

BUILDING FUTURES TOGETHER

PMF FINANCE PLC
ANNUAL REPORT 2023/24





“Customer Value Creation and inclusivity have been key areas of focus for us this year. Through our extensive branch network and dedicated staff, we have actively engaged in educating our customers about financial management, helping them navigate the complexities of the financial landscape.”

Reflections from
the Chairman

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BUILDING FUTURES TOGETHER

At PMF Finance we are committed to igniting an entrepreneurial spirit by providing access to finance. Creating this bedrock of support nurtures the potential of our nation and it's people. Our commitment to build a collective future together, helps to secure the aspirations of our nation.

ABOUT THIS REPORT



PMF FINANCE PLC Annual Report 2023/24

It is with pleasure that we present the Integrated Annual Report of PMF Finance PLC which presents a balanced and comprehensive view of the progress made towards achieving our strategic priorities for the financial year ending 31 March 2024. The report provides an assessment of our operating context, governance practices, value created for stakeholders, and our proactive response to evolving market dynamics.

SCOPE AND BOUNDARY

The report covers the performance and operations of PMF Finance PLC, duly identified as the “Company” during the period 01st April 2023 till 31st March 2024, consistent with the usual annual reporting cycle for financial reporting with details of its position as of that date. The key financial aspects and non-financial aspects are discussed in the context of the Company. By providing a comprehensive picture, our Annual Report fosters trust and helps stakeholders make informed decisions. There are no significant changes from previous reporting periods in the scope and aspect boundaries nor are there any restatements as compared to the annual report issued in previous reporting years.

MATERIALITY

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

REPORTING FRAMEWORKS

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



The most recent report of the Company for the year ended 31st March 2024 is available on our website: <https://pmf.lk/en/>

Financial Statements and Disclosures	Risk and Governance Reporting	Integrated Report
<ul style="list-style-type: none"> Companies Act No. 07 of 2007 	<ul style="list-style-type: none"> Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka 	<ul style="list-style-type: none"> Integrated Reporting Framework
<ul style="list-style-type: none"> Sri Lanka Accounting Standards issued by the CA Sri Lanka 	<ul style="list-style-type: none"> Section 9.0 of the Listing Rules of Colombo Stock Exchange 	<ul style="list-style-type: none"> Global Reporting Initiative (GRI) Standards 2021
<ul style="list-style-type: none"> International Financial Reporting Standards (IFRS) 	<ul style="list-style-type: none"> Finance Business Act Direction No.05 of 2021 on Corporate Governance 	
<ul style="list-style-type: none"> Requirements of the Colombo Stock Exchange 	<ul style="list-style-type: none"> SEC Regulations 	

INDEPENDENT ASSURANCE

The Financial Statements together with the related notes have been audited by our external auditors M/s Ernst & Young and the Independent Auditors' Report is available on pages 162 to 165.

FORWARD LOOKING STATEMENTS

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

REPORTING IMPROVEMENTS

We are committed to consistently improve the quality and readability of the annual report. This year's report features the following improvements:

1. Increased connectivity of information
2. Compliance with new Listing Rules and voluntary adoption of Code of Best Practice on Corporate Governance 2023

NAVIGATION



FINANCIAL CAPITAL



MANUFACTURED CAPITAL



HUMAN CAPITAL



INTELLECTUAL CAPITAL



SOCIAL & RELATIONSHIP CAPITAL



NATURAL CAPITAL



EMPLOYEES



CUSTOMERS



BUSINESS PARTNERS



REGULATORS



INVESTORS



COMMUNITY AND THE ENVIRONMENT

REPORTING RESPONSIBILITY

The Board of PMF Finance holds the ultimate responsibility for ensuring the credibility and reliability of this Integrated Report. In alignment with this responsibility, the Board affirms that it has collectively examined the outcomes of the reporting process and carefully assessed the content of the report. The Board recognises their duty to uphold the integrity of the report and expresses their belief that the Integrated Report of PMF Finance for the fiscal year ending on 31st March 2024 is presented in accordance with the <IR> Framework 2021. Accordingly, the Board grants its approval for the report's publication and release.

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

Signed on behalf of the Board of Directors on 29th August 2024.

Chandula Abeywickrema
Chairman



QUERIES

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

Company Secretarial Division
PMF Finance PLC

No. 361, 361/1, R A De Mel Mawatha,
Colombo 03
Phone: +94 11 766 6333 Ext: 351
Email: leharaw@pmf.lk

ABOUT THE COMPANY

OVERVIEW

PMF Finance PLC is a public limited liability company incorporated in Sri Lanka on the 26th of January 1983 and was listed on the Colombo Stock Exchange in July of 1994. It is registered under the Finance Leasing Act No. 56 of 2000 and under the Finance Business Act No. 42 of 2011. Formerly known as People's Merchant Finance PLC the company rebranded itself as PMF Finance PLC in October 2022.

The company has successfully navigated the challenges of Sri Lanka's banking, finance, and leasing sectors over its four-decade journey. In 2019, we embarked on a transformative path to renew, revitalize, and reposition our business, aiming to unlock the untapped potential of our organisation. Key to this transformation has been the development of a cohesive five-year strategic plan, a significant capital infusion by our majority shareholder, Sterling Capital Investments (Pvt) Ltd. (SCIL), and the appointment of a Board of Directors with extensive banking and finance industry expertise, supported by a dynamic management team leading our key business functions.

Our mission is to become a trusted partner by delivering high-quality, innovative, and expert financial solutions through a dedicated team aligned with our corporate values. At PMF Finance, we are committed to providing sustainable solutions that empower you to live the life you envision, securing your future with a service that is fully dedicated to your needs. Our ultimate goal is to expand our reach, enriching the lives of more people, more often, and in more places, by providing financial services whenever and wherever they are needed.

OUR VISION

"Service Excellence in Financial Services Whenever Wherever"

OUR MISSION

"Enrich the lives of more people in more places through inspired people"

OUR VALUES

Integrity

We will always adhere to the highest ethical standards in all our actions.

Relationships

We seek to establish mutually beneficial relationships with all our stakeholders, based on trust and the desire to innovate win-win solutions.

Respect

We value our people, encourage their development, partner their success and reward their performance.

Community

We embed ourselves in Sri Lankan communities and consider it our responsibility, to recognise and respect all good practices of local communities.

Pursue excellence

We will cultivate excellence by challenging ourselves with courage and confidence. We will strive to deliver to our customers an outstanding experience through an unmatched service.

Our key product solutions

Our key product solutions

Fixed Deposits	Savings Deposits	Leasing
Term Loans	Mortgage Loans	Entrepreneur Development Loans
Gold Loans	Margin Trading	Real Estate

Our competitive edge

The only Sri Lankan finance company with Japanese financial backing

Legacy of

40+ years

Customer Experience

Human Capital

CONTRIBUTION TO THE ECONOMY

Over the past forty years, our business has played a key role in shaping the local economy and the community we serve. We contribute to the community's economic success by creating local job opportunities, paying taxes to support public services, fostering business relationships with local suppliers, creating job opportunities and promoting financial inclusivity to support economic progress.

ECONOMIC VALUE DISTRIBUTED

For the year ended 31st March

Value generated

2023/2024

Revenue	LKR 3,093 Mn
Other Income	LKR 252 Mn

Total loans disbursed

LKR 5,801 Mn

Employment Generated

Region	Total
Western	210
Central	34
Southern	34
North-western	21
Eastern	12
North-central	11
Total	322

Economic value distributed

Interest expense	LKR 1,988 Mn
Operating Cost	LKR 966 Mn
Employee Wages and Benefits	LKR 246 Mn
Payments to providers of Funds	LKR 48 Mn
Payments made to Governments	LKR 53 Mn

Number of new branches opened

3 Branches

Payments to suppliers

LKR 49 Mn

Economic value Retained

Depreciation and Amortization	LKR 108 Mn
Profit After Tax	LKR 19 Mn

OUR JOURNEY

- People's Merchant Bank (now known as PMF Finance PLC) was incorporated as a Limited Liability Company on 26 January 1983 under the Companies Act No. 17 of 1982.
- A joint venture between People's Bank (75.00%) and Guinness Mahon & Company Ltd., of UK (25.00%).
- Subsequently, Guinness Mahon & Company Ltd., sold their equity in People's Merchant Bank to People's Bank, as they curtailed their activities in Asia.
- In June 1993, People's Merchant Bank underwent a major capital restructuring through a private placement to a consortium of corporate investors including the Development Finance Corporation of Ceylon (currently DFCC Bank), HNB and Acceptor Business Capital (SL) Ltd. – Hong Kong (currently Southbridge Capital Investment (SL) Ltd.) Australia.
- People's Merchant Bank was listed on the Colombo Stock Exchange in 1994.

Following the rights issue in January 2010, People's Leasing Company (Pvt) Ltd., became a major shareholder alongside People's Bank, Lanka Orix Leasing Company PLC, Environmental Resources Investment PLC and South Bridge Capital Investments (Pvt) Ltd.

1983

1993

2010

ABOUT PMF

PMF Finance possesses a legacy of four decades. Our journey over the years is marked with significant milestones, which has enabled the Company to reach a position of stability and strength.

Strengthened by our firm roots, our path ahead is firmly entrenched in creating a transformative impact with innovative products and services which will help fuel the entrepreneurial aspirations of all Sri Lankans. Moving away from traditional lending, the Company hopes to create new benchmarks in impact financing thereby creating transformative opportunities for people and communities at large.



2018

2019

The ordinary shares of the Company were transferred to the Diri Savi Board of the Colombo Stock Exchange in July 2018.

- Sterling Capital Investments (Pvt) Ltd. acquired a 19.98% shareholding of PMF and became the third largest shareholder in April 2019.
- Subsequently, Sterling Capital Investments (Pvt) Ltd. became the major shareholder of PMF representing 68.20% of the shares of the Company

- The name of People’s Merchant Bank was changed to People’s Merchant in April 2011.
- Following the rights issue in November 2011, Capital Trust Holdings acquired a 26% stake of People’s Merchant PLC and became the second largest shareholder.

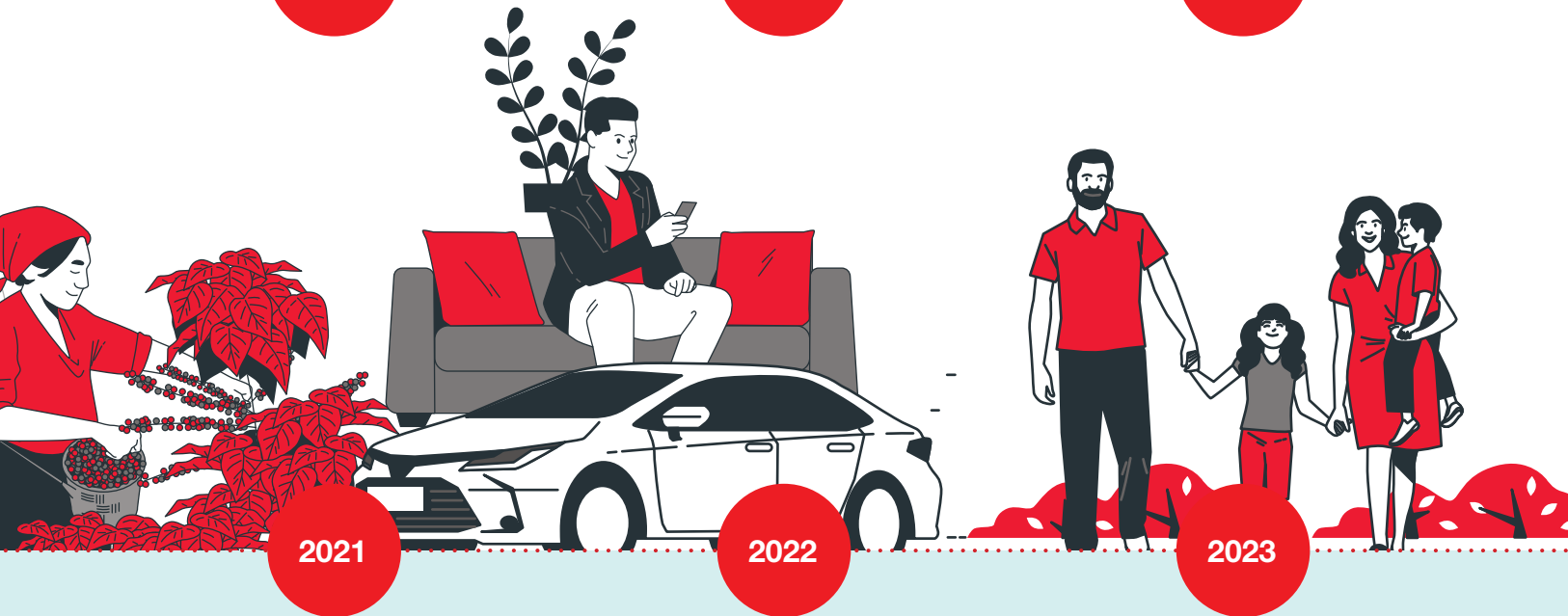
The name of People’s Merchant PLC was changed to People’s Merchant Finance PLC (PMF) in May 2012, subsequent to the license issued by the Central Bank of Sri Lanka to carry out finance business in April 2012.

- People’s Leasing & Finance PLC assumed duties as the Managing Agent of People’s Merchant Finance PLC in July 2015 consequent to the Direction issued by the Monetary Board.
- People’s Bank and People’s Leasing & Finance PLC jointly acquired 9.57% stake of PMF in July 2015.
- In August 2015, People’s Bank and People’s Leasing & Finance PLC jointly acquired a 38.44% stake in People’s Merchant Finance PLC and became the first and second largest shareholders of the Company. The joint shareholding amounted to 87.21%

2011

2012

2013



2021

2022

2023

Following the rights issue in March 2021, Sterling Capital Investments (Pvt) Ltd. increased their shareholding to 78.55% of PMF.

Re-launch of PMF Finance PLC with a new brand identity and positioning in November 2022.

Transition to a new Core Banking System, replacing the outdated legacy infrastructure with a more robust and efficient solution.

FINANCIAL HIGHLIGHTS

For the year ended 31st March		FY 2023/24	FY 2022/23	Change% (FY23/24 Vs FY22/23)	FY 2021/22
FINANCIAL PERFORMANCE (GROUP)					
Group Income	LKR.Mn	3,344.77	2,095.45	59.62	969.47
Operating Profit/ (Loss) before taxes on financial services	LKR.Mn	28.44	(150.51)	118.89	201.25
Net Interest Income	LKR.Mn	1,105.23	752.65	46.84	494.20
(Loss) before income tax	LKR.Mn	(24.91)	(183.82)	86.44	140.00
Income Tax reversal/(expense)	LKR.Mn	44.25	29.81	48.44	51.63
Profit /(Loss) for the year	LKR.Mn	19.26	(154.01)	112.5	191.63
FINANCIAL POSITION (GROUP)					
Property, plant and equipment	LKR.Mn	268.89	169.49	58.64	82.0
Other non-current assets	LKR.Mn	7,404.65	5,822.15	25.78	4,106.48
Current assets	LKR.Mn	8,913.77	5,707.43	57.9	4,091.21
Total assets	LKR.Mn	16,317.20	11,529.82	41.52	8,279.69
Total equity	LKR.Mn	2,722.95	2,710.36	0.46	2,833.69
Non-current liabilities	LKR.Mn	344.03	23.03	1,393.83	471.87
Interest bearing loans & borrowings	LKR.Mn	13,168.53	8,703.02	51.3	1,842.77
Other current liabilities	LKR.Mn	81.29	92.58	(12.19)	3,131.37
Total liabilities	LKR.Mn	13,593.85	8,818.63	54.14	5,446.00
SHARE INFORMATION (COMPANY)					
Highest value recorded during the year	LKR	5.80	6.00	(3.33)	10.20
Lowest value recorded during the year	LKR	3.60	3.30	9.09	5.10
Market value per share at 31st March 2024	LKR	4.70	5.20	(9.61)	5.40
Market capitalization as at 31st March 2024	LKR.Mn	1,904.9	2,107.57	(9.61)	2,188.63
PROFITABILITY RATIOS (GROUP)					
Net Interest Margin (NIM)	%	11.26%	8.52	32.16	9.07
Operating profit margin	%	0.85	(7.39)	111.5	20.76
Net profit margin	%	0.58	(7.55)	107	19.77
Return on total assets	%	0.14	(1.61)	108.69	2.95
LIQUIDITY RATIOS (GROUP)					
Current ratio	Times	0.84	0.88	(4.54)	1.31
EQUITY RATIOS (GROUP)					
Net asset value per share	LKR	6.72	6.60	1.81	6.99
Earnings/(loss) per share	LKR	0.05	(0.39)	112.82	0.55
Dividend per share	LKR	N/A	N/A	N/A	N/A
Price earnings ratio	Times	94	(13.32)	842.41	9.82
Return on equity	%	0.71	(5.91)	112.01	6.76
DEBT RATIOS (GROUP)					
Gearing ratio (Long term borrowings)	%	477.28	322.36	48.05	184.42
Interest cover	Times	1.25	0.88	42.04	1.67

OPERATIONAL HIGHLIGHTS

42%

increase in the
Total Asset Base

47%

increase in the
Deposit Portfolio

32.25%

increase in Leasing
& Loan Portfolio

13.33%

lower Gross NPL ratio
compared to the industry
average

**Implementation of
E-Financial System as the
Core Banking System**

**Opened three new Branches
in Narahenpita, Galle
and Chilaw**

126

hours of
Training provided

48

Staff
Promotions

50

New
Recruits



REFLECTIONS FROM THE CHAIRMAN

“Customer Value Creation and inclusivity have been key areas of focus for us this year. Through our extensive branch network and dedicated staff, we have actively engaged in educating our customers about financial management, helping them navigate the complexities of the financial landscape.

Dear Shareholders and Stakeholders,

As we close the chapter on the financial year 2023/2024, I am pleased to reflect on a year that tested our resolve, sharpened our focus, and ultimately reinforced our commitment to sustainable growth and innovation. Despite the challenges presented by a volatile economic environment, PMF Finance PLC has demonstrated resilience, agility, and strategic foresight, enabling us to emerge stronger and more prepared for the future.

NAVIGATING ECONOMIC TURBULENCE WITH STRENGTH AND STRATEGY

The past year was marked by significant economic challenges, including fluctuating interest rates, elevated inflation, and broad economic uncertainty. These conditions created a complex operating environment for financial institutions. However, PMF Finance PLC was able to navigate these difficulties with determination and strategic acumen.

We achieved a commendable profit of LKR 19.2 million, a testament to our robust financial management and strategic initiatives. Our net interest income grew by an impressive 46.84% to LKR 1,105 million, driven by a 54% increase in interest income, particularly from our core segments such as lease and loan receivables. This growth was achieved despite a 58.31% rise in interest expenses due to the prevailing high interest rate environment, underscoring our ability to optimize our financial resources and deliver value to our stakeholders.

INDUSTRY DYNAMICS: ADAPTING TO CHANGE, AND RESPONDING TO EVOLVING CUSTOMER ASPIRATIONS

The financial services sector faced unprecedented challenges in the first and second quarters of the FY 2023/24.

The fluctuation of interest rates for both deposits and funding along with shifting consumer dynamics due to inflationary pressures affected the growth of the industry. In this context, the sector was on survival mode in traversing through a volatile business setting. The economic pressures placed significant stress on the MSME sector and many financial institutions responded to support this sector by restructuring facilities and offering concessions / waivers of interest. The import restrictions on vehicles resulted in many financial institutions offering gold based facilities such as pawning and gold loans along with financing for three-wheelers. With the debt restructuring process being finalised, it is encouraging to witness the green shoots of recovery with enhanced foreign investments. Renewed growth aspirations will be an impetus for progress creating an enabling environment for the financial services sector to introduce innovative financial products.

HARNESSING TECHNOLOGY FOR OPERATIONAL EXCELLENCE

Embracing technological innovation has been a cornerstone of our strategy this year. We successfully transitioned to a new core banking system, replacing our outdated legacy infrastructure with a more robust and efficient solution. This upgrade has not only improved data accuracy across our operations but also enhanced the overall efficiency of our services.

Looking ahead, we are committed to advancing our digitalization efforts further, with plans to introduce new digital channels and services that will provide greater convenience and accessibility to our customers. By staying at the forefront of technological advancements, we aim to deliver a superior customer experience and drive operational excellence.

POSITIONING PMF AS A SUSTAINABLY DRIVEN PLAYER IN THE FINANCIAL LANDSCAPE

Sustainability is at the heart of our corporate strategy, and this year, we have made significant strides in embedding sustainable practices across our operations. Our focus has been on integrating environmental, social, and governance (ESG) principles into our business model, ensuring that we contribute positively to the communities we serve while minimizing our environmental impact.

Our initiatives have included promoting energy efficiency within our branches, supporting renewable energy projects through targeted financing, and fostering rural entrepreneurship. By aligning our business practices with sustainable development goals, we are not only enhancing our corporate responsibility but also positioning PMF Finance PLC as a leader in sustainable finance.

EMPOWERING COMMUNITIES THROUGH CUSTOMER VALUE CREATION AND INCLUSIVITY

PMF is positioned to empower communities through value-centric financial solutions which will create a supportive platform for economic growth. Financial literacy and inclusivity have been key areas of focus for us this year. Through our extensive branch network and dedicated staff, we have actively engaged in educating our customers about financial management, helping them navigate the complexities of the financial landscape. Our Navodaya programme, designed to develop entrepreneurial skills among rural communities, has been particularly successful in promoting financial literacy and empowering underserved segments of the population.

In addition, we have introduced gender-based and youth-focused financing solutions, reflecting our commitment to broadening financial inclusivity and

ensuring that all members of society have access to the financial resources they need to succeed.

INVESTING IN OUR PEOPLE: THE FOUNDATION OF OUR SUCCESS

Our employees are our greatest asset, and we remain deeply committed to their development and well-being. Despite the financial constraints imposed by the challenging economic environment, we have ensured that our staff are well-compensated, motivated, and provided with ample opportunities for professional growth.

This year, we have continued to invest in training and development programs, bringing in industry experts to further strengthen our teams. Our focus on employee engagement and retention has paid dividends, with high levels of staff satisfaction and minimal turnover, even as we recruited new talent to drive our strategic initiatives forward.

UPHOLDING THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE

At PMF Finance PLC, we uphold the highest standards of corporate governance, ensuring that our operations are transparent, accountable, and aligned with best practices. This year, we have continued to enhance our governance frameworks, adapting to new regulatory requirements and reinforcing our commitment to ethical business practices while in full conformance to the provisions of the Code of Conduct adopted by the company.

While there were no major changes to our Board or governance structure during the year, we have remained vigilant in our efforts to ensure compliance and maintain the trust of our stakeholders. Our robust governance practices are integral to our long-term success and sustainability.

VISION 2025: CATALYSING OPPORTUNITIES FOR GROWTH

It is certainly encouraging to witness the uptick in the tourism sector with the increased tourist arrival rates. Sri Lanka as a country with its diverse attractions has much to offer and should focus on projecting Sri Lanka to attract increased tourists. The tourism sector will be a platform for greater economic growth paving the way for related industries such as hotels, restaurants and ancillary services to thrive and grow. In this landscape, PMF envisages to provide a supportive role as a catalyst of growth and transformation. We are committed to seeing eye to eye with our stakeholders, striving to understand their needs and align our actions to deliver sustainable growth, transparency and value for all. We believe in placing the stakeholder interests at the fore and seeing eye to eye in all our activities. We hope to provide a supportive role in the country's transformative journey towards revival.

A HEARTFELT THANKS!

In reflecting on this year's accomplishments, I extend my heartfelt gratitude to our Board of Directors for their insightful guidance and unwavering support. I take this opportunity to extend my appreciation to the outgoing CEO, Mr Terrance Kumara for his leadership in navigating a complex and challenging year. I also express my deepest appreciation to our management team for their exceptional leadership and to our employees for their extraordinary dedication and hard work.

Lastly, I want to thank our customers and shareholders for their continued trust and confidence in PMF Finance PLC. Your support is the foundation of our success, and it is with this support that we look forward to a future filled with promise and opportunity.

Thank you for your continued support, and I look forward to achieving even greater success together in the year ahead.

Sincerely,



Chandula Abeywickrema
Chairman

29th August 2024
Colombo



OUTGOING CEO'S MESSAGE

Despite a challenging start to 2023/24, PMF Finance has navigated economic turbulence with strategic resilience. Key achievements include significant financial growth, a strong recovery in the NBFIs sector, and a commitment to sustainability and digital transformation. As we look ahead, we remain optimistic about future opportunities and continued success.

As we reflect on the past year, 2023/24 presented numerous challenges for the Sri Lankan economy, particularly in the first half of 2023. The country faced high inflation, soaring interest rates, and currency instability following the economic collapse of 2022. However, the latter part of 2023 saw a significant turnaround. The government's effective monetary and fiscal policies, under the IMF-led structural reform program, began to take effect, steering the economy towards stability.

ECONOMIC RECOVERY AND MARKET STABILIZATION

Inflation, which had peaked at over 65% in September 2022, declined sharply, returning to single-digit levels by the end of 2023. Similarly, interest rates, which had exceeded 30% at the start of 2023, fell back to more manageable levels following the successful Domestic Debt Optimization (DDO) initiative. The tourism sector rebounded strongly, and inward remittances grew robustly, stabilizing the exchange rate and leading to an 11% appreciation of the Sri Lankan Rupee against the US Dollar. This bolstered confidence in the local currency and the domestic economy.

PRIVATE SECTOR AND NBF I SECTOR PERFORMANCE

With improving economic conditions, private sector credit demand picked up towards the latter part of 2023, ending a prolonged period of monthly contractions and paving the way for a strong revival of the Non-Banking Financial Institution (NBFI) sector. The sector saw growth across key metrics, with sector profitability improving significantly as Profit After Tax (PAT) increased by 51.18% year on year, driven by robust revenue growth across the industry. However, asset quality in the sector deteriorated, as evidenced by a rise in Stage 3 loans, partly due to new reclassification requirements that came into effect in April 2023. These new rules required NBFIs to assess Stage 3 loans

based on 90 days past due, compared to the previous 120 days criterion.

PMF FINANCE PERFORMANCE AND STRATEGIC FOCUS

As economic anxiety eased in the latter half of 2023, we took cautious yet calculated steps to guide PMF Finance back towards normalcy. A renewed focus on our leasing and hire-purchase portfolios resulted in a 39% growth during the financial year 2023/24. Our gold loan and loan portfolios also demonstrated robust performance, achieving growth rates of 23.6% and 24.1%, respectively, despite a contraction in margin trading. These strategic efforts propelled our total lending portfolio to LKR 11.558 Bn, marking a 30.80% increase compared to the previous year.

	Growth in 2023/24
Leasing & Hire purchase portfolios	39.0%
Gold loans	23.6%
Loan portfolio	24.1%
Total lending portfolio	32.3%
Net interest income	46.84%
Net fee and commission income	33.66%
Net operating income	64.9%
Profit after tax	112.5%
Asset base	41.5%
Deposits base	47.0%

Financially, PMF Finance showed strong results despite a volatile market interest rate regime. Net interest income grew by 46.84%, correlating with the growth in our lending portfolio. Additionally, net fee and commission income surged by 33.66%, contributing to a 61.5% increase in total operating income, which reached LKR 1.35 Bn by year-end. However, our NPA ratio rose to 13.33% as of March 2024, up from the previous year's 10.55%. This was primarily due to the Finance Business Act Direction

No. 01 of 2020, which required LFCs to adopt a 90-day past due date for NPL classification from April 1, 2023, instead of the earlier 120-day requirement. To mitigate the risks posed by market conditions and the growth in our lending portfolio, we increased our loan loss provisions by 46.84%.

Throughout the year, PMF Finance's financial performance remained resilient. Net operating income surged by 64.9% to LKR 1.13 Bn, and profit after tax increased by 112.5% to LKR 19.2 Mn. The Group's total assets expanded by 41.5% to LKR 16.3 Bn, driven by growth in loans, receivables, and investments. Despite economic turbulence, our commitment to our customers remained steadfast. By absorbing rising costs in line with the Central Bank's efforts to alleviate financial pressures, we shielded our customers from the immediate impacts of the crisis, fostering a deep bond of trust and loyalty. This support led to a remarkable 47% increase in our deposit base, reaching LKR 11.2 Bn, underscoring the strength of our relationship with stakeholders.

Shareholders' equity remained comfortably above the required statutory minimum threshold, ensuring strong financial stability. Our capitalisation levels were also healthy, with both the Tier I Core Capital Ratio and the Total Capital Ratio standing at 17.92%. These robust financial metrics provide the necessary stability and liquidity to keep us on a steady course throughout our journey.

BRANCH EXPANSION AND NETWORK GROWTH

Under the annual business expansion plan submitted for 2023, we received approval from the Central Bank of Sri Lanka to open five new branches. However, due to stressful economic conditions, the opening of these branches was strategically delayed. The first new branch during the financial year 2023/24 was successfully opened in Narahenpita in August 2023. Additionally,

another two branches were opened in Galle & Chilaw and a location has already finalized to open a new branch in Jaffna.

Looking ahead, the business expansion plan submitted for 2024 has been approved by the Central Bank of Sri Lanka, granting permission to open six more branches in 2024. This will bring the total branch network to 23 by December 2024, including the three branches mentioned above.

These new branches have been strategically planned to tap into business potential and enhance the geographical presence of PMF across all regions of Sri Lanka. Additionally, a key objective of this expansion is to provide more convenient service to our customers.

DIGITAL TRANSFORMATION AND IT INFRASTRUCTURE

At PMF, our digital strategy is designed to enhance agility, resilience, and success in the fast-changing financial landscape. Recognizing that digital agility involves more than just adopting new technologies, we've focused on using them to drive innovation, improve customer experiences, optimize processes, and empower our employees.

As part of our strategic plan to scale up business volumes, we identified limitations in our previous Core Banking System as a significant roadblock since 2019. To address this, we invested in a fully integrated core banking solution during the financial year, transforming our operations and enhancing customer service speed.

We also launched a project to overhaul our IT infrastructure, including establishing a cloud-based data center. This initiative is crucial for supporting our growth, ensuring the security and availability of increasing customer data, and complying with regulations. The project is set to conclude in 2024/25, positioning PMF as a future-ready organization.

Additionally, we're exploring ways to reimagine our traditional branch model, including developing a digital onboarding platform to expand our customer outreach. This initiative is in the early stages and will gain momentum in the coming months.

STRATEGIC PRIORITIES AND SUSTAINABILITY INITIATIVES

Throughout the financial year 2023/24, our strategic priorities were deeply intertwined with our sustainability agenda, focusing on driving sustainable growth, enhancing customer experiences, and reinforcing our operational resilience. In response to the evolving challenges in our local environment, we refined our strategy to be more adaptive and forward-looking, aligning our initiatives with the United Nations Sustainable Development Goals (UNSDGs) to foster long-term success.

Aligned with our commitment to sustainability, we advanced our sustainability agenda through key initiatives across environmental, community, economic, and social spheres.

Economically, we fostered entrepreneurship and job creation by supporting local businesses through our Development Finance arm, which saw our loan portfolio swell to LKR 370 Mn as of March 2024. This support extended to sectors such as agriculture, manufacturing, renewable energy, and food processing, in line with UN SDGs 8 (Decent Work and Economic Growth) and 9 (Industry, Innovation, and Infrastructure).

