260	600	38,395	46,860
LOLC FINANCE PLC	84,928	125,000	475,597	84,928	125,000	501,075
Citizen Development Bank PLC	102,820	1,595,681	19,553,772	102,820	1,595,681	20,182,999
Jetwing Symphony PLC	250,000	2,750,000	2,250,000	250,000	2,750,000	1,800,000
Comtrust Equity Fund	17,738	351,747	633,956	17,738	351,747	486,309
National Equity Fund	19,608	115,294	874,125	19,608	115,294	732,704
	<b>485,756</b>	<b>5,046,179</b>	<b>27,059,297</b>	<b>485,780</b>	<b>5,048,579</b>	<b>26,503,163</b>

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FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 27.2) Investments in Unquoted Shares and Unit Trusts

	31.03.2024			31.03.2023		
	No. of shares	Cost Rs.	Fair value Rs.	No. of shares	Cost Rs.	Fair value Rs.
Ranweli Holiday Resorts Limited	40,444	188,495	1,703,483	40,444	188,495	1,756,048
Credit Information Bureau of Sri Lanka	191	19,000	4,637,480	191	19,000	4,049,637
Finance House Consortium	20,000	200,000	1,209,600	20,000	200,000	1,107,269
Nation Lanka Equities	800,005	8,785,760	2,060,923	800,005	8,785,760	1,828,400
Poltech (Ceylon) Ltd	12,715	125,000	425,999	12,715	125,000	566,447
	<b>860,640</b>	<b>9,318,255</b>	<b>10,037,485</b>	<b>873,355</b>	<b>9,318,255</b>	<b>9,307,801</b>

## 28) Investment Properties

### 28.1) Basis of Recognition

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

### 28.2) Basis of Measurement

Investment properties are initially recognised at cost. Subsequent to initial recognition, the investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value and the rental income from the investment property is recognised under other operating income in the Comprehensive Income in the year in which they arise.

The cost of major renovations and improvements are capitalized and the carrying amounts of the replaced components are recognized in the profit or loss. The cost of maintenance, repairs and minor improvements are recognized in the profit or loss when incurred.

### De-recognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statement in the year of retirement or disposal.

### Determining Fair Value

External and independent professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value the investment property portfolio as at each reporting date.

	Level of fair value	31.03.2024 Rs.	31.03.2023 Rs.
Balance at the beginning of the year	Level 3	113,000,000	91,850,000
Net gains or losses from fair value adjustments		37,000,000	21,150,000
<b>Balance at the end of the year</b>		<b>150,000,000</b>	<b>113,000,000</b>

## 28.2) Basis of Measurement (Contd.)

Property & Location	Method of Valuation	Range of Estimates for Significant Unobservable Inputs	No. of Buildings	Extent	Cost Rs.	Fair value 31.03.2024 Rs.
<b>Digana Land &amp; building</b>						
Gangapitiyawatta Lot 4A, 8,6, 7, 28, 5 ond 48	Cotractors Method	Rs 120,000 per perch	3	Land: 1A-1R-21P	15,554,887	38,000,000
		Rs.2,000 per square foot		Building: 2526 square feet		
Gangapitiyawatta Lot 4	Direct comparison Method	Rs 120,000 per perch	-	Land: 1A-3R-04.70P	6,650,000	42,000,000
Gangapitiyawatta Lot 1-13	Direct comparison Method	Rs 50,000 per perch	-	Land: 5A-3R-20P	5,942,477	70,000,000
<b>Kirinda, Thissamaharama</b>	Not valued	2A-3R-30P	-	Land: 2A-3R-30P	3,497,955	-
					<b>28,147,363</b>	<b>150,000,000</b>

The Digana land and building has been valued by a Professional Valuer - Mr. T.M.D.W Hewage (Valued on 12.03.2024).

The Company had not carried out the fair valuation of the Kirida Land due to a dispute over the ownership of the land.

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

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land value is based on the market prices of each land respectively.	Market value of Land (Price per Perch)	The estimated fair value would increase/ (decrease), when market value per perch was higher (lower)
Building values are based on the market prices of each land respectively.	Market value of Buildings (Price per Square feet)	The estimated fair value would increase/ (decrease), when market value per square feet was higher (lower)

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in values considered opinion, meets the requirements in SLFRS 13 Fair Value Measurements.

### Rental Income and Direct Operating Expenses of Investment Properties

These investment properties are held for capital appreciation, as such no rent income was received during the current and preceding financial years.

Direct operating expenses (including maintenance) of investment properties amounts to Rs. 444,395/- that did not generate rental income during the period;

There are no restrictions on the realisability of the investment properties. There are no contractual obligations to construct or develop investment properties or for repairs, maintenance or enhancements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 29) Other Assets

The Company classifies all other assets as other financial assets and other non financial assets. Other assets mainly comprise advance payments, VAT receivable, inventory and sundry receivables. Advance payments are carried forward at historical cost.

	<b>31.03.2024</b> Rs.	<b>31.03.2023</b> Rs.
Stationery stocks	141,593	680,546
Advances, deposits and prepayments	51,596,818	61,770,963
Other receivables	15,282,520	32,475,533
	<b>67,020,931</b>	<b>94,927,042</b>



## 30) Property and Equipment

### Basis of Recognition

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

Property and Equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

### Basis of Measurement

An item of Property and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. 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 at the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

When parts of an item of Property and Equipment have different useful lives, they are accounted for as separate items (major components) of Property and Equipment.

### Cost Model

The Company applies the Cost Model to all property and equipment except freehold land and buildings. These are recorded at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

### Revaluation Model

The Company applies the revaluation model to the entire class of freehold land and buildings. Such 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.

Freehold land and buildings of the Company are revalued at least once in every three years on a roll over basis to ensure that the carrying amounts do not differ

materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the profit or loss statement. In this circumstance, the increase is recognised as profit to the extent of the previous write down.

Any decrease in the carrying amount is recognised as an expense in the profit or loss statement or debited in the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under capital 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.

### Subsequent Cost

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

### Derecognition

An item of Property and Equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognised in 'Other Income (Net)' in profit or loss in the year the asset is derecognised. When replacement costs are recognised in the carrying amount of an item of Property and Equipment, the remaining carrying amount of the replaced part is derecognised as required by Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment'.

### Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of buildings and system development, awaiting capitalization. These are stated in the statement of financial position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 30) Property and Equipment (Contd.)

the manner intended by management (i.e. available for use).

#### Depreciation

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 an asset become idle or is retired from active use unless the asset is fully depreciated.

Category	Depreciation rate
Buildings	2.5%
Motor vehicles	20%
Office equipment	12.5%
Computer equipment	20%
Furniture and fittings	10%
Office lifts	10%

#### Useful Life-Time of the Property and Equipment

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

#### Right-of-Use of Assets

Right-of-use of assets are presented together with property, plant and equipment in the statement of financial position. Right-of-use of assets of the Company include land and buildings under long term rental agreements for its use as offices and branches.

The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any

accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease Incentives received. Right-of-use of assets are amortised on the straight line basis over the lease term.

**30) Property and Equipment (Contd.)**

	<b>Cost Rs.</b>	<b>Acc Dep Rs.</b>	<b>Carrying value Rs.</b>
Land	844,092,971	-	844,092,971
Buildings	136,217,030	4,623,282	131,593,747
Furniture and fittings	172,092,669	130,541,520	41,551,149
Equipment	58,945,747	46,011,717	12,934,029
Motor vehicles and accessories	159,535,346	152,638,132	6,897,214
Computer hardware	87,410,205	78,100,227	9,309,978
Office lift	3,600,000	3,600,000	-
Right of use of assets	166,681,412	93,039,902	73,641,510
Capital Work-in-progress	184,929	-	184,929
	<b>1,628,760,308</b>	<b>508,554,782</b>	<b>1,120,205,526</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 30) Property and Equipment (Contd.)

