

STATEMENT OF PROFIT OR LOSS	Company			Group		
	2023 Rs.'000 Audited	2022 Rs.'000 Audited	Change %	2023 Rs.'000 Audited	2022 Rs.'000 Audited	Change %
For the year ended 31st March						
Gross Income	2,095,447	969,469	116.1	2,095,447	969,469	116.1
Interest income	2,008,133	794,219	152.8	2,008,133	794,219	152.8
Less: Interest expense	1,280,618	300,022	326.8	1,280,618	300,022	326.8
Net interest income	727,515	494,197	47.2	727,515	494,197	47.2
Fee and commission income	29,552	19,238	53.6	29,552	19,238	53.6
Net income from financial assets at FVTPL	30,644	28,367	8.0	30,644	28,367	8.0
Other operating income	27,118	127,645	(78.8)	27,118	127,645	(78.8)
Total operating income	814,829	669,447	21.7	814,829	669,447	21.7
Less: Impairment (charges)/reversals and other losses	(154,029)	40,914	476.5	(154,029)	40,914	476.5
Net operating income	660,800	710,361	(7.0)	660,800	710,361	(7.0)
Less:						
Personnel expenses	364,741	260,703	39.9	364,741	260,703	39.9
Depreciation of property, plant and equipment	24,962	9,731	156.5	24,962	9,731	156.5
Amortisation of intangible assets	2,936	501	485.6	2,936	501	485.6
Amortisation of right of use assets	45,685	42,897	6.5	45,685	42,897	6.5
Other operating expenses	377,037	195,103	93.2	377,037	195,276	93.2
Operating (loss)/profit before taxes on financial services	(154,561)	201,426	176.7	(154,792)	201,253	176.9
Less: Taxes on financial services	33,273	61,252	(45.7)	33,273	61,252	(45.7)
(Loss)/profit before tax	(187,834)	140,174	234.0	(188,065)	140,001	234.3
Less: Income tax reversal	29,810	51,626	(42.3)	29,810	51,626	(42.3)
(Loss)/profit for the period	(158,024)	191,800	182.4	(158,255)	191,627	182.6
Basic earnings per share (Rs.)	(0.39)	0.55		(0.39)	0.55	

Figures in brackets indicate deductions.

STATEMENT OF COMPREHENSIVE INCOME	Company			Group		
	2023 Rs.'000 Audited	2022 Rs.'000 Audited	Change %	2023 Rs.'000 Audited	2022 Rs.'000 Audited	Change %
For the year ended 31st March						
(Loss)/profit for the year	(158,024)	191,800	182.4	(158,255)	191,627	182.6
Other comprehensive income (net of tax)						
Actuarial gain/(loss) on retirement benefit obligation	2,194	3,764	(41.7)	2,194	3,764	(41.7)
Deferred tax effect on actuarial (loss)	(658)	(903)	27.1	(658)	(903)	27.1
Other comprehensive income for the period, net of taxes	1,536	2,861	(46.3)	1,536	2,861	(46.3)
Total comprehensive (loss)/income for the year attributable to the owners of the Company	(156,488)	194,661	180.4	(156,719)	194,488	180.6

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION	Company			Group		
	2023 Rs.'000 Audited	2022 Rs.'000 Audited	Change %	2023 Rs.'000 Audited	2022 Rs.'000 Audited	Change %
As at 31st March						
Assets						
Cash and cash equivalents	561,607	660,873	(15.0)	561,846	661,116	(15.0)
Placements with banks and financial institutions	1,264,071	410,942	207.6	1,264,071	410,942	207.6
Financial assets measured at fair value	409,936	9,245	4,334.2	409,936	9,245	4,334.2
Financial assets measured at amortized cost - lease rental and hire purchase receivables	4,192,052	3,148,864	33.1	4,192,052	3,148,864	33.1
Financial assets measured at amortized cost - loans and receivables to other customers	4,126,051	3,527,744	17.0	4,126,051	3,527,744	17.0
Property, plant and equipment	169,495	82,027	106.6	169,495	82,027	106.6
Intangible assets	44,239	9,760	353.3	44,239	9,760	353.3
Right of use assets	173,662	123,822	40.3	173,662	123,822	40.3
Deferred tax assets	79,874	50,722	57.5	79,874	50,722	57.5
Other assets	400,235	255,817	56.5	400,235	255,817	56.5
Total assets	11,421,222	8,279,816	37.9	11,421,461	8,280,059	37.9
Liabilities						
Due to banks	757,280	1,842,767	(58.9)	757,280	1,842,767	(58.9)
Financial liabilities at amortised cost - Deposits due to customers	7,655,746	3,228,866	137.1	7,655,746	3,228,866	137.1
Debt securities issued	17,800	17,200	3.5	17,800	17,200	3.5
Lease liabilities	197,581	136,450	44.8	197,581	136,450	44.8
Employee benefit obligation	12,249	13,378	(8.4)	12,249	13,378	(8.4)
Other liabilities	103,360	207,460	(50.2)	104,188	208,062	(49.9)
Total liabilities	8,744,016	5,446,121	60.6	8,744,844	5,446,723	60.6
Equity						
Stated capital	3,762,054	3,762,054	-	3,762,054	3,762,054	-
Statutory reserve fund	20,239	20,239	0.0	20,239	20,239	0.0
Accumulated losses	(1,105,087)	(948,598)	(16.5)	(1,105,676)	(948,957)	(16.5)
Total equity attributable to the owners of the Company	2,677,206	2,833,695	(5.5)	2,676,617	2,833,336	(5.5)
Total liabilities and equity	11,421,222	8,279,816	37.9	11,421,461	8,280,059	37.9
Contingencies & Commitments	94,159	131,700	(28.5)	94,159	131,700	(28.5)
Net assets value per share (Rs.)	6.61	6.99		6.60	6.99	