Environmentally, we reduced our carbon footprint by implementing energy-efficient practices and expanding our use of green energy. Our partnership with Regen Solar to provide rooftop solar facilities for domestic users, set to commence in the financial year 2024/25,

“Throughout the year, PMF Finance’s financial performance remained resilient.”

aligns with SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action).

Socially, we prioritized employee well-being and diversity, which strengthened our workplace culture and inclusivity. Our efforts reflect our commitment to corporate responsibility and promoting inclusive growth. By building people’s financial resilience, we believe we are laying the groundwork for greater financial security and sustainability in the long-term supporting SDG 10 (Reduced Inequalities) and SDG 3 (Good Health and Well-being).

Our strategic initiatives in the environmental, social, and economic spheres have not only mitigated risks but also opened up new opportunities, positioning PMF Finance for sustainable success in the future.

PEOPLE PROPOSITION: PRIORITIZING EMPLOYEE RETENTION, DEVELOPMENT, AND WELL-BEING

In FY 2023/24, PMF Finance focused intensely on managing human resources amid high attrition rates caused by Sri Lanka’s economic downturn. Many employees sought opportunities abroad, prompting us to address these challenges with a coordinated approach.

Our response involved comprehensive measures aimed at strengthening employee engagement, morale, and well-being. We reinforced support mechanisms, enhanced career development opportunities, and improved communication channels to foster a culture of resilience and collaboration. To ensure our staff remained equipped with the necessary skills, we conducted several training programs. Additionally, various staff engagement activities were organized to maintain high morale amidst the challenging environment.

Recognizing the escalating pressures of inflation and increased tax burdens, we conducted a thorough salary survey and revised all existing salary structures, including the minimum salary for new hires. The revised salary structure also enabled us to attract top talent, positioning us for long-term success.

In our pursuit of continuous improvement, we focused on refining our Key Performance Indicators (KPIs) and Performance Management System (PMS) to enhance organizational effectiveness and align employees' efforts with our strategic goals. These tools are critical in fostering a culture of continuous improvement and ensuring that our business objectives are met.

A significant milestone was the promotion of 48 dedicated staff members during the financial year, reflecting their individual contributions and our commitment to nurturing talent within the organization. By recognizing their achievements, we are ensuring that strong successors are in place to lead the company into the future.

BUSINESS OUTLOOK

The business outlook for Sri Lanka is cautiously optimistic as efforts continue to stabilize and grow the economy after recent difficulties. Key factors shaping

this outlook include:

- **Economic Recovery:** Focused on fiscal reforms, debt restructuring, and significant infrastructure investments.
- **Political Stability:** Improved governance and political stability are expected to support economic growth.
- **Opportunities:** Growth is anticipated in sectors such as tourism, agriculture, and technology. International trade and relations will also be crucial.
- **Sustainability and Digital Transformation:** Businesses are likely to prioritize these areas to stay competitive and attract investment.

Although Sri Lanka's economy contracted in 2023, there was a positive shift in the last two quarters of the financial year 2023/24, indicating potential recovery. This improvement in key macroeconomic indicators suggests a recovery trajectory, dependent on the continuation of the IMF program and ongoing reforms.

The foreign exchange crisis of 2022, which caused a significant drop in the Sri Lankan rupee, is easing. Stabilization of the currency has been supported by improved tourism and remittances, helping to control high inflation. By mid-2023, policy rate cuts led to lower market lending rates and a revival in credit demand. The resumption of motor vehicle imports in late 2024 is expected to make the business environment more favorable for Non-Banking Financial Institutions (NBFIs).

Overall, while challenges persist, strategic adaptation and investment in key areas could drive future growth, creating more opportunities for resilient NBFIs in the coming years.

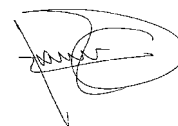
APPRECIATIONS

As I end my tenure as the CEO of PMF Finance PLC, I would like to thank the Chairman and the Board for their confidence in me, and all the employees of the company for their indispensable support in deploying the company's growth strategy under the extremely challenging conditions that prevailed during the financial year.

As always, I am grateful to all customers for their continued trust in the PMF Finance and for partnering with the PMF Finance in its journey. I also wish to acknowledge the support extended by our regulator, the Central Bank of Sri Lanka for guiding the entire financial services sector through a difficult year.

My sincere appreciation also goes out to our business partners and our main shareholder Sterling Capital Investments (Pvt) Ltd, for their continued support and confidence placed in PMF Finance and look forward to redefining financial services through meaningful and sustainable change in the years to come.

As my last act as the CEO, I wish PMF Finance and the Designated CEO, Prof. Ajith Medis all the very best in its future endeavours.



Terrance Kumara
Chief Executive Officer

29th August 2024



INCOMING CEO'S MESSAGE

“As we chart the course for the future, PMF Finance PLC is committed to expanding its impact on the financial industry while staying true to our core values”

FORGING A PATH OF RESILIENCE AND INNOVATION

As I assume the role of CEO at PMF Finance PLC, I am privileged to lead a company that has consistently demonstrated resilience, innovation, and an unwavering commitment to the prosperity of our customers, shareholders, and employees. The financial year 2023/2024 has been a defining period for PMF Finance, as we navigated a challenging economic landscape characterised by volatile interest rates, elevated inflation, and currency fluctuations. Despite these hurdles, the company has not only survived but thrived by embracing opportunities and reinforcing its position as a leader in the financial sector.

Our focus on customer-centric innovation, strategic partnerships, and unwavering support for the SME sector has been instrumental in driving our success. We have expanded our reach, enhanced our service offerings, and solidified our commitment to sustainability, all while maintaining the highest standards of integrity and governance. As we look to the future, we remain dedicated to building on this strong foundation, continuing to deliver value, and driving growth for all our stakeholders.

DRIVING SUCCESS THROUGH COMMITMENT AND CULTURE

PMF Finance PLC has consistently outperformed expectations, even amidst economic challenges.

Our workplace culture plays a vital role in this success, as we prioritise the well-being of our team members and their families. By offering counselling, advice, and a supportive environment, we motivate our employees to balance their professional and personal lives effectively, fostering a sense of loyalty and unity within our organisation.

In a rapidly evolving market landscape, we view challenges as opportunities for growth. Our market is expanding, and we are poised to ascend to new levels of success, aligning our ambitions with

broader industry growth. With a strong deposit base and a growing portfolio, customer confidence in PMF Finance PLC remains steadfast, reflecting our solid reputation and trustworthiness.

Product	Description	Impact
Gold Loans	Bulk borrowing solution for businesses	25% year-on-year growth, LKR 1.2 Bn disbursed
Renewable Energy Loans	Financing for solar power projects, targeting armed forces	500+ applications, significant contribution to sustainability goals
Education Loans	Supporting higher education for students	LKR 500 Mn and 1,000+ students to be supported in the coming year
Guardian Lease Product	2-year warranty on second-hand vehicles through PMF Finance	20% growth in vehicle leasing portfolio is expected in the coming year.

EMPOWERING SMES

At PMF Finance PLC, we recognise the vital role that Small and Medium Enterprises (SMEs) play in the Sri Lankan economy. These enterprises are the backbone of our nation's economic growth, driving innovation, job creation, and resilience. However, SMEs often face significant challenges in accessing the financial resources they need to expand and thrive. In response, we have made it our mission to provide not only financial support but also the advisory services and strategic partnerships necessary to empower these businesses.

This year, our net loans and advances portfolio increased by 34.12% to LKR 11.24 Bn, with substantial growth seen across all core product categories, including leasing, gold loans, and mortgage loans. Our commitment to the SME sector is unwavering, and we continue to dedicate a significant portion of our portfolio to supporting these vital enterprises.

EXPANDING OUR REACH

Building strong and strategic partnerships has been a cornerstone of our growth strategy. In 2023/2024,

we forged key collaborations that expanded our reach, enhanced our service offerings, and positioned us at the forefront of industry innovation. These partnerships are not just about expanding our reach, they are about enhancing the value we offer to our customers.

By collaborating with industry leaders and influencers, we are able to stay ahead of industry trends, offer innovative solutions, and ensure that our customers have access to the best possible services. As we move forward, we will continue to seek out new partnerships that align with our values and strategic goals, ensuring that we remain at the cutting edge of the financial sector.

Accessibility is a key priority for PMF Finance PLC, and in 2023/2024, we took significant steps to expand our branch network and ensure that our services are available to customers across Sri Lanka. We opened new branches in strategically selected locations, with a focus on underserved regions, reinforcing our commitment to being there for our customers, no matter where they are.

This expansion is not just about increasing our physical presence, it is about making it easier for customers to access the financial resources they need to achieve their goals. Whether it is a small business looking for financing to expand operations or an individual seeking a loan to pursue higher education, our expanded branch network ensures that PMF Finance PLC is there to support them every step of the way.

SUPPORTING OUR EMPLOYEES

Our employees are the pillars of our success, and we are deeply committed to supporting them in every way possible. In 2023/2024, we introduced several initiatives aimed at enhancing employee engagement, satisfaction, and retention. Our new incentive schemes, recognition events, and training programs have been met with enthusiastic participation, reflecting our employees' dedication and drive.

We believe that a motivated and engaged workforce is essential to achieving our strategic goals. That is why we have placed a strong emphasis on career development and work-life balance, offering opportunities for professional growth and ensuring that our employees feel valued and supported.

LOOKING AHEAD

As we chart the course for the future, PMF Finance PLC is committed to expanding its impact on the financial industry while staying true to our core values of integrity and customer-centricity. Our strategic focus for the coming year includes strengthening support for SMEs, continuing to innovate our product offerings, and completing the expansion of our branch network. By enhancing our services and accessibility, we aim to foster inclusive growth and empower more individuals and businesses across the country.

A key differentiator for PMF Finance PLC will be the introduction of the "Handing Over" approach, a compassionate alternative to the traditional and often aggressive practice of vehicle seizing. This initiative is designed to provide peace of mind and reshape the public perception of finance companies, setting us apart in the industry.

APPRECIATIONS

In closing, I want to take this opportunity to express my heartfelt appreciation to all those who have contributed to our achievements. With the continued support of our customers, employees, and partners, PMF Finance PLC will continue to thrive and lead the way in the financial sector. Together, we will navigate the opportunities and challenges of the future, building on the strong foundation we have established and forging a path toward greater success.



Prof. Ajith Medis
Designated Chief Executive Officer

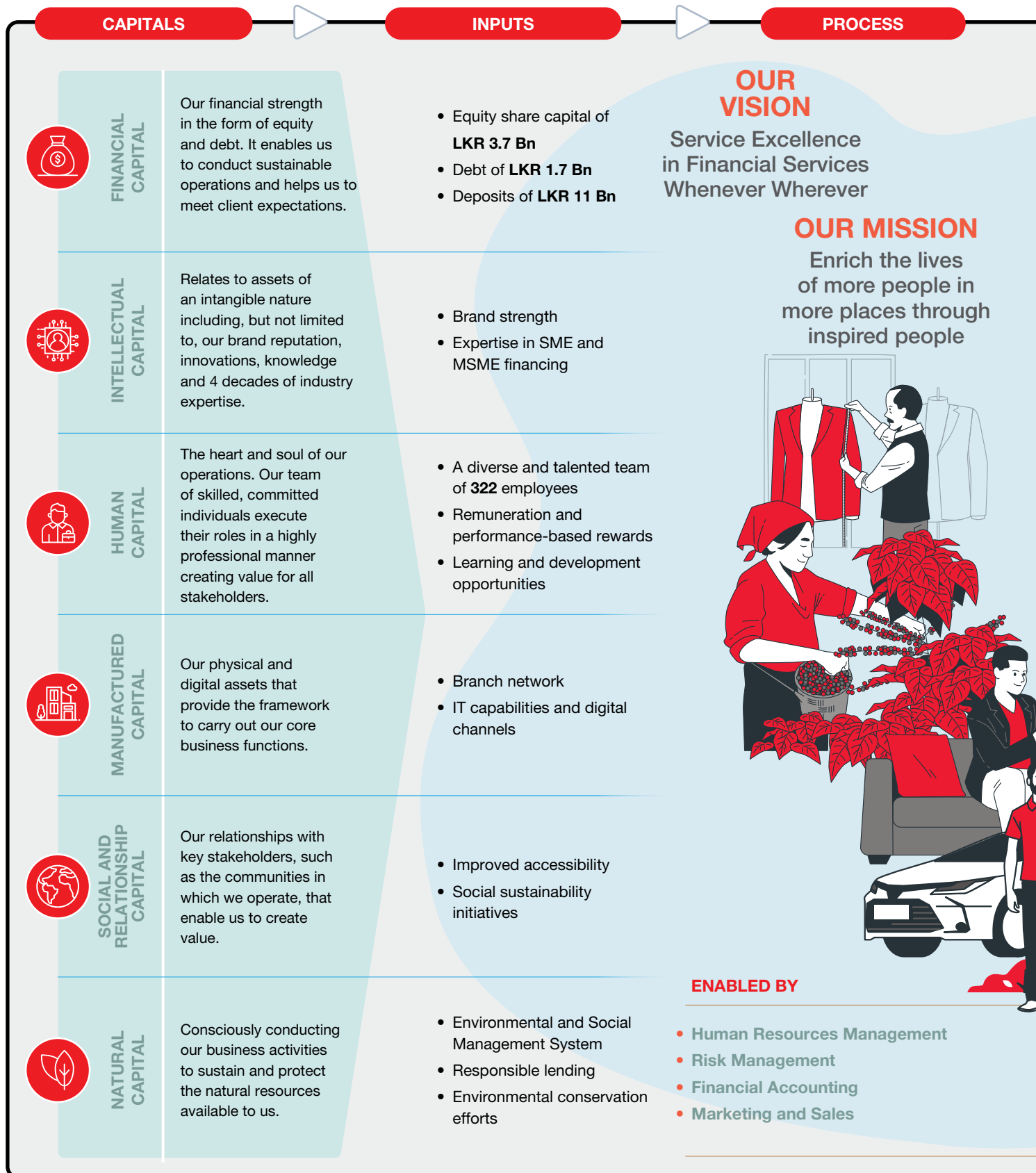
29th August 2024
Colombo



HOW WE CREATE VALUE

With tailored financial solutions and expert guidance, we empower innovators to turn their visions into reality. Together, we're not just building businesses — we're shaping the future.

OUR BUSINESS MODEL



PROCESS

OUTPUTS AND OUTCOMES

PRIMARY ACTIVITIES

- Leasing
- Deposit Mobilization
- Gold Loans
- Term Loans
- Entrepreneur Development Finance
- Mortgage Loan
- Margin Trading
- Real Estate

FINANCIAL CAPITAL

PAT: LKR 19.2 Mn
 ROE: 0.71%
 EPS: LKR. 0.05

INTELLECTUAL CAPITAL

Credit rating:
B+ stable
 by Lanka Rating Agency

HUMAN CAPITAL

Benefits paid:
LKR 254 Mn
 Training hours: **126**
 Staff promotions: **48**

MANUFACTURED CAPITAL

Touchpoints:
16 Branches
Corporate Website
Social Media

SOCIAL AND RELATIONSHIP CAPITAL

Customer base **25,618**
 Investment in social sustainability:
LKR 2 Mn

Shareholders

Sustainable growth
 NAV per share
 Gross dividends

Customers

Operational efficiency
 Customer satisfaction
 Financial security
 Debt moratorium and other concessions for individuals and organisations adversely affected by Covid-19

Employees

Diverse and inclusive organisational culture
 Safe working environment
 Career progression
 Empowerment
 Equal opportunity
 Structured and targeted training

Regulators

Taxes paid LKR 38 Mn
 Compliance with regulatory requirements

Business partners and suppliers

Long term relationships
 Transparency

Funding and network partners

Long term relationships

Communities and environment

Building sustainable livelihoods
 Greater community reach and inclusive financing
 Contribution to SDGs
 Resource stewardship
 Mitigating global warming

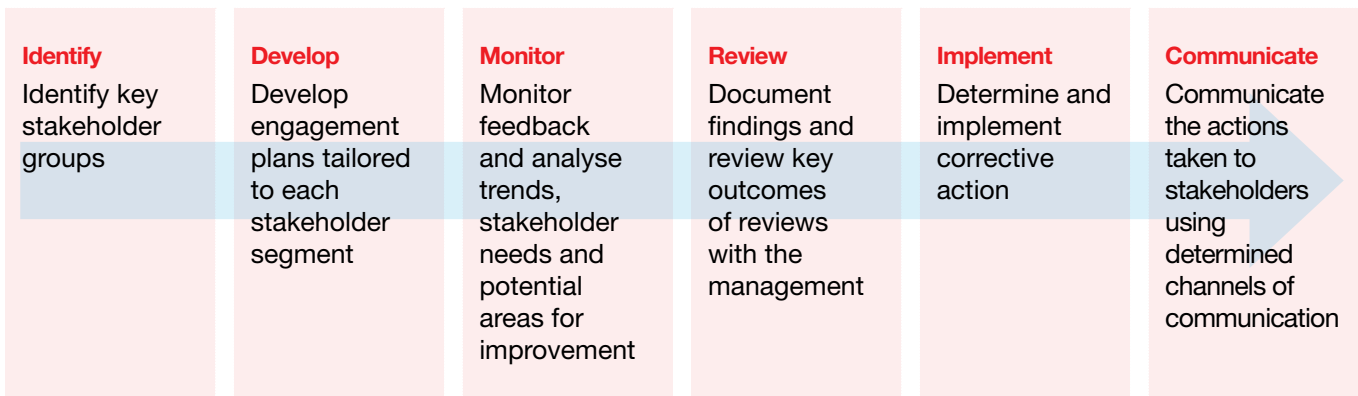
- Product Management
- Relationship Management
- Other Ancillary Services
- Technology Development



STAKEHOLDER ENGAGEMENT

At PMF Finance PLC, we recognise that our success is linked with the interests and well-being of our stakeholders. By maintaining robust and transparent relationships with our customers, employees, business partners, regulatory bodies, and community and environment partners, we ensure that our business practices align with the evolving needs and expectations of those we serve. This continuous interaction enables us to adapt to changing market conditions and contribute meaningfully to socio-economic development.

OUR PROCESS FOR STAKEHOLDER ENGAGEMENT



IDENTIFIED STAKEHOLDER GROUPS



Our approach to engaging with stakeholders is illustrated below:

1. Employees

Objective : To foster an environment that supports both the personal and professional growth of our employees.

Engagement Methods	Discussion Topics	Our Response
Regularly <ul style="list-style-type: none"> Intranet, emails and memos Branch visits Virtual meetings 	<ul style="list-style-type: none"> Structural changes Health and safety at work Skill development Work-life balance 	<ul style="list-style-type: none"> Job security Work-from-home options Online training programs Staff welfare facilities
Monthly <ul style="list-style-type: none"> Management Committee (MC) Meetings 	<ul style="list-style-type: none"> Employee grievances Equal opportunities 	<ul style="list-style-type: none"> Competitive compensation Employee grievance handling
Ongoing <ul style="list-style-type: none"> Welfare Activities 	<ul style="list-style-type: none"> Operational and Performance Issues 	<ul style="list-style-type: none"> Key issues discussed at MC meetings Open door policy
Annually <ul style="list-style-type: none"> Performance appraisals 	<ul style="list-style-type: none"> Company related news Career progression and rewards 	<ul style="list-style-type: none"> Special meetings with senior management
As and when required <ul style="list-style-type: none"> Special management meetings 		<ul style="list-style-type: none"> Annual performance appraisals PMF Staff Welfare Society activities

2. Customers

Objective : To ensure the growth and sustainability of our business by prioritizing our customers' needs and satisfaction.

Engagement Methods	Discussion Topics	Our Response
Constantly <ul style="list-style-type: none"> Call Centre Social Media Corporate Website 	<ul style="list-style-type: none"> Service convenience Interest rates Customer service and experience Operational efficiency 	<ul style="list-style-type: none"> Easy online transactions High engagement on social media platforms
Regularly <ul style="list-style-type: none"> Customer Visits Branch Network 	<ul style="list-style-type: none"> Risk-focused culture Financial inclusion Quick complaint resolution 	

3. Business Partners

Objective : To ensure we receive high-quality equipment and timely support services, enabling us to provide the best service to our customers.

Engagement Methods	Discussion Topics	Our Response
As and when required	<ul style="list-style-type: none"> Fair transactions 	<ul style="list-style-type: none"> Annual Supplier Registration
<ul style="list-style-type: none"> Supplier registrations Tender notices Supplier screening Individual meetings 	<ul style="list-style-type: none"> Transparent bidding processes Timely settlements Competitive advantage Accountability Sustainable and functional supply chain 	<ul style="list-style-type: none"> Clear Procurement Procedures Positive Supplier Relationships Regular Direct Communication Timely Payments Local Sourcing

4. Regulators

Objective : To ensure that PMF's activities align with regulators' goals of strengthening corporate governance and maintaining a robust and efficient financial services system.

Engagement Methods	Discussion Topics	Our Response
Ongoing <ul style="list-style-type: none"> Regular directives and circulars Press releases 	<ul style="list-style-type: none"> Regulatory Compliance Customer Relief Program Good Governance 	<ul style="list-style-type: none"> Adhere to Regulatory Directives Implement Sustainable Practices for Financial Stability
Daily <ul style="list-style-type: none"> Review of new rules and regulations 	<ul style="list-style-type: none"> Ethical Business Model 	<ul style="list-style-type: none"> Provide Timely Regulatory Updates
Quarterly <ul style="list-style-type: none"> Compliance forums, and discussions 	<ul style="list-style-type: none"> Business Transparency 	

5. Investors

Objective : To enhance growth and sustainability by leveraging customer investments and financial support.

Engagement Methods	Discussion Topics	Our Response
Regularly <ul style="list-style-type: none"> Intranet, emails and memos Branch visits Virtual meetings 	<ul style="list-style-type: none"> Return On Investment Company Goodwill Financial Strength Risk Management 	<ul style="list-style-type: none"> Cultivate Profitability, Core Capital, and Transparency Maximize ROI Improve Risk Evaluation and Control
Monthly <ul style="list-style-type: none"> Management Committee Meetings 	<ul style="list-style-type: none"> Sustainable Performance Profitability 	<ul style="list-style-type: none"> Follow Code of Conduct Manage Public Affairs
Ongoing <ul style="list-style-type: none"> Welfare Activities 	<ul style="list-style-type: none"> Board and Management Integrity 	<ul style="list-style-type: none"> Balance Short-Term Profits with Long-Term Growth
Annually <ul style="list-style-type: none"> Performance appraisals 		
As and when required <ul style="list-style-type: none"> Special management meetings 		

6. Community and Environment

Objective : To build positive community relations and promote environmental well-being to support and enhance PMF's business reputation and sustainability efforts.

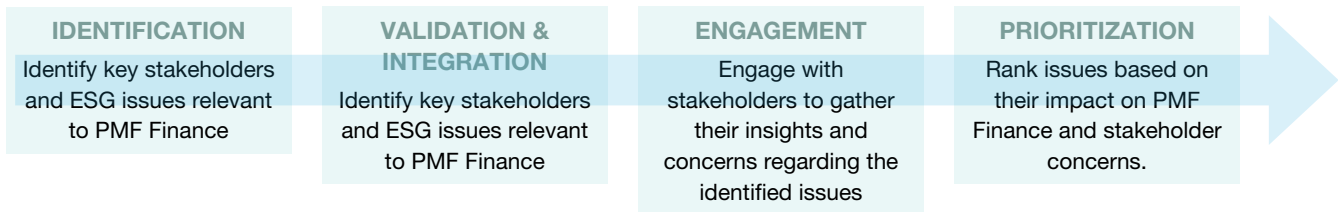
Engagement Methods	Discussion Topics	Our Response
Ongoing <ul style="list-style-type: none"> Media publications Internet, brochures, leaflets and advertisements 	<ul style="list-style-type: none"> Societal Well-Being Social Investment Community Development Employment Opportunities 	<ul style="list-style-type: none"> Improve Community Quality of Life Support Health and Wellbeing Promote Entrepreneurship Economically Empower Women
Annually <ul style="list-style-type: none"> Employee volunteering activities 	<ul style="list-style-type: none"> Resource Efficiency Energy Conservation Environmental Protection Carbon Footprint Reduction 	<ul style="list-style-type: none"> Implement Eco-Friendly Initiatives

At PMF Finance, we prioritize proactive stakeholder engagement to drive sustainable growth and positive impact. Tailoring our engagement strategies to meet diverse stakeholder needs, we strengthen our commitment to ethical practices, community well-being, and environmental stewardship, ensuring a resilient and thriving future.

DETERMINING MATERIAL MATTERS

A materiality assessment is a crucial process for PMF, enabling us to identify and prioritize the issues that matter most to our stakeholders and business. By systematically evaluating these issues, we gain insights into the areas that significantly impact our operations and strategic goals. This assessment guides our sustainability initiatives and ensures that we address the concerns of our stakeholders effectively.




Materiality assessment process



MATERIAL MATTERS

The following material matters significantly influence PMF Finance’s strategic direction, resources, risks, opportunities, and long-term value creation.

Talent Attraction and Retention

Why is it Material?

Attracting the right talent is crucial for our organization because we rely heavily on the skills and performance of our employees to keep and attract customers and to deliver high-quality services.




TOPIC BOUNDARY

Internal:
Employees who are dedicated to the success of our business and align their efforts with our sustainable goals.

External:
We can attract top talent from the community by establishing ourselves as a preferred employer through goodwill and a strong reputation.

Implementation of Topic
Refer, ‘Investing in our People’ on page 54

Innovation and Digitisation

Why is it Material?

From our experiences during recent challenging times, we’ve learned that constant innovation and leveraging digital business methods are crucial for survival.

TOPIC BOUNDARY

Internal:
By adopting new technology to streamline operations, we can enhance our staff’s efficiency and capacity.

External:
Up-to-date technology improves customer service and reduces our carbon footprint.

Entrepreneurship Development



Why is it Material?

We are fostering a culture that values and rewards innovation by encouraging risk-taking, experimentation, and creative thinking, enabling employees to generate new ideas and solutions.



TOPIC BOUNDARY

Internal:

We leverage the innovative spirit of startups with the resources and infrastructure of larger organizations.



External:

Cultivating a culture of intrapreneurship helps large companies remain competitive, adapt to market changes, and deliver value to customers.



Implementation of Topic

Refer, 'Building better communities' on page 64

Reputation and Brand Value



Why is it Material?

Following our rebranding, we recognize that our reputation and brand are crucial to our continued success.



TOPIC BOUNDARY

Internal:

We continuously uphold our company values to enhance and maintain our reputation and brand value.

External:

In a competitive market with similar products offered by other institutions, our brand and reputation are key to gaining a significant advantage.

Implementation of Topic

Refer, 'Enhancing customer experience' on page 60

Responsible Lending



Why is it Material?

Our business growth relies on delivering responsible, transparent, and satisfactory service to customers, making this a high-priority topic.



TOPIC BOUNDARY

Internal:

Training staff to uphold integrity and transparency in all interactions.

External:

Ensuring transparent and fair dealings with all external stakeholders.

Implementation of Topic

Refer, 'Enhancing customer experience' on page 60

Market Presence



Why is it Material?

This topic is crucial as we aim to expand our presence nationwide by establishing branches in every district.



TOPIC BOUNDARY

Internal:

Opening new branches will enhance our coverage and allow us to serve a broader customer base.



External:

Increased accessibility to our services and improved infrastructure in rural areas, along with providing local employment opportunities.

Implementation of Topic

Refer, 'Enhancing customer experience' on page 60

Governance and Regulatory Compliance



Why is it Material?

Ensuring governance and regulatory compliance is vital for maintaining trust, transparency, and accountability, while preventing risks and promoting long-term sustainability.

TOPIC BOUNDARY

Internal:

Employees and management are responsible for adhering to governance policies and regulatory requirements, ensuring the integrity of our operations.

External:

Compliance with external regulations strengthens our reputation, builds stakeholder confidence, and aligns us with national and international legal standards.

Implementation of Topic

Refer, "Corporate Governance Report" on page 79

In conclusion, addressing these material matters is fundamental to our strategic success and long-term sustainability. As we continue to navigate the evolving business landscape, our commitment to these areas will remain central to our growth and resilience.

STRATEGIC PRIORITIES

Our strategic priorities, aligned with the PMF strategy road map's ten high-level intentions, outline the key areas where we will focus our efforts to drive growth, enhance competitive advantage, and ensure long-term sustainability. By concentrating on customer-centric innovation, operational excellence, sustainable growth, talent development, and technological advancement, we respond to the dynamic market environment and evolving stakeholder needs.

This holistic approach ensures we not only achieve our business goals but also contribute to a more sustainable future, revitalizing, repositioning, and reinventing our Company to stay competitive.

OUR VISION

Service Excellence in
Financial Services Wherever Wherever

OUR MISSION

Enrich the lives of more people
in more places through
inspired people

OUR VALUES

Integrity	Respect
Relationships	Community
Pursue Excellence	

	Sustainable Financing	Finance environmentally friendly products and businesses that are sustainable and non-harmful to the environment.
	Sustainable Collaboration	Collaborate with organizations that share similar goals to facilitate innovative technological development and utilization in a sustainable manner.
	Market Opportunities	Identify sectors where PMF can profitably market its core products while promoting financial inclusivity.
	Diversified Business Model	Maintain a diversified business model that effectively contributes to the country's economic needs.
	Compliance Threshold	Establish a new threshold for PMF to meet the ultimate targets of the Central Bank of Sri Lanka's (CBSL) Master Plan for the NBF1 sector within stipulated deadlines.
	Government Goals	Proactively contribute to achieving the development goals of the government.
	Operational Efficiency	Improve internal systems, processes, and resources to deliver financial services more efficiently to a broader audience in more locations.
	Human Resource Productivity	Enhance the HR productivity and retention through advanced training, fair treatment, competitive compensation, and effective recognition.
	Regulatory Compliance	Adhere to the compliance requirements set by authorities and regulators.
	Market Reach	Increase market reach by developing a virtual agent network in the medium term.



GOALS

Develop a diversified portfolio aiming for a five-year Compound Annual Growth Rate (CAGR) of 40% to 50% by FY 2025/26.

Support financial value creation by achieving a profit after tax exceeding LKR 750 Mn by FY 2025/26.

Maintain an asset base exceeding LKR 20 Bn by FY 2024/25.

Maintain a capital conservation buffer of 1% above the minimum Capital Adequacy Requirement (CAR) by FY 2025/26.

WHY GROWTH MATTERS?

Growth is essential for the long-term survival of the business. It enables asset acquisition, attracts new talent, and funds' investments. Additionally, growth drives improved business performance and profitability.

WHY PROFITABILITY MATTERS?

Profitability reflects the company's commitment to performance, revenue growth, and effective expense management. A positive and increasing bottom line allows us to invest in new talent, product development, and operational expansion while generating returns for all stakeholders.

	2023/24 (LKR Mn)	2022/23 (LKR Mn)	Growth %
Deposit Growth	11,238	7,651	47%
Portfolio Growth			
Leasing	6,135	4,408	39%
Gold Loans	2,596	2,099	24%
Total Assets	16,317	11,530	41%

	2023/24 (LKR Mn)	2022/23 (LKR Mn)	Growth %
Interest Income	3,093	2,008	54%
Fee based Income	39.4	29.5	34%

OPERATING LANDSCAPE

Understanding the operating landscape is crucial for aligning our strategies with external conditions, enabling us to maintain resilience, drive growth, and continue delivering value to our stakeholders. This section explores the key factors shaping our business environment.