	Land Rs.	Buildings Rs.	Furniture & fittings Rs.	Equipment Rs.
<b>Cost</b>				
Balance as at 31 March 2022	765,145,564	132,782,402	168,272,939	54,085,478
Revaluation	78,947,407	15,426,671	-	-
Additions	-	-	633,610	1,848,711
Transfers/ disposals	-	(11,992,043)	-	(29,950)
<b>Balance as at 31 March 2023</b>	<b>844,092,971</b>	<b>136,217,029</b>	<b>168,906,549</b>	<b>55,904,239</b>
<b>Less: Accumulated depreciation</b>				
Balance as at 31 March 2022	-	8,550,044	103,250,496	36,838,537
Charge for the year	-	3,797,637	14,008,557	4,620,444
Transfers/ disposals	-	(11,992,043)	-	(4,056)
<b>Balance as at 31 March 2023</b>	<b>-</b>	<b>355,637</b>	<b>117,259,053</b>	<b>41,454,926</b>
<b>Net book value as at 31 March 2023</b>	<b>844,092,971</b>	<b>135,861,393</b>	<b>51,647,496</b>	<b>14,449,313</b>
<b>Cost</b>				
Balance as at 31 March 2023	844,092,971	136,217,029	168,906,549	55,904,239
Additions			3,186,120	3,041,508
Transfers/ disposals				
<b>Balance as at 31 March 2024</b>	<b>844,092,971</b>	<b>136,217,029</b>	<b>172,092,669</b>	<b>58,945,747</b>
<b>Less: Accumulated depreciation</b>				
Balance as at 31 March 2023	-	355,637	117,259,053	41,454,926
Charge for the year	-	4,267,645	13,282,467	4,556,791
Transfers/ disposals	-			
<b>Balance as at 31 March 2024</b>	<b>-</b>	<b>4,623,282</b>	<b>130,541,520</b>	<b>46,011,717</b>
<b>Net book value as at 31 March 2024</b>	<b>844,092,971</b>	<b>131,593,747</b>	<b>41,551,149</b>	<b>12,934,030</b>

Motor vehicles Rs.	Computer hardware Rs.	Office lift Rs.	Capital Work in proress Rs.	Right of Use Assets Rs.	Total Rs.
158,077,737	82,735,706	3,600,000	184,929	150,694,510	1,515,579,265
-	-	-	-	-	94,374,077
-	9,417,000	-	-	14,750,163	26,649,484
(1,630,000)	-	-	-	(8,528,167)	(22,180,161)
<b>156,447,737</b>	<b>92,152,705</b>	<b>3,600,000</b>	<b>184,929</b>	<b>156,916,506</b>	<b>1,614,422,665</b>
128,019,590	69,806,329	3,528,000	-	47,391,415	397,384,411
18,754,506	7,499,316	72,000	-	35,634,850	84,387,310
(618,371)	-	-	-	(1,705,633)	(14,320,103)
<b>146,155,725</b>	<b>77,305,645</b>	<b>3,600,000</b>	<b>-</b>	<b>81,320,631</b>	<b>467,451,618</b>
<b>10,292,012</b>	<b>14,847,060</b>	<b>-</b>	<b>184,929</b>	<b>75,595,874</b>	<b>1,146,971,047</b>
156,447,737	92,152,705	3,600,000	184,929	156,916,506	1,614,422,665
4,080,000	15,500			32,293,942	42,617,070
(992,392)	(4,758,000)			(22,529,036)	(28,279,428)
<b>159,535,345</b>	<b>87,410,205</b>	<b>3,600,000</b>	<b>184,929</b>	<b>166,681,412</b>	<b>1,628,760,308</b>
146,155,725	77,305,645	3,600,000	-	81,320,631	467,451,617
7,402,318	5,492,732			34,248,306	69,250,260
(919,911)	(4,698,150)			(22,529,035)	(28,147,096)
<b>152,638,132</b>	<b>78,100,227</b>	<b>3,600,000</b>	<b>-</b>	<b>93,039,902</b>	<b>508,554,781</b>
<b>6,897,213</b>	<b>9,309,978</b>	<b>-</b>	<b>184,929</b>	<b>73,641,510</b>	<b>1,120,205,526</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024

### 30) Property and Equipment (Contd.)

#### Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year.

#### Fully-Depreciated Property and Equipment

The initial cost of fully-depreciated property, plant & equipment, which are still in use as at reporting date is Rs. 331,034,551.11 (31.03.2023 - Rs. 249,169,191.04).

#### Property and Equipment Pledged as Securities for Liabilities

The land and buildings situated in Colombo 5, have been pledged as security for the overdraft facility obtained from Seylan Bank PLC amounting to Rs. 150 Mn and from Bank of Ceylon amounting to Rs.175 Mn.

#### Fair value of the Land and Buildings

The carrying amount of the freehold properties, if they were carried at cost less accumulated depreciation would have been as follows:

#### Cost and Accumulated Depreciation of the Revalued Assets

	31.03.2024 Rs.	31.03.2023 Rs.
Land	418,860,335	418,860,335
Buildings	130,043,817	130,043,817
Accumulated depreciation on buildings	(4,623,282)	(355,637)
	<b>544,280,870</b>	<b>548,548,515</b>

Extent, locations, valuations of the land and the buildings of the entity's land holdings as follows.

Location	Extent	Cost Rs.	Valuation Rs.	Valuation date	Level of fair value	No of Buildings	Valuation technique	Significant unobservable input(s)
No 146, Colombo 05	19.85 Perches	88,774,926	353,000,000	28.01.2023	Level 3	1	Comparison Method : This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property.	Price per Perch for Land
No 146/34, Colombo 05	20.12 Perches	223,982,049	298,000,000	28.01.2023	Level 3	1		
No 138, Colombo 05	10.60 Perches	144,199,000	174,900,000	28.01.2023	Level 3	-		
Kandy	11.35 Perches	48,663,081	95,750,000	30.01.2023	Level 3	1		
Matara	17.78 Perches	42,795,044	58,660,000	02.02.2023	Level 3	1		
		<b>548,414,100</b>	<b>980,310,000</b>					

The above properties are valued by Incorporated Valuer - Mr. N. M. Jayatilake (B.sc. Est. Mgt & Val.) on the dates indicated above and there is no significant change to the values from then. Investment method and contractor's test method have been used for the valuation. Newly constructed building at Matara was capitalized at cost on 01.01.2021.

### 31) Intangible Assets

The Company's intangible assets include the value of acquired computer software.

#### Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition 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.

#### Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### Useful Economic Lives, Amortisation and Impairment

##### Computer Software

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated using the straight-line method to write-down the cost of intangible assets to their residual values over their estimated useful lives as follows:

##### Computer Software - 5 years

	Balance as at 31.03.2022 Rs.	Additions during the year Rs.	Adjustment due to the amalgamation Rs.	Balance as at 31.03.2023 Rs.
Cost	57,897,735	-	-	57,897,735
Accumulated amortization	50,290,702	3,899,480	-	54,190,182
Net carrying value	7,607,033	(3,899,480)	-	3,707,554

	Balance as at 31.03.2023 Rs.	Additions during the year Rs.	Disposals Rs.	Balance as at 31.03.2024 Rs.
Cost	57,897,735	13,595,264	-	71,492,999
Accumulated amortization	54,190,182	2,707,093	-	56,897,275
Net carrying value	3,707,554	10,888,171	-	14,595,724

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 32) Deferred Tax Asset / (Liability)

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. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arise from the initial recognition of goodwill or 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; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax asset is recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that 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 except:

- Where the deferred tax asset relating to the deductible temporary difference 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; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset 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 tax asset to be utilised. Unrecognised deferred tax asset is 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 assets are realised or the liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the statement of profit or loss.

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.

Deferred tax asset is recognised in respect of tax losses to the extent it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.



	31.03.2024 Rs.	31.03.2023 Rs.
Deferred tax asset	(74,915,015)	56,474,473
	<b>(74,915,015)</b>	<b>56,474,473</b>

#### Deferred Tax Assets, and Income tax Relates to the Followings;

	31.03.2024 Rs.	31.03.2023 Rs.
Balance at the beginning of the year	56,474,473	81,491,673
Adjustment due to the amalgamation	-	-
Originated / (reversal) during the year - profit and loss	(69,070,887)	38,167,341
Originated / (reversal) during the year - other comprehensive income	(62,318,601)	(63,184,540)
<b>Balance at the end of the year</b>	<b>(74,915,015)</b>	<b>56,474,473</b>

#### Deferred Tax Arising from

	31.03.2024 Rs.	31.03.2023 Rs.
<b>Accelerated depreciation for tax purpose</b>		
Property and equipment	(41,737,173)	(48,426,260)
Leased assets	(4,063,849)	(23,557,098)
Investment allowance	-	109,939,445
ROU asset & lease liability	3,413,243	3,927,791
Provision for impairment	72,109,785	117,061,286
Revaluation of investment property	(36,555,791)	(25,455,791)
Revaluation reserve on lands	(97,020,415)	(97,020,415)
Post employment retirement benefits	28,070,111	20,002,379
Financial assets - FVTPL & FVTOCI	869,075	3,136
	<b>(74,915,015)</b>	<b>56,474,473</b>

### 33) Dues to Banks and other Borrowings

Dues to banks and other financial institutions include bank overdrafts and long term and short term loans obtained from banks and other financial institutions. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 33) Dues to Banks and other Borrowings (Contd.)