Figures in brackets indicate deductions.

SELECTED PERFORMANCE INDICATORS	Company	
	As at 31/03/2023	As at 31/03/2022
Asset Quality (Rs.'000)*		
Total Gross Accommodations	8,836,458	7,061,666
Net Total Accommodation (Net of provision for bad and doubtful debts)	8,318,103	6,676,606
Gross Non-Performing Accommodations	927,052	441,951
Gross Non-Performing Advances Ratio (%)	10.49%	6.26%
Liquidity (Rs.'000)		
Required Minimum Amount of Liquid Assets	770,394	330,053
Available Amount of Liquid Assets	936,979	1,071,829
Required Minimum Amount of Government Securities	204,440	164,423
Available Amount of Government Securities	316,700	205,859
Capital Adequacy		
Core Capital (Tier1 Capital) - Rs.'000	2,677,208	2,833,695
Total Capital Base - Rs.'000	2,677,208	2,822,703
Core Capital to Risk Weighted Assets Ratio (Minimum 8.5%)	26.76%	37.71%
Total Capital to Risk Weighted Assets Ratio (Minimum 12.5%)	26.76%	37.71%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	34.97%	87.42%
Profitability		
Interest Margin	8.51%	7.22%
Return on Average Assets (before Tax)	-1.91%	1.59%
Return on Average Equity (after tax)	-5.73%	3.68%
Memorandum information		
Number of employees	261	168
Number of branches	13	11
Number of service centers	-	-
Number of pawning centers	-	1
External Credit Rating	B+ Stable by LRA	[SL] B Stable by ICRA

* Asset quality ratios have computed based on 120 days past due basis

CERTIFICATION
These Financial Statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.

(Sgd) **Janaka Fernando**
Assistant Manager - Finance

(Sgd) **Terrance Kumara**
Chief Executive Officer

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;

(Sgd) **Chandula Abeywickrama**
Chairman

(Sgd) **Rangana Korlaga**
Director

30th June 2023
Colombo.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PMF FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of PMF Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2023, and statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies set out on pages 12 to 74.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023 and of their financial performance and their 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 Group in accordance with the Code of Ethics 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 Company financial statements and the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the Company financial statements and the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowances for Expected Credit losses - loans and lease rental receivable

Refer to note 19 and 36 to the Financial Statements and Note 4.17 in the accounting policies

Risk description	Our response
As disclosed in Note 19 to the financial statements, the Group has recorded Rs.8,318 Mn as loan and lease rental receivables as at 31 March 2023. Expected credit loss allowance (ECL) of Rs. 518 Mn is recorded against the loan and lease rental receivable. Higher degree of complexity and judgement are involved in estimating ECL as at the reporting date.	Our audit procedures included the following: <ul style="list-style-type: none"> Assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss (ECL) against the requirement of SLFRS 09. Testing the accuracy and completeness of the data inputs by testing reconciliations between source systems and the ECL. We assessed the appropriateness of assumptions, particularly in light of extreme volatility in economic scenarios caused by the current economic uncertainty and government responses. Recalculating the amount of credit loss allowance for sample of loans and lease rental receivables. Involving our Financial Risk Management (FRM) specialist to assess the reasonability of the adjustments made by the Company to the forward looking macro-economic factors and assumptions in the ECL model. Involving our FRM specialist to assess the logic and compilation of the overdue information of loans and advances, finance lease receivables and hire purchase receivables. Evaluating whether the disclosures on impairment of loans and lease rental receivables meet the disclosure requirements of the prevailing accounting standards.
Allowance for expected credit losses is a key audit matter due to the significance of the loans and receivables and lease rental receivable balances to the financial statements and the inherent complexity of the Group's ECL models used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR).	
SLFRS 9 - Financial Instruments requires the Group to measure ECL on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are made by the Group to address known ECL model limitations or emerging trends in the loan and lease receivable portfolios. We exercise significant judgement when evaluating the economic scenarios used and the judgmental post model adjustments the Group applies to the ECL results.	
Additional subjectivity and judgment have been introduced into the Company's measurements of ECL due to the heightened uncertainty associated with the impact of the economic outlook to the Company's customers, increasing out audit effort thereon.	
The disclosures regarding the Group's application of SLFRS 9 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results.	

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 and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit we remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this Independent Auditor's report is 3544.



CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
30 June 2023