GLOBAL ECONOMIC HEADWINDS

The year 2023 encountered a complex economic backdrop that significantly influenced businesses across sectors, including the financial services industry. Key trends that emerged during the year had a direct impact on PMF's operations.

Inflationary Pressures: The year began with elevated inflation rates, leading central banks worldwide to adopt a tightening monetary policy stance. While inflation gradually eased in some regions, it remained a persistent concern, impacting consumer spending and business investment.

Interest Rate Hikes: Central banks worldwide implemented interest rate hikes to curb inflation. This had a direct impact on borrowing costs for individuals and businesses, influencing consumer spending, investment decisions, and asset valuations.

Geopolitical Tension: The lingering effects of the COVID-19 pandemic, coupled with geopolitical tensions, resulted in ongoing supply chain disruptions. These disruptions contributed to elevated commodity prices, impacting inflation rates and consumer spending patterns.

Market Volatility: The Economic slowdown in certain regions, coupled with increased uncertainty, also heightened credit risks for financial institutions.

In summary, the global economic environment in 2023 was characterized by volatility and uncertainty. These factors presented both opportunities and challenges for PMF, requiring the bank to adapt its strategies and operations to navigate the evolving landscape.

SRI LANKAN ECONOMIC LANDSCAPE

Sri Lanka's economy in 2023 presented a complex picture, marked by both positive and negative developments. While the country witnessed a contraction in GDP by 2.3% (Source: World Bank Group), inflation remained subdued compared to the global trend.

However, these gains were overshadowed by the lingering effects of the economic and political crisis that erupted in 2022. The crisis resulted in a significant deterioration in living standards for many Sri Lankans, with poverty rates doubling and income inequality widening.

Weakened demand due to the economic contraction and rising poverty levels dampened the need for financial products and services, particularly loan products. Additionally, the deteriorating economic climate and rising Unemployment led to higher credit risks for borrowers.

The Central Bank of Sri Lanka (CBSL) implemented stringent monetary policies to stabilize the economy, including maintaining high interest rates to curb Inflation, which affected borrowing costs for both consumers and businesses. Financial institutions in Sri Lanka, were

under pressure to manage asset quality and capital adequacy amidst a volatile economic environment. The Central Bank of Sri Lanka (CBSL) continued its efforts to strengthen regulatory oversight and ensure the stability of the financial system.

Additionally, the ongoing debt restructuring negotiations with international creditors and the International Monetary Fund (IMF) played a crucial role in shaping the financial landscape, with potential impacts on credit ratings and investor confidence.

Overall, 2023 was a year of cautious optimism for Sri Lankan financial institutions, as they navigated a complex and evolving landscape marked by both risks and opportunities. The sector's ability to adapt to regulatory changes, economic pressures, and technological advancements was key to maintaining stability and supporting the country's broader economic recovery efforts.

IMPACT ON PMF

The combined pressures of a turbulent global economy and a domestic economic crisis posed significant challenges for PMF in 2023. A comprehensive analysis of the external and internal environment is crucial to understanding the full extent of these pressures and their implications for the business.

The subsequent sections depict a SWOT analysis and a PESTLE assessment, providing a deeper understanding of PMF's position within this challenging context.

ANALYSIS OF INTERNAL ENVIRONMENT

The SWOT analysis highlights PMF’s strong foundation and the promising opportunities ahead, while also addressing current challenges. By leveraging strengths and capitalizing on opportunities, PMF is well-positioned to navigate the evolving financial landscape and achieve sustained growth.

<p>STRENGTHS</p> <ul style="list-style-type: none"> ● 41 years of industry expertise with a proven track record. ● Experienced and qualified leadership team. ● Strong brand backed by Sterling Group’s goodwill. ● Consistent financial stability with low NPLs. ● Fresh brand identity through PMF Finance PLC rebranding. ● Dynamic young marketing team to drive the product and services efficiently. 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> ● High attrition in front office and marketing staff. ● Lack of a fully digitized system across the company. ● Limited island-wide coverage. ● Absence of investment-grade credit rating. ● Untapped potential markets. ● Lack of brand image 	<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> ● Increased demand for leasing due to import restrictions on new vehicles. ● Promotion of financial inclusion for lower and middle-income groups. ● Growth potential in the MSME, renewable energy, and construction sectors. ● Untapped gold loan market not fully reached by banks. ● High demand for mortgage loans in the real estate sector. ● Significant demand for working capital financing from the informal sector. 	<p>THREATS</p> <ul style="list-style-type: none"> ● Stiff competition from 30 banks and 34 NBFIs due to vehicle import restrictions. ● Competitors benefit from low-cost funding and refinance schemes, while PMF faces rising benchmark rates. ● Low switching costs for customers due to numerous service providers in the finance sector. ● Policy uncertainty disrupting overall vehicle financing demand. ● Unstable political and economic environment. ● Impact of high government-imposed tax rates.
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ANALYSIS OF EXTERNAL ENVIRONMENT

PESTEL Analysis



The PESTLE analysis for PMF evaluates the macro-environmental factors influencing our business. It explores Political, Economic, Social, Technological, Legal, and Environmental aspects to understand their impact on our operations. This analysis helps PMF navigate external challenges, leverage opportunities, and adapt strategies to ensure sustained growth and competitive advantage.

External Environmental Effect

POLITICAL

- High political volatility causing societal upheaval, rising costs, and disrupted business processes.
- Vehicle import restrictions reducing demand for leasing facilities from NBFIs.
- Taxation changes impacting purchasing power and disposable incomes, leading to lower living standards and business growth.
- Negative growth indicators due to government struggles with IMF demands and debt restructuring.

Impact & Response**Impact on the Company:**

- Disruption to business continuity.
- Key risk exposures: Operational risk, Strategic risk.

Our Response:

- Shifted focus to alternative lending options like Entrepreneur Loans and Gold Loans due to continued vehicle import restrictions impacting the core leasing business.



ECONOMIC

- In 2023, Sri Lanka's GDP contracted by 2.3%, affecting the growth and profitability of the NBFi sector.
- Inflation in 2023 affected PMF's operating costs and potentially eroded consumer purchasing power, impacting demand for financial products.
- Rising interest rates implemented to combat inflation impacted PMF twofold. While increasing net interest margins, borrowing and investments also reduced.
- The World Bank report noted a rise in poverty levels in Sri Lanka. This limited the potential customer base for PMF's financial products and services.
- High government debt potentially led to increased interest rates, affecting borrowing costs.

Impact on the Company:

- Limited credit expansion due to weak market demand.
- Negative impact on Net Interest Income (NII) from frequent and abrupt policy rate hikes.

Our Response:

- Adjusted rates promptly as per ALCO approvals and conducted regular stress testing on asset portfolios, including interest rate shocks.
- To mitigate credit risk, the company diversified its product range, industry sectors, and asset categories.
- Implemented robust credit evaluation and recovery strategies.
- Invested in digital channels to reach a wider customer base and reduce costs.



SOCIAL




- Skilled migration has created a talent shortage, complicating recruitment and retention efforts.
- Consumer demand is shifting toward sustainable, eco-friendly products.
- Social media and digital transactions are creating new opportunities.
- Economic challenges, including goods shortages and hyperinflation, are reducing interest in saving and purchasing vehicles.

Impact on the Company:

- Shifting consumer demand opened new opportunities, and economic challenges reduced consumer spending and vehicle sales.
- Enhanced product development and service delivery informed by customer insights.

Our Response:

- Leveraged social media to engage with customers, address concerns, and identify needs.
- Implemented a transparent, efficient complaint handling process to protect client interests.
- Focused on financial inclusion by offering entrepreneurial loans to rural markets, supporting the rural economy.

	External Environmental Effect	Impact & Response
 <p>TECHNOLOGY</p>	<ul style="list-style-type: none"> ● Global technology trends influence financial services adaptation. ● Embracing digital technologies and contactless transactions post-pandemic. ● Focus on AI, RPA, IoT, Cloud Computing, and Big Data for enhanced convenience and productivity. ● Growing concerns about cybersecurity and data protection. 	<p>Impact on the Company:</p> <ul style="list-style-type: none"> ● Technological advances lower entry barriers and increase competition in individual services. <p>Our Response:</p> <ul style="list-style-type: none"> ● Ongoing employee education to address cybersecurity risks amidst rapid digital migration.
 <p>LEGAL</p>	<ul style="list-style-type: none"> ● Enhanced regulatory requirements in Corporate Governance, Regulatory Capital, Technology Risk Management, and Resilience require structural changes and compliance. ● New directives from regulatory bodies aim to improve governance and sector stability. ● Tax reforms and stricter measures for Non-Banking Financial Institutions (NBFIs) increase compliance demands. 	<p>Impact on the Company:</p> <ul style="list-style-type: none"> ● Increased regulation drives sector evolution alters business models and workflows and necessitates adjustments to various business elements. <p>Our Response:</p> <ul style="list-style-type: none"> ● Strengthened internal control systems with dedicated personnel and independent validations to ensure regulatory compliance and system efficacy.
 <p>ENVIRONMENT</p>	<ul style="list-style-type: none"> ● Rising demand for sustainable financing and green lending (e.g., Solar Power, Electric Vehicles) due to increased customer awareness and climate concerns. ● Urgency for sustainable practices and greener environmental initiatives. ● Opportunities for local and global partnerships to advance eco-friendly and ESG strategies. 	<p>Impact on the Company:</p> <ul style="list-style-type: none"> ● Increased environmental consciousness opens opportunities for sustainable products and services while elevating pressure for transparency and environmental impact disclosures. <p>Our Response:</p> <ul style="list-style-type: none"> ● Regularly evaluate product and sectoral alignment with environmental factors and risk profiles. ● Implement cost-effective, paperless initiatives to reduce the company's carbon footprint and support ecosystem preservation. ● Introduction of Renewable Energy Finance Scheme.

RISKS AND OPPORTUNITIES

Our Integrated Risk Management Framework (IRMF) provides the governance structure and approach to identify, assess, and manage risks across the company, coupled with a transparent risk appetite in line with our strategy. Risk management at PMF adopts a top-down approach, with a Board approved risk appetite statement, set up with internal limits conforming to regulatory guidelines and overall risk strategy. The Board fulfils its risk management function through the Board Integrated

Risk Management Committee (BIRMC) which defines risk appetite statements at functional and enterprise levels, oversees and reviews risk management structures. This assists to have enhanced risk awareness, risk communication, risk based proactive decision-making processes while mitigating the potential risk events beforehand.

Our risk governance structure defines;

- the risk management responsibilities of each business unit owning and

managing the risk (1st line of defence)

- overseeing the risk management and compliance function (2nd line of defence)
- providing independent assurance on the quality and effectiveness of risk management and internal controls (3rd line of defence).



We strongly believe that all measures support us to nurture a strong compliance culture, safeguard the interests of all stakeholders and ensure long-term sustainability in order to remain unblemished in the industry into the foreseeable future. We always strive for zero or minimal residual risk by ensuring an effective governance and risk management framework under a highly volatile evolving external environment.

PMF's risk universe and risk management focus broadened to a level allowing to include emerging risks such as cybersecurity, data security, data confidentiality and fraud by strengthening the Risk Management framework and having controls for the aforesaid in the risk appetite statement which is reviewed periodically to reflect the futuristic approach. While achieving our strategic objectives, we consider it

pivotal to have stringent adherence to evolving regulatory requirements and the status of this is reflected in our Corporate Governance section of this Annual Report.

EVOLVEMENT OF MAJOR RISKS

The uncertainty and turbulence of the macro-economic environment leading to continuous restrictions being placed on importation of automobiles

and its related accessories, was a significant risk, exposing the company predominantly towards elevated levels of Business Risk. The periodical review of the Risk Management Policy Framework and Appetite Statements established better controls and well assessed limits and parameters which reflect and measure the exposure to main risk types including emerging risks. Providing early warning signals was extremely important to be prepared for such risks and ensure resilient and sustainable growth.

INTEGRATED RISK MANAGEMENT FRAMEWORK (IRMF) AND GOVERNANCE CULTURE

PMF maintains a risk-based culture that fosters long-term value for customers and stakeholders. This involves open communication and accountability at all levels, promoting a proactive approach to risk management, encouraging

continuous improvement, aligning risk objectives with business goals, and ensuring transparency in decision-making processes. This strong risk culture is applicable across all staff and across all mechanisms. The risk register is updated while recording new risk events coupled with risk responses along with time bound action plans from the risk owners creating higher levels of assurance and visibility about potential risks and providing clarity on risk identification and mitigation. Further, an incident reporting framework was incorporated to the IRMF to capture the negative impact on the company performance in the form of direct costs to record risk events in addition to recording all risk events in the Risk register in which indirect costs or their combination that the company may be impacted and arisen mainly through operational risk.

Corporate governance of PMF is essentially effective to fulfil its purpose and execute its strategy. The Board reviews and refines its corporate governance framework and practices coupled with the regulatory changes, evolving stakeholder expectations, and the dynamic environment in which the Company operates. The Corporate Governance section elaborates the key aspects of the governance arrangements and extent of compliance to the internal and external rules and regulations.

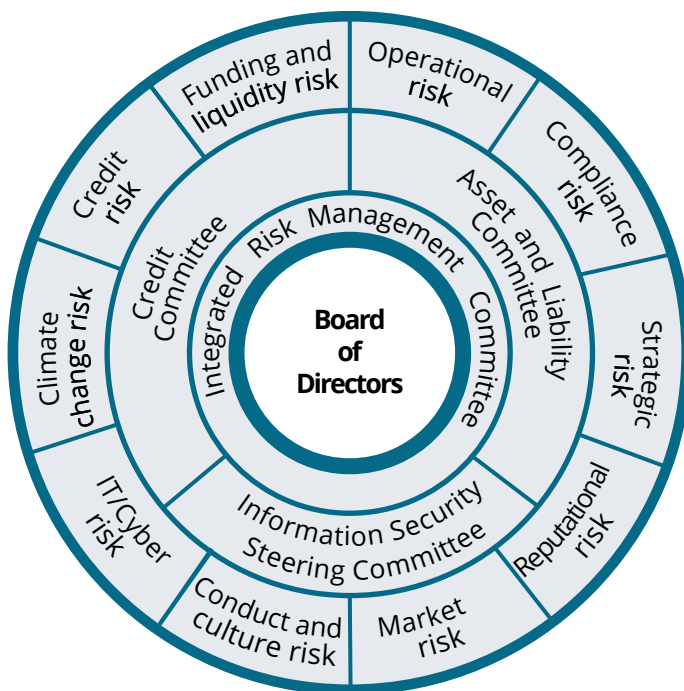
The Board Integrated Risk Management Committee (BIRMC) is responsible for developing and monitoring the Company’s risk management policies which are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the activities of the Company. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities in growing business and managing risk.

The risk universe of the PMF covers main risk types which are credit risk, liquidity risk, market risk, capital risk and operational risk (IT risk, strategic risk, reputational risk & compliance risk).

CREDIT RISK

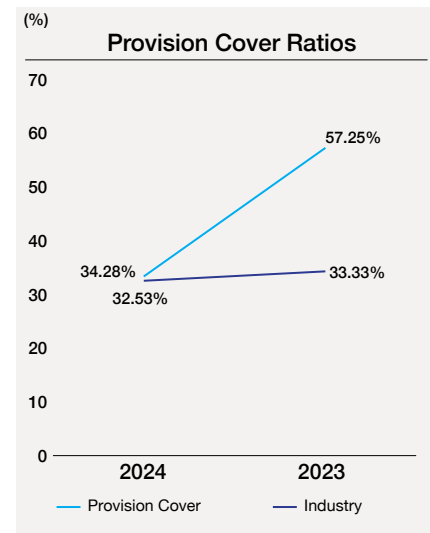
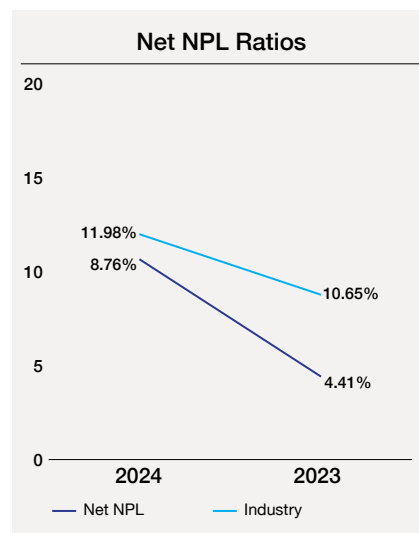
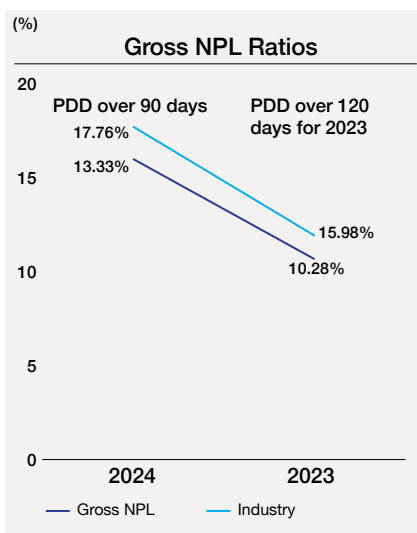
Credit risk is the possible financial loss to the Company due to the failure to meet its contractual obligations and arises principally from the Company’s loans and receivables to customers and other banks, and investments in debt securities.



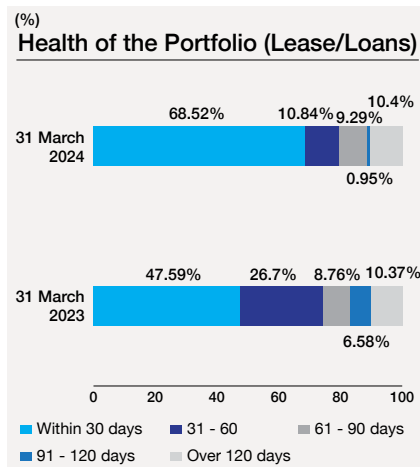
Disruptions in economic activities increase default rates. Increased inflation affects the repayment capability of borrowers, specially individuals and corporates who are exposed to risk elevated industries. Interest rates, regulatory changes, and collateral values also influence credit risk.

Risk Appetite Criteria	Appetite (PMF)	Regulatory Limits	Status	
			As at 31st March 2024	As at 31st March 2023
Credit Risk				
Non-performing loans ratio – Gross	17.76%	N/A	13.33% (PDD over 90 days)	10.28% (PDD over 120 days)
Non-performing loans ratio – Net	11.98%	N/A	8.76%	4.28%
Maximum exposure to single borrower – secured - Individual		15% of capital funds	12.99%	12.46%
Maximum exposure to single borrower – secured - Group		20% of capital funds	12.99%	12.46%
Maximum exposure to single borrower – unsecured – Individual		1% of capital funds	Nil	Nil
Maximum exposure to unsecured financing in aggregate		5% of capital funds	Nil	Nil
Non-Performing Loan provision coverage ratio	32.53%	N/A	34.28%	57.25%
Sector Concentration Highest Exposure to sector (Lease/Loan)	25% of portfolio	N/A		23.43% (Wholesale and retail trade)

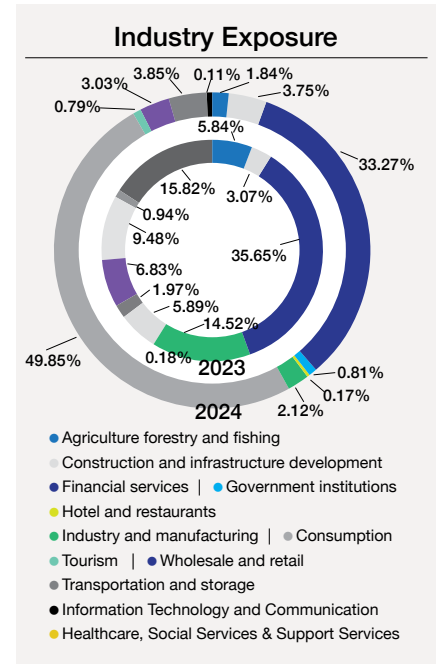
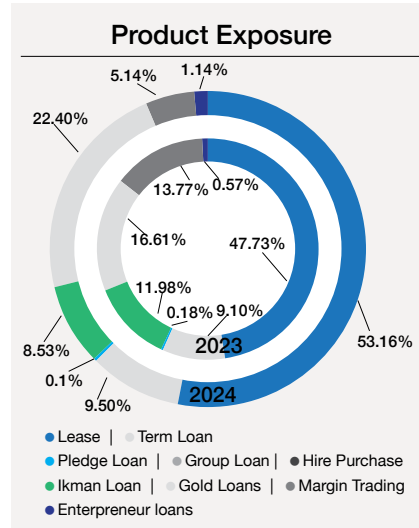
The credit disbursements to clients and the progress of collections are monitored on a periodical basis. The above exposure levels are reported on a monthly basis to the Board in addition to reporting to the BIRMC.



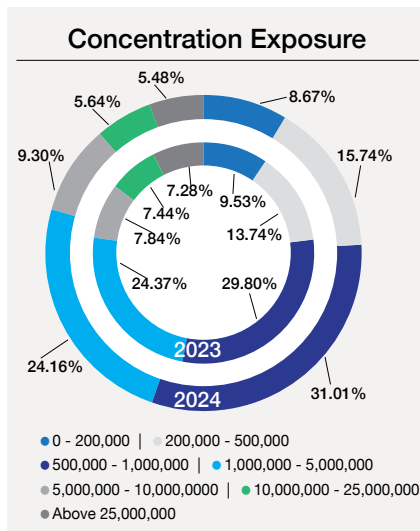
LEASE/LOANS - AGE BUCKET MOVEMENT OF THE PORTFOLIO (HEALTH OF THE PORTFOLIO)



INDUSTRY EXPOSURE (LEASE AND LOANS)



ASSESSING CONCENTRATION RISK



Sector	2024	2023
Agriculture forestry and fishing	1.84%	5.84%
Construction and infrastructure development	3.75%	3.07%
Financial services	33.27%	35.65%
Government institutions	0.81%	0.00%
Hotel and restaurants	0.17%	0.00%
Industry and manufacturing	2.12%	14.52%
Consumption	49.85%	5.89%
Tourism	0.79%	1.97%
Wholesale and retail	3.03%	6.83%
Transportation and storage	3.85%	9.48%
Information Technology and Communication	0.11%	0.94%
Healthcare, Social Services & Support Services	0.41%	15.82%
	100.00%	100.00%

LIQUIDITY RISK

The Company kept a healthy amount of liquidity throughout the year in order to meet the unforeseen funding requirements that may arise through significant withdrawals of client deposits. However, withdrawals were not high as envisaged, evidencing the trust placed on the PMF's unblemished

stability. The liquidity buffer maintained by the Company was notable even under a pandemic situation. The Risk Management Department prepared a comprehensive cash flow analysis to assess the impact on cash flows under stressed conditions based on several plausible scenarios. The key observations made on the scenario analysis were presented to the BIRMC.

Risk Appetite Criteria	Regulatory Limits
Liquidity Risk	FY 2023/24 & FY 2022/23
Liquid assets ratio	Fixed Deposits - 10% Savings Deposits -15% Unsecured Borrowings -10%

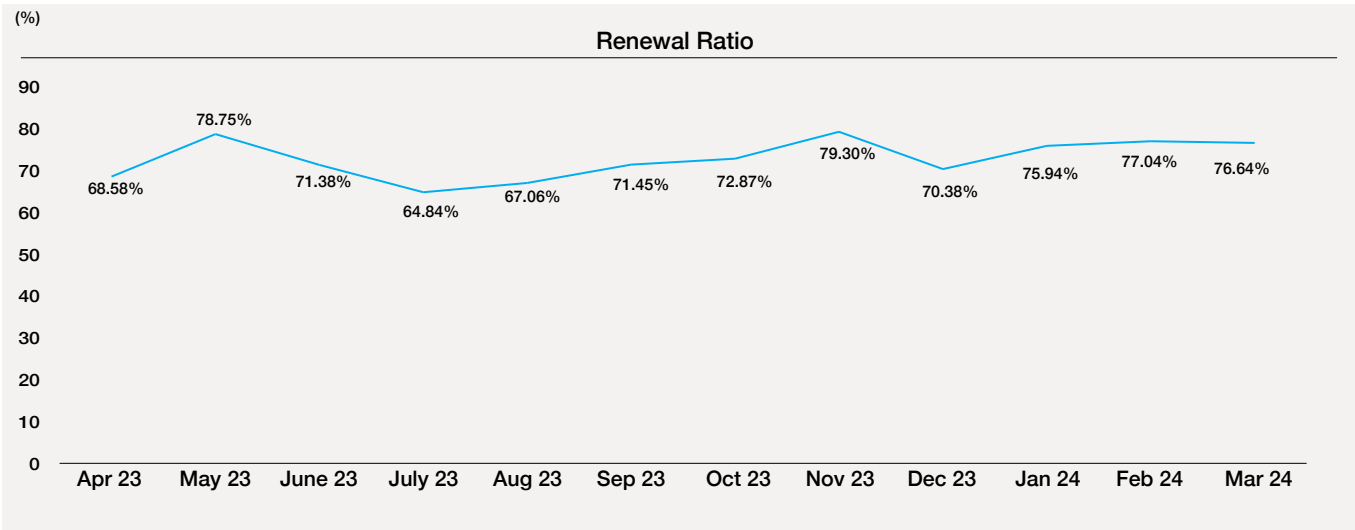
As per the Risk Appetite of the Company and the Direction No. 4 of 2013 of the Central Bank of Sri Lanka and its subsequent amendments, it is required to maintain a minimum holding of liquid assets in the above manner.

	2024	2023
	LKR 000	LKR 000
Required minimum amount of liquid assets	1,127,862	770,687
Total liquid assets	3,282,885	1,825,677
Excess liquidity	2,155,023	1,054,990
PMF maintained a total Liquid Assets to total Deposit Liabilities ratio of 29.21% for the FY ended 31 March 2024		
Total Deposit Liability	11,238,015	7,651,122
	29.21%	25.08%

STRESS TESTING

Scenario analysis

	31-Mar-24	Scenario I	Scenario II	Scenario III
Deposit value, March/2024	11,238			
Shock on the Deposit base (outflow)		5.00%	10.00%	15.00%
		562	1,120	1,680
Current liquidity (as per CBSL reporting)	1,689			
Liquidity position with the impact of the scenarios		1,127	569	9
Required Minimum Amount of Liquid Assets (CBSL requirement)	1,128	1,072	1,016	960
Excess liquidity as per CBSL	561	55	(447)	(951)
Unit Trust Investment	572			
Actual Liquidity (including the unit trust investments)	2,261			
Actual Liquidity position with the impact of the scenarios	2,261	1,699	1,141	581
Actual Excess liquidity		627	125	(379)
Regulatory liquidity (As per the Direction No. 3 of 2021, Amendments to Directions on Liquid assets)				
- 10% of the total outstanding value of the time deposits (including the accrued interest) and face value of the non-transferable certificates of deposits				
- 15% of the total outstanding value of the savings deposits (including the accrued interest).				
- 10% of the total outstanding borrowings and any other payables determined by the Director-NBFI.				



The Company was able to maintain a monthly average deposit renewal ratio of over 76.64% as at 31st March 2024.

MARKET RISK

Market risk stems from the possible losses due to market related variables like interest rates, exchange rates, equity prices and commodity prices, out of which interest rate risk and commodity prices risk are significant to PMF. More on the market risk of PMF has been addressed under the caption “Summary

of Key Risks and mitigation strategies with forward looking approach”.

- Interest Rate Risk;

The ceiling rates on deposits pegged with the moving averages of the weighted average auction treasury bill rate moved to higher interest rates regimes during the FY 2022/23. These changes impacted the NII during the financial year. ALCO is responsible for Asset & Liability Management including the assessing the interest rate maintenance of the Company.

- Commodity Price Risk;

The global price for gold faced wide fluctuations during the year under review owing to factors such as world economic downturns, restriction on importation of gold, the US presidential elections, movements of the Fed rates (US policy rates), war between the Russia and Ukraine, demand and supply movements etc. The Company expects to change its strategies to move from short term concentration to long term tenors and have products with attractive features in order to mitigate this risk.



PMF has assessed the market value of the gold loan portfolio and identified potential deterioration of the margin of safety based on the changes in the prices and the carat values individually or coupled together and, losses incurred / gains secured that might have occurred with a 10% possible shock on the market value at the end of the financial years. Depicted below are the values assessed accordingly.

As at 31st March	2024	2023
Shock Levels	Impact on market value	Impact on market value
	Rs.'000	Rs.'000
10% shock (Increase)	349,143.74	294,969.80
10% shock (Decrease)	(349,143.74)	(294,969.80)

Note: Prices of 22 carat gold were considered as Rs. 171,450 and Rs. 168,200 at the FY 2023/24 and 2022/2023 respectively.

- Equity price risk;

Equity price risks arise due to the fluctuations in market prices of individual stocks and management performs mark-to-market analysis on a weekly basis for its trading portfolio. Trading is made at the right times and the impact is assessed accordingly. Further the economic fallout of the share market due to economic turbulences and post COVID-19 pandemic resulted in significant but dynamic momentums in share market indexes and management monitors the equity price movements on a regular basis.

	2024	2023
	Rs. '000	Rs. '000
Market value of quoted equity instruments as at 31 March	4,309.21	5,579.19

EQUITY PRICE SENSITIVITY

The Company has assessed the market value of the equity portfolio and identified potential losses/gains that might have occurred with a 10% possible shock on the market value at the end of the financial years and depicted below are the values assessed accordingly.

As at 31st March	2024	2023
Shock Levels	Impact on market value	Impact on market value
	Rs.'000	Rs.'000
10% shock (Increase)	430.92	557.92
10% shock (Decrease)	(430.92)	(557.92)

Further the company is engaged in the margin trading businesses and the client positions are assessed against the regulatory (SEC & CBSL) and internal limits in which positions are sensitive to the equity price movements.

CAPITAL RISK

The core capital represents the permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses and the total capital includes the revaluation reserves, general provisions/impairment allowances and unsecured subordinated debts, in addition to the core capital. The risk-weighted assets have been calculated by multiplying the value of each category of asset using the respective risk weight specified by the Central Bank of Sri Lanka for credit risk while the basic indicator approach is used for operational risk.