	31.03.2024 Rs.	31.03.2023 Rs.
Bank overdrafts	-	28,221,643
Securitised borrowings and other banking facilities	723,726,558	-
<b>Total</b>	<b>723,726,558</b>	<b>28,221,643</b>

### 34) Deposits from Customers - Financial Liabilities Measured at Amortised Cost

Deposits from customers include fixed deposits. Subsequent to initial recognition, these are measured at their amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

	31.03.2024 Rs.	31.03.2023 Rs.
Fixed deposits	14,541,489,433	12,432,476,373
Savings deposits	11,360,868	10,346,381
	<b>14,552,850,301</b>	<b>12,442,822,754</b>

#### Contractual Maturity Analysis of Fixed Deposits

	31.03.2024 Rs.	31.03.2023 Rs.
Within one year	9,787,602,588	7,270,766,314
1- 5 years	4,765,247,713	5,170,803,310
Over 5 years	-	-
	<b>14,541,489,433</b>	<b>12,432,476,373</b>

### 35) Trade and Other Payables

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Trade payables are obligations to pay for vehicle suppliers in the ordinary course of business.

Company classifies all non-financial liabilities other than post employment benefit liability and current tax liabilities and trade payables under other non-financial liabilities. Other non-financial liabilities include accruals, advances and provisions. These liabilities are non-interest bearing and recorded at the amounts that are expected to be paid.

#### 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 the Company's incremental borrowing rate.

**35) Trade and Other Payables (Contd.)**

	<b>31.03.2024 Rs.</b>	<b>31.03.2023 Rs.</b>
Trade payables (Note 35.1)	297,460,026	200,639,795
Other payables	133,279,585	122,451,997
Lease liability (Note 35.2)	85,018,987	88,688,512
	<b>515,758,598</b>	<b>411,780,303</b>

**35.1) Trade Payables**

	<b>31.03.2024 Rs.</b>	<b>31.03.2023 Rs.</b>
Purchase creditors	135,436,805	45,997,500
Accrued expenses	162,023,221	154,642,295
	<b>297,460,026</b>	<b>200,639,795</b>

**35.2) Lease Liability**

	<b>31.03.2024 Rs.</b>	<b>31.03.2023 Rs.</b>
Balance at the beginning of the year	88,688,512	113,910,441
Additions	29,893,942	13,910,163
Accretion of interest	13,826,032	12,927,686
Disposal	-	(7,340,883)
Payments	(47,389,499)	(44,718,894)
<b>Balance at the end of the year</b>	<b>85,018,987</b>	<b>88,688,512</b>

**Sensitivity Analysis of Lease Liability**

The following table illustrates the impact arising from the possible changes in the incremental borrowing rate on the lease liability of the Company.

	<b>2023 / 2024</b>		<b>2022 / 2023</b>	
	<b>1bp Up</b>	<b>1bp Down</b>	<b>1bp Up</b>	<b>1bp Down</b>
<b>Increase / (decrease) in incremental borrowing rate</b>				
Sensitivity effect on lease liability increase/ (reduction) in the liability	(12,828)	12,832	(13,625)	13,630
Sensitivity effect on interest expense increase/ (reduction) in profits for the year	(6,462)	6,463	12,175	(12,177)

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FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 35) Trade and Other Payables (Contd.)

	31.03.2024		31.03.2023	
	Contractual Maturity Analysis of Lease Liability Rs.	Undiscounted Maturity Analysis of Lease Liability Rs.	Contractual Maturity Analysis of Lease Liability Rs.	Undiscounted Maturity Analysis of Lease Liability Rs.
Within one year	25,453,331	34,219,403	33,835,110	40,925,411
1- 5 years	59,565,655	80,079,938	54,853,401	66,348,181
Over 5 years	-	-	-	-
	<b>85,018,987</b>	<b>114,299,341</b>	<b>88,688,512</b>	<b>107,273,591</b>

### 36) Current Tax Liability

The Company is subject to income tax and other tax including VAT on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes. Uncertainty 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 deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts to that of initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

	31.03.2024 Rs.	31.03.2023 Rs.
Opening balance	138,954,930	32,995,738
Adjustment due to amalgamation	-	-
Income tax expense for the year	159,297,269	205,120,073
Written off ESC	-	-
Payment of income tax	(194,253,446)	(99,160,880)
	<b>103,998,753</b>	<b>138,954,930</b>

### 37) Retirement Benefit Obligations

The Company measures the present value of the promised retirement benefits for gratuity, which is a retirement benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard- LKAS 19 on 'Employee Benefits'.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with Sri Lanka Accounting Standard LKAS 19 on 'Employee Benefit'. However, under the Payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

#### Recognition of Actuarial Gains and Losses

The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in statement of comprehensive income during the period in which it occurs.

## 37) Retirement Benefit Obligations (Contd.)

### Funding Arrangements

The gratuity liability is not externally funded.

### Retirement Benefit Obligations

The cost of the retirement benefit obligation is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future gratuity increases. Due to the long term nature of such obligation, these estimates are subjected to significant uncertainty. All assumptions are reviewed at each reporting date.

	31.03.2024 Rs.	31.03.2023 Rs.
Balance as at beginning of the year	66,674,596	56,947,593
Amount recognised in Statement of Profit or Loss	19,864,293	15,292,727
Actuarial (gain) / loss	9,882,146	(1,686,974)
Benefits paid	(2,854,000)	(3,878,750)
<b>Balance as at the end of the year</b>	<b>93,567,035</b>	<b>66,674,596</b>
<b>Amount recognised in Statement of Profit or Loss</b>		
Current service cost	9,196,358	8,371,296
Net interest on the net retirement benefit liability	10,667,935	6,921,431
	<b>19,864,293</b>	<b>15,292,727</b>

An actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2024 by Actuarial & Management Consultants (Pvt) Ltd a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the 'Projected Unit Credit (PUC)', the method recommended by the Sri Lanka Accounting Standard - LKAS 19 on 'Employee Benefits'.

	31.03.2024	31.03.2023
<b>Actuarial assumptions</b>		
Discount rate	12.4%	16.0%
Future salary increment rate	7.5%	7.5%
Mortality	1967/ 70	1967/ 70
Retirement age	55 years	55 years

### 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 employment benefit liability measures.

The sensitivity of the statement of comprehensive income and the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligation for the year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

### 37) Retirement Benefit Obligations (Contd.)

	Effect on RBO – Increase/ (reduction) in the liability Rs.
1% Increase in discount rate	(4,004,828)
1% decrease in discount rate	4,340,086
1% Increase in salary increment	4,927,916
1% decrease in salary increment	(4,608,385)

Information about Maturity Profile of the Defined Benefit Obligation as at 31<sup>st</sup> March 2024;

	Rs.
Within the next 12 months	14,417,437
Between 1-2years	18,939,910
Between 2-5 years	24,747,160
Between 5-10 years	30,046,642
Beyond 10 years	5,415,886
<b>Total</b>	<b>93,567,035</b>

### 38) Stated Capital

Weighted Average duration of defined benefit obligation is 4.59 Years

	31.03.2024		31.03.2023	
	No. of shares	Value of the shares - Rs.	No. of shares	Value of the shares - Rs.
<b>Ordinary shares</b>				
Issued and fully paid-ordinary shares	113,327,268	611,273,941	113,327,268	611,273,941
<b>Reconciliation:</b>				
At the beginning of the year	113,327,268	611,273,941	113,327,268	611,273,941
New ordinary shares issued at the amalgamation	-	-	-	-
Ordinary shares issue - Rights Issue	-	-	-	-
	113,327,268	611,273,941	113,327,268	611,273,941
Ordinary shares on share split	-	-	-	-
<b>At the end of the year</b>	<b>113,327,268</b>	<b>611,273,941</b>	<b>113,327,268</b>	<b>611,273,941</b>

## Rights of Shareholders

The holders of ordinary shares have the right to receive dividends as and when they are declared from time to time and they are entitled to one vote per share at meetings. All shares rank equally with regard to the Company's residual assets.

### 39) Retained Earnings

	31.03.2024 Rs.	31.03.2023 Rs.
Balance at the beginning of the year	2,018,644,749	1,938,812,636
Adjustment due to amalgamation	-	-
Profit / (loss) for the period	318,283,852	200,463,038
Other comprehensive income / (expense) for the period	(12,846,790)	1,180,882
(-) Transfers to reserve funds	(37,913,810)	(121,811,807)
<b>Balance at the end of the year</b>	<b>2,286,168,002</b>	<b>2,018,644,749</b>

Retained earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future losses or dividends payable.

### 40) Other Reserves

	Capital Reserve Rs.	General Reserve Rs.	Statutory Reserve Fund Rs.	Fair Value Reserve Rs.	Regulatory Loss Allowance Reserve Rs.	Revaluation Reserve Rs.
Balance as at 31 March 2023	32,864,774	1,029,052	113,610,307	13,588,029	111,788,655	31,982,185
Transfers during the year	-	-	15,914,193	2,151,758	21,999,617	-
<b>Balance as at 31 March 2024</b>	<b>32,864,774</b>	<b>1,029,052</b>	<b>129,524,500</b>	<b>15,739,787</b>	<b>133,788,272</b>	<b>31,982,185</b>

'General Reserve' represents the amounts set aside by the Directors for general application. The purpose of setting up the General Reserve is to meet the potential future unknown liabilities.

'Statutory Reserve Fund' was created during the year 2007 in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly 5% of the net profit for the period is transferred to the Statutory Reserve Fund during the financial year.

'Regulatory Loss allowance Reserve' was created as at 31 March 2023 in accordance with the Finance Business Act Direction No.1 of 2020 issued by Central Bank of Sri Lanka.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024

### 41) Contingent Liabilities and Commitments

#### Commitments and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard- LKAS 37 on 'Provisions, contingent liabilities and contingent assets'. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

The Company has no commitments for acquisition of property, plant and equipment, intangible assets incidental to the ordinary course of business as at 31 March 2024 (31 March 2023 - Nil).

#### Legal Claims

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the reporting date the Company had several unresolved legal claims. The significant unresolved legal claims against the Company for which legal advisor of the Company advised as the loss is possible, but not probable, that the action will succeed. Accordingly, no provision for any claims has been made in these financial statements.

#### Tax Assessment

As per the notice of assessment issued by the Department of Inland Revenue dated 30.05.2017, 25.05.2018 and 24.08.2023 the Company has to make an additional Income tax payment for the years of assessment 2014/2015, 2015/2016 and 2019/2020 amounting to Rs. 28,402,545.00, Rs. 34,528,935.85 and Rs. 108,038,833.00 respectively. In addition to that as per tax in default notice issued on 06.11.2023 Company has to make an additional VAT on FS payment and additional NBT on FS payment for year of assessment 2014/2015 Rs. 19,796,632.00 and Rs. 3,361,385.00 respectively. Then notice of assessment issued on 14.12.2023 for VAT on FS payment for year of assessment 2020/2021 amounting to Rs. 6,918,968.00.

In regard this, the Company has already appealed against the notice of assessments and objected against the taxes in default notices and management of the Company is confident that there will be no further tax payments

### 42) Events After the Reporting Period

No circumstances have arisen subsequent to the reporting date which would require adjustment to or disclosure in the Financial Statements.



## 43) Related Party Disclosure

### 43.1) Parent and Ultimate Controlling Party

The Company does not have an identifiable parent of its own.

### 43.2) Transactions with Key Management Personnel (KMP) and their Family Members

As per the Sri Lanka Accounting Standard (LKAS -24) - "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, immediate parent Company and members of the Corporate Management of the Company have been classified as KMPs of the Company.

The Company carries out its transactions with KMPs & their close family members in the ordinary course of its business basis at commercial rates.

### Transactions with Key Management personnel and their Close Family Members

#### Remuneration to Key Management Personnel

	2023 / 2024 Rs.	2022 / 2023 Rs.
<b>Remunerations to Board of Directors</b>		
Short term employees benefits	192,349,384	127,963,775
Director fee	18,000,000	18,000,000
<b>Remuneration to Corporate Management</b>		
Short term employees benefits	47,513,355	44,801,150
<b>Share Transactions with Key Management Personnel</b>		
No. of ordinary shares held	48,929,736	48,929,736

Transactions, Arrangements and Agreements Involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and Other Related Entities

	Board of Directors & their close family members		Corporate Management & their close family members		Total	
	2023/2024 Rs.	2022/2023 Rs.	2023/2024 Rs.	2022/2023 Rs.	2023/2024 Rs.	2022/2023 Rs.
<b>Items in Statement of Profit or Loss</b>						
Interest income	-	-	-	-	-	-
Interest expense	21,615,793	29,415,255	4,785,314	3,148,507	26,401,107	32,563,761
Rent expense	16,539,533	15,049,575	-	-	16,539,533	15,049,575
<b>Items in Statement of Financial Position</b>						
Assets - Loans and receivables	-	-	-	-	-	-
Liabilities - Dues to customers	97,927,320	123,000,440	27,481,213	9,513,369	125,408,533	132,513,808

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2024

### 43.3) Transactions with Related Entities

The Company carried out the following transactions in the ordinary course of business on an arm's length basis with the parent company:

Name of the related party	Relationship	Nature of the transaction	Aggregate value of RPTs entered during the year Rs.	Aggregate value of RPTs as a % of Net income
Poltech (Ceylon) Company Ltd	Common Directors	Rent payments	22,259,600	1.0%
		Fixed deposit	-	-
		Interest expense	3,268,569	0.15%
		FD against loan	-	-
Imperial Import & Export Company (Pvt) Ltd	Common Directors	Fixed deposit	2,319,100	-
		Interest expense	345,637	0.02%
		Expenses	1,432,100	

## 44) Risk Management

### 44.1) Introduction

Risk is inherent in the Company's activities, but is 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 primarily exposed to credit risk, liquidity risk and market risk. It is also subject to various operating risks.

### Risk Management Structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed a subcommittee, Integrated Risk Management (IRM) Committee, which has the responsibility to monitor the overall risk process within the Company.

The IRM Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The IRM Committee is responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board.

### 44.2) Credit Risk

Credit risk is the risk of financial loss to the Company if a borrower or counterparty to a financial instrument, fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers/other companies and investments in debt securities. Credit risk constitutes the Company's largest risk exposure category. This can be broadly categorised into three types; default, concentration and settlement risks.

Default risk as the risk of the potential financial loss resulting from the failure of customer or counterparty to meet its debt or contractual obligations and arises principally from the Company's loans and advances to customers.

Concentration risk is the credit exposure being concentrated as a result of excessive build-up of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

Settlement risk is the risk of loss arising from trading/investment activities when there is a mutual undertaking to deliver on a progressive basis.

#### 44.2.1) Analysis of Credit Risk Exposure

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, vehicles, real estate and other non-financial assets. The fair value of collateral is generally assessed, at a minimum, during inception and based on the guidelines issued by the Central Bank of Sri Lanka.

#### Maximum Exposure to Credit Risk

The table below represents the company's maximum exposure to credit risk for its recognized and contingent financial instrument as at 31 March 2024, before taking into account any collateral held or other credit risk mitigation. For recognised instruments, the maximum exposure to credit risk is the carrying amount reported in the statements of Financial Position. For contingent instruments, the maximum exposure to credit risk generally represents the contractual notional amounts.

#### On Financial Position exposure Collateral type wise

	31.03.2024		31.03.2023	
	Amortized cost Rs.	Net exposure Rs.	Amortized cost Rs.	Net exposure Rs.
Cash at banks (clean)	192,969,203	192,969,203	161,388,335	161,388,335
Treasury bills, Securities bought under repurchase agreements & term deposit	6,270,936,008	-	3,893,786,671	-
Loan and receivable - fixed deposit	304,937,274	-	429,198,984	-
Lease and loan receivable - others	16,095,748	12,970,368	26,251,455	26,251,455
Lease and loan receivable - properties	69,236,301	-	65,342,225	-
Lease and loan receivable - vehicles	12,138,192,276	225,717,999	10,917,343,205	365,089,808
	<b>18,992,366,810</b>	<b>431,657,570</b>	<b>15,493,310,876</b>	<b>552,729,599</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### 44.2.2) Credit Quality by Class of Financial Assets

The table below reflects the credit quality by the class of asset for all financial assets exposed to credit risk. The amounts presented are gross of impairment allowances.