Stress testing on Capital Adequacy

Based 31st March 2024 (Audited Financials)

Position of Core Capital

	Actual	Scenario I	Scenario II	Scenario III
Stressed scenarios		5.00%	10.00%	15.00%
Additional NPL on stressed scenarios	13.35%	14.48%	15.41%	16.33%
Impact from borrower defaults in possible risk (30 to 90 NDIA)	1,563.07	1,669.82	1,776.57	1,883.33
Credit Risk				
Impairment on stressed NPLs @ 1 : 5		(21.35)	(42.70)	(64.05)
Operational risk		(31.72)	(63.44)	(95.16)
Interest rate risk (Net Interest income method)				
Immediate impacts from the portfolio (One month) - Change in interest rates		1%	2%	3%
Investment portfolio	905.14	(0.75)	(1.51)	(2.26)
Margin trading portfolio	584.80	(0.49)	(0.97)	(1.46)
Gold loan portfolio	1,603.07	(1.34)	(2.67)	(4.01)
		(2.58)	(5.16)	(7.73)
Fixed Deposit portfolio (Assumed renewal ratio: 70%)	1,122.15	0.94	1.87	2.81
Rate sensitive Bank borrowings	1,532.67	1.28	2.55	3.83
		2.21	4.42	6.64
Impact from net interest income		(0.37)	(0.73)	(1.10)
Total impact		(53.44)	(106.87)	(160.31)
Stated Capital	3,762.05	3,762.05	3,762.05	3,762.05
Statutory Reserve Fund	75.37	75.37	75.37	75.37
Retained Profit/(loss)	(1,114.08)	(1,167.51)	(1,274.39)	(1,434.70)
Core Capital Adjusted	2,723.35	2,669.91	2,563.04	2,402.73
Risk weighted assets	14,265.99	15,691.01	16,127.62	17,374.22
Total Capital (Ratio, Regulatory Limit: 12.50%)	17.92%	17.02%	15.89%	13.83%

Risk Appetite Criteria	Regulatory Limit	Status	
		As at 31st March 2024	As at 31st March 2023
Capital Adequacy			
Core capital ratio (CCR)	8.50%	17.92%	26.76%
Total risk weighted capital ratio (TRWCR)	12.50%	17.92%	26.76%

OPERATIONAL RISK

“Operational risk” refers to the possible direct or indirect losses due to the failures of processes, personnel, technology and infrastructure, and from external factors. Operational risks arise from all of the Company’s operations.

The Company has taken measures to mitigate the operational risk in the following manner.

- Appropriate segregation of duties, including the independent authorisation of transactions
- Reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Development of contingency plans
- Training and professional development
- Risk mitigation, including insurance where this is cost effective

The Company is highly focused on managing credit, liquidity, market, reputational, and operational risks. IT risks and cyber security are high priorities

specially during this period where PMF has taken long strides in digitalization while making sure to strengthen systems and controls in order to manage cyber risks. Concerns over money laundering, terrorism financing, fraud, and corruption are growing and PMF has subscribed for World-check name screening solution which is a fully-fledged automated system managed by Thomson Reuters. Every on-boarded client is screened with this effective from 1st July 2021 in addition to batchwise screening process made to the existing client base. Our compliance team has ensured that all our regulatory obligations in this regard too.

The Company has taken many initiatives to maintain the health of the new portfolio disbursed from the calendar year 2020 during which a new management started steering the journey of PMF. In addition to a skilled force of internal employees engaged in collection and recovery efforts, the Company has outsourced external parties backed with properly signed NDAs to optimise operational efficiency in collection and recovery with a target of zero NPL contribution from the new portfolio.

THE IMPACT OF DEVELOPING ECONOMIC TURBULENCES

The most significant risk event faced by all the corporates in the FY 2022/23, was the economic and social impact of the developing economic turbulences. The pandemic-induced global economic downturn had a cascading effect on

the Sri Lankan economy too causing some major challenges amidst dwindling export markets and severe disruptions in global trade activity. This has led to muted loan growth. Having understood the extrapolatory behaviours of the market drivers, PMF keeps vigilance continuously to monitor the behaviour of its clients and stakeholders in responding to the challenges over the coming months. The management is focused on maintaining the integrity of the balance sheet through continuous oversight of credit, liquidity, interest rate and capital risk while performing periodical stress testing and scenario analysis.

SUMMARY OF KEY RISKS AND MITIGATION STRATEGIES WITH FORWARD LOOKING APPROACH:**Credit risk**

Losses arising from the failure of obligors to meet their financial or contractual obligations when due.

During the FY 2023/24

PMF managed to maintain the NPL position at 13.33% (FY 2022/23- 10.28%) against the industry ratio of 17.76% as at 31st March 2024 (Industry average as at 31st March 2023: 15.98%). Despite the turbulent and challenging volatile environmental conditions arising from the stressful situations following the developing economic turbulences, many strategies were implemented to maintain NPLs at healthy levels. Periodic reporting and early warning signals provided to the recovery and credit staff were vital in establishing proactive behaviour. The collection ratios, branch-wise and officer-wise NPL positions, sector exposures were monitored with high priority and a daily / monthly monitoring mechanisms were put in place by the Risk and MIS team to provide early warning signals to the management and to the Board.

Focus points

PMF continues to have healthy manageable level of credit risk measured with risk parameters embedded in the risk appetite levels and to minimize their potential impact while adhering to the regulatory measures safeguarding all stakeholder interest.

The Risk Appetite Statement (RAS) is to be reviewed in a more frequent manner to tackle with prevailing and future unforeseen risk events in a proactive manner.

Further, under the digitalization platform, the company expects to have better quality informed risk events to respond the vulnerabilities in a forward-looking approach.

Market risk

The risk of losses arising from a change caused by adverse movements in market interest rates, commodity prices, equity prices, and currency exchange rates.

PMF was able to maintain healthy margins throughout the year by having an optimum balance in the asset mix. Analysis of maturity mismatches, concentration on customer segments and stress testing and scenario testing were conducted and the outcomes were presented at monthly Board meetings, periodical BIRMC meetings and ALCO. Further at monthly ALCO meetings, interest rates predictions (budgeted rates), variance analysis, margins, asset liability composition, weighted average rates etc. were reviewed. Gold prices were monitored on a daily basis and achievements considering the budgeted versus net achievements were assessed.

Conducting portfolio analysis specially in terms of interest rates which would be challenging in the future with the upcoming market conditions.
Setting optimum advances (Gold) to minimise market risk.

Monitoring and managing possible elements of the market risk in the market environment.

Monitoring future market momentum in the macro environment.

Gold price movements and trend analyses were tabled for monthly Board meetings in addition to periodical revaluations at IRMC.

Liquidity risk

Failure to maintain or generate sufficient cash resources to meet day-to-day obligations

PMF honoured all obligatory payments on time even during the challenging period.

Liquidity stress testing was performed under different scenarios from lower to the worst-case scenarios and breakeven positions were identified. Company has liquidity contingency plans too in place.

A monthly ALCO meeting was conducted focusing mainly on cash flow predictions to assess the Company's overall positions.

Maintaining healthy cash flows and additional buffers early while identifying early warning signals and meeting liquidity requirements.

Investing in high yielding marketable assets while meeting required liquidity level and meeting appropriate diversification strategies, tenor of funding and liquidity. Conducting cash flow predictions/liquidity stress testing in order to meet unforeseen events.

Operational risk

The risk of losses resulting from inadequacy of, or failure in internal processes or events including internal frauds processes or events including internal fraud, external fraud, employment practices and workplace safety, clients, products, business practices, damage to physical assets, business disruption and systems failures, execution, delivery, and process management.

Onboarding customers with due identification requirements (KYC) in line with FTRA.

Placing more emphasis on the IT security with the digitalization framework.

Conducting and assessing clients using a credit risk score card (CRSC) in terms of 5Cs (Character, Capacity, Capital, Condition and Collateral) and rate the clients based on the score achieved in CRSC. Making proper induction programs for new recruits with special emphasis on the cyber security.

Enhancing IT governance framework.

Keeping well planned BCP infrastructure arrangements and performing BCP drills to check the adequacy of contingency arrangements.

Further, PMF was able to identify the gaps and the processes were re-engineered by formulating numerous policies and procedures including but not limited to the Credit risk, market risk, Compliance risk, Reputational risk.

Conducting frequent vulnerability assessments and penetration testing to ensure that the systems are resilient to cyber-attacks.

PMF has also taken several measures to maintain the gold quality standards.

As specified in the early part of the risk management report, PMF has reviewed the Risk Appetite & Strategy (RAS) meeting the current requirements and market norms in order to generate early warning signals.

Operational risk - IT Risk

Any threat to the business data, critical systems and business processes. It is the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an organisation.

Under the digitization platform, PMF is in the process of implementing the core application and other supporting systems for all products.

Under the digitization platform of the strategic plan, PMF is in the process of implementing a new core application system making special emphasis on the future trends in the cyber security.

Enabled work from home arrangements to prepare for the unforeseen operational events to smoothen the process without any interruptions to the business.

PMF aims to develop a new BCP framework with the physical move to the new business place considering all infrastructure and layout arrangements.

IT security policy was reviewed and growing trends and concerns in the cyber security environment were incorporated.

With the new technological advancements, PMF would focus on a more secure environment for working from home conditions to ensure better customer service.

Operational risk - Strategic Risk

This is the risk that the future business plans and strategies are inadequate to prevent financial losses or protect the Company's competitive position and shareholder returns.

PMF has prepared a 4-year Strategic Plan spanning till the calendar year 2024 and the budget reflecting the current environment.

The company is focused on considering the recent developments in the market environment and reflecting the same in the budgetary adjustments.

Variance analysis was performed with the actual achievements vs budgeted values.

The Company intends to focus on the principles and procedures of the Code to develop a sustainable business environment and other sustainability reporting aspects for qualitative reporting.

Operational risk - Reputational risk

Damage to the Company's image due to potential or actual events which may impair the profitability and/or sustainability of business.

Adhered to 'Work from Home' contingency plan with the current environmental changes.

Client complaint handling mechanism would be digitalized.

All moratorium requests which were under Company has developed a Board approved Complaints handling policy.

Operational risk - Compliance risk

The risk of legal or regulatory sanction, financial losses, or damage to reputation the Company may suffer as a result of its failure to comply with laws, regulations, codes of conduct, and standards

Maintained the Compliance Manual by updating the same with new and subsequent changes to the register.

PMF has subscribed for the World-check name screening solution which is a fully-fledged automated system managed by Thomson Reuters. Every client being onboarded is screened with this effective from 1st July 2021 in addition to batchwise screening process made to the existing client base.

All staff members have been made aware of Compliance including Anti Money Laundering aspects.

Continuous transaction monitoring was carried out in order to identify unusual and suspicious transactions.

Corporate Governance Framework was strengthened.

Formulated policies and procedures in order to maintain a compliance culture.



**TOWARDS A
SUSTAINABLE
FUTURE**

We are committed to fueling growth. By providing access to capital, resources, and networks, we help entrepreneurs overcome challenges and achieve their ambitions.

DRIVING SUSTAINABLE RETURNS



Overview

Despite a turbulent year characterised by volatile interest rates, elevated inflation levels, currency fluctuation, and economic uncertainty, PMF Finance recorded a profit of LKR 19.2 Mn, reaffirming its commitment to shareholder value.

Amidst challenges encountered due to the volatile economic environment and weak credit appetite from the market, PMF continued to demonstrate resilience and agility. This year, our focus was directed towards portfolio quality, responding to changing customer preferences and maintaining healthy liquidity and capital levels.

	Profit/(Loss) After Tax LKR Mn	Interest bearing Borrowings LKR Mn	Customer Deposits LKR Mn	Total shareholder funds LKR Mn
2023/24	19.26	1,741.72	11,238.02	2,723.35
2022/23	(153.78)	854.92	7,651.12	2,710.95

ANALYSIS OF THE STATEMENT OF PROFIT OR LOSS

Net interest income

Interest income, which accounted for 92% of the gross income of LKR 3,345 Mn, grew by 54% to LKR 3,092 Mn for the year from LKR 2,008 Mn reported in the financial year 2022/23. The main segment contributing to interest income was lease and loan receivables accounting for 83.89% of the total interest income followed by interest income generated from placements with

banks and financial institutions and unit trust investments.

Interest expenses, which accounted for 64% of the interest income, increased to LKR 1,988 Mn during the year from LKR 1,255 Mn reported in 2022/23. The change in the composition of the deposit portfolio, coupled with the highly volatile interest rate regime that prevailed for most of the financial year, contributed to higher interest expenses. The Company recorded a 47% year-on-year growth in its overall term deposit and 44% growth in its savings portfolio.

The net interest income improved to LKR 1,105 Mn from LKR 752 Mn reported in 2022/23, recording a growth of 46.84%, accounting for 81.39% of the total operating income. The net interest margin reported an increase of 248 bps to 11.26% from 8.78% reported in 2022/23.

Fee-based income

Net fee and commission income, comprising fees related to loans and advances and insurance-related services, increased to LKR 39.5 Mn in 2023/24 from LKR 29.52 Mn reported in 2022/23. This year-on-year growth was driven by a substantial increase in fee-based revenue generated from lending-related transactions.

Other income

The total other income of the Company amounted to LKR 81.83 Mn for the financial year compared to LKR 27.12 Mn reported in 2022/23 and recorded a growth of 201.7%. The recovery of bad-debts written off and other operating income from lending products were the main contributors of other income reported during the financial year under review.

Total operating income

Consequent to the improvements in net interest income, fee and commission income and other income sources, the total operating income grew by 61.57% to LKR 1,357 Mn from LKR 839 Mn reported in 2022/23.

Impairment charges

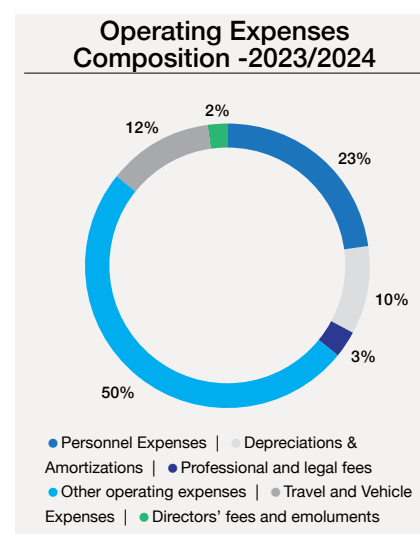
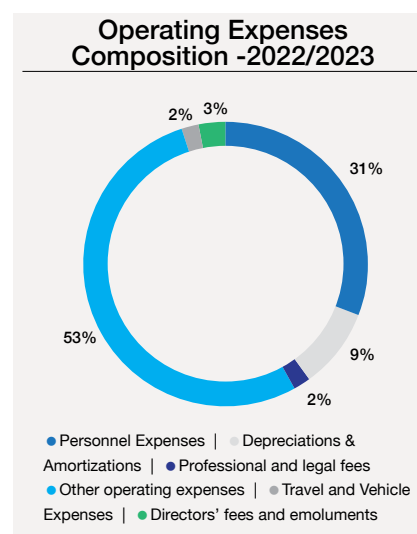
The Company reported a charge of impairment provisions and other losses of LKR 225.55 Mn for the year compared to LKR 154.03 Mn for the previous year.

Operating expenses

Total operating expenses for the year increased by 35.29% to LKR 1,103.19 Mn from LKR 836.2 Mn reported in 2022/23. The main contributory factors for the increase were the increase in

administrative expenses to LKR 741 Mn from LKR 505 Mn in 2022/23 as a result of strengthening some of the functional areas and the increase in other operating expenses. The cost to income ratio decreased by 17.69% and stood at 77.28% for FY 2023/24 compared to 94.97% in the previous year.

	2023/2024 (Mn)	2022/2023 (Mn)
Personnel expenses	254.57	258.90
Depreciations & Amortizations	107.82	71.79
Professional and legal fees	29.81	17.98
Other operating expenses	549.42	441.64
Travel and Vehicle Expenses	133.25	21.04
Directors' fees and emoluments	28.31	24.90
	1,103.19	836.26



Taxation

The increase in VAT on financial services is directly correlated to the change in profitability for the year. The total VAT on financial services liability for the year under review is LKR 53.43 Mn against LKR 33.27 Mn for the previous financial year, reflecting a YoY increase of 60.6%.

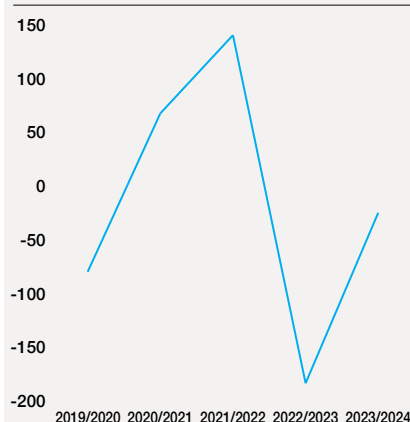
The company applied the revised rate of 30% in line with the Inland Revenue Amendment Act No. 45 of 2022 to calculate the income tax and deferred tax assets/ liabilities as of 31st March 2024. A tax reversal of LKR 44.25 Mn has been recognized in the current financial year.

Profitability

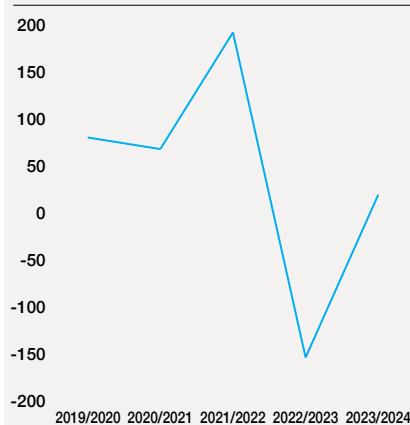
The Company reported a Profit After Tax (PAT) of LKR 19.26 Mn for the financial year ended 31 March 2024 compared to the Loss After Tax (LAT) of LKR 153.78 Mn recorded during the previous financial year.

	PBT (LKR Mn)	PAT (LKR Mn)
2019/2020	(79.95)	80.09
2020/2021	67.40	67.80
2021/2022	140.17	191.80
2022/2023	(183.59)	(153.78)
2023/2024	(24.99)	19.26

Profit Before Tax - 5 Years Trend



Profit After Tax - 5 Years trend



Total other comprehensive income

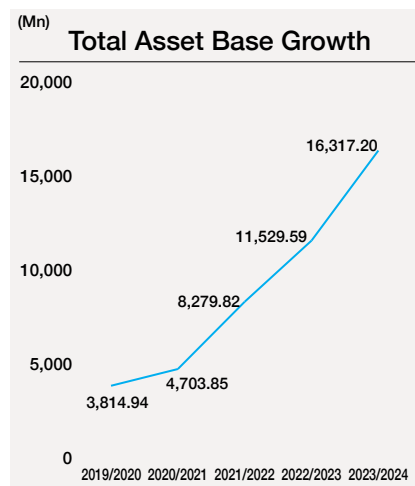
Total other comprehensive income of the Company was LKR 13.94 Mn against the other comprehensive loss of LKR 152.25 Mn reported in the previous financial year, primarily with other comprehensive income from reassessment of the retirement benefit liability.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

Total assets

Total assets of the Company grew by a healthy 41.52% during the year to reach LKR 16.32 Bn from LKR 11.53 Bn at the previous financial year end. This growth is well over the industry growth of 5.36%. This was due to the growth in loans and advances portfolio and the excess liquidity invested in unit trust, term deposits with banks and Government Securities.

	Asset Base (LKR Mn)
2019/2020	3,814.94
2020/2021	4,703.85
2021/2022	8,279.82
2022/2023	11,529.59
2023/2024	16,317.20



Loans and advances to customers

Having adopted a cautious approach towards credit growth over the financial year, the Company has witnessed solid credit growth during the financial year under review.

The Company's net loans and advances increased by 34.12% to LKR 11.24 Bn in 2023/24. Loan growth was primarily funded by customer deposits, equity and external borrowings. Accordingly, loans and advances portfolio accounted for 68.89% of total assets compared to 72.70% in 2022/23.

During the financial year 2023/24, growth was seen across all core product categories of the Company, viz. leasing, gold loans, and mortgage loans.

Core product	2023/24 LKR Mn	2022/23 LKR Mn	Growth Percentage (%)
Leasing & Hire purchase	6,139	4,411	39.17
Gold loans	2,596	2,099	23.67
Mortgage Loan	919	606	51.40
Revolving Loan	989	712	38.90
Margin Trading	595	666	(10.58)
Other Loan	320	342	(6.52)
Total	11,558	8,836	30.80%

ASSET QUALITY

Asset quality remained a key focus area, being a crucial determinant of sustainability of the Company's operations. Gross and net NPL ratios stood at 13.77% and 9.18% respectively as at year end, compared to 10.32% and 4.41% of the previous year.

The industry averages of gross and net NPL ratios remained at 15.98% and 10.65%, respectively, as of March 2023. Cumulative impairment provisions for

loans and advances as a percentage of the total loans and advances portfolio at the end of the year was 4.58% compared to 5.86% in the previous year.

Deposits and liabilities

Customer deposits continued to be the single most significant source of funding for the Company, accounting for 68.87% of the total assets as of 31 March 2024. Company's deposit book reported LKR 11.24 Bn as of 31 March 2024, with a year-on-year growth of 46.88%, driven mainly by term deposits.

FUTURE FOCUS

- Diversify the lending portfolio to ensure sustainable growth and expansion.
- Preserve credit quality of the portfolio by strengthening credit evaluation mechanisms.

Core product	2023/24	2022/23	Growth percentage (%)
	LKR Mn	LKR Mn	
Fixed deposits	11,196	7,622	46.89
Savings accounts	41	29	44.15
Total	11,238	7,651	46.88

Liquidity

At a time of unprecedented volatility excess liquidity provides a high level of comfort to the Company. It enables the Company to benefit from the upturn envisaged in credit demand in the years ahead. Given its importance, a review of liquidity is a permanent item on the agenda in the ALCO meetings of the Company. Liquid assets ratio of the Company was maintained well above the statutory minimum required throughout the year with sufficient liquidity buffers.

Capital

The Internal Capital Management Plan guides the overall maintenance of the Company's capital corresponding to its current and projected business volumes. The Company has met the minimum capital requirement stipulated by the Central Bank of Sri Lanka of LKR 2,500 Mn.

The Company maintained all its capital ratios well above the regulatory requirements throughout the year. As of 31 March 2024, the Company's core capital ratio and total capital ratio were at 17.92% and 17.92%, compared to 26.76% and 26.76%, respectively, at the end of 31 March 2023.

Indicator	Minimum Regulatory Requirement	2023/2024	2022/2023
	Core Capital adequacy ratio	8.50%	17.92%
Total Capital adequacy ratio	12.50%	17.92%	26.76%

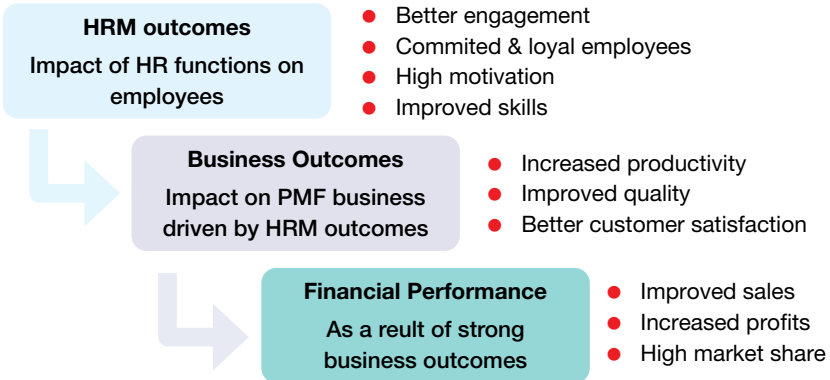
INVESTING IN OUR PEOPLE



At PMF, our employees are at the heart of our success. We are committed to creating a supportive and inclusive work environment that fosters professional growth, innovation, and collaboration. By investing in our people through continuous learning and development, we empower them to excel and contribute meaningfully to our collective goals.

HR functions performed at PMF are as follows:

1. Talent Acquisition: Attract and hire top talent to fulfill company needs.
2. Performance Management: Monitor and assess employee performance with regular feedback.
3. Learning & Development: Offer training to improve skills and support career growth.
4. Rewards Management: Create compensation packages to reward and retain high performers.
5. Employee Relations: Maintain a positive work environment with employees.



Highlights of the year

322

Total number of Employees

48

Total number of promotions

126

Total number of training hours

50

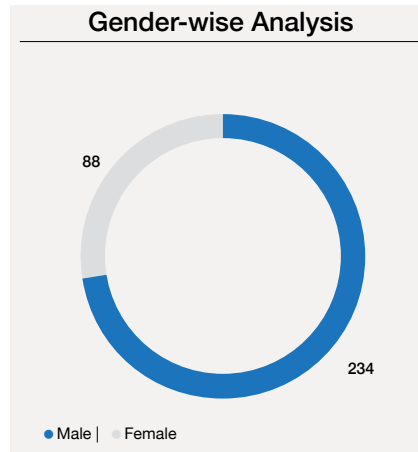
Employment opportunities created

OUR TEAM

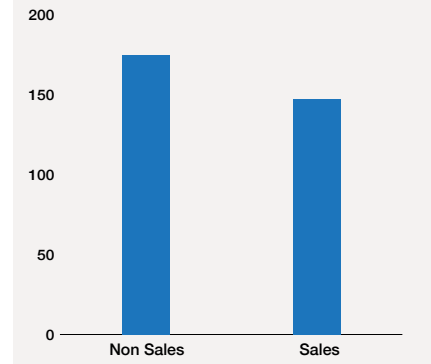
Our team is composed of individuals from diverse backgrounds and cultures, highlighting our dedication to diversity and inclusivity. This year, we've continued to build a skilled and committed workforce, with many employees holding permanent positions. Our HR team focuses on matching talent with our strategic goals to ensure we have the right people in the right roles.

Employee Demographics and Distribution

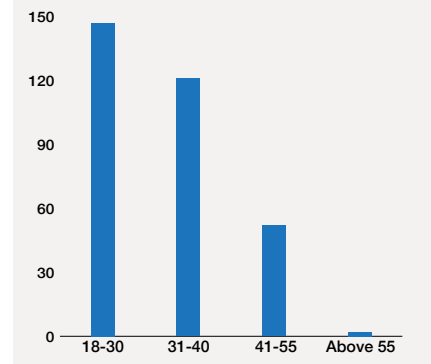
Gender-wise Analysis



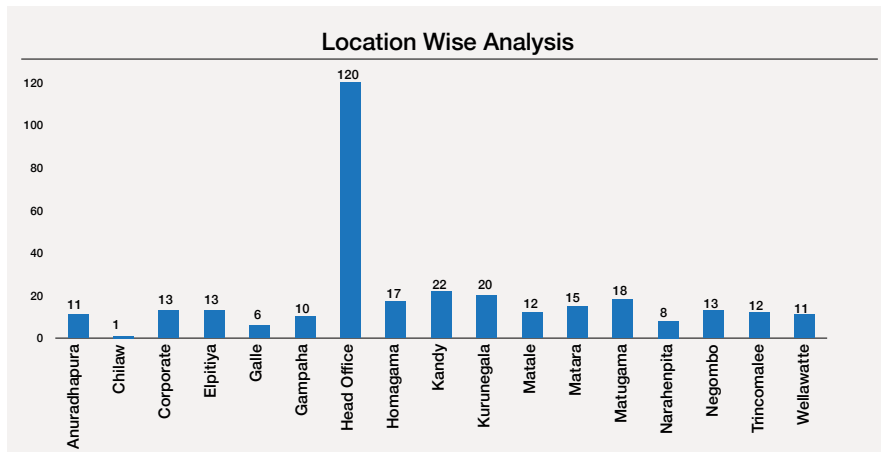
Category-wise Analysis



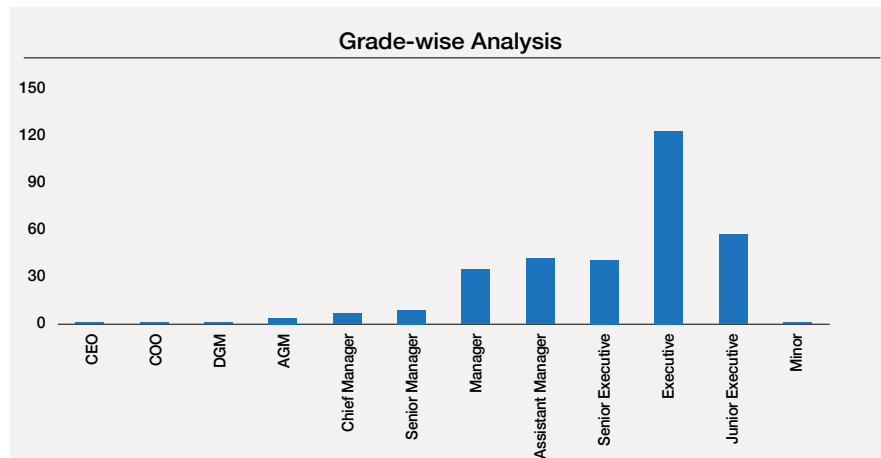
Age-wise Analysis



Location Wise Analysis



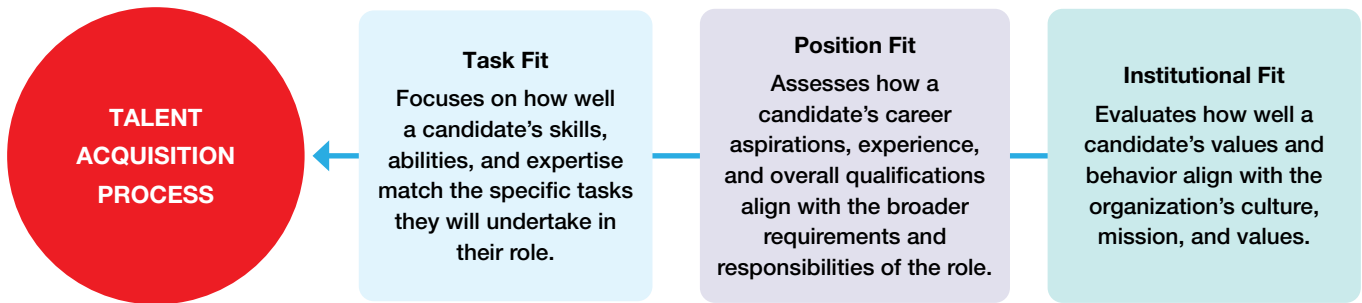
Grade-wise Analysis



HR FUNCTION ▶ Talent Acquisition

Talent Acquisition is key to success, driving the growth and innovation that define PMF. Through careful planning, targeted sourcing, and rigorous selection, we have built a dynamic and motivated workforce that fuels our progress. Our strong commitment to acquiring top talent ensures that we remain competitive and prepared for sustained success in the future.

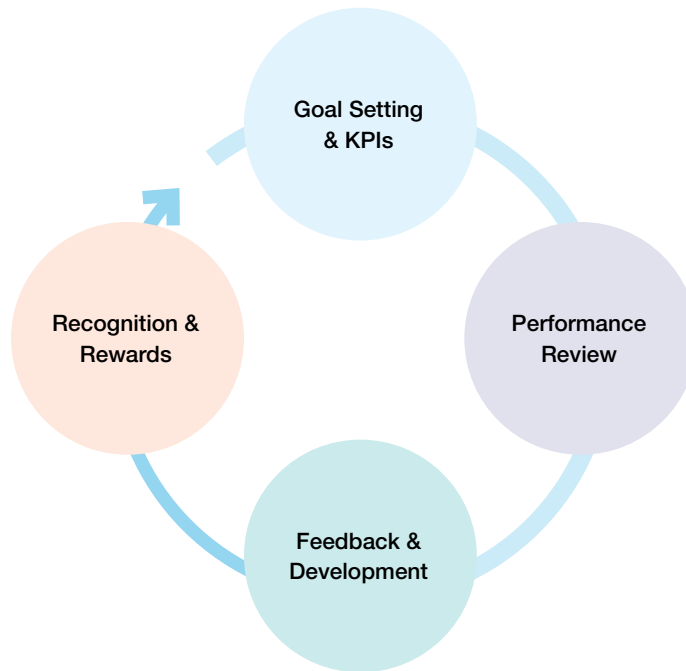
Our approach to talent acquisition emphasizes three critical aspects all of which are key to ensuring that new hires are not only qualified but also aligned with our organizational culture and goals.