	Neither past dues nor impairments* Rs.	Past dues and impairments Rs.	Individually impaired Rs.	Total Rs.
<b>Financial assets</b>				
Cash and bank balances	192,969,203	-	-	192,969,203
Financial assets - amortised cost	6,270,936,008	-	-	6,270,936,008
Financial assets - measured at FVPL	26,534,372	-	-	26,534,372
Loans and receivables	498,634,960	2,123,152	299,713,167	800,471,279
Lease receivables from customers	10,541,944,015	573,100,901	612,945,403	11,727,990,319
Financial assets - measured at FVOCI	37,096,782	-	-	37,096,782
	<b>17,568,115,340</b>	<b>575,224,053</b>	<b>912,658,570</b>	<b>19,055,997,963</b>

\* These are considered for collective impairments under ECL.

### Definition of Past Due

The Company considers that any amounts uncollected on due dates or beyond the contractual date as 'past due'.

Age Analysis of past dues (i.e. facilities in arrears even by one day and above) loans and receivables by class of Financial Assets are given below.

Gross loan	< 3 months	> 3 & <= 6	> 6 & <=12	>12	Total
<b>As at 31.03.2024</b>					
Loans and advances	431,170,193	40,630,726	22,168,605	306,501,755	800,471,279
Finance lease receivable	9,079,733,341	1,059,386,437	585,152,546	1,003,717,996	11,727,990,319
<b>As at 31.03.2023</b>					
Loans and advances	721,507,228	35,130,328	70,476,136	273,482,896	1,100,596,588
Finance lease receivable	7,487,874,900	1,343,362,723	715,749,518	790,552,140	10,337,539,281

### 44.2.3) Concentration of Credit Risk

The risk of loss due to the concentration of credit risk to a specific product, asset class, sector or counterparty. Credit concentration risk is managed within limits set for counterparty, asset types, industry sectors, etc., Credit concentrations are monitored by IRMC and ALCO in each of the product type categories and such limits as material to the company are reviewed accordingly.

The company monitors concentration of credit risk by geographic location and by sector.

#### Top 20 concentration of lending portfolio

	31.03.2024		31.03.2023	
	Rs.	%	Rs.	%
Top 20	322,489,168	2.57%	445,100,154	3.89%
Balance portfolio	12,205,972,431	97.43%	10,993,035,715	96.11%
<b>Total portfolio</b>	<b>12,528,461,599</b>	<b>100%</b>	<b>11,438,135,869</b>	<b>100%</b>

#### Geographical Analysis of the Lending Portfolio

Province	31.03.2024		31.03.2023	
	Rs.	%	Rs.	%
Western Province	5,227,987,283	41.73%	5,413,038,553	47.32%
North Western	2,102,594,207	16.78%	1,763,288,638	15.42%
Southern Province	1,739,009,330	13.88%	1,495,693,026	13.08%
Central Province	1,050,712,738	8.39%	1,014,263,119	8.87%
North Central Province	1,102,681,666	8.80%	724,873,612	6.34%
Sabaragamuwa Province	520,518,769	4.15%	445,094,777	3.89%
Uva Province	487,571,645	3.89%	374,558,956	3.27%
Northern Province	250,301,285	2.00%	162,422,393	1.42%
Eastern Province	47,084,674	0.38%	44,902,796	0.39%
<b>Total portfolio</b>	<b>12,528,461,599</b>	<b>100%</b>	<b>11,438,135,869</b>	<b>100%</b>

**NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2024

## Sector-wise Concentration of the Lending Portfolio

	31.03.2024		31.03.2023	
	Rs.	%	Rs.	%
Services	1,749,634,722	13.97%	2,204,770,762	19.28%
Agriculture	1,182,690,857	9.44%	1,362,380,339	11.91%
Trade	1,414,420,482	11.29%	1,359,780,135	11.89%
Others	5,887,688,286	46.99%	4,746,840,488	41.50%
Transport	267,072,757	2.13%	216,589,549	1.89%
Industry	1,414,825,263	11.29%	786,478,630	6.88%
Construction	360,539,509	2.88%	299,396,876	2.62%
Tourism	251,589,723	2.01%	461,899,090	4.04%
<b>Total portfolio</b>	<b>12,528,461,599</b>	<b>100%</b>	<b>11,438,135,870</b>	<b>100%</b>

**44.3) Liquidity Risk and Funding Management**

Liquidity risk is defined as the risk that the Company will encounter in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under both normal and abnormal circumstances. To limit this risk, management has arranged diversified funding sources in addition to its deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the Company regularly analyses and monitors its liquidity positions and, maintains an adequate margin of safety in liquid assets.

Further the Company is maintaining its assets in the form of Sri Lankan government treasury bills and government securities equivalent to 7.5% of the average of its month end total deposit liabilities and unsecured borrowings of the 12 months preceding financial year.

## 44.3.1) Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2024:

	On demand Rs.	Less than 03 months Rs.	03 - 12 months Rs.	01 - 05 years Rs.	Over 05 years Rs.	Total Rs.
<b>Interest earning assets</b>						
Cash and bank balances	50,115,561	142,853,642				192,969,203
Financial assets - amortised cost		5,799,690,260	465,901,345	-	5,344,403	6,270,936,008
Financial assets - measured at FVPL	-	-	-	-	26,534,372	26,534,372
Loans and receivables (gross)	341,961,374	333,294,537	42,534,721	69,303,566	13,377,082	800,471,279
Lease rentals receivables (gross)	147,022,973	1,025,438,034	5,516,512,309	5,039,017,003		11,727,990,319
Financial assets - measured at FVOCI	-	-	-	-	37,096,782	37,096,782
<b>Total Interest earning assets</b>	<b>539,099,907</b>	<b>7,301,276,474</b>	<b>6,024,948,374</b>	<b>5,108,320,569</b>	<b>82,352,640</b>	<b>19,055,997,964</b>
<b>Non Interest earning assets</b>						
Property, equipment and right of use of assets	-	-	-	-	1,120,205,526	1,120,205,526
Intangible assets	-	-	-	-	14,595,724	14,595,724
Goodwill	-	-	-	385,244,360	-	385,244,360
Other assets		21,697,766	19,832,520	5,039,579	20,451,066	67,020,931
Deferred tax assets	-	-	-	-	-	-
Inventories	-	426,223	1,578,669	-	-	2,004,892
Investment properties	-	-	-	150,000,000	-	150,000,000
<b>Total non-interest earning assets</b>	<b>-</b>	<b>22,123,989</b>	<b>21,411,189</b>	<b>540,283,939</b>	<b>1,155,252,317</b>	<b>1,739,071,434</b>
<b>Total Assets</b>	<b>539,099,907</b>	<b>7,323,400,463</b>	<b>6,046,359,564</b>	<b>5,648,604,508</b>	<b>1,237,604,957</b>	<b>20,795,069,399</b>
Percentage	3%	35%	29%	27%	6%	100%
<b>Interest bearing liabilities</b>						
Dues to banks		-	723,726,558	-	-	723,726,558
Dues to customers	11,360,868	5,174,535,081	4,601,706,639	4,765,247,713	-	14,552,850,301
Other financial liabilities	-	297,460,026	-	-	-	297,460,026
<b>Total interest bearing liabilities</b>	<b>11,360,868</b>	<b>5,471,995,107</b>	<b>5,325,433,197</b>	<b>4,765,247,713</b>	<b>-</b>	<b>15,574,036,885</b>
<b>Non Interest bearing liabilities</b>						
Retirement benefit obligations	-	-	-	-	93,567,035	93,567,035
Current tax liability	-	103,998,753	-	-	-	103,998,753
Deferred tax liability	-	-	-	74,915,015	-	74,915,015
<b>Other liabilities</b>		<b>8,646,617</b>	<b>26,466,051</b>	<b>59,963,139</b>	<b>123,222,765</b>	<b>218,298,572</b>
<b>Total non-interest bearing liabilities</b>	<b>-</b>	<b>112,645,370</b>	<b>26,466,051</b>	<b>134,878,154</b>	<b>216,789,800</b>	<b>490,779,375</b>
<b>Total liabilities</b>	<b>11,360,868</b>	<b>5,584,640,478</b>	<b>5,351,899,248</b>	<b>4,900,125,867</b>	<b>216,789,800</b>	<b>16,064,816,260</b>
Percentage	0%	35%	33%	31%	1.35%	100%