By integrating these three fits into our talent acquisition process, PMF Finance consistently achieves better hiring outcomes, leading to enhanced employee performance, increased job satisfaction, and lower turnover.

HR FUNCTION ▶ Performance Management

At PMF Finance, we have refined our Performance Management System (PMS) over the past year to enhance organizational effectiveness, support strategic goals, and cultivate a culture of continuous improvement. Our PMS is a continuous cycle of setting goals, reviewing performance, providing feedback for development, and recognizing and rewarding outstanding efforts. This system ensures that our employees' contributions are aligned with our business objectives, driving our overall success.



1. Goal Setting and Key Performance Indicators (KPIs):

The PMS begins with setting SMART goals for employees. These goals include carefully selected KPIs that reflect our strategic priorities and operational goals.

By aligning KPIs with our strategic objectives, we focus on measuring the most critical aspects of our business. Regular monitoring through reports provides actionable insights for data-driven decisions. KPIs are reviewed and adjusted as needed to stay in sync with evolving business needs.

2. Performance Reviews:

We conduct regular performance reviews that assess employee progress against their set goals and KPIs. These reviews include both self-assessments and evaluations by supervisors, offering a comprehensive view of performance.

3. Feedback and Development:

We provide ongoing feedback and coaching to help employees improve their performance, along with personalized development plans to support career growth and skill enhancement.

4. Recognition and Rewards:

Employees who meet or exceed their performance goals and KPIs are acknowledged through various means, including financial and non-financial rewards.

DIGITIZATION OF PERFORMANCE MANAGEMENT

We have embraced advanced HR technology, including our HRIS, to digitize and streamline the Performance Management System. This automation facilitates efficient goal setting, performance tracking, feedback, and reporting, ensuring a seamless and effective process across the organization.

HR FUNCTION ▶ Learning & Development

At PMF Finance PLC, we understand that continuous training and development are crucial to maintaining a competitive edge and achieving our strategic

goals. Our approach is built around a comprehensive annual training plan that aligns with our corporate objectives, aiming to foster a culture of service excellence, minimize errors, and boost productivity. By investing in our employees' growth, we ensure they acquire the necessary skills and

knowledge to excel in their roles and contribute to our company's success.

Annual Training Plan

Our annual training plan for the year is strategically designed to support our core company objectives, focusing on three primary areas:



INDUCTION

Our quarterly induction program helps new employees quickly adapt to our culture, understand their roles, and integrate with our company values. It also provides tools for productivity and fosters networking within the company.



LEADERSHIP DEVELOPMENT

We launched a series of leadership workshops aimed at nurturing the next generation of leaders within our organization. These programs focus on developing strategic thinking, decision-making, and leadership skills essential for driving the company forward.



SUCCESSION PLANNING

Succession planning at PMF Finance PLC focuses on identifying and preparing future leaders for key management roles, ensuring business continuity and long-term success.

HIGHLIGHT OF THE YEAR

In 2023, we conducted the Outbound Training (OBT) program at Kukuleganga, a two-day residential workshop specifically designed for heads of departments. This program was a key highlight of our leadership development efforts, aimed at enhancing leadership skills and fostering stronger inter-relationships among our key personnel, who play a crucial role in driving the company's goals and objectives.



HR FUNCTION ▶ Rewards Management

Our Rewards Management System is vital to our HR strategy, driving motivation and high performance. By aligning rewards with key performance metrics and recognizing exceptional contributions, we foster a culture of appreciation. This approach enhances employee satisfaction, retention, and overall success, ensuring we attract and inspire top talent while reinforcing the behaviors that advance our business goals.

Our Rewards Management System is structured into three key sections:

Performance-Based Rewards

Recognition Programs

Career Development Opportunities

Performance-Based Rewards

- **Bonuses:** We award bonuses based on individual, team, and company performance, directly tied to KPIs and performance reviews, reflecting the company's profitability.
- **Incentive Schemes:** Specific incentive programs, such as sales incentives, project completion bonuses, and innovation awards, are in place for those who meet or exceed targets.

Career Development Opportunities

- **Promotions:** We provide career advancement opportunities as a reward for sustained high performance and potential, encouraging employees to grow within the organization.



- **Training and Development:** Employees committed to their growth are rewarded with access to advanced training programs, certifications, and educational opportunities, further supporting their professional development.



HR FUNCTION ▶ Employee Relations

At PMF Finance PLC, we prioritize strong employee relations as a core part of our culture. Our HR department ensures a collaborative and supportive workplace

through open communication, conflict resolution, and a focus on employee well-being, helping employees feel valued and aligned with our company's mission and values.

Activities carried out during the year

Over the past year, we have undertaken several initiatives to enhance employee relations, promoting a harmonious work environment and strengthening the bond between the company and its employees.

Key highlights include:

PMF Sports Day 2024

In February 2024, we hosted the PMF Champions Trophy 2024, a large sports event involving all 14 branches. Employees competed in four teams across various events.



Cricket Matches:

- Southern Knights men's cricket team won both the championship and runner-up trophies.
- Colombo Heroes women's cricket team secured victories in both the championship and runner-up categories.

Relay Races:

- Central Kings won the Men's and Women's relay events.
- Colombo Heroes were runners-up in both relay events.

Tug-of-War Competitions:

- Colombo Heroes won the Men's event.
- Central Kings triumphed in the Women's tug-of-war.



PARTICIPATION IN FHA SPORTS DAY 2023

On November 25, 2023, our team participated in the Financial House Association (FHA) Sports Day at Bloomfield Ground, Colombo 07. The event, featuring over 500 participants from various financial institutions, included cricket, football, volleyball, and athletics. It was an excellent opportunity to promote our brand and showcase our team’s spirit. Our department heads and branch managers played a crucial role in organizing their teams and ensuring everyone had a great time.

Our boys’ volleyball and girls’ netball teams showcased strong sportsmanship and teamwork, reflecting a positive attitude across all participants. The FHA Sports Day brought our PMF team together, highlighting our athletic abilities, creativity, and strong team spirit.

The FHA Sports Day was a fantastic experience that united our PMF team, highlighting our athletic skills, teamwork, and creativity. It was a day full of laughter, fun, and sportsmanship, showcasing the strong team spirit at PMF Finance PLC.



ENHANCING CUSTOMER EXPERIENCE



In the evolving financial landscape of Sri Lanka, PMF Finance PLC remains steadfast in its commitment to cultivating robust customer relationships. With over 40 years of experience, our customer-centric approach has been central to our success. In 2023/24, we have expanded our services, introduced innovative products, and enhanced our support for entrepreneurs, enabling our clients to excel in a challenging economic environment.

This year, we made significant strides in customer engagement through strategic initiatives and tailored financial solutions. Our focus on understanding and addressing the unique needs of each customer segment underscores

our role as a trusted partner in their financial journeys. As we reflect on our achievements, we remain dedicated to continuous improvement, confident in our ability to help our customers navigate future challenges and build a prosperous future together.

Value Created for Customers

Value Creation Aspect	Details	Customer Impact
Innovative Financial Products	New products tailored to specific customer needs	Enhanced financial options and security
Support for Entrepreneurs	Financial and advisory support for Entrepreneurs	Growth and stability for Entrepreneurs
Customer-Centric Approach	Introduction of the "Handing Over" approach	Reduced stress and improved customer relations
Sustainability Initiatives	Renewable energy product and loans to support carbon footprint	Positive impact on sustainability goals

Highlights of the Year

Highlight	Details	Impact
Branch Expansion	3 new branches opened and another 5 branches to be opened in 5 new strategic locations	Enhanced regional presence and customer access
New Product Launches	Four new lending/ deposit products introduced	Diversified product portfolio
Support for Entrepreneur	LKR 384 million disbursed towards Entrepreneur Development	Strengthened Entrepreneurs
Sustainability Initiatives	Renewable energy financing product introduced to support reducing carbon footprint	Positive environmental impact
Employee Engagement	New incentive schemes, sports events, gatherings and events to recognize employees	Increased employee satisfaction and retention

EMPOWERING ENTREPRENEURS: STRATEGIC INITIATIVES FOR SUSTAINABLE GROWTH

In an increasingly competitive financial landscape, PMF Finance PLC stands out by prioritizing the support and development of Entrepreneurs. The Entrepreneurs are widely recognized as the backbone of the Sri Lankan economy, driving job creation,

innovation, and economic resilience. However, despite their significant contribution, Entrepreneurs often struggle to access the financial services to support their needs to grow and thrive. Recognizing this gap, PMF Finance PLC has made Entrepreneur empowerment a cornerstone of its strategy, actively advancing through our “Navodhaya Entrepreneurship” Finance Scheme.

Sector	Total Funds Disbursed (in LKR Million)	Number of SMEs Supported	Percentage of Portfolio
Agriculture	131	204	2%
Manufacturing	95	102	1%
Retail	108	152	1%
Services	49	28	0.6%
Total	384	486	5%

Over the past year, we have significantly increased our focus on Entrepreneurs, recognizing their importance to the country’s economic growth. In the last financial year alone, we disbursed over LKR 384 million to Entrepreneurs, with a minimum allocation of LKR 350 million specifically targeted at small-scale entrepreneurs. This funding represents a substantial portion of our total portfolio,

underscoring our commitment to this vital sector.

KEY HIGHLIGHTS OF OUR ENTREPRENEUR SUPPORT:

- LKR 384 million disbursed in the last financial year
- 5% of our total portfolio dedicated to Navodhaya Entrepreneurship Finance Scheme

- Over 486 Entrepreneur supported across Sri Lanka
- 12 specialized professionals stationed in our branches to provide tailored services.

Our approach to Entrepreneur support goes beyond merely providing financial assistance. We have established a dedicated team of experts, each with extensive experience in Entrepreneur development, who work closely with entrepreneurs to understand their requirement based on their unique challenges and opportunities. These specialists are strategically located across our branch network, ensuring that Entrepreneurs in both urban and rural areas have access to the guidance they required to succeed.

In addition to direct financial support, we have also launched several initiatives aimed at building the capacity of Entrepreneurs. These include:

- Entrepreneurial Development Programs: We have partnered with leading industry organizations to offer training, mentoring, and networking opportunities for Entrepreneurs. These programs are designed to equip entrepreneurs with the skills and knowledge they need to scale their businesses and navigate the challenges of a dynamic market.
- Advisory Services: Our team of financial advisors provides personalized guidance on everything from business planning and financial management to market expansion and product development. This hands-on support is critical in helping Entrepreneurs achieve sustainable growth.
- Strategic Partnerships: To further enhance our support for Entrepreneurs, we have formed key partnerships with industry leaders. For instance, our collaboration with the popular YouTube influencer “Business Advisor” has allowed

us to reach a wider audience and provide valuable financial insights to a broader customer base. This partnership has also enhanced our digital presence, making it easier for Entrepreneurs to access our services online.

- **Branch Expansion:** We recognize that accessibility is crucial for Entrepreneurs, which is why we have prioritized the expansion of our branch network. Over the past year, we have received the approval to open 11 new branches across Sri Lanka, 7 branches to be opened with a focus on underserved regions. The newly opened branches include, Galle, Chillaw, Narahenpita and Wellawatte. Further new branches to be opened in Jaffna, Rathnapura, Embilipitiya, Bandarawela, Kaduruwela, Ampara and Vavuniya.

Through these initiatives, PMF Finance PLC has solidified its position as a key partner for entrepreneurs across Sri Lanka, driving economic growth and creating opportunities for entrepreneurs in every corner of the country.

INNOVATIVE PRODUCT OFFERINGS: TAILORED SOLUTIONS FOR DIVERSE NEEDS

At PMF Finance PLC, innovation is the driving force behind our product development strategy. We understand that our customers' financial needs are diverse and constantly evolving, which is why we are committed to offering a wide range of products designed to meet these needs effectively.

This year, we introduced several innovative products that have been well-received by our customers:

- **Gold Loans:** Our B2B gold loan product has been a standout success, offering businesses the liquidity they need to manage cash flow and invest in growth opportunities. Unlike traditional gold loans, this product is specifically

designed for bulk borrowing, making it ideal for businesses that require substantial capital. Due to the strong demand for this product, we have secured additional funds to expand its availability, ensuring that more businesses can benefit from this valuable financial tool. The uptake of our gold loans has increased by 23.65% year-over-year, with the total value of loans disbursed reaching LKR 2.59 billion.

- **Renewable Energy Financing:** As part of our commitment to sustainability, we have launched a renewable energy financing product specifically targeted at the armed forces. This initiative, developed in partnership with Regen Renewable (Pvt) Ltd, provides finance solutions to purchase domestic solar power units, contributing to the country's renewable energy goals. The response has been overwhelmingly positive, with over 200 prospective applicants in the pipeline.
- **Education Loans:** Education is a key driver of social and economic mobility, and our new education loan

product is designed to make higher education more accessible. This product offers financing for students pursuing diplomas, degrees, and other advanced qualifications, with a focus on paid education options such as Masters and PhDs. By supporting students in their educational pursuits, we are investing in the future of Sri Lanka's workforce. We have partnered up with Department of Marketing Management of University of Kelaniya to offer Financial Assistance for students pursuing Higher Diplomas, Diplomas and Masters Programmes.

- **Guardian Lease Product:** The Guardian Lease Product is a unique offering that provides customers with a 2-year warranty on second-hand vehicles leased through PMF Finance. This product, developed in collaboration with Sterling Group of Companies, addresses a key pain point for customers by offering additional security and peace of mind when purchasing used vehicles. The product has been met with strong demand within the first few months of the product launch.

New Product Offerings Overview

Product	Description	Target Audience	Key Features
Gold Loans	A B2B product with special features designed for bulk loans.	Businesses needing bulk loans	High-value loans, competitive interest rates
Renewable Energy Product	Financial support for solar energy installations, specifically targeting the armed forces.	Renewable Energy Consumers	Partnership with Regen Renewable, 200+ prospective applicants
Education Loans	Loans for higher education, including diplomas, degrees, Masters Programmes,.	Students pursuing higher education	Flexible repayment terms, covers various education programmes
Guardian Lease Product	A lease product that offers a 2-year warranty for second-hand vehicles financed through PMF Finance.	Vehicle buyers (Second-hand)	Warranty from Sterling Group of Companies, enhanced security

STRATEGIC PARTNERSHIPS: EXPANDING REACH AND ENHANCING VALUE

Strategic partnerships are a key component of our growth strategy at PMF Finance PLC. By collaborating with industry leaders and influencers, we are able to expand our reach, enhance the value we offer to our customers, and stay ahead of the competition.

This year, we have formed several important partnerships that have had a significant impact on our business:

Business Advisor Partnership: Our collaboration with the YouTube influencer “Business Advisor” has been a game-changer in our digital engagement strategy. This partnership has allowed us to reach a wider audience, particularly among Young Entrepreneurs, who benefit from the financial advice and insights provided through the platform. The partnership has also increased our brand visibility and positioned us as a thought leader in the financial industry.

Collaboration with Insurance Partner: Our partnership with an Insurance Partner that has enabled us to expand our product offerings into new areas, including comprehensive insurance solutions that complement our financial products. This collaboration has been particularly beneficial for our customers, who can now access a wider range of financial and insurance services under one roof.

Partnership Impact: Synergy benefits can be enjoyed for both companies.

COMMITMENT TO SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Sustainability is at the heart of everything we do at PMF Finance PLC. We are committed to creating long-term value for our customers, shareholders, and the communities we serve by integrating environmental, social, and governance (ESG) considerations into our business strategy.

Renewable Energy Product: As mentioned earlier, our renewable energy financing product is a significant step towards promoting environmental sustainability. By financing solar energy projects, we are helping to reduce Sri Lanka’s carbon footprint and support the transition to a greener economy.

Social Governance: Our commitment to social governance is reflected in our corporate culture and the way we conduct our business. We hold ourselves to the highest standards of integrity and accountability, ensuring that our actions align with the best interests of our customers and stakeholders. Our CEO, who is directly responsible to the Board, plays a pivotal role in upholding these standards. We have maintained a 100% compliance rate with all regulatory requirements and have received positive feedback from our customers regarding our ethical business practices.

FUTURE OUTLOOK: BUILDING ON SUCCESS

As we look ahead to the next year, PMF Finance PLC is well-positioned to continue its growth trajectory and expand its impact on the financial industry. Our strategic priorities for 2024 include:

- **Further Expansion of Entrepreneur Support:** Building on the success of our current entrepreneur initiatives, we plan to increase our entrepreneur portfolio by 123% in the coming year, with a focus on supporting emerging industries and rural entrepreneurs.
- **Product Innovation:** We will continue to innovate our product offerings, with plans to introduce new financial solutions that address the evolving needs of our customers. This includes exploring opportunities in digital finance, sustainable investments, and insurance.
- **Branch Network Expansion:** We will complete the opening of the remaining branches in our expansion plan and explore opportunities

to further extend our reach into underserved regions.

- **Strategic Partnerships:** We will strengthen existing partnerships and forge new collaborations that enhance our service offerings and customer value. This includes expanding our digital engagement efforts and exploring new distribution channels.
- **Sustainability Initiatives:** We will continue to prioritize sustainability in our business operations, with plans to launch additional environmental and social initiatives that align with our Environmental, Social and Governance (ESG) goals.

BUILDING BETTER COMMUNITIES



Since 1983, PMF Finance has been dedicated to fostering national economic development by providing crucial capital and maintaining a deep-rooted commitment to community service. As sustainability becomes increasingly vital, we strive to balance economic growth with environmental and societal well-being.

Our strategic CSR approach integrates efforts in entrepreneurship, environment, education, and healthcare, all aligned with the United Nations Sustainable Development Goals. We actively

participated in the “Global Week of Action (Act4SDGs),” contributing 273 actions through the collective efforts of our staff and their families

Highlights of the year

LKR 370 Mn

Portfolio of Entrepreneur Development Loans



EMPOWERING COMMUNITIES

We are dedicated to empowering communities through economic opportunities and skills development. Throughout the year, our targeted initiatives have driven positive change and fostered sustainable growth.

Here are some of the key highlights:

Navodaya Loan Scheme for Rural Transformation

In 2023, PMF Finance continued to advance its Navodaya Entrepreneurship Loan Scheme, launched in October 2021.

This initiative aims to support MSME entrepreneurs by providing financial resources to scale their businesses and drive positive change. Throughout the year, the scheme focused on enhancing accessibility to rural communities, further embedding the product in the local market.

The scheme remains a pioneering effort by a non-banking financial institution in Sri Lanka, offering personalized services through a dedicated unit. It targets the upper microfinance and lower SME sectors, providing tech support in collaboration with emerging tech companies and including training on business and financial skills.



PMF Finance has strengthened partnerships with the Ceylon Chamber of Commerce, district chambers, and various industry associations to ensure the scheme effectively reaches its target market. The initiative continues to drive entrepreneurial growth and contribute to the Sri Lankan economy.

Blood Donation Campaign

In May 2023, PMF Finance organized its first-ever blood donation campaign at Walukarama Viharaya in Kollupitiya. The event brought together employees and community members in a shared effort to contribute to a vital cause. The campaign was a successful initiative in supporting the community.



Narahenpita Branch Opening

On August 10th, 2023, PMF Finance PLC expanded its branch network with the opening of a new branch in Narahenpita, bringing the total to 14 branches across Sri Lanka. This modern branch, strategically located in a key residential and commercial hub, is equipped with the latest technology to provide superior financial services. This expansion reflects the company’s ongoing commitment to growth and its dedication to empowering entrepreneurs and supporting the local economy through initiatives like the Nawodaya loan facility.



Ice Cream Dansala

In June 2023, PMF Finance hosted an Ice Cream Dansala at the Narahenpita branch to celebrate Poson Poya, a significant religious observance. The event was a success, bringing together employees and community members in a shared moment of goodwill and gratitude.



DRIVING ENVIRONMENTAL SUSTAINABILITY

Our dedication to environmental sustainability is integral to our business ethos. As we face urgent environmental challenges, our focus remains on reducing our carbon footprint and promoting eco-friendly practices. By integrating sustainability into our operations and initiatives, we aim to support a greener future and inspire positive environmental change within our communities.

- 1 Energy Conservation
- 2 Water Protection
- 3 Paper Consumption Reduction
- 4 Waste Management
- 5 Green Financing
- 6 Nature Conservation



Energy Conservation

We actively promote energy conservation through regular awareness initiatives, encouraging staff to minimize electricity use by turning off lights, air conditioners, and other devices when not in use. Additionally, we prioritize the use of energy-efficient hybrid vehicles for official travel, reflecting our dedication to reducing our overall energy consumption.

Water Protection

We focus on optimizing water use for staff consumption and sanitation. We promote water conservation through notices and encourage sustainable practices among staff while continually improving our water management.

Paper Reduction

We have significantly reduced paper usage by transitioning to paperless platforms. With ongoing digitalization and core banking implementation, we aim to further minimize paper consumption and our carbon footprint while enhancing efficiency and cutting costs.

Waste Management

We are committed to responsible waste management by promoting mindful consumption and proper disposal practices. By raising staff awareness and encouraging waste segregation, we aim to reduce our environmental footprint and adhere to the 3R principles: Reduce, Reuse, and Recycle.

Green Financing

The financial sector plays a critical role in advancing sustainable development by mobilizing capital for new technologies and infrastructure. At PMF, we leverage our expertise to promote sustainable practices, assist clients in transitioning to a low-carbon economy, and offer innovative financing solutions for sustainable investments.

Nature Conservation

We are committed to supporting environmental preservation by integrating nature conservation principles into our business practices. This involves promoting biodiversity, and supporting projects that contribute to the sustainable management of natural resources.



LEADERSHIP AND GOVERNANCE

Our comprehensive financial services are designed to help entrepreneurs at every stage of their journey, ensuring that their ideas have the power to thrive

BOARD OF DIRECTORS



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1. **Mr. Chandula Abeywickrema**
Chairman
Independent Non-Executive Director
2. **Mr. Travis Waas**
Independent Non-Executive Director
3. **Mr. Rangana Koralage**
Non-Independent Non-Executive Director
4. **Dr. Nirmal De Silva**
Independent Non-Executive Director
5. **Ms. Krystle Wijesuriya**
Independent Non-Executive Director
6. **Mr. Rohan Pandithakorralage**
Independent Non-Executive Director
7. **Mr. Bandara Rekogama**
Independent Non-Executive Director

BOARD OF DIRECTORS

MR. CHANDULA ABEYWICKREMA

Chairman

Independent Non-Executive Director

Appointed to the Board as a Non-Executive Independent Director with effect from 26th June 2019 and serves as the Chairman of PMF Finance PLC.

Qualifications, Skills & Experience:

Mr. Waas Chandula Abeywickrema is an accomplished and respected senior commercial banker with lead expertise and experience in retail and development banking, spearheading strategies as the Deputy General Manager of Hatton National Bank (HNB) and has a proven track record of over 40 years. He is recognized as a global expert on Financial Inclusion, Social Entrepreneurship and Impact Investing.

Mr. Abeywickrema is the Founder and Chairman of Lanka Impact Investing Network (LIIN) which is the first of its kind agency on impact investing with the purpose of investing in existing and emerging social enterprises promoting social entrepreneurship across Sri Lanka. LIIN founded the first-ever social impact funds in Sri Lanka in partnership with UNDP and launched platform dedicated for women social entrepreneurs that promotes gender lens investing. He is also the Chairman of CSR Sri Lanka the national Apex body for Corporate Social Responsibility, representing the largest number of private sector companies, and Chairman of Lanka Financial Services for Underserved Settlements, a public and private sector collaborated credit guarantee fund to support low-income housing finance. He also serves as a Board member of World Vision Lanka and Continental Insurance Lanka Limited.

Mr. Abeywickrema holds a Bachelor of Commerce (Special) degree from the University of Kelaniya, a Diploma in Marketing from the National University

of Singapore, Training in Leadership Strategies at Ashridge University, UK, Finance & Banking in South East Asia conducted by the Association for Overseas Technical Scholarships, Tokyo, Japan, and has studied Corporate Management Strategy at the University of Melbourne. He has also completed a program on Advanced Leadership strategies at Wharton Business School of the University of Pennsylvania.

Mr. Madusanka is Chairman of the Banking with The Poor Network (BWTP), Asia's Largest Microfinance Network and also an advisor on financial inclusion to the Asian Bankers Association (ABA) and also represents Asia for the Global Steering Group (GSG) for Impact Investing.

He is Co-Founder of the social impact investors TV reality show named 'Ath Pavra' (Wall of Tuskers) which became the number one business programme in Sri Lanka TV. His newest initiative is founding of the TV reality show 'On Eagles Wings' for impact investors and impact entrepreneurs which is a major regional initiative to facilitate entrepreneurship.

Current Appointments :

He is the Chairman and Founder of Lanka Impact Investing Network (LIIN) , and of National Advisory Board for Impact Investing in Sri Lanka (NABII). He is Chairman of CSR Lanka, Banking with the Poor Network (BWTP), PMF Finance PLC and Lanka Financial Services for the Underserved Settlements (LFSUS). He is a Advisor in Asian Bankers Association (ABA). He is a Board Director of Continental Insurance and PMB Services Limited, Board Member of World Vision Lanka and Global Entrepreneurship Network (GEN). He is the Co-Founder of Ath Pavura (Wall of Tuskers) TV Reality Show, Founder of 'On Eagles Wings' TV Reality Show.

Former Appointments:

Mr. Abeywickrema has a proven track record of over 40 years and is recognized in Asia as an expert in Financial Inclusion. As Deputy General Manager – Retail & Development Banking SME and Microfinance portfolios to greater heights. During his tenure, HNB was named the best retail bank in Sri Lanka by Asia Money for 7 consecutive years, until his retirement in 2013 after serving the bank for 25 years. Subsequently, he has served as the CEO of CCC Solutions, the project management arm of the Ceylon Chamber of Commerce (2014-15), as the Consultant Strategy and Marketing for National Savings Bank (2016-17) and Regional Development Bank (2020).

Membership of Board Sub-committees:

He serves as the Chairman of the Credit Committee and member of the Board Integrated Risk Management Committee, Related Party Transactions Review Committee, Nominations & Governance Committee, HR & Remuneration Committee and Board Audit Committee.

MR. TRAVIS WAAS

Independent, Non-Executive Director

Mr. Travis Waas was involved in the restructuring of People's Merchant Finance PLC, and was appointed as a Non-Independent Non-Executive Director with effect from 22nd June 2020.

Directorship status of Mr. Waas was changed to Independent Non- Executive Director w.e.f. 7th August 2023 with the CBSL approval.

Qualifications, Skills & Experience:

Mr. Waas counts more than 3 decades of experience in the financial services sector, having commenced his career at Lanka Orix Leasing Company Ltd in 1987.

An alumnus of the University of Colombo with a B.Sc and a MBA from the University of North Texas, USA.

Former Appointments :

He has pioneered the setting up of the leasing operations at Hatton National Bank, Vanik Inc. Ltd. and Assetline Leasing Co. Ltd., where he served in the capacity of Senior Manager Leasing, Senior Vice President and Managing Director respectively.

He was an Executive Director of the financial services cluster of the David Pieris Group of Companies, Director/CEO of Orient Financial Services Corporation Ltd. and a Non-Executive Director of Capital Alliance Finance Ltd, People's Merchant Bank, LB Finance Ltd. and the Leasing Association of Sri Lanka.

Membership of Board Sub-committees :

He serves as the Chairman of the Board Integrated Risk Management Committee and as a member of the Board Audit Committee, Related Party Transactions Review Committee, HR & Remuneration Committee, Board Credit Committee IT Steering Committee.

MR. RANGANA MADUSANKA

Non-Executive, Non-Independent Director

Appointed to the Board as a Non-Executive, Non-Independent Director with effect from 26th June 2019.

Qualifications, Skills & Experience :

Having started his career at Ernst & Young as an Audit trainee Mr. Rangana Madusanka progressed over 8 years in the Audit & Assurance sector by becoming a Senior Manager of BDO Partners having gained valuable experience in Business Valuations, Due Diligence, Forensic Audits, Internal Audits, Project Proposal Formulation,

Business Process Outsourcing and Financial Advisory Services. His expertise is widespread covering a range of industries from banking & finance, insurance, micro-finance, plantations, manufacturing, general trading, apparel, not-for-profit organizations and service-oriented organizations to name a few.

He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and holds a MBA from Cardiff Metropolitan University of UK. He is also an Associate Member of the Institute of Professional Finance Managers - UK and an Associate Member of the Association of Accounting Technicians of Sri Lanka.

Former Appointments :

Mr. Madusanka has a proven track record of over 10 years in the corporate world, having held leadership positions in both leading local and overseas entities at senior and strategic level. He was Group Accountant and Senior Accountant at Durdans Hospital and Asiri Surgical Hospital respectively. Further, he strengthened his senior management skills by joining Arabian Sugar Company B.S.C. in Bahrain, the only sugar refinery situated in the Kingdom of Bahrain and one of the biggest sugar suppliers to the Gulf region as the Group Finance Manager. Additionally he served as a Director of Sterling Capital Investments (Pvt) Ltd until 31st March 2024.

Current Appointments :

He is the Chief Executive Officer of Sterling Automobiles Lanka (Pvt) Ltd.

Membership of Board Sub-committees :

He serves as member of the Board Audit Committee, Board Integrated Risk Management Committee, HR & Remuneration Committee, Nominations and Governance Committee, Board Credit Committee, IT Steering Committee.

DR. NIRMAL DE SILVA

Non-Executive, Independent Director

Appointed to the Board as a Non-Executive, Independent Director on 29th September 2022.

Qualifications, Skills & Experience:

Dr. Nirmal De Silva has a Doctorate in Business Administration (Specializing in HR) from the University of Aldersgate, a Masters in Business Administration from the Edith Cowan University – Australia, a Bachelor of Business Management Degree from the Monash University – Australia.

Dr. De Silva is a CIMA Passed Finalist, qualified as a Certified Management Accountant (CMA – Australia) and has a Post graduate Diploma in Marketing by CIM. He is also a Fellow Member of the Chartered Institute of Professional Managers (CPM - Sri Lanka) & Association of Business Executives (ABE - UK). He has also completed the Board Leadership Program conducted by the Sri Lanka Institute of Directors (SLID).

Current Appointments:

Dr. Nirmal De Silva is a multi-award-winning Strategy Consultant, SME Evangelist, Corporate Trainer, Entrepreneur & Associate Professor in Business Management with two decades of 'C Level' experience across the world, where he has provided leadership to several Multinational and Fortune 500 companies.

Dr. De Silva is a Board Member of Global Entrepreneurship Network (GEN) in Sri Lanka, Co-Founder/ Director of Paramount Realty Pvt. Ltd. and Capazity Pvt Ltd. He is also an Independent Non-Executive Director of Asia Pacific Technology Systems. He is an important influencer in shaping the start-up and social enterprise eco-

BOARD OF DIRECTORS

system in the country. As an Academic, He focuses on areas such as curriculum enhancement, soft-skills development, entrepreneurship, leadership & holistic learning.