## 44.3.1) Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2023:

	On demand Rs.	Less than 03 months Rs.	03 - 12 months Rs.	01 - 05 years Rs.	Over 05 years Rs.	Total Rs.
<b>Interest earning assets</b>						
Cash and bank balances	27,984,414	133,403,921	-	-	-	161,388,335
Financial assets - amortised cost	418,011,868	1,488,674,567	1,930,131,326	51,831,610	5,137,300	3,893,786,671
Financial assets - measured at FVPL	-	-	-	-	20,642,164	20,642,164
Loans and receivables (gross)	295,161,583	170,126,130	201,802,505	419,054,826	14,451,544	1,100,596,588
Lease rentals receivables (gross)	15,602,425	114,505,122	3,294,957,353	6,912,474,382	-	10,337,539,281
Financial assets - measured at FVOCI	-	-	-	-	35,810,964	35,810,964
<b>Total Interest earning assets</b>	<b>756,760,290</b>	<b>1,906,709,740</b>	<b>5,426,891,184</b>	<b>7,383,360,818</b>	<b>76,041,971</b>	<b>15,549,764,003</b>
<b>Non Interest earning assets</b>						
Property, equipment and right of use of assets	-	-	-	-	1,146,971,047	1,146,971,047
Intangible assets	-	-	-	-	3,707,554	3,707,554
Goodwill	-	-	-	385,244,360	-	385,244,360
Other assets	89,998	39,971,673	28,666,030	5,748,272	20,451,068	94,927,042
Deferred tax assets	-	-	56,474,473	-	-	56,474,473
Inventories	-	526,223	1,578,669	-	-	2,104,892
Investment properties	-	-	-	113,000,000	-	113,000,000
<b>Total non-interest earning assets</b>	<b>89,998</b>	<b>40,497,896</b>	<b>86,719,173</b>	<b>503,992,632</b>	<b>1,171,129,669</b>	<b>1,802,429,369</b>
<b>Total Assets</b>	<b>756,850,288</b>	<b>1,947,207,636</b>	<b>5,513,610,356</b>	<b>7,887,353,451</b>	<b>1,247,171,640</b>	<b>17,352,193,372</b>
Percentage	4%	11%	32%	45%	7%	100%
<b>Interest bearing liabilities</b>						
Dues to banks	28,221,643	-	-	-	-	28,221,643
Dues to customers	235,172,286	4,032,734,841	3,002,859,187	5,170,803,310	-	12,441,569,624
Other financial liabilities	1,484,052	199,155,743	-	-	-	200,639,795
<b>Total interest bearing liabilities</b>	<b>264,877,981</b>	<b>4,231,890,584</b>	<b>3,002,859,187</b>	<b>5,170,803,310</b>	<b>-</b>	<b>12,670,431,062</b>
<b>Non Interest bearing liabilities</b>						
Retirement benefit obligations	-	-	-	-	66,674,596	66,674,596
Current tax liability	-	138,954,930	-	-	-	138,954,930
Other liabilities	2,081,595	80,428,244	26,919,049	52,342,794	49,368,826	211,140,508
<b>Total non-interest bearing liabilities</b>	<b>2,081,595</b>	<b>219,383,174</b>	<b>26,919,049</b>	<b>52,342,794</b>	<b>116,043,422</b>	<b>416,770,035</b>
<b>Total liabilities</b>	<b>266,959,576</b>	<b>4,451,273,758</b>	<b>3,029,778,236</b>	<b>5,223,146,104</b>	<b>116,043,422</b>	<b>13,087,201,097</b>
<b>Percentage</b>	<b>2%</b>	<b>34%</b>	<b>23%</b>	<b>40%</b>	<b>0.9%</b>	<b>100.0%</b>



### 44.3.2) Liquidity Reserves

The following table sets out the components of the Company's liquidity reserves.

	31.03.2024		31.03.2023	
	Carrying amount Rs.	Fair Value Rs.	Carrying amount Rs.	Fair Value Rs.
Cash in hand	50,115,562	50,115,562	27,831,237	27,831,237
Balances with banks	142,853,641	142,853,641	133,557,098	133,557,098
Repo / Tb investments - less than 3 months	5,382,149,782	5,405,541,876	1,627,338,675	1,772,378,451
Repo/ TB investments - more than 3 months	176,828,339	184,041,964	1,329,551,843	1,334,157,092
Investments in fixed deposits	214,974,276	214,974,276	108,635,421	108,635,421
	<b>5,966,921,600</b>	<b>5,997,527,319</b>	<b>3,226,914,275</b>	<b>3,376,559,299</b>

### 44.4) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

#### 44.4.1) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company policy is to continuously monitor interest rates on regular basis. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities.

The following table demonstrates the sensitivity of the Company's statement of profit or loss for the year ended 31 March 2024 to a reasonable possible change in interest rates, with all other variable constant.

	31.03.2024 Rs.	31.03.2023 Rs.
Assets	-	-
Liabilities	-	-

#### Impact on Statement of Profit or Loss due to interest rate variations

	31.03.2024 Rs.	31.03.2023 Rs.
+ 0.5%	-	-
- 0.5%	-	-

#### 44.4.2) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Company has no investment and no borrowing in foreign currency and there is no currency risk for the Company.

#### 44.4.3) Equity Price Risk

The sensitivity analysis for equity risk reflects how changes in the fair value of equity securities at the reporting date will fluctuate in response to assumed changes in equity market prices. The movements in the fair value of equity securities monitored by assessing the projected changes in the fair value of equity securities held by the portfolios in response to assumed equity price movements of +/- 1%.

1% Increase /Decrease in equity market prices	2023/2024			2022/2023		
	Carrying value Rs.	Profit before tax Rs.	Other comprehensive income Rs.	Carrying value Rs.	Profit before tax Rs.	Other comprehensive income Rs.
Financial assets - measured at FVPL	265,344	265,344	-	206,422	206,422	-
Financial assets - measured at FVOCI	370,968	-	370,968	358,110	-	358,110

#### 44.5) Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Operational risk of the Company are managed through a Board approved operational risk management policy control framework which consists of monitoring and responding to potential risks.

#### 44.6) Capital Adequacy Risk

For a financial institution, capital is a buffer against insolvency. It is available to absorb unforeseen losses so the Company can remain in business. The more capital the Company has relative to the risks it takes, the more confidence the stakeholders are that it will meet its obligations to them. Capital adequacy risk arises from Company's inability to maintain the required amount of capital which is perceived to be adequate to absorb the risk.

As per the Finance Business Act Direction No 3 of 2018, the Licensed Finance Companies (LFCs) with assets less than Rs. 100 Bn is required to maintain a minimum Capital Adequacy Ratio (CAR) of 12.5% and a Core Capital Ratio (Tier 1) of 8.5% from 01 July 2022 onwards and Business Act direction No 2 of 2017 required every Licensed Finance Company to maintain minimum core capital at not less than Rs. 2.5 billion with effect from 1 January 2021.

As of 31 March 2024, the Minimum core capital of the company is Rs. 2.98 Bn, and the Company's T1 and T2 ratios are 17.37% and 17.26% respectively. Accordingly, the company has met the minimum core capital requirement with Tier 1 & 2 ratios as of 31 March 2024.