Dr. De Silva serves as a mentor for Faster Capital in the UAE, Mentor Capital Network (MCN) in USA, Hatch - Sri Lanka and as a member of the National Advisory Committee (NAC) for Entrepreneurship Eco-system Development at the Ceylon Chamber of Commerce. He is an Associate Professor of several global universities in a visiting capacity and is currently a Program Director for the Strategic Leadership Program at the Bandaranaike Academy for Leadership & Public Policy. In addition, he serves in the advisory committee of Sri Lanka Tourism, and is a Board member of the National Advisory Board for Impact Investment (NABIISL) in Sri Lanka.

Past Appointments:

Dr. De Silva has served as a Director of the Pradeshiya Sanwardhena Bank (RDB), as the Country Head of Regus, a Board member of the Lanka Impact Investing Network & Advisor to the State Ministry of Urban Development.

Membership of Board Sub-committees:

Dr. De Silva serves as the Chairman of the Board Audit Committee, IT Steering Committee and Procurement Committee and as a member of the Board Integrated Risk Management Committee.

MS. KRISTLE REID WIJESURIYA

Independent, Non-Executive Director

Appointed to the Board as an Independent, Non-Executive Director on 22nd August 2022.

Qualifications, Skills & Experience:

Ms. Krystle Reid Wijewuriya is the Co-Chief Executive Officer at We Are Team Rocket, a UK-based agency on knowledge process outsourcing. She has

experience working with multiple cross-functional teams related to strategic planning, process improvement, risk management, business development, and project management. She is also a diversity and inclusion specialist and co-founded the Enable Lanka Foundation and GenUth Initiative. At GenUth they aim to equip young people with the skills, knowledge, and resources necessary to create sustainable livelihoods, foster innovation, and thrive in an ever-changing world.

Ms. Wijesuriya has a BSc (Hons) in Global Business Management, Strategic Management. Her work has been featured in 'I Am Inspired' book published by two Sri Lankan authors, BBC, the House of Lords in London, Commonwealth articles, SBS Australia, Institute of National Security Studies - Sri Lanka, Ministry of Foreign Affairs - Sri Lanka and many other national newspapers and television channels.

Former Appointments:

In 2019, Ms. Wijesuriya was selected as one of the 50 Young Global Shapers (Davos 50) to attend the Annual Meeting of the World Economic Forum in Davos. She was also named the Commonwealth Young Person of the Year in 2017. She was a member of the sub-committee appointed by the National Child Protection Authority to sensitize public administrations and authorities on inclusion and was on the Linneasia Disability Research Advisory Board.

Current Appointments:

Ms. Wijesuriya is a Fellow of Asia Society and ChangemakerXchange, which are global collaboration platforms for young social innovators, and an Associate Fellow for the South Asia Foresight Network (SAFN) for the Sri Lanka Node of the Millennium Project. She is also a member of the Sri Lanka Institute of Directors.

Membership of Board Sub-committees:

Ms. Wijesuriya serves as the Chairman of the Related Party Transactions Review Committee and a member of the HR & Remuneration Committee, Nominations and Governance Committee.

MR. ROHAN PANDITHAKORRALAGE

Independent Non-Executive Director

Appointed to the Board as a Non-Executive Independent Director with effect from 2nd July 2024

Qualification, Skills & Experience :

Mr. Rohan Pandithakorralage is a visionary and a trendsetter in the field of HR and sustainable business management and he has been a strong advocate in taking HR to the Board and giving its due place. With over 40 years of experience in the Corporate Sector, he revolutionized the HR function in Sri Lanka, bringing new ideas and concepts to align HR with business outcomes. He co-founded the Association of Human Resource Professionals in Sri Lanka. With over 15 years as a Board member in a multinational conglomerate, he has experience in the full spectrum of HR, including Learning and Development, Compensation and Benefits, HR Policies, HR Strategies, and Sourcing. Recognized for his innovative and practical approaches to HR, he was awarded the prestigious HR Leadership Award at the Asia Pacific Congress (APHRM)

Mr. Pandithakorralage's focus areas include leadership development, HR Advisory, performance enhancement, employee engagement, industrial relations, learning and development, sourcing, compensation and benefits.

Mr. Pandithakorralage is a Certified Practitioner and trainer at the Asian Development Bank and International Public Management Association for Human Resources (IPMA HR), Strategic Human Resource Planning – Centre for Strategic Management, Human Resource

Management (NUS Business School) and Certified Trainer MTP (NICC-ASOTS Japan).

Current Appointments :

Mr. Pandithakorralage currently serves as Managing Director of RMD Consultants (Pvt) Ltd and the Vice President of Lanka Jathika Sarvodaya Shramadana Sangamaya Inc.

He has over 40 years of experience in HR, serving multinational corporations covering 16 industries, NGOs, Academic Institutes, and religious Institutes in Sri Lanka, Australia, Maldives, Dubai, Oman, South Africa, and India.

Former Appointments :

Mr. Pandithakorralage was a member of the Group Supervisory Board, Aitken Spence PLC, and the Director/Chief Human Resources Officer of the Aitken Spence PLC. Joining the company in 1994 as an HR Executive, he became a Director by 2001. He was appointed to the Management Board of Aitken Spence PLC and the Group Supervisory Board of Aitken Spence PLC in 2007 and 2017, respectively.

In addition to being a Director of several subsidiaries in Aitken Spence Group, he was also a Director of Colombo International Nautical and Engineering College (CINEC) and CSR Lanka (Guarantee) Ltd. He was a member of the National Labour Advisory Council (NLAC), the Council of the Employers Federation of Ceylon (EFC), the Board of Governors of the National Institute of Labour Studies (NILS), a member of the subcommittee on training, professional development, and capacity building – Sri Lanka Administrative Service and a member of the Governing Council of Sri Lanka Institute of Development Administration (SLIDA). He was the Chairman of the Board of advisors at Sarvodaya Fusion.

Membership of Board Sub-committees:

Mr. Pandithakorralage serves as the Chairman of the HR and Remuneration and Nominations & Governance Committee.

MR. BANDARA REKOGAMA

Independent Non-Executive Director

Appointed to the Board as a Non-Executive Independent Director with effect from 7th August 2024.

Qualifications, Skills & Experience:

Mr. K. M. D. B. Rekogama brings a wealth of experience, with over 33 years in the fields of engineering and banking. He is a former banker, MSME consultant, engineer, and a lecturer at the Institute of Bankers of Sri Lanka.

Mr. Rekogama holds a Master of Business Administration (MBA) from Sikkim Manipal University, National Diploma in Technology from the University of Moratuwa, Postgraduate Executive Diploma in Banking & Finance and Membership in the Institute of Incorporated Engineers, Sri Lanka (IIESL).

Current Appointments:

Mr. Rekogama is currently serving as a Director at Rekobiz Private Limited and a consultant specializing in engineering and financial solutions for MSME industries. He also provides consultancy services to national and multinational agencies for MSME sector. In addition, he represents in the CMA Sri Lanka SME Development as a committee member.

Former Appointments:

Mr. Rekogama previously served as the Head of Microfinance and Head of Refinance & Special Lending Products at Hatton National Bank. Before joining HNB, he held various positions in several private engineering organizations specializing project management, Industrial sales/ marketing and industrial workshop management.

CORPORATE MANAGEMENT



1. Mr. Terrance Kumara - Chief Executive Officer
2. Prof. Ajith Medis - Designated Chief Executive Officer
3. Mr. Sujan Cooray - DGM - Head of Channels and Operations
4. Mr. Dinil Perera - Head of Digitalization
5. Mr. Athula Bandaranayake - Assistant General Manager - Risk
6. Mr. Nilantha Perera - Head of Human Resources
7. Mr. Sahan Rodrigo - Head of Special Recoveries
8. Mr. Sampath Kumara - Assistant General Manager - Internal Audit
9. Mrs. Nadeeka Jayawickrama - Company Secretary

MR. TERRANCE KUMARA

Chief Executive Officer

Qualifications, Skills and Experience:

Mr. Terrance Kumara is a seasoned financial sector professional with a sound academic foundation and brings with him over 22 years of diversified expertise in financial, leasing, corporate finance, and investment management areas locally and internationally. He has extensive experience in financial reporting, taxation, structuring capital market transactions and analytics. He also has years of experience in designing internal controls, legal, compliance & financial risk management and is specialized in analyzing, identifying, and translating business needs into executable strategies through bespoke service delivery. Additionally, during his tenure at SANASA Development Bank, he has spearheaded and implemented Sri Lanka's first rights issue through a digital platform.

Mr. Kumara holds a Master of Business Administration (MBA) from University of Southern Queensland, Australia, and is a Fellow Member of Institute of Chartered Accountants of Sri Lanka (ICASL), Member of Institute of Certified Management Accountants of Sri Lanka (CMASL), Member of Association of Accounting Technicians of Sri Lanka (AAT) and a Finalist of the Chartered Institute of Management Accountants of UK (CIMA).

Former Appointments :

Mr. Kumara was the Chief Financial Officer at SANASA Development Bank PLC prior to joining PMF Finance PLC, and has also worked at Lanka Financial Services for Underserved Settlements as Chief Financial Officer, Ali Al Afy Group of Companies as Finance Controller, Lisvin Investments Ltd., Assetline Leasing Co. Ltd., Lanka Tech Computers and Jayaweera & Company (Chartered Accountants).

PROF. AJITH MEDIS

Designated Chief Executive Officer

Prof. Ajith Medis carries a wealth of industry experience and has worked in the industry for over ten years as a full-time employee, ranging from multinationals to locals and as an Academic/Consultant/Director for over twenty years in Sri Lanka, Bangladesh, Maldives, and India. Currently, he is a Professor in Strategy at the Department of Marketing Management of the University of Kelaniya and on sabbatical leave.

Regarded as a turnaround specialist among the circle, he graduated with first-class honors from the University of Kelaniya, and today he holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura and a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing, United Kingdom and also served in the Board of CIM Sri Lanka for a period of 06 years. He is also a Certified Management Accountant and a member of CMA Australia. He holds a Ph.D. from Management and Science University, Malaysia. Further, he has served as a Board Consultant/Consultant/Coach to many organizations, including Lanka IOC, Alliance Finance PLC, Pristine Solutions- an SAP Specialist, Nippon Paints Lanka, Prime Lands Group, People's Leasing PLC, Pizza Hut Sri Lanka, Marina Group, David Pieris Group, Orient Finance, Siyapatha Finance, Harris & Menum: India, Bangladesh, and Sri Lanka, and Edinborough to name a few. He was appointed as the "Overseas Consultant" to the prestigious ISB-Hyderabad (Indian School of Business) for four years.

MR. SUJAN COORAY

DGM - Head of Channels and Operations

Mr. Sujan Cooray joined PMF Finance, PLC in 2024 as DGM-Head of Channels & Operations. He counts over 25 years

of experience in the banking and non-banking financial sector with a rounded exposure in sales, marketing, credit, operations, and recoveries. His people's management and operational management skills are valued by many, as he was able to build strong relationships with all stakeholders in the industry.

Prior to joining PMF, Mr. Cooray has headed teams as the Assistant General Manager of Alliance Finance Company PLC. Promoting the corporate image, implementing strategic marketing plans, and preparing corporate budgets are a few of Mr. Sujan's contribution towards the company. He has also excelled in setting up KPIs and driving his teams to make the numbers materialize. Over and above, Mr. Cooray has headed the sustainable finance business unit of Alliance Finance Company PLC that plays an important role in redefining business as usual.

He holds a Master of Business Administration (MBA) from Mahatma Gandhi University of India and has completed CIM Stage I (Chartered Institute of Marketing).

MR. DINIL PERERA

Head of Digitalization

Mr. Dinil Perera is an experienced and results-driven professional in Technology Management with over 31 years of experience in Banking, with exposure to areas such as IT Service Management, Operations Management, Project/ Portfolio Management, Data Centre Management, Consumer Banking Operations and Digital Products. Mr. Perera commenced his career at the Standard Chartered Bank, Sri Lanka in 1989 and held senior positions in IT at the Commercial Bank of Qatar and the Standard Chartered Bank – UAE. Prior to joining PMF, he served as the Chief Digital Officer at SDB Bank. He has completed the Intermediate Banking Diploma from the Institute of Bankers

CORPORATE MANAGEMENT

of Sri Lanka and is a Certified Project Management Professional (PMP) and a member of the Project Management Institute (PMI).

MR. ATHULA BANDARANAYAKE

Assistant General Manager – Risk

Mr. Athula Bandaranayake counts over 20 years of experience in Finance, Strategic Planning and MIS. He started his career at Sun Match Company Ltd. and held key positions at Earl's Court Group of Companies, Assetline Finance Ltd., and Orient Finance PLC. He holds an MBA specialization in Finance from the University of Southern Queensland – Australia, a Postgraduate Diploma in Business and Finance (CA Sri Lanka), an Executive Diploma in Business and Accounting (CA Sri Lanka), and a Diploma in Credit Management (IBSL). He has completed a Certificate Course in Leasing and Hire Purchase (IBSL) and a Certificate Level of Chartered Tax Advisor (CA Sri Lanka). He is a Member of the Institute of Certified Management Accountants (CMA – Australia & New Zealand).

MR. NILANTHA PERERA

Head of Human Resources

Mr. Nilantha Perera brings with him over 30 years of experience in Human Resource Management. Prior to his appointment at PMF, he has served as the Head of HR at Orient Finance PLC, Ceylinco General Insurance PLC and as a HR Consultant to Lakderana Investment. He has extensive experience and exposure in company mergers and acquisitions, setting up of formal Human Resources divisions and building in-house HRIS systems in his former roles. Mr. Perera holds a Master's Degree in Business Administration from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, a Master's Degree in Business Studies from the University of Colombo and a B.Sc. Degree in Human Resource Management from the University of Sri

Jayewardenepura. He is a Chartered Member of Chartered Institute of Personnel Management (CIPM). He is also a visiting lecturer at the Chartered Institute of Personnel Management (CIPM) and serves as an Independent Director to the Board of JFS Holdings.

MR. SAHAN RODRIGO

Head of Special Recoveries

Mr. Sahan Rodrigo counts over 19 years of extensive experience in the finance industry, particularly in recovery and legal operations. He commenced his career at Seylan Merchant Leasing Ltd., as a Banking Assistant. He has worked at Central Finance PLC and held diverse positions in Softlogic Finance PLC for over 12 years.

He holds an MBA from the Cardiff Metropolitan University – UK, holds L.LB (Hons) Degree from the Buckinghamshire New University – UK, a Diploma in Credit Management and an NCC International Diploma from the University of Cambridge. He is a Fellow Member of Institute of Credit Management. Reading for Attorney-At-Law at Sri Lanka Law College.

MR. SAMPATH KUMARA

Assistant General Manager – Internal Audit

Mr. Sampath Kumara holds a BSc (Finance) (Sp) from the University of Sri Jayewardenepura and an MBA from the Postgraduate Institute of Management (PIM). He is an Associate Member of The Institute of Chartered Accountants of Sri Lanka (CA). He counts over 16 years' experience in Financial Management, Risk Management and Auditing in both local and international firms including KPMG, CDB Finance PLC, Richard Pieris Finance Ltd and leading multinational - Samsung India Electronics Ltd.

MS. NADEEKA JAYAWICKRAMA

Company Secretary

Ms. Nadeeka Jayawickrama is a duly qualified and licensed Chartered Secretary with over 15 years of extensive expertise in the corporate domain, including three years specifically focused on Company Secretarial practices.

Throughout her career, Ms. Jayawickrama has collaborated with the Distilleries Company of Sri Lanka PLC and Lankem Ceylon PLC. Additionally, she has gained Corporate Secretarial expertise at KHL Corporate Services Limited, a subsidiary of the Janashakthi Group Company, and at People's Leasing & Finance PLC, where she served as Executive - Company Secretarial and Assistant Manager - Company Secretarial Division respectively.

Ms. Jayawickrama is an Associate Member of the Chartered Corporate Secretaries of Sri Lanka and a Registered Company Secretary under the Registrar of Companies, Sri Lanka. She is also completing her Bachelor of Laws (LLB) degree from Buckinghamshire New University, UK, and is currently in her final year.

SENIOR MANAGEMENT



1. **Mr. Bandara Chandrasekara**
Head of Branch Operations
2. **Mr. Suneth Kumara**
Head of Gold Loan
3. **Mr. Nishantha Fonseka**
Head of General Recovery
4. **Mrs. Nelka Weliana**
Chief Legal Officer
5. **Mr. Dishan Andrew**
Senior Manager – Deposit Mobilization
6. **Mr. Nuwan De Silva**
Senior Manager – Credit
7. **Mr. Achan Chandula**
Chief Manager - Finance
8. **Mrs. Shyamali Pamarathna**
Compliance Officer

MR. BANDARA CHANDRASEKARA

Head of Branch Operations

Mr. Bandara Chandrasekara counts over 20 years of experience in sales, marketing, business development, recovery, planning, execution and branch operations. His career journey started in 2003 at Assetline Finance Ltd., and he has held key positions throughout his service period. His local and overseas training experiences offers him the ability to build a strong team based culture, formulating multichannel marketing initiatives to support business growth. He holds an MBA from the University of Wales Trinity Saint David – UK. He also has done a Certificate in Leadership Development Programme at the National University of Singapore and a Certificate in Developing Managers for the Future at the Postgraduate Institute of Management Alumni.

MR. SUNETH KUMARA

Head of Gold Loan

Mr. Suneth Kumara counts over 18 years of experience in the financial sector with expertise in Branch Operation, Gold Loan Sales & Operations and Marketing. He commenced his career at ETI Finance Limited and also held different key positions in Gold Loan and Branch Operations at Swarnamahala Financial Services PLC. He Holds a Diploma in Credit Management from the Institute of Bankers of Sri Lanka (IBSL) and a Diploma in Marketing from the University of Kelaniya.

MR. NISHANTHA FONSEKA

Head of General Recoveries

Mr. Nishantha Fonseka counts 18 years of experience in Recoveries. Having started his career at Bartleet Finance PLC as a Recovery Executive, he has held key positions at Orient Finance PLC during his career. He joined LOLC in 2015, as a Manager Recoveries and was promoted as Senior Manager Recoveries

SENIOR MANAGEMENT

subsequently. He has overseen the entire Recovery and Pre-Legal Recovery operations of LOLC Micro Leasing.

MRS. NELKA WELIANGA

Chief Legal Officer

Mrs. Nelka Weliana counts over 30 years of experience as a Corporate Lawyer and has established a distinguished career specializing in banking and finance companies. She has held pivotal roles as Head of Legal for 12 years across three leading finance companies and served as a bank lawyer for 14 years at two prominent commercial banks. She was the Head of Legal in Siyapatha Finance PLC, Fintrex Finance Ltd and Softlogic Finance PLC and has worked in Legal Department of Seylan Bank and Amana Bank having become a high quality legal practitioner in Banking.

Mrs. Weliana's expertise is in Banking and Finance Litigation, Debt Recovery. Drafting Legal Documents, Contracts, Agreements, and functioned as Company Secretary. She took Oaths as an Attorney-at-Law in 1993, and holds Diploma in International Relations, Diploma in Arbitration (ICLP). She is an Executive Member of Association of Corporate Lawyers of BASL and she has held the Chairperson position of Legal Circle of Finance House Association (FHA) in 2013-2014.

MR. DISHAN ANDREW

Senior Manager – Deposit Mobilization

Mr. Dishan Andrew joined PMF in Finance PLC January 2023 as the Senior Manager, and is responsible for deposit mobilization. He counts more than 20 years of experience in the finance industry, specifically in Liability Marketing, Sales and Strategic Planning. Prior to joining PMF, Mr. Andrew served

as Head of Fixed Deposits at HNB Finance PLC.

MR. NUWAN DE SILVA

Senior Manager – Credit

Mr. Nuwan De Silva joined PMF Finance PLC in March 2022 and is currently overlooking the Credit Operations at the Company. He possesses over 16 years of experience in the Banking & Finance Industry, where he held key positions at Hatton National Bank PLC, LOLC Finance PLC and National Development Bank PLC. His industry exposure covers variety of areas including Retail Banking, Business Banking, Portfolio Management, Credit Risk Management & Credit Administration.

He holds a BSc (Hons) in International Banking & Finance from the University of Northampton, UK and a Master of Business Administration from Cardiff Metropolitan University, UK. He also holds a Post Graduate Diploma in Professional Marketing from the Chartered Institute of Marketing (UK), A Diploma in Credit Management from Institute of Bankers of Sri Lanka and a Certificate in Banking & Finance from the Institute of Bankers of Sri Lanka.

MR. ACHAN CHANDULA

Chief Manager - Finance

Mr. Achan Chandula counts over 18 years of experience in the Banking and Finance sector. His career began in 2005 as an Accounts and Finance Trainee at Seylan Bank Asset Management Limited. Over the years, he has held significant roles at National Wealth Corporation Limited, NatWealth Securities Limited, and Pan Oceanic Bank in the Solomon Islands.

Prior to joining PMF, Mr. Chandula served as the Head of Finance at

Kanrich Finance Limited. His extensive experience is complemented by his academic and professional qualifications. He holds a Bachelor of Science in Finance (Special) from the University of Sri Jayewardenepura and he is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) in the UK and an Associate Member of the Institute of Chartered Accountants of Sri Lanka.

MRS. SHYAMALI PEMARATHNA

Compliance Officer

Mrs. Shyamali Pamarathna counts over 9 years of experience in Risk and Compliance field in the Financial Sector. Her industry exposure covers variety of areas including Anti Money Laundering, Due Diligence, implementing policies and procedures, Training and Development, Compliance Audits and implementing compliance programs. Prior to joining PMF, she served as Assistant Manager - Risk and Compliance at Orient Finance PLC.


Mrs. Pamarathna holds a B.Com. Special Degree with a second-class upper division from the University of Sri Jayewardenepura, a Diploma in Bank Integrated Risk Management, a Diploma in Compliance from the Institute of Bankers of Sri Lanka (IBSL) and a Certificate in Accounting and Business from the Institute of the Chartered Accountants of Sri Lanka.

CORPORATE GOVERNANCE REPORT

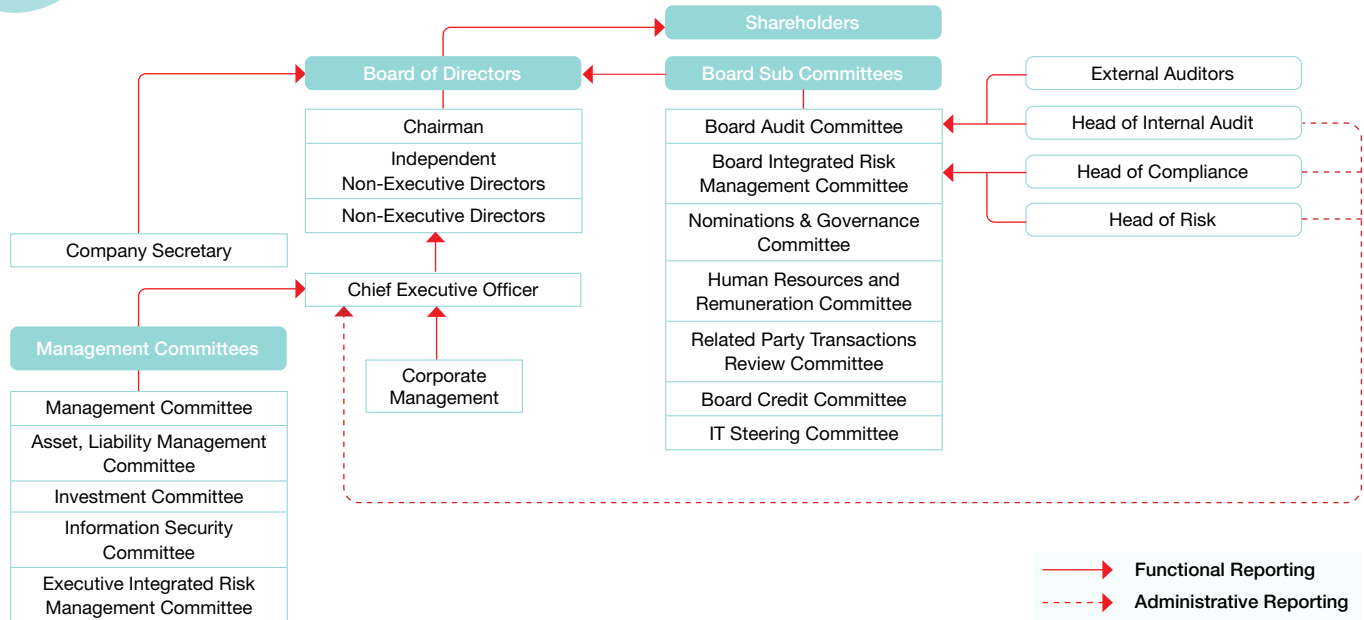
Corporate governance provides the structure through which the objectives of the Company are set, and the means of attaining those objectives and monitoring performance are determined. Essentially, progress and prosperity of PMF Finance PLC (PMF), as a finance company depends on trust and confidence placed by the public on the affairs of the Company. Therefore, the Company has put in place the best corporate governance practices to achieve its vision while complying with all the regulatory requirements.

GOVERNANCE FRAMEWORK

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

Regulatory benchmarks on corporate governance	Internal benchmarks on corporate governance
Companies Act No. 07 of 2007	Articles of Association of the company
Finance Business Act No. 42 of 2011 and all Directions/ Guidelines issued by the Monetary Board of the Central Bank of Sri Lanka including Corporate Governance Direction No. 05 of 2021	Charters/Terms of Reference of Board, Subcommittees and Management Committees
Section 9 of the Listing Rules of Colombo Stock Exchange (CSE)	Board approved Corporate Governance Framework
The Code of Best Practice on Corporate Governance as published by the Institute of Chartered Accountants of Sri Lanka (voluntary)	Board approved Policies & Procedures
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 and amendments thereto including new Act No. 19 of 2021.	Operational Circulars
AML and CFT legislations and relevant rules and regulations issued by the FIU including Customer Due Diligence Rule 01 of 2016 and Financial Transactions Reporting Act No. 6 of 2006	Policy on Anti-Money Laundering & Suppression of Terrorist Financing
Inland Revenue Act No. 24 of 2017 and amendments thereto.	

GOVERNANCE STRUCTURE



Information on Board of Directors has been published in the Annual Report under “Board of Directors” (pages 68-73)

DEVELOPMENTS DURING THE YEAR

Board oversight for the management of the Company	Key Highlights for 2023/24
Strategic Oversight	<ul style="list-style-type: none"> Board approved the Annual Budget for the FY 2023/24
Financial control	<ul style="list-style-type: none"> Reviewed the Interim Financial Statements for the year ended 31st March 2024.
Compliance oversight	<ul style="list-style-type: none"> Following policies, procedures and Terms of References (TORs) were reviewed in line with the requirements of Section 9 of the Listing Rules issued by Colombo Stock Exchange <ul style="list-style-type: none"> Corporate Governance Framework Board Audit Committee TOR Nomination and Governance Committee TOR Board Human Resources and Remuneration Committee TOR AML Compliance reports were submitted to the Board as per CDD Rule No 1 of 2016 and updated monthly compliance checklists were also presented. Gap analysis on Section 9 of the Listing Rules of Colombo Stock Exchange was reviewed by the Board. All Board Sub Committees were reconstituted to comply with the Section 9.3 of the Listing Rules of Colombo Stock Exchange.
Risk Oversight	<ul style="list-style-type: none"> Risk dashboard assessing all key risk areas was presented to the Board on monthly basis. Risk Assessment report was submitted within a week of each BIRMC meeting to the Board seeking the Board’s views, concurrence and/or specific directions
IT Governance	<ul style="list-style-type: none"> Ensured IT steering committee meetings are held as per the schedule and key IT governance matters are presented at the Board/ Board subcommittee level for strategic oversight. Reviewed the implementation progress and level of compliance with the Regulatory Direction No. 1 of 2022 on Technology Risk Management and Resilience.

EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

The level of compliance with the regulations on Corporate Governance is presented under three sections given below.

Section One

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

Section Reference	Corporate Governance Principle	Extent of compliance
1	BOARD'S OVERALL RESPONSIBILITIES	
1.1	The Board shall have overall responsibility and accountability for the Finance Company (FC), including approving and overseeing management's implementation of the FC's corporate strategy, setting up the governance framework, establishing a corporate culture, and ensuring compliance with regulatory requirements.	A sound business strategy & corporate values have been put in place by the Board which guides the Company to success in all its endeavors. The Board approved Strategic Plan for 2021-2026 has also been established.
1.2	Business Strategy and Governance Framework	
1.2.a	Approving and overseeing the implementation of strategic objectives, including, the overall business strategy with measurable goals for at least the next three years, and updating annually in light of the current developments.	Board has approved strategic plan for five years period (2021-2026) is in place and updates it annually in line with the changes in business environment. The Company's Strategic Plan for 2021-2026 includes measurable goals for the next five years.
1.2.b	Approving and implementing the Company's governance framework in light of the Company's size, complexity, business strategy, and regulatory requirements.	The Board has approved the company's governance framework commensurate with the company's size, complexity, business strategy and regulatory requirements.
1.2.c	Assessing the effectiveness of its governance framework periodically.	Effectiveness of Governance Framework is assessed by the Board periodically through a gap analysis.
1.2.d	Appoint the Chairman and the Chief Executive Officer and define the roles and responsibilities.	The Board of Directors has appointed the Chairman and the Chief Executive Officer (CEO). The responsibilities of the Chairman and the CEO have been clearly defined in the Board approved Corporate Governance Framework.
1.3	Corporate Culture and Values	
1.3.a	Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behavior.	The Company invests in building Human Resources culture and there is a people management strategy in place that focuses on leadership and management culture, and embeds cultural values across all levels of the organization.
1.3.b	Playing a lead role in establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	A Board approved Code of Conduct for employees is in place to establish a corporate culture and values across the company.
1.3.c	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	Business strategies have developed considering the appropriate environmental, social and governance considerations.

Section Reference	Corporate Governance Principle	Extent of compliance
1.3.d	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers, and other creditors, in the view of projecting a balanced view of the Company's performance, position and prospects with the public and regulators.	The Board has adopted and approved the policy on communication to ensure effective internal and external communication of corporate information with all stakeholders.
1.4	Risk Appetite, Risk Management, and Internal Controls	
1.4.a	Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework.	The company has developed a Risk Appetite Statement (RAS) in line with the company's business strategy and governance framework. The Board reviews the statement in annual basis.
1.4.b	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	Risk indicators and monitoring pertaining to Credit Risk, Market Risk, Liquidity Risk Operational Risks, and all other risk factors are discussed and appropriate mitigating actions are recommended at the BIRMC meeting.
1.4.c	Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically.	The Board Audit Committee assists the Board in assessing the adequacy and integrity of the internal controls system, management information system (MIS), and financial reporting processes of the Company
1.4.d	Approving and overseeing Business Continuity and Disaster Recovery Plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	Board approved Business Continuity Plan (BCP) is in place. BCP is being reviewed by the BIRMC and the current status is updated at meetings.
1.5	Board Commitment and Competency	
1.5.a	All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the Company.	Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that their duties and responsibilities are satisfactorily discharged.
1.5.b	All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience.	All members of the Board possess vast experience, qualifications, adequate skills, and knowledge in the relevant fields.
1.5.c	The Board shall regularly review and agree on the training and development needs of all the members.	Directors have recognized the need for continuous training and take part in professional development as they consider it necessary in carrying out their duties as Directors. Market experts and professional services are obtained to share new knowledge from time to time. Any training programs relevant to the Board are communicated to the Board by the Company Secretary for the Directors' participation.
1.5.d	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments.	A process is in place for annual self-assessments to be undertaken by each Director, of its Board as a whole and that of its committees. The records of such assessments are maintained by the Company Secretary.

Section Reference	Corporate Governance Principle	Extent of compliance
1.5.e	The Board shall resolve to obtain external, independent, professional advice to the Board to discharge duties to the FC.	A Board approved policy is in place that enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense
1.6	Oversight of Senior Management	
1.6.a	Identifying and designating senior management, who are in a position to significantly influence policy, direct activities, and exercise control over business operations and risk management.	The Board has identified and designated Senior Management who are in a position to carry out the Company's operations and Risk Management processes.
1.6.b	Defining the areas of authority and key responsibilities of the senior management.	The Senior Management job roles and areas of authority have been defined in order to enable effective oversight of the affairs of the Company within the strategic objectives of the Company.
1.6.c	Ensuring the senior management possesses the necessary qualifications, skills, experience, and knowledge to achieve the FC's strategic objectives.	Senior Management of PMF possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.
1.6.d	Ensuring there is appropriate oversight of the affairs of the Company by senior management.	To safeguard better governance practices, the affairs of the Company are reviewed and monitored by the Board of Directors through the CEO. To ensure better management, development, and effective performance of the Company, Other members of the Senior Management make presentations to the Board on matters under their purview.
1.6.e	Ensuring the FC has an appropriate succession plan for senior management.	Succession Plan for Senior Management is in place.
1.6.f	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	The Board interacts regularly with the senior management in order to execute and review policies and to ensure corporate objectives are met.
1.7	Adherence to the Existing Legal Framework	
1.7.a	Ensuring that the FC does not act in a manner that is detrimental or prejudicial to the interests of, and obligations to, depositors, shareholders and other stakeholders.	Board approved Governance Framework and Communication policies are in place. The Company operates within the Governance Framework and the laws and directions issued by the regulator.
1.7.b	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	The Company adheres to the directions, regulations, rules, and circulars issued by the Central Bank of Sri Lanka. Further, the Company ensures that all employees adhere to the internal policies and procedures. Additionally, the Board approved Code of Conduct for all employees is in place.
1.7.c	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	Civil liabilities are covered through "Director's and Officer's liability insurance policy. Continuous monitoring is in place to avoid criminal liabilities through implementing a governance framework, recruiting Directors of suitable caliber and obtaining fit & propriety of members annually.

Section Reference	Corporate Governance Principle	Extent of compliance
2.	GOVERNANCE FRAMEWORK	
2.1	Board shall develop and implement a governance framework in line with the Finance Business Act Directions No.05 of 2021.	Board approved Corporate Governance Framework is in place.
3.	COMPOSITION OF THE BOARD	
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company.	All members of the Board possess vast experience, qualifications, adequate skills, and knowledge in the relevant fields.
3.2	The number of directors on the Board shall not be less than 7 and not more than 13.	The Board consists with 7 members.
3.3	The total period of service of a director other than a director who holds the position of Chief Executive Officer/Executive Director shall not exceed nine years, subject to direction 3.4.	There are no Directors on the Board who has been a Director of the Company for more than 09 years.
3.4	Non-Executive directors, who directly or indirectly hold more than 10% of the voting rights or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however, the number of non-executive directors eligible to exceed 9 years is limited to one-fourth (1/4) of the total number of directors on the Board.	None of the Non-Executive Directors of the Company have exceeded nine years of service as at 31st March 2024.
3.5	Executive Directors	
3.5.a	Only an employee of a Company shall be nominated, elected, and appointed, as an Executive Director of the Company, provided that the number of Executive Directors shall not exceed one-third (1/3) of the total number of directors of the Board.	There are no Executive Directors on the Board.
3.5.b	A shareholder, who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may be reappointed as a non-executive director subject to provisions contained in directions 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may be reappointed as non-executive directors subject to provisions contained in directions 4.2 and 4.3.	There are no Executive Directors on the Board.

Section Reference	Corporate Governance Principle	Extent of compliance
3.5.c	In the event of the presence of the Executive Directors, CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company.	There are no Executive Directors on the Board.
3.5.d	All Executive Directors shall have a functional reporting line in the organization structure of the Company.	There are no Executive Directors on the Board.
3.5.e	The Executive Directors are required to report to the Board through the CEO.	There are no Executive Directors on the Board
3.5.f	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	There are no Executive Directors on the Board
3.6	Non-Executive Directors	
3.6.a	Non-Executive directors (NED) shall possess credible track records and have the necessary skills, competency, and experience to bring independent judgement on the issues of strategy, performance, resources, and standards of business conduct.	All Non-Executive Directors are professionally qualified and possess adequate skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.
3.6.b	A Non-Executive Director cannot be appointed or function as the CEO/Executive Director of the Company.	None of the Non-Executive Directors are appointed or function as the Executive Directors of the Company.
3.7	Independent Directors	
3.7.a	The number of Independent Directors of the Board shall be at least three or one-third of the total number of directors, whichever is higher.	Six Directors out of Seven Directors are Independent Directors.
3.7.b	Independent Directors appointed shall be of the highest caliber, with professional qualifications, proven track records, and sufficient experience.	All Independent Directors are professionally qualified and have proven track record and sufficient experience.
3.7.c	A Non-Executive Director shall not be considered independent if such:	
3.7.c.i	Director has a direct or indirect shareholding exceeding 5% of the voting rights of the Company or exceeding 10% of the voting rights of any other Company.	All Independent Directors meet independency criteria's specified in these direction.
3.7.c.ii	Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position.	
3.7.c.iii	Director has been employed by the Company or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director.	
3.7.c.iv	Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the Company or its affiliates during the one year preceding the appointment as director.	

Section Reference	Corporate Governance Principle	Extent of compliance
3.7.c.v.	Director has a relative, who is a director or senior management of the Company or has been a director or senior management of the Company during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the Company or exceeding 20% of the voting rights of another Company.	
3.7.c.vi	Director represents a shareholder, debtor, or such other similar stakeholder of the FC;	
3.7.c.vii	Director is an employee or a director or has a direct or indirect shareholding of 10% or more of the stated capital in a Company or business organization, in which any of the other directors of the FC is employed or a director;	All Independent Directors meet independency criteria's specified in these direction.
3.7.c.viii	Director is an employee or a director or has a direct or indirect shareholding of 10% or more of the voting rights in a Company, which has a transaction with the Company as defined in direction 12.1(c), or in which any of the other directors of the Company has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC.	
3.7.d.	The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed in direction 3.7, which might impact a director's independence or the perception of the independence.	In FY 2023/2024, no such circumstance transpired.
3.7.e.	An Independent Director shall immediately disclose to the Board any change in circumstances that may affect the status as an Independent Director. In such a case, the Board shall review such director's designation as an Independent Director and notify the Director/DSNBFI in writing of its decision to affirm or change the designation.	Declarations have been obtained from the Directors regarding the status of their independence / non-independence against the specified criteria, and copies of the same are under the custody of the Company Secretary for review. In 2023/24, no such circumstance transpired.
3.8	Alternate Directors	No alternate directors have been appointed to represent the existing Board members
3.9	Cooling off Periods	In 2023/2024, no such appointments were made.
3.10	Common Directorships	
3.10	Director or senior management of a Company shall not be nominated, elected, or appointed as a director of another Company except where such Company is a parent Company, subsidiary Company, or an associate Company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	No Directors or Senior Management held positions in other Finance Companies during the year 2023/24.

Section Reference	Corporate Governance Principle	Extent of compliance
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a Finance Company shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	No Director holds directorships of more than 20 companies/societies/bodies including subsidiaries and associates of the company.
4.	ASSESSMENT OF FIT AND PROPER CRITERIA	
4.1	No person shall be nominated, elected, or appointed as a director of the Company or continue as a director of such Company unless that person is a fit and proper person to hold office as a director of such Company in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	All Directors appointed to the Board are fit and proper person to hold office as a Director in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.
4.2	A person over the age of 70 years shall not serve as a director of an FC.	No Director has reached the age of 70 years.
4.3	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to a maximum of 75 years of age subject to the following;	No Director has reached the age of 70 years.
4.3.a	Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	
4.3.b	Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a).	In 2023/24, no such appointments occurred.
4.3.c	The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors.	
4.3.d	The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	
5.	APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT	
5.1	The appointments, resignations, or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Appointments, resignations or removals of Directors and Senior Management are made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.

Section Reference	Corporate Governance Principle	Extent of compliance
6.	THE CHAIR AND THE CHIEF EXECUTIVE OFFICER	
6.1	There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall be set out in writing.	Responsibilities of Chairman and CEO have set out in the Board approved Corporate Governance Framework.
6.2	The Chairperson shall be an Independent Director, subject to 6.3 below.	The Chairman is an Independent, Non-Executive Director.
6.3	In the case where the Chairperson is not independent, the Board shall appoint one of the Independent Directors as a Senior Director, with suitably documented Terms of Reference to ensure a greater independent element. The Senior Director will serve as the intermediary for other directors and shareholders. Non-Executive Directors including Senior Directors shall assess the Chairperson's Performance at least annually.	The Chairman is an Independent, Non-Executive Director.
6.4	Responsibilities of the Chairperson	
6.4.a	Provide leadership to the Board;	Chairman's key responsibilities and duties have been set out in the Board approved Corporate Governance Framework.
6.4.b	Maintain and ensure a balance of power between the Executive and Non-Executive Directors;	
6.4.c	Secure effective participation of both Executive and Non-Executive Directors.	
6.4.d	Ensure the Board works effectively and discharges its responsibilities	
6.4.e	Ensure all key issues are discussed by the Board in a timely manner	
6.4.f	Implement decisions/directions of the regulator.	
6.4.g	Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the Company Secretary.	
6.4.h	Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities.	
6.4.i	Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	The Board approved communication policy is in place for communication with all stakeholders including depositors, creditors, shareholders, and borrowers
6.4.j	Annual assessment of the performance and the contribution during the past 12 months of the Board and the CEO.	The Annual self-evaluation process ensures that the said requirements are fulfilled.
6.5	Responsibilities of the CEO	
	The CEO shall function as the apex executive in charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall include	The Chief Executive Officer functions as the executive-in-charge of the day- to-day management of the Company's operations and business.
6.5.a	Implementing business and risk strategies in order to achieve the FCs strategic objectives;	Responsibilities specified in the direction have incorporated to the Job Description of the CEO.
6.5.b	Establishing a management structure that promotes accountability, and transparency throughout the FC's operations, and preserves the effectiveness and independence of control functions;	

Section Reference	Corporate Governance Principle	Extent of compliance
6.5.c	Promoting, together with the Board, a sound corporate culture within the FC which reinforces ethical, prudent, and professional behavior.	
6.5.d	Ensuring the implementation of a proper compliance culture and being accountable for accurate submission of information to the regulator.	
6.5.e	Strengthening the regulatory and supervisory compliance framework.	
6.5.f	Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner.	
6.5.g	CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another Company, subject to Direction 3.10.	
7.	MEETINGS OF THE BOARD	
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Board meetings are held at monthly intervals. Board Meetings for the year have been scheduled at the end of the previous year and an annual meeting calendar is submitted to the Board. Special meetings are conducted as and when required.
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the board are to be represented in the agenda for scheduled Board Meetings.	Schedule of items and matters to be discussed in the Board meeting are included in the agenda. Additionally, the Chairman frequently consults Directors with a view to ascertain their requirements with regard to matters for discussion.
7.3	A notice of at least 3 days shall be given for a scheduled Board Meeting. For all other Board meetings, reasonable notice shall be given.	Sufficient notice has been given to the Board Members, to ensure all Directors have an opportunity to attend. The annual calendar of meetings is adopted at the first meeting of the calendar year and any changes are agreed upon with adequate notice.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that their duties and responsibilities are satisfactorily discharged.
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present unless at least one-fourth of the number of directors that constitute the quorum at such meeting are independent directors.	In 2023/24, no such incidents occurred.
7.6	The Chairperson shall hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary, and at least twice a year.	All members of the Board are Non-Executive Directors

Section Reference	Corporate Governance Principle	Extent of compliance
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which he/she or any of his relatives or a concern, in which he has a substantial interest, is interested, and he/she shall not be counted in the quorum for the relevant agenda item in the Board meeting.	In terms of the Company Act, there is a requirement in place for the Directors to declare the nature of their interest. Directors' interests (if any) are disclosed to the Board and any Director who has a particular interest in matters set before the Board abstains from participating and voting. Further, there is a Board approved policy on Conflict of Interest in place for directors
7.8	A director, who has not attended at least two-third 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.	All Directors have regularly attended Board Meetings.
7.9	Scheduled Board Meetings and Ad Hoc Board Meetings For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where the director cannot attend on short notice, participation through electronic means is acceptable.	Please refer 'Directors' Attendance and Committee Memberships' table given on page 135 of the Annual Report. Further, participation in person or through electronic media is clearly recorded in the minutes
8.	COMPANY SECRETARY	
8.1.a.	The Board shall appoint a Company Secretary considered to be senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings and to carry out other functions specified in the statutes and other regulations.	A competent and experienced individual has been appointed as the Company Secretary in line with the stipulated requirements.
8.1.b.	The Board shall appoint its Company Secretary, subject to the transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a Company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company Secretary, such person shall become an employee of the Company and shall not become an employee of any other institution.	A competent and experienced individual has been appointed as the Company Secretary in line with the stipulated requirements.
8.2	All directors shall have access to the advise and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	All directors have access to the advise and services of the Company Secretary as required.
8.3	The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function.	The Company Secretary has been delegated with the responsibility of preparing the agenda for the Board meeting.
8.4	The Company Secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	Minutes of Board meetings are maintained by the Company Secretary. The Board Minutes are available for inspection by any Director as and when required.
8.5	The Company Secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.	Minutes of the Board meetings with all Board Minutes are maintained in orderly manner.

Section Reference	Corporate Governance Principle	Extent of compliance
8.6	<p>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:</p> <p>(a) a summary of data and information used by the Board in its deliberations;</p> <p>(b) the matters considered by the Board;</p> <p>(c) fact-finding discussions and the issues of contention or dissent including contribution of each individual director.</p> <p>(d) the explanations and confirmations of relevant parties which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; directions.</p> <p>(e) the Board's knowledge and understanding of the risks to which the Company is exposed and an overview of the risk management measures adopted;</p> <p>(f) the decisions and Board resolutions.</p>	<p>Board Minutes are maintained in sufficient detail with data and information used by the Board in its deliberations, decisions and Board resolutions. Board minutes also contain and refer to the fact-finding discussions, matters which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations.</p>
8.7	<p>The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.</p>	<p>Minutes of Board meetings are maintained by the Company Secretary. The Board Minutes are available for inspection by any Director as and when required.</p>
9.	DELEGATION OF FUNCTIONS BY THE BOARD	
9.1	<p>The Board shall approve a DA and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.</p>	<p>The Board has approved a Delegation of Authority (DA) and give clear directions to the senior management.</p>
9.2	<p>In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.</p>	<p>All sub-committees required in the direction are in operation.</p>
9.3	<p>The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.</p>	<p>The Board has established appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.</p>
9.4	<p>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>All delegations are made in a manner that would not hinder/reduce the Board's ability to discharge its functions. The exercise of delegated authority is clearly monitored.</p>
9.5	<p>The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company.</p>	<p>Delegation arrangements are periodically reviewed.</p>

Section Reference	Corporate Governance Principle	Extent of compliance
10.	BOARD SUB-COMMITTEES	
10.1 (a)	FCs with asset base of less than Rs. 20 Bn	
	Shall establish at least the BAC, BIRMC and Related Party Transactions Review Committee.	The Board has established Board Audit Committee, Board Integrated Risk Management Committee, Related Party Transaction Review Committee, Nomination and Governance Committee and Human Resources and Remuneration Committee.
	Meetings - Meetings shall be held at least quarterly for BAC and BIRMC. Other committees shall meet at least annually	There were seven BAC meetings and six BIRMC meetings held during the year 2023/24, which comply with the requirements. Please refer 'Directors' Attendance table given on page 135 of the Annual Report.
10.1.b	Each Board sub-committee shall have a written term of reference specifying clearly its authority and duties.	Each Board sub –committee have a Board approved written terms of reference specifying clearly its authority and duties
10.1.c	The Board shall present a report on the performance of duties and functions of each Board Sub- Committee, at the Annual General Meeting of the Company.	A report on the performance of duties and functions of each Board sub-committee is available in the Annual Report.
10.1.d	Each sub-committee shall appoint a Secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records, and carry out such other such secretarial functions under the supervision of the Chairperson of the committee.	The Company Secretary is the Secretary to the Board Nomination and Governance Committee, Human Resources and Remuneration Committee, and Related Party Transaction Review Committee. Further, Head of Internal Audit, and Head of Risk are the secretaries to the Board Audit Committee, and Board Integrated Risk Management Committee respectively.
10.1.e	Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge, and experience relevant to the responsibilities of the committees.	Each Board sub-committee consists of three or more Board members and shall only consists of members of the Board ,who have the skills ,knowledge and experience relevant to the responsibilities of the committee.
10.1.f	The Board may consider the occasional rotation of members and of the Chairperson of Board sub- committees to avoid undue concentration of power and promote new perspectives.	When necessary, the Chairs and members of the Board's subcommittees will be taken into consideration for rotation.
10.2	Board Audit Committee (BAC)	
10.2.a	The Chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	Chairperson of the committee is an Independent Non-Executive Director
10.2.b	The Board members appointed to the BAC shall be Non-Executive Directors and the majority shall be Independent Directors with the necessary qualifications and experience relevant to the scope of the BAC.	All members of the committee are Non-Executive Directors and the majority are Independent Directors with the necessary qualifications and experience relevant to the scope of the BAC.
10.2.c	The secretary to the Board Audit Committee shall preferably be the Chief Internal Auditor (CIA)	Chief Internal Auditor acts as the Secretary of the BAC.

Section Reference	Corporate Governance Principle	Extent of compliance
10.2.d	External Audit Function	
i	The BAC shall make recommendations on matters in connection with the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes, the service period, the audit fee, and any resignation or dismissal of the auditor.	The Audit Committee makes recommendations on the stated matters.
ii	Engagement of an audit partner shall not exceed five years, and the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.	Service of Present Audit partner has not exceeded five years.
iii	The audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	Present Audit partner of the company is not a substantial shareholder, director, senior management or employee of the company.
iv	The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	BAC 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.
v	Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	Present Audit partner has not been assigned to any non-audit services with the company during the same financial year in which the audit is being carried out. BAC has developed and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services.
vi	The BAC shall, before the Audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including (i) an assessment of the Company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	BAC discuss and finalize relevant matters with the external auditor before the audit commences.

Section Reference	Corporate Governance Principle	Extent of compliance
vii	<p>The BAC shall review the financial information of the Company's, in order to monitor the integrity of the Financial Statements of the Company in its Annual Report, Accounts and Periodical Reports prepared for disclosure, and the significant financial reporting judgements contained therein.</p> <p>In reviewing the Company's Annual Report and Accounts and Periodical Reports before submission to the Board, the committee shall focus particularly on:</p> <p>(i) major judgmental areas;</p> <p>(ii) any changes in accounting policies and practices;</p> <p>(iii) significant adjustments arising from the audit;</p> <p>(iv) the going concern assumption; and</p> <p>(v) the compliance with relevant accounting standards and other legal requirements.</p>	BAC reviews Annual report and periodical reports prepared for disclosure as required in the direction.
viii	The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary.	BAC is having closed door meetings with the external auditor twice a year without senior management being present.
ix	The BAC shall review the External Auditor's Management Letter and the Management's response thereto within 3 months of submission of such, and report to the Board.	BAC reviews management letter and the management responses thereto as required in the direction.
10.2.e	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	The effectiveness of the Company's internal control mechanism has been certified by the Directors on pages 157-158 of the Annual Report under the heading "Directors' Statement on Internal Controls over Financial Reporting".
10.2.f	The BAC shall ensure that the Senior Management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to the Internal Audit function of the Company.	BAC monitors this through regular reporting from the Internal Audit Department.
10.2.g	Internal Audit function:	
i	The Committee shall establish an Independent Internal Audit function, either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the Company's internal control, risk management, governance systems and processes	The Internal Audit function is an independent function which directly reports to the Board Audit Committee and the audits are performed with impartiality and due professional care.

Section Reference	Corporate Governance Principle	Extent of compliance
ii	The Internal Audit Function shall have a clear mandate, be accountable to the BAC, and be independent of the audited activities. It shall have sufficient expertise and authority within the Company to carry out their assignments effectively and objectively.	There is a Board approved Internal Audit Charter that defines the purpose, authority and responsibility of the Internal Auditor. The said mandate establishes the independence of the department too.
iii	The BAC shall take the following steps with regard to the Internal Audit Function of the Company:	
	(i) Review the adequacy of the scope, functions and skills and resources of the Internal Audit Department, and satisfy itself that the department has the necessary authority to carry out its work;	Board Audit Committee discuss the adequacy of the scope, functions, and resources of the Internal Audit Department
	(ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit ;	The Board Audit Committee review and approves the Annual Internal Audit Program. Internal Audit Reports, with the management comments, discuss at length, and action is taken to rectify the same.
	(iii) Assess the performance of the head and senior staff members of the Internal Audit Department;	The Board Audit Committee has carried out the performance appraisal of the Head of Internal Audit for the year 2023 /24.
	(iv) Ensure that the Internal Audit Function is independent and activities are performed with impartiality, proficiency, and due professional care;	Head of Internal Audit reports directly to the BAC and the audit work has been performed with impartiality proficiency and due care.
	(v) Ensure the Internal Audit Function carries out a periodic review of the Compliance Function and regulatory reporting to regulatory bodies.	BAC reviews the annual compliance review conducted by Internal Audit Function.
	(vi) Examine the major findings of internal investigations and management's responses thereto. ;	There is regular reporting to the BAC on the status of investigations
10.2.h	Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	BAC reviews the progress of implementing the Time Bound Action Plan of the Statutory Examination Report in quarterly basis.
10.2.i	Meetings of the Committee	
	i. The committee shall meet as specified in direction 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	The BAC meets as it deems necessary to discharge its role and responsibilities but not less than once in each quarter
	ii. Other Board members, senior management, or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.	Other Board members, senior management or any other employee attend meetings upon the invitation of the committee when discussing matters under their purview.
	iii. BAC shall meet at least twice a year with the external auditors without any other directors / senior management / employees being present.	The Committee met with the external auditors twice during the year 2023/24 at the Board Audit Committee meetings without any other directors/Senior management /employees being present.

Section Reference	Corporate Governance Principle	Extent of compliance
10.3	Board Integrated Risk Management Committee (BIRMC)	
10.3.a.	The Committee shall be chaired by an Independent Director. The Board members appointed to BIRMC shall be Non-Executive Directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with Senior Management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	<p>Chairman of the BIRMC is an Independent Director and other Board members appointed to the committee are non-executive Directors with knowledge and experience in banking, finance, risk management issues and practices</p> <p>The CEO, Head of Risk and Compliance Officer attends meeting as permanent invitees.</p> <p>The Committee executes its duties in line with its terms of reference and work closely with the Senior Management with regard to identified risks.</p>
10.3.b	The secretary to the committee may preferably be the CRO.	Head of Risk functions as the Secretary of the Committee.
10.3.c	The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, compliance and technology to the Company at least once on two monthly basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board;	The Committee assesses all risks, i.e., credit, market, liquidity, operational and strategic, compliance and technology risks to the Company on a monthly basis through appropriate risk indicators and management Information.
10.3.d	Developing the Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision-making and establishing the means to raise risk issues and strategic concerns throughout the FC.;	The BIRMC has developed a comprehensive Risk Appetite Statement which articulates the individual and aggregate level and types of risk that PMF will accept or avoid, in order to achieve its strategic business objectives.
10.3.e.	The BIRMC shall review the Company's risk policies including RAS, at least annually.	The committee reviews risk policies including RAS in annual basis.
10.3.f	The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Minutes of management level committees are submitted to the Committee to review the adequacy and effectiveness of the respective committees.
10.3.g	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	The Committee meets once in every two months to assess all aspects of Risk Management including updated Business Continuity Plans.

Section Reference	Corporate Governance Principle	Extent of compliance
10.3.h	BIRMC shall annually assess the performance of the compliance officer and the CRO.	Performance of the compliance officer and the CRO for the FY 2023/24 has been assessed by the BIRMC.
10.3.i	Compliance function	
10.3.i.i	BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business' operations.	The Committee has established an independent compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. Compliance Officer carries out the compliance function and reports to the Committee periodically.
10.3.i.ii	For a Company with an asset base of more than Rs. 20 bn, a dedicated Compliance Officer considered to be Senior Management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	N/A
10.3.i.iii	For FCs with an asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	An officer with adequate seniority has been appointed as the Compliance Officer.
10.3.i.iv	The responsibilities of a compliance officer would broadly encompass the following:	
	i) Develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements;	Board approved policies and procedures are in place.
	ii) Ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture;	Board approved Compliance policy is in place and available on the intranet which is accessible by all employees of the Company.
	(iii) Ensures that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards;	Periodic reviews are conducted to assess the level of compliance with regulatory rules and internal compliance standards.
	(iv) Understand and apply all new legal and regulatory developments relevant to the business of FC;	The Company implements all new legal and regulatory developments that are applicable to its business.
	v) Secure early involvement in the design and structuring of new products and systems, to ensure that they conform to regulatory requirements, internal compliance, and ethical standards	Compliance Officer is a member of the Product Development Committee and Board approved Product Development policy is available to streamline the process of designing or redesigning a product in the Company.
	vi) Highlight serious or persistent compliance problems and where appropriate, work with the management to ensure that they are rectified within an acceptable time-frame, and	Compliance Audits are carried out periodically and action is taken to rectify if deviations are noted.

Section Reference	Corporate Governance Principle	Extent of compliance
	vii) Maintain regular contact and a good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with the highest integrity	With the regulators, a positive working relationship is upheld.
10.3.j	Risk management function	
10.3.j.i	BIRMC shall establish an independent risk management function responsible for managing risk- taking activities across the FC.	The Company has established an Independent Risk Management function.
10.3.j.ii	For FCs with an asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO, considered to be senior management, shall carry out the risk management function and report to the BIRMC periodically.	Separate department for Risk Management Function is established, which is headed by the Head of Risk.
10.3.j.iii	The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	The Company has established Risk Management policies with relevant RAS and is in line with the strategic objectives of the Company.
10.3.j.iv	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: <ul style="list-style-type: none"> ● various potential risks and frauds ● possible sources of such risks and frauds; ● mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing. ● effective measures to control and mitigate risks at prudent levels; and ● relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually. 	Head of Risk is discharged his responsibilities in accordance with the given the direction.
10.3.j.v	The chief risk officer shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc, and make recommendations on risk management.	Head of Risk is a part of the strategic planning session of the Company.
10.3.j.vi	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	Risk division maintains and updates risk register and submits BIRMC once in every two months.
10.3.j.vii	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	BIRMC submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.

Section Reference	Corporate Governance Principle	Extent of compliance
10.4	NOMINATION COMMITTEE	
10.4.a.	The committee shall be constituted of Non-Executive Directors and preferably the majority may be Independent Directors. An Independent Director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	<p>The committee consists with four Non-Executive Directors out of which three Directors are Independent.</p> <p>Chairman of the Committee is an Independent Non-Executive Director</p> <p>The CEO present at meetings by invitation of the committee.</p>
10.4.b	Secretary to the nomination committee may preferably be the Company Secretary.	Company secretary serves as the Secretary of The Committee
10.4.c	The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management.	Committee has established a formal and transparent procedure to select /appoint new Directors and senior management.
	Senior management is to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance Officer.	Senior management are appointed with the recommendation of CEO, excluding CIA and CRO and Compliance Officer.
10.4.d	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the FBA (Assessment of Fitness and Propriety of Key Responsible Persons).	The Committee ensures that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of fitness and propriety of Key Responsible Persons) Direction
10.4.e	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfil their responsibilities on the Board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	The selection process is carried out in accordance with the provision of this direction.
10.4.f	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.	The composition of the Board is not in any manner dominated by an individual or a small group of individuals
10.4.g	The committee shall set the criteria, such as qualifications, experience, and key attributes required for eligibility, to be considered for the appointment to the posts of CEO and senior management.	The qualification and experience of CEO and senior management have been documented in job descriptions (JDs) which were recommended by the Human Resources and Remuneration Committee and approved by the Board.

Section Reference	Corporate Governance Principle	Extent of compliance
10.4.h	<p>Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the Company Secretary to disclose to shareholders:</p> <p>(i) a brief resume of the director;</p> <p>(ii) the nature of the expertise in relevant functional areas;</p> <p>(iii) the names of companies in which the director holds directorships or memberships in Board committees; and (c</p> <p>iv) whether such director can be considered as independent.</p>	Upon the appointment of a new director to the Board, the company secretary discloses to shareholders the relevant disclosures.
10.4.i	The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	The Company conforms to the stated section.
10.4.j	The committee shall consider and recommend from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring directors and senior management.	This is considered at the Board Nomination and Governance Committee (BNGC) and BNGC is responsible for the selection, nomination, appointment, election, and retirement of Directors and Senior Management.
10.4.k	A member of the Nomination Committee shall not participate in decision-making relating to their own appointment/re-appointment and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor.	Members of the BNGC is not involved in the decision-making process for their own appointment or re-appointment. Moreover, the Board Chairperson abstains from the meeting when the topics of discussion concern the appointment of the successor.
10.5	Human Resources and Remuneration Committee	
10.5.a	The committee shall be chaired by a Non-Executive Director and the majority of the members shall consist of Non-Executive Directors.	Chairman of the committee is an Independent Non-Executive Director and all members are non – Executive directors.
10.5.b	The secretary to the Human Resource and Remuneration Committee may preferably be the Company Secretary.	Company secretary serves as the secretary of the committee
10.5.c	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to Executive Directors and senior management of the FC and fees and allowances structure for Non-Executive Directors.	The Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to senior management are decided by the Human Resources and Remuneration Committee.
10.5.d	There shall be a formal and transparent procedure in developing the remuneration policy.	The Remuneration and Benefits Policy has been formulated and developed to achieve fair and equitable benefits with transparent guidelines which integrate with the market-related modern remuneration practices. Further, the Remuneration and Benefits Policy is reviewed annually by considering the material changes which are to be included in the policy.