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# ANNEXURES

## FIVE YEAR SUMMARY

	31.03.2020 Rs 000	31.03.2021 Rs 000	31.03.2022 Rs 000	31.03.2023 Rs 000	31.03.2024 Rs 000
<b>Balance Sheet</b>					
Cash and cash equivalents	260,351	343,840	504,108	161,388	192,969
Placement with banks and other financial institutions	815,840	1,443,658	4,009,764	3,893,787	6,270,936
Financial assets - measured at fair value through profit or loss	155,783	-	20,293	20,642	26,534
Financial assets - measured at fair value through other comprehensive income	1,166	1,166	33,677	35,811	37,097
Financial assets at amortized cost / loans and receivables	4,615,510	2,916,037	8,777,307	10,109,178	11,040,579
Other assets	122,056	114,060	108,751	94,927	67,021
Inventories	54,543	10,500	22,328	2,105	2,005
Deferred tax assets	332,790	336,074	81,492	56,474	-
Investment properties	85,000	88,850	91,850	113,000	150,000
Intangible assets	2,306	2,063	7,607	3,708	14,596
Property and equipment	108,400	75,568	1,118,195	1,146,971	1,120,206
Investment in subsidiary company	1,160,390	1,160,388	-	-	-
Goodwill	-	-	385,244	385,244	385,244
<b>Total Assets</b>	<b>7,714,135</b>	<b>6,492,205</b>	<b>15,160,616</b>	<b>16,023,236</b>	<b>19,307,188</b>
Deposits from customers	4,622,186	4,058,791	11,173,182	12,442,823	14,552,850
Dues to banks and other borrowings	1,406,286	1,055,619	765,497	28,222	723,727
Other liabilities	412,929	104,407	432,560	411,780	515,759
Current tax liability	-	-	32,996	138,955	103,999
Retirement benefit obligations	40,411	44,379	56,948	66,675	93,567
Deferred tax liability	-	-	-	-	74,915
<b>Total Liabilities</b>	<b>6,481,814</b>	<b>5,263,195</b>	<b>12,461,183</b>	<b>13,088,454</b>	<b>16,064,817</b>
<b>Equity</b>					
Stated capital	56,086	56,086	611,274	611,274	611,274
Other reserves	90,639	90,639	149,346	304,863	344,929
Retained earnings	1,085,595	1,082,284	1,938,813	2,018,645	2,286,168
<b>Total equity</b>	<b>1,232,321</b>	<b>1,229,010</b>	<b>2,699,433</b>	<b>2,934,782</b>	<b>3,242,371</b>
<b>Total liabilities and shareholders' funds</b>	<b>7,714,135</b>	<b>6,492,205</b>	<b>15,160,616</b>	<b>16,023,236</b>	<b>19,307,188</b>

	31.03.2020 Rs 000	31.03.2021 Rs 000	31.03.2022 Rs 000	31.03.2023 Rs 000	31.03.2024 Rs 000
<b>Income Statement</b>					
<b>Gross Income</b>	<b>1,460,241</b>	<b>1,158,899</b>	<b>2,580,780</b>	<b>3,986,499</b>	<b>5,072,097</b>
Interest Income	1,339,103	1,106,814	2,467,760	3,880,860	4,966,228
Interest expense	(872,492)	(696,195)	(1,519,247)	(2,187,631)	(2,816,230)
Net interest income	466,611	410,619	948,513	1,693,230	2,149,998
Other Operating Income	121,138	52,085	113,020	105,638	105,869
Operating expenditure	(391,508)	(390,330)	(894,197)	(877,553)	(997,466)
Profit before income tax	11,819	(9,417)	492,329	367,416	606,872
Income tax (expense) / reversals	11,484	3,284	(192,860)	(166,953)	(288,588)
<b>Net Profit</b>	<b>23,304</b>	<b>(6,132)</b>	<b>299,469</b>	<b>200,463</b>	<b>318,284</b>
<b>Ratios</b>					
Earning per Share (Rs)	4.16	(1.09)	2.86	1.77	2.81
Net Asset Per Share (Rs)	219.73	219.14	23.82	25.90	28.61
Return on Average Shareholder's fund (%)	1.91	(0.50)	15.25	7.12	10.31
Return on Average Assets (%)	0.16	(0.13)	4.55	2.36	3.44
Total Assets to Shareholder's funds (Time)	6.26	5.28	5.62	5.46	5.95
Net interest Margin (%)	6.17	5.78	8.76	10.86	12.17
Growth in Gross Income (%)	(5.08)	(20.64)	122.69	54.47	27.23
Growth in interest Income (%)	(5.86)	(17.35)	122.96	57.26	27.97
Growth in interest Expense (%)	(4.28)	(20.21)	118.22	43.99	28.73
Growth in net interest Income (%)	(8.67)	(12.00)	131.00	78.51	26.98
Growth in profit before Taxes (%)	(67.37)	(179.67)	5,328.34	(25.37)	65.17
Growth in Net Profit after Taxes (%)	(82.65)	(126.31)	4,983.46	(33.06)	58.77
Growth in Total Assets (%)	3.98	(15.84)	133.52	5.69	20.49
Growth in Total Advance (%)	3.19	(36.82)	201.00	15.17	9.21
Growth in Shareholder's Funds (%)	2.07	(0.27)	119.64	8.72	10.48

## SHARE INFORMATION

### A) Analysis of Shareholders According to the Number of Shares as at 31<sup>st</sup> March 2024

Shareholdings	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000 shares	951	207,926	0.18	4	468	0.00	955	208,394	0.18
1,001 - 10,000 shares	500	1,819,323	1.61	1	4,104	0.00	501	1,823,427	1.61
10,001 - 100,000 shares	209	7,771,047	6.86	3	130,257	0.11	212	7,901,304	6.97
100,001 - 1,000,000 shares	45	13,573,529	11.98	0	-	0.00	45	13,573,529	11.98
Over 1,000,000 shares	11	89,820,614	79.26	0	-	0.00	11	89,820,614	79.26
Total	1,716	113,192,439	99.89	8	134,829	0.11	1,724	113,327,268	100.00

### B) Categories of Shareholders

	No. of Shareholders	No. of Shares
Individual	1,616	76,502,265
Institutional	108	36,825,003

c) Twenty Largest holders of Shares as at 31<sup>st</sup> March31<sup>st</sup> March 2024

	No. of Shares	%
Mr. John Paulu Irugalbandarage Nalatha Dayawansa	45,273,864	39.95
Imperial Import & Export Co. (Pvt) Ltd	29,067,696	25.65
Mr. John Paulu Irugalbandarage Nelaka Dayawansa	2,478,795	2.19
Mr. John Paulu Irugalbandarage Nadishka Dayawansa	2,001,312	1.77
Mrs. Ayanthi Shammalka Dayawansa	1,884,144	1.66
Mr. Akurana Wattage Prajith Perera	1,783,056	1.57
Mr. John Paulu Irugalbandarage Shanil Dayawansa	1,762,212	1.55
Miss. Akuranawattage Shiyonika Perera	1,715,292	1.51
Mrs. Ayoma Shyamali Perera	1,452,408	1.28
Mrs. C. Dissanayake	1,380,000	1.22
Mr. Oshan Senanayake	1,021,835	0.9
Seylan Bank Plc/Eagle Crest (Pvt) Ltd	757,500	0.67
Miss Nishma Ruhi Fonseka	755,000	0.67
Bansei Securities Capital (Pvt) Ltd/J.P.N.P.K. Jayasekara	731,682	0.65
Senkadagala Finance Plc/L.A.J.F. Morais	713,236	0.63
Mr. S.D. Widanagama	710,000	0.63
Sampath Bank Plc/Mr. Llewellyn Alphonsus Joseph Fiedelis Morais	652,448	0.58
J.B. Cocoshell (Pvt) Ltd	619,337	0.55
Kottawa Industries & Tours Ltd	618,720	0.55
Mr. C. Dissanayake	582,000	0.51

31<sup>st</sup> March 2023

	No. of Shares	%
Mr. John Paulu Irugalbandarage Nalatha Dayawansa	45,273,864	39.95
Imperial Import & Export Co. (Pvt) Ltd	29,067,696	25.65
Mr. John Paulu Irugalbandarage Nelaka Dayawansa	2,478,795	2.19
Mr. John Paulu Irugalbandarage Nadishka Dayawansa	2,001,312	1.77
Mrs. Ayanthi Shammalka Dayawansa	1,884,144	1.66
Mr. Akurana Wattage Prajith Perera	1,783,056	1.57
Mr. John Paulu Irugalbandarage Shanil Dayawansa	1,762,212	1.55
Miss. Akuranawattage Shiyonika Perera	1,715,292	1.51
People'S Leasing & Finance Plc/K.L.Udayananda	1,636,076	1.44
Mrs. Ayoma Shyamali Perera	1,452,408	1.28
Mr. Jesudasan Pereembarajah Paul	911,537	0.8
Mutiara Holdings (Private) LTD	650,379	0.57
Kottawa Industries & Tours Ltd.	618,720	0.55
Seylan bank PLC/Karagoda Loku Gamage Udayananda	580,273	0.51
Miss Nishma Ruhi Fonseka	550,000	0.49
Mr. Gnanasambanthan Rajendren	523,373	0.46
Mr. Amarakoon Mudiyansele Weerasinghe	500,000	0.44
Mrs. Malini Arudpragasam	474,855	0.42
Hatton National Bank PLC/Ramaraj Kuhan	444,770	0.39
Mr. Ginige Cyril Walter De Silva(deceased)	435,936	0.38

#### D) Market Value Per Share for the Year Ended

	31.03.2024 Rs.	31.03.2023 Rs.
Highest	26.70	11.30
Lowest	6.90	6.20
Last Traded price	24.80	8.20



E) Directors Shareholding as at 31<sup>st</sup> March

	31.03.2024 No. of Shares	31.03.2023 No. of Shares
Mr. J P I N Dayawansa	45,273,864	45,273,864
Mrs. ASDayawansa	1,884,144	1,884,144
Mr. J P I S Dayawansa	1,762,212	1,762,212
Mr. T M A Sallay	6,204	6,204
Mr. P S Goonewardene	912	912
Mr. NMPieris	2,400	2,400
Mr. K D U S Nanayakkara	-	-
Mr. T G Kandamby	-	-
Mr. Ranil Wijegunawardena	-	-

## F) Public Holding

	31.03.2024 No. of Shares	31.03.2023 No. of Shares
No of Share Holders	1,715	2,042
No of Shares	35,324,524	35,280,024
% of Public Holding	31.17%	31.13%
Float Adjusted Market Capitalization( Rs.)	876,037,914	289,285,984

The Float adjusted Market Capitalization as of 31 March 2024 - LKR 876,037,914/- .The Float adjusted market capitalization of the Company falls under Option 2 of Rule 7.14.1.(i) (b), of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

## ASSOCIATED MOTOR FINANCE COMPANY PLC PB733P

### Notice of Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of **ASSOCIATED MOTOR FINANCE COMPANY PLC** will be held as a virtual meeting on Friday, 27th September 2024 at 10.00 a.m. for the following purposes:

- 1)** To consider and receive the Annual Report of the Board and the Audited Financial Statements for the financial year ended 31st March 2024, together with the Report of the Auditors thereon.
- 2)** To authorize Directors to determine donations for the financial year ending 31st March 2025 up to the date of next Annual General Meeting.
- 3)** To re- elect Mr. Nilanka Mevan Pieris as a Non-Executive Director who retires by rotation in terms of Article D 35 (5) of the Articles of Association.
- 4)** To authorize the Directors to appoint BDO Partners, Chartered Accountants as external auditors of the Company for the year 2024/2025 in place of Messrs. Deloitte associates and to determine the remuneration of the Auditors.
- 5)** To consider any other business of which due notice has been given.

By Order of the Board,



H.M.C.S. Herath,  
The Company Secretary,  
Associated Motor Finance Company PLC,  
No 146, Havelock Road, Colombo 05  
20th August 2024

- 1)** The Annual General Meeting of Associated Motor Finance Company PLC will be a virtual meeting held by participants or proxy and through audio- or audio-visual means in the manner specified below:
- 2)** A Form of proxy is enclosed in this Report.
- 3)** The duly completed and signed PROXY FORM should be delivered to the Corporate Solution Unit of Central Depository Systems (Pvt) Ltd, the Registrars, at Ground Floor, M&M Center 341/5, Kotte Road, Rajagiriya, Sri Lanka, or via e-mail to registrars@cse.lk – to be received by the Registrars by 10.00 a.m. on Wednesday, 25th September 2024 being not less than 48 hours before the time appointed for the holding of the Meeting.

Folio No.	
-----------	--

(Please write your Folio Number)

Form of Proxy

I/We.....of.....being a member /members of Associated Motor Finance Company PLC (PB733PQ) hereby appoint ..... of .....whom failing.

- |   |                |
|---|----------------|
| Mr. Kurukulaarachchige Don Uditha Suranga Nanayakkara | or failing him |
| Mr. John Paulu Irugalbandarage Nalatha Dayawansa      | or failing him |
| Mr. Tuan Mohamed Anif Sallay                          | or failing him |
| Mr. John Paulu Irugalbandarage Shanil Dayawansa       | or failing him |
| Mrs. Ayanthi Shammalka Dayawansa                      | or failing her |
| Mr. Tauchira Gunarathne Kandamby                      | or failing him |
| Mr. Ranil Wijegunawardane                             | or failing him |
| Mr. Peter Suren Goonewardene                          | or failing him |
| Mr. Nilanka Mevan Pieris                              | or failing him |

as my/our proxy to represent me/us\* and to vote on my/our behalf at the Annual General Meeting of the Company which will be held as a “Virtual Meeting” at 10.00 a.m. on 27th September 2024, in line with the guidelines issued by the Colombo Stock Exchange (CSE) for hosting of virtual AGMs through Audio/Visual means using an online platform in the manner and at any adjournment thereof and at every poll which may be taken in consequence of the above said meeting. I/We the undersigned hereby authorize my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:

\*Please delete the inappropriate words

	For	Against
<b>1)</b> To consider and receive the Annual Report of the Board and the Audited Financial Statements for the financial year ended 31st March 2024, together with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
<b>2)</b> To authorize Directors to determine donations for the financial year ending 31st March 2025 up to the date of next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
<b>3)</b> To re- elect Mr. Nilanka Mevan Pieris as a Non-Executive Director who retires by rotation in terms of Article D 35 (5) of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
<b>4)</b> To authorize the Directors to appoint BDO Partners, Chartered Accountants as external auditors of the Company for the year 2024/2025 in place of Messrs. Deloitte associates and to determine the remuneration of the Auditors.	<input type="checkbox"/>	<input type="checkbox"/>
<b>5)</b> To consider any other business of which due notice has been given	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this .....day of .....Two Thousand and Twenty-Four.

.....  
Signature/s

## Instructions for Completion of Form of Proxy

- 1)** Kindly perfect the Form of Proxy by filling in the mandatory details required above, signing in the space provided and filling in the date of signature.
- 2)** If the Form of Proxy is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
- 3)** In the case of a Company/Corporation, the Form of Proxy shall be executed in the manner specified in the Articles of Association.
- 4)** In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his appointor.
- 5)** The duly completed and signed PROXY FORM should be delivered to the Corporate Solution Unit of Central Depository Systems (Pvt) Ltd, the Registrars, at Ground Floor, M&M Center 341/5, Kotte Road, Rajagiriya, Sri Lanka, or via e-mail to [registrars@cse.lk](mailto:registrars@cse.lk) – to be received by the Registrars by 10.00 a.m. on Wednesday, 25th September 2024 being not less than 48 hours before the time appointed for the holding of the Meeting.

Please provide the following details (mandatory):

NIC /PP/ Company Registration No. of the Shareholder/s: .....

Folio No: .....

Email address of the Shareholder/(s) or proxy holder  
(Other than a director appointed as proxy): .....

Mobile No: .....

Fixed Line: .....

## CORPORATE INFORMATION

### NAME OF THE COMPANY

Associated Motor Finance Co.PLC

### COMPANY REGISTERED NO.

PB 733 PQ

### DATE OF INCORPORATION

25th July 1962

### LEGAL FORM

A Public Limited Company, Licensed by the Monetary Board of the Central Bank of Sri Lanka in terms of the Finance Business Act No.42 of 2011.

### REGISTERED OFFICE

No.89,Hyde Park Corner, Colombo 02

### CORPORATE OFFICE

No.146, Havelock Road,  
Thimbirigasyaya,  
Colombo 05

### SECRETARIES

H M C S Herath,  
Company Secretary

### REGISTRARS

S.S.P.Corporate Services (Pvt) Ltd  
No.101 ,Inner Flower Road, Colombo 03

### AUDITORS

**BDO Partners,**  
**65/2, Sir Chittamapalam A Gardiner Mawatha,**  
**Colombo 02.**

### STOCK EXCHANGE LISTING

Ordinary shares of the Company were listed on the Colombo Stock Exchange from 23<sup>rd</sup> May 2011.

### BOARD OF DIRECTORS

Mr. K D U S Nanayakkara  
Mr. J P I N Dayawansa  
Mrs. A S Dayawansa  
Mr. J P I S Dayawana  
Mr. T G Kandamby  
Mr. R Wijegunawardane  
Mr. T M A Sallay  
Mr. P S Goonewardene  
Mr. N M Pieris

### TAX ADVISORS

Dasanayaka Associates  
No. 16, Shady Grove Avenue, 36th Lane,  
Colombo 08, Sri Lanka.

### BANKERS TO THE COMPANY


Commercial Bank of Ceylon PLC,  
Bank of Ceylon  
Sampath Bank PLC  
Nations Trust Bank PLC  
National Development Bank PLC  
Hatton National Bank PLC  
Seylan Bank PLC  
People's Bank  
Union Bank of Colombo PLC  
Pan Asia Banking Corporation PLC

# Annual Report 2023/2024



## **Associated Motor Finance Company PLC**

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