Section Reference	Corporate Governance Principle	Extent of compliance
10.5.e	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances, and other financial incentives for all employees of the FC. The policy shall be subject to periodic review by the Board, including when material changes are made.	The committee recommends remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the company which is subject to periodic review of the Board.
10.5.f	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests, and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take an excessive risk or to act in self-interest.	The remuneration structure is in line with the business strategy, objectives, values, long-term interests, and cost structure of the Company.
10.5.g	The committee shall review the performance of the senior management (excluding Chief Internal Auditor, Compliance Officer, Chief Risk Officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits, and other payments of performance-based incentives.	The performance of the senior management excluding the Head of Audit, Head of Risk and Head of Compliance has been reviewed by the Human Resources and Remuneration Committee. Financial benefits have been decided based on their performance
10.5.h	The committee shall ensure that the senior management shall abstain from attending committee meetings when matters relating to them are being discussed.	The committee adheres to the stated section.
11	INTERNAL CONTROLS	
11.1	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines, and adequate operating procedures in order to mitigate operational risks.	The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls System and the Management Information System and the financial reporting processes of the Company. Internal Audit Department helps the process by carrying out audits to assess the internal controls over financial reporting and management information systems. Board reviews the adequacy and integrity of the MIS through the critical management information reports submitted by the Internal Audit Department of the Company. Further, the External Auditors were engaged in providing assurance on the 'Directors' Responsibility Statement on Internal Controls over Financial Reporting included in the Annual Report'.
11.2	A proper internal control system shall: <ul style="list-style-type: none"> ● promote effective and efficient operations; ● provide reliable financial information; ● safeguard assets; ● minimize the operating risk of losses from irregularities, fraud, and errors; ● ensure effective risk management systems; and ● ensure compliance with relevant laws, regulations, directions, and internal policies. 	
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	Relevant responsibilities for internal controls have been incorporated in the job description of employees.
12.	RELATED PARTY TRANSACTIONS	
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following.	
12.1.a	All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the Chairperson shall be an Independent Director and the members shall consist of Non-Executive Directors.	Committee Chairman is an independent Director. Members appointed to the committee are Non-Executive Directors.

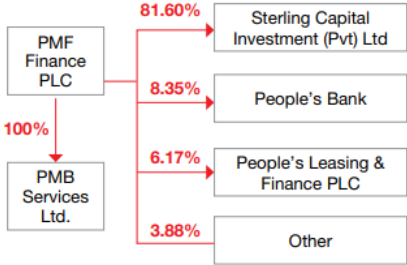
Section Reference	Corporate Governance Principle	Extent of compliance
12.1.b	All related party transactions shall be prior reviewed and recommended by the RPTRC.	All related party transactions are prior reviewed and recommended by the RPTRC.
12.1.c	<p>The business transactions with a related party that is covered in this Direction shall be the following:</p> <ul style="list-style-type: none"> ● Granting accommodation; ● Creating liabilities to the FC in the form of deposits, borrowings and any other payable; ● Providing financial or non-financial services to the FC or obtaining those services from the FC. ● Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to sharing proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party. 	All such related-party transactions are reviewed by the Board Related Party Transactions Review Committee.
12.2	<p>The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction. In this regard, there shall be a named list of natural persons/ institutions identified as related parties, which is subject to periodic review as and when the need arises.</p> <ul style="list-style-type: none"> ● Directors and senior management. ● Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. ● Subsidiaries, associates, affiliates, holding Company, ultimate parent Company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa ● Directors and senior management of legal persons in paragraph (b) or (c). ● Relatives of a natural person described in paragraph (a), (b) or (d). ● Any concern in which any of the FC’s directors, senior management or a relative of any of the FC’s director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest. 	The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Party Transaction Policy is in place which discusses categories of related parties, and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company.

Section Reference	Corporate Governance Principle	Extent of compliance
12.3	<p>The Committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party “more favorable treatment” than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, “more favorable treatment” shall mean:</p> <ul style="list-style-type: none"> ● Granting of “total accommodation” to a related party, exceeding a prudent percentage of the FC’s regulatory capital, as determined by the committee. ● Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counter-party; ● Providing preferential treatment, such as favourable terms, that extends beyond the terms granted in the normal course of business with unrelated parties; ● Providing or obtaining services to or from a related party without a proper evaluation procedure; ● Maintaining reporting lines and information flows between the FCs and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions. 	The Company treats all Related Parties on the same basis as they would treat unrelated counter parties for all transactions.
13.	GROUP GOVERNANCE	
13.1	Responsibilities of the FC as a Holding Company.	N/A
13.2	Responsibilities as a Subsidiary	N/A
	If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	N/A
14.	CORPORATE CULTURE	
14.1	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	Code of conduct for the company has established with the relevant provisions in the direction.
14.2	The FC shall maintain records of breaches of the code of conduct and address such breaches in a manner that upholds high standards of integrity.	The Company maintains records of breaches of the Code of Conduct. If any breach of the Code of Conduct is reported, the disciplinary procedure is implemented and subsequent actions are taken as per the gravity of such incidents.

Section Reference	Corporate Governance Principle	Extent of compliance
14.3	<p>A FC shall establish a Whistle Blowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be</p> <p>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</p> <p>policy periodically.</p>	<p>The company has established a Whistle Blowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. The policy is reviewed by BAC periodically.</p>
15.	CONFLICTS OF INTEREST	
15.1.a	<p>Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has a substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.</p>	<p>The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Party Transaction policy is in place which speaks on categories of related parties, and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company.</p>
15.1.b	<p>The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall;</p> <ul style="list-style-type: none"> ● Identify circumstances that constitute or may give rise to conflicts of interests. ● Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. ● Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest. ● Implement a rigorous review and approval process for directors and senior management to follow before they engage in certain activities that could create conflicts of interest. ● Identify those responsible for maintaining updated records on conflicts of interest with related parties, and ● Articulate how any non-compliance with the policy is to be addressed. 	<p>A Board approved Policy on managing conflicts of interest is in place.</p>

Section Reference	Corporate Governance Principle	Extent of compliance
16.	DISCLOSURES	
16.1	<p>The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.</p> <p>The Board shall ensure that at least the following disclosures are made in the Annual Report of the FC.</p> <p>i. Financial Statements- In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include,</p> <ul style="list-style-type: none"> ● A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. ● A statement of responsibility of the Board in preparation and presentation of financial statements. <p>ii. Chairperson, CEO and Board Related Disclosures</p> <ul style="list-style-type: none"> ● Name, qualification and a brief profile. ● Whether executive, non-executive and/or independent director. ● Details of the director who is serving as the senior director, if any. ● The nature of expertise in relevant functional areas. ● Relatives and/or any business transaction relationships with other directors of the company. ● Names of other companies in which the director/ CEO concerned serves as a director and whether in an executive or non-executive capacity. ● Number/percentage of board meetings of the FC attended during the year; and ● Names of board committees in which the director serves as the Chairperson or a member. 	<p>Relevant Financial Statements are prepared and published at the specified frequencies in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English languages.</p> <p>Relevant disclosures are included on the Annual Report under “Directors statement of internal controls over financial reporting” on page 157 of the Annual report.</p> <p>Relevant disclosures are made under “Board of Directors” on page 68 to 73 and under “Annual Report of the Board of Directors on the affairs of the company” on page 149-154 of the Annual report</p>

Section Reference	Corporate Governance Principle	Extent of compliance
ii.	Appraisal of Board Performance An overview of how the performance evaluations of the Board and its committees have been conducted	A process is in place for the annual self-assessments of Directors to be undertaken by each Director and the records of such assessments are maintained by the Company Secretary. Overview of the Board Performance Evaluation has disclosed in "Annual Report of the Board of Directors on the Affairs of the company " on pages 149 to 154 of the Annual Report
iv.	Remuneration <ul style="list-style-type: none"> ● A statement on the remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) ● The aggregate values of remuneration paid by the FC to its directors and senior management. 	Performance driven remuneration and increments to the remuneration package shall depend on achievement of agreed performance standards or financial benchmarks which have been set as per the Annual Budget. All employee's annual promotions, increments, bonus are directly in relation with the employee's performance, contribution, commitment, professional conduct and behavior. The remuneration structure of the staff, Senior Management, shall be in line with the business strategy, objectives, values, long term interest, cost structure of the Company. Aggregate values of remuneration paid for: Senior Management : LKR 68.5 Mn. Directors fees are given in Note 35.2.1 of the financial statement.
	Related Party Transactions <ul style="list-style-type: none"> ● The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. ● Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital. ● The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC. 	There is no any relationship [including financial, business, family or other material/relevant relationship(s)], between the Chairmen and the CEO and the among members of the Board. Relevant discloses are made in note no 35 on page 216 of the Annual report. Relevant discloses are made in note no 35 on page 216 of the Annual report.

Section Reference	Corporate Governance Principle	Extent of compliance
vi. Board Appointed Committees	<p>Relevant disclosures are made on page 135 of the Annual report.</p> <p>The details of the chairperson and members of the board committees and attendance at such meetings.</p>	
vii. Group Structure	<p>The group structure of the FC within which it operates.</p> <p>The group governance framework</p>	 <pre> graph TD PMF[PMF Finance PLC] -- 100% --> PMB[PMB Services Ltd.] PMF -- 81.60% --> SCIS[Sterling Capital Investment (Pvt) Ltd] PMF -- 8.35% --> PB[People's Bank] PMF -- 6.17% --> PLF[People's Leasing & Finance PLC] PMF -- 3.88% --> Other[Other] </pre>
viii. Director's Report - A report, which shall contain the following declarations by the Board	<ul style="list-style-type: none"> ● The FC has not engaged in any activity, which contravenes laws and regulations. ● The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. ● The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. ● The business is a going concern with supporting assumptions; and ● The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness. 	<p>Relevant disclosures are made on page 149-154 in the Annual Report under "Annual report of the Board of Directors on the affairs of the company."</p>
ix. Statement of Internal Control	<ul style="list-style-type: none"> ● A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. ● The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. ● A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. 	<p>Directors Statement on Internal Control Over Financial Reporting is published on page 157 of the Annual report.</p> <p>The External Auditors Assurance Statement on the effectiveness of Internal Control Over Financial Reporting is published on page 159 of the Annual report.</p> <p>Refer Directors Statement on Internal Control Over Financial Reporting is published on page 157 of the Annual report.</p>

Section Reference	Corporate Governance Principle	Extent of compliance
	<ul style="list-style-type: none"> ● 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. 	Refer Directors Statement on Internal Control Over Financial Reporting is published on page 157 of the Annual report.
x.	<p>Corporate Governance Report</p> <p>Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.</p>	The Corporate Governance Report is set out on pages 79-135 of the Annual Report. The Company has obtained an independent assurance report from the External Auditors over compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance.
xi.	<p>Code of Conduct</p> <p>FC's code of business conduct and ethics for directors, senior management and employees.</p> <p>The Chairperson shall certify that the company has no violations of any of the provisions of this code.</p>	<p>A Board approved Code of Conduct are in place.</p> <p>Please refer the "Reflections from the Chairman" on pages 10 to 12 that the Company has no violations of any of the provisions of this code.</p>
xii.	<p>Management Report</p> <ul style="list-style-type: none"> ● Industry structure and developments ● Opportunities and threats Risks and concerns ● Sustainable finance activities carried out by the company ● Prospects for the future 	Please refer pages 22 to 66 and "Outgoing CEO's Message" on pages 13 to 16 of the Annual Report.
xiii.	<p>Communication with Shareholders</p> <p>The policy and methodology for communication with shareholders.</p> <p>The contact person for such communication.</p>	The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders. The Company Secretary shall communicate with the shareholders through the Annual report, Quarterly Reports, and by notices issued to the shareholders.

Section Two

The level of compliance with Section 9 of the Listing Rules of Colombo Stock Exchange

Rule No	Applicable Requirement	Extent of compliance
9.1.3	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.	The Company is compliant with the corporate governance requirements of the Listing Rules of the Colombo Stock Exchange as stipulated below.
9.3	Board Committees	
	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;	The Company has already formed Board Committees in accordance with both the Finance Business Act of Central Bank of Sri Lanka(CBSL) and the Listing Rules of the Colombo Stock Exchange.
	Nominations and Governance Committee	In line with the requirements of the CSE amendments to the Corporate Governance requirements sec 9, the Nomination Committee has been renamed as the Nomination and Governance Committee
	Remuneration Committee	
	Audit Committee	
	Related Party Transactions Review Committee.	
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above. Board committees as set out in these Rules.	The Company complies with the said requirement.
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	Complied with
9.4	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	
9.4.1	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.	The Company maintains records of all resolutions which are being considered at the Annual General Meeting.
	The number of shares in respect of which proxy appointments have been validly made;	
	The number of votes in favour of the resolution;	
	The number of votes against the resolution; and	
	The number of shares in respect of which the vote was directed to be abstained.	

Rule No	Applicable Requirement	Extent of compliance
9.4.2	<p>Communication and relations with shareholders and investors</p> <p>(a) Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity.</p> <p>(b) Listed Entities shall disclose the contact person for such communication.</p> <p>(c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity.</p> <p>(d) Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.</p>	<p>The Company has a Board approved Communication Policy. However, additional requirements will be complied by 1st October 2024 in line with the section 9.1.4.</p>
9.5	Policy on matters relating to the Board of Directors	
9.5.1	<p>Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall:</p> <p>a) recognize the need for a balance of representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position (hereinafter commonly referred to as the CEO), Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO.</p> <p>b) where a Listed Entity decides to combine the role of the Chairperson and CEO,</p> <p>i) set out the rationale for combining such positions; and,</p> <p>ii) require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest.</p> <p>iii) set out the measures implemented to safeguard the interests of the SID.</p>	<p>The Company has several Board policies on matters relating to the Board of Directors. However, additional requirements will be complied by 1st October 2024 in line with the section 9.1.4.</p>

Rule No	Applicable Requirement	Extent of compliance
	<p>c) require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors.</p> <p>d) stipulate the maximum number of Directors with the rationale for the same</p> <p>e) specify the frequency of Board meetings, having regard to the requirements under the Listing Rules.</p> <p>f) provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/or non-compliance by the Listed Entity with obligations arising under such Rules.</p> <p>g) specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position.</p> <p>h) provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements.</p> <p>i) specify the maximum number of directorships in Listed Entities that may be held by Directors.</p> <p>j) Recognize the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum.</p>	
9.5.2	<p>Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.</p>	<p>Board has a comprehensive Corporate Governance Framework which denote the matters relating to the Board of Directors.</p>
9.6	Chairperson and CEO	
9.6.1	<p>The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.</p>	<p>The Chairperson is a Non-Executive Directors and the position of Chairperson and Chief Executive Officer are not held by the same individual.</p>

Rule No	Applicable Requirement	Extent of compliance
9.6.2	<p>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>Such Market Announcement shall include the following:</p> <ul style="list-style-type: none"> ● The reasons for non-compliance ● The rationale for combining the positions of the Chairperson and CEO 	No such instance has arisen during the year
9.6.3	<p>The Requirement for a Senior Independent Director</p> <p>a) A Listed Entity shall appoint an Independent Director as the SID in the following instances:</p> <p>i) The Chairperson and CEO are the same person</p> <p>ii) The Chairperson is an Executive Director</p> <p>iii) The Chairperson and CEO are Close Family Members or Related Parties</p> <p>Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement.</p> <p>b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members.</p> <p>c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate.</p> <p>d) The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3. (b) and (c) above.</p> <p>e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.</p>	<p>The roles of Chairperson and CEO are not held by the same individual.</p> <p>The Chairperson is an Independent Non-Executive Director</p> <p>The Chairperson and CEO are not Close Family Members or Related Parties</p> <p>Not Applicable</p> <p>Not Applicable</p> <p>Not applicable</p> <p>Not applicable</p>

Rule No	Applicable Requirement	Extent of compliance
9.6.4	Where a Listed Entity has appointed a SID as required in terms of Rule 9.6.1 above, such Entity shall set out the rationale for such appointment in the Annual Report of the Entity.	Not applicable as the Chairman serves as a Non-Executive Director and the roles of Chairman and CEO are distinct and separated.
9.7	Fitness of Directors and CEOs	The Company has obtained signed declaration from the Directors and the CEO affirming their Fitness & Propriety
9.7.3	Fit and Proper Assessment Criteria:	Both the CBSL and the CSE Fitness and Proper Assessment criteria has been applied by the Company to determine the continuation of the Directors for the financial year 2024/25
9.7.4	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.	The Company has obtained declarations from the Directors and CEO for the FY 2023/24, confirming that each of them has continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules.
9.7.5	Listed Entities shall include the following disclosures/reports in the Annual Report; a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such non-compliance/s.	The Directors and CEO of the company satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange during the FY 2023/24. No such instances recorded during the year under review.
9.8	Board Composition	
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	The Board comprises of Seven members.
9.8.2	Minimum Number of Independent Directors: (a) The Board of Directors of Listed Entities shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher. Internal (b) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Out of Seven members, Six members are Independent Directors.
9.8.3	Criteria for determining independence	Declarations have been submitted by all Directors in terms of Appendix 9 A of the CSE Rules

Rule No	Applicable Requirement	Extent of compliance
9.8.5	<p>The Board of Directors of Listed Entities shall require:</p> <p>a) Each Independent Director to submit a signed and dated declaration annually of his or her “independence” or “non-independence” against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein.</p> <p>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>c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof.</p>	<p>The Company obtained a declaration from each director as specified in appendix 9A to ensure their independence.</p> <p>No such instances occurred during the year under review.</p>
9.9	Alternate Directors	There are no Alternate Directors on the Board.
9.10	Disclosures relating to Directors	
9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships it’s 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.	Will be complied in line with the effective date as of 1st October 2024.
9.10.2	Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following;	Complied with
9.10.3	Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	Complied with
9.10.4	Details relating to Directors in the Annual Report:	Directors Details are given in pages 68-73
9.11	Nomination and Governance Committee	
9.11.1	Listed Entities shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of these Rules	Board Nomination and Governance Committee is in operation.

Rule No	Applicable Requirement	Extent of compliance
9.11.2	Listed Entities shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee.	Formal procedure for the appointment of new Directors and re-election of Directors to the Board is in place.
9.11.3	The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	A TOR is available defining its scope, roles and responsibilities etc.
9.11.4	Composition	Nominations and Governance Committee comprises of four Non-Executive Directors out of which three are independent Directors. An Independent Director has been appointed as the Chairman of the Nomination and Governance Committee.
9.11.5	Functions	Will be complied in line with effective date of 1st October 2024.
9.11.6	Disclosures in the Annual report	Will be complied in line with effective date of 1st October 2024.
9.12	Remuneration Committee	
9.12.2	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.	The company has a Board HR and Remuneration Committee in operation
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Director	Company does not have any Executive Directors on the Board. Board Remuneration policy defines the principles of payments. A sitting allowance is made to Directors for participation at Board & subcommittee Meetings
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	Terms of Reference (TOR) outlining its scope, roles, responsibilities, and other pertinent details is available.

Rule No	Applicable Requirement	Extent of compliance
9.12.6	Composition	
	(1) The members of the Remuneration Committee shall;	The Committee is comprised of Five Non-Executive Directors out of which Four directors are independent.
	(a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.	
	(b) not comprise of Executive Directors of the Listed Entity.	No Executive Directors are there in the committee.
	(2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.	Not applicable as the Company maintenance its own independent HR & Remuneration Committee.
	(3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	Chairman of the committee is an Independent Director.
9.12.7	Functions	
	(1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.	The Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the senior management are decided by the BHRRC.
	(2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.	Complied with
9.12.8	Disclosure in Annual Report	
	The Annual Report should set out the following:	Relevant disclosures have made on page 139-140 of the Annual Report.
	(a) Names of the Chairperson and members of the Remuneration Committee and the nature of directorships held by such members (or persons in the parent company's Remuneration Committee in the case of a group company);	
	(b) A statement regarding the remuneration policy; and,	
	(c) The aggregate remuneration of the Executive and Non-Executive Directors.	

Rule No	Applicable Requirement	Extent of compliance
9.13	Audit Committee	
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules.	The Company currently has two separate committees in operation a Board Audit Committee and a Board Integrated Risk Management Committee.
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Board approved Terms of References is in place.
9.13.3	Composition	
	(1) The members of the Audit Committee shall;	
	(a) comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors.	The Committee is comprised of four Non-Executive Directors out of which three directors are independent.
	(b) not comprise of Executive Directors of the Listed Entity.	No Executive Directors are there in the committee.
	(2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.	Complied with
	(3) The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.	The committee met seven times during the financial year 2023/24
	(4) If both, the Parent Company and the subsidiary are 'Listed Entities', the Audit Committee of the Parent Company may function as the Audit Committee of the subsidiary.	Not applicable
	(5) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.	Complied with
	(6) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation.	The CEO and the Head of Finance attend the Audit Committee meetings by invitation.
	(7) The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body.	The Chairperson of the Audit Committee is a Member of a recognized professional accounting body.

Rule No	Applicable Requirement	Extent of compliance
9.13.4	<p>Functions (1) The functions of the Audit Committee shall include the following:</p> <p>i) Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.</p> <p>ii) Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to:</p> <p>(a) changes in or implementation of major accounting policy changes;</p> <p>(b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;</p> <p>(c) compliance with accounting standards and other legal requirements;</p> <p>(d) any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity;</p> <p>(e) any letter of resignation from the external auditors of the Listed Entity; and,</p> <p>(f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re-appointment</p>	<p>Addressed in Section 9.1 of the Board Audit Committee's Terms of Reference, which pertains to "Financial Reporting". The Internal Audit conducts a review and provides reports to the BAC regarding quarterly and annual financial statements to ensure the Entity's compliance with financial reporting requirements, information stipulations under relevant regulations such as the Companies Act, SEC, and other pertinent financial reporting regulations. Upon the BAC's recommendation, the quarterly and annual financial statements are submitted to the Board for approval.</p>
	<p>(iii) To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors</p>	<p>Complied with</p>
	<p>(iv) Obtain and review assurance received from:</p> <p>(a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and</p> <p>(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.</p>	<p>The Committee assisted the Board of Directors in discharging its responsibility for the preparation of the quarterly and annual Financial Statements to reflect a true and fair view of the affairs of the Company. The Internal Audit function is tasked with conducting audits to verify the sufficiency and efficiency of the Entity's risk management and internal control frameworks, aligning with the endorsed Audit Plan.</p>

Rule No	Applicable Requirement	Extent of compliance
	(v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons.	
	vi)Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.	The Internal Audit function is tasked with conducting audits to verify the sufficiency and efficiency of the Entity's risk management and internal control frameworks, aligning with the endorsed Audit Plan. Significant lapses identified during audits are regularly reported to the Board Audit Committee, which oversees the implementation of recommendations through action points.
	vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.	
	(viii) Review the risk policies adopted by the Entity on an annual basis.	
	ix)Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements	
	(x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.	The Committee met with the external auditors twice during the financial year. Initially, the Committee convened with the external auditors to discuss the audit plan, scope, and proposed methodology for conducting the annual audit. Subsequently, a second meeting was held with the external auditors to review the audit results. The Committee held two confidential meetings with the external auditors without any other directors / senior management/ employees being present to facilitate open discussion on material issues, problems, or reservations. The Board Audit Committee (BAC) is tasked with reviewing Internal Audit Programs to assess the scope and effectiveness of upcoming reviews. The BAC also evaluates internal audit coverage by reviewing the Internal Audit Plan and monitoring the progress of implementation through Audit Plan updates furnished by the Internal Audit department. Furthermore, the BAC ensures oversight of the outcomes of these reviews by consistently reviewing the audit observations submitted by the internal audit.
	(xi)To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken.	Board approved Policy for "Engagement of External Auditor to Provide non-audit Services" is in place.

Rule No	Applicable Requirement	Extent of compliance
	(xii) if a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor	Not applicable
	(xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.	Complied with
	(2) Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above.	Complied with
9.13.5	Disclosures in Annual Report	
	(1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates	Complied with

Rule No	Applicable Requirement	Extent of compliance
	<p>(2) The Audit Committee Report shall contain the following disclosures:</p> <p>(a) the names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company);</p> <p>(b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable).</p> <p>c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances.</p> <p>(d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements. (e) whether the Listed Entity has a formal Audit Charter;</p> <p>e) Whether the listed entity has a formal Audit Charter</p> <p>(f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function;</p> <p>(g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity;</p> <p>(h) a statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and</p> <p>(l) A statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non-audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external Auditor and affiliated parties.</p>	<p>Disclosed in the Audit Committee Report given in pages 136 to 138</p>

Rule No	Applicable Requirement	Extent of compliance
9.14	Related party transactions review committee	
9.14.1	Listed Entities shall have a Related Party Transaction Review Committee (RPTRC) that conforms to the requirements set out in Rule 9.14 of these Rule	The Company has established a RPTRC in line with the CBSL and CSE requirements
9.14.2	Composition	The Committee comprises of three Independent Non-Executive Directors. The Chairperson is an Independent Director. Committee composition and details are given in the RPTRC Report in the pages 143 to 144
9.14.3	Functions	Committee report in the Pages 143 to 144
9.14.4	General Requirements	
	1) The Related party Transaction Review committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors	The Committee met 4 times during the year. Minutes of the Committee are shared with the Board for deliberation
	2) The members of the Related Party Transaction Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person	The committee has access to the relevant management committee approvals and recommendations, evaluation reports and meetings with relevant officials prior to assessing a proposed RPT transaction
	3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction	The Company policy states that all RPT transactions must obtains prior recommendation from the RPT Committee and this has been adhered to during the year
	4) If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not : (a) Be present while the matter is being considered at the meeting ; and, (b) Vote on the matter	Complied The Minutes clearly records such exercise by the Directors
9.14.5	Review of Related Party Transactions by the related Party Transactions Review Committee	These have been identified in the scope of the Committee and is assessed prior to entering into any Related Party Transaction
9.14.6	Shareholder Approval	These have been identified in the scope of the Committee and is assessed prior to entering into any Related Party Transaction
9.14.7	Disclosures	No such disclosures were made during the year
9.14.8	Disclosures in the Annual report	Refer in the Pages 216 to 218

Rule No	Applicable Requirement	Extent of compliance
9.14.9	Acquisition and Disposal of Assets from/ to Related Party	Not applicable for the FY 2023/24
9.14.10	Excepted Related Party Transactions	Complied with
9.16	Additional Disclosures	
	(1) Have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested;	RPTRC Report on pages 143-144 of the Annual Report.
	(2) Have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so;	RPTRC Report on pages 143-144 of the Annual Report.
	(3) Made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;	RPTRC Report on pages 143-144 of the Annual Report.
	4) Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations	RPTRC Report on pages 143-144 of the Annual Report.
9.17	Enforcement Procedure for Non-Compliance with Corporate Governance Requirements.	Not applicable, Company has complied with all corporate Governance requirements during the year under review

Section Three

The Code of Best Practice on Corporate Governance 2023 issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

Section Reference	Corporate Governance Principle	Extent of Compliance
A.1	THE BOARD	
	Every public Company should be headed by an effective Board, which should direct, lead and control the Company.	The Board of Directors at PMF Finance PLC (the “Company”) represents professionals from different disciplines bring with them a wealth of business experience to provide leadership to the Company.
A.1.1	Board meetings The Board should meet regularly. Board meeting should hold at least once in every quarter of the financial year in order to effectively execute the board’s responsibilities, while providing information to the board on a structured and regular basis; ideally monthly or as agreed by the board.	The Board met 12 times during the financial year concerned. Individual participation of each Director at Board meetings is disclosed in page 135 of the Annual report
A.1.2	Responsibilities of the Board Board should provide an entrepreneurial leadership within a framework of prudent and effective controls.	The Board is responsible to the shareholders for creating and delivering sustainable shareholder value through the management of business. The Board has provided strategic direction in vision statement, mission statement and the Annual budget.
A.1.3	Agreed procedure on seeking independent professional advice	A Board approved policy is in place for the directors to seek independent professional advice as and when required. The Board sub-committees advise the Board on various matters under their purview, when necessary.
A.1.4	Advice and services of the Company Secretary	Legal matters for which the Board needs clarification are referred to the Company Secretary. She provides such information after obtaining necessary professional advice whenever required.
A.1.5	Independent judgement of directors	All directors are free to bring independent judgement to aid with the decision-making of the Company and for the decisions taken by the Board on issues of strategy, performance, resources, and standards of business conduct.
A.1.6	Dedicating adequate time and effort by the directors	All directors of the Company dedicate adequate time and effort at Board and Committee meetings to fulfill their duties. Further, they also spend their time before and after the meetings, to ensure that the duties and responsibilities owed to the Company are discharged according to the highest standards.

Section Reference	Corporate Governance Principle	Extent of Compliance
A.1.7	Training for new and existing directors	Directors have recognized the need for continuous training and take part in professional development as they consider it necessary in carrying out their duties as directors. Market experts and professional services are obtained to share new knowledge from time to time. Any training programmes relevant to the Board are communicated to the Board by the Company Secretary for the director's participation.
A2	CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)	
	There are two key tasks at the top of every public Company – Conducting of the business of the Board and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.	The positions of Chairman and CEO are separated to ensure a balance of power & authority and to prevent any one individual from possessing unfettered decision-making authority
A.3	CHAIRMAN'S ROLE	
A.3	Chairman is responsible to ensure that all Board members make a full contribution to the Board's affairs and ensure that the Board acts as a team while discharging Board functions. He provides leadership to the Board and effectively manages the Board while preserving order and facilitating the effective discharge of Board functions.	
A.3.1	Role/functions of the Chairman The Chairman should conduct Board proceedings in a proper manner and ensure an effective discharge of the Board functions.	The Chairman leads the Board ensuring effectiveness in all aspects of its role. The Chairperson is a Non-Executive Director, elected by the Board. The Chairperson's role encompasses – Ensuring that the new Board members are given appropriate induction, covering terms of appointment, duties and responsibilities
A.4	FINANCIAL ACUMEN	
A 4	Availability of sufficient financial acumen and knowledge	The Code of Best Practice requires that the Board comprises members with sufficient financial acumen and knowledge to offer guidance on matters of finance. The Board of the Company has met the above requirement as two Board members out of Five directors are qualified accountants having professional qualifications and are equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.
A.5	BOARD BALANCE	
	The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) thus no individual or a small group of individual directors is able to dominate the Board's decision making.	

Section Reference	Corporate Governance Principle	Extent of Compliance
A.5.1	Presence of a strong team of Non- Executive Directors (NEDs)	All Directors of the Board are NEDs which complies with the minimum number prescribed by this Code, which is a minimum of two NEDs or NEDs equivalent to one-third of the total number of directors, whichever is higher. This ensures that the views of Non-Executive Directors are taken into consideration in Board decisions.
A.5.2 & A.5.3	Independence of NEDs	Six out of Seven NEDs are independent which complies with the minimum prescribed by this Code which is at a minimum two NEDs or NEDs equivalent to one-third of NEDs appointed to the Board of Directors whichever is higher should be 'independent'.
A.5.4	Annual declaration of NEDs	Every NED of the Company has made written declarations as to their independence against the specified criteria set out by the Company, which is in line with the requirements of Schedule H of this Code.
A.5.5	Annual declaration by the Board on the independence of directors	The Board has determined the independence of directors based on the declarations submitted by the NEDs as to their independence as a fair representation and will continue to evaluate their independence on this basis annually in line with CBSL directions, the CSE and the Code of Best Practice. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code.
A.5.6	Appointment of alternate Director If an Alternate Director is appointed by a Non-Executive Director such Alternate Director should not be an Executive of the company.	At present, there are no alternate Directors on the Board.
A5.7 & A5.8	Requirement to appoint a 'Senior Non-Executive Director' and make himself available for confidential discussions.	The current Chairman of the Company is an Independent Non-Executive Director. Hence, the requirement to appoint a 'Senior Non-Executive Director' has not arisen.
A5.9	Meeting of Non-Executive Directors The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	All Directors are Non-Executive Directors and meet on a monthly basis.
A.5.10	Recording of concerns in Board minutes Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure the	Deliberations raised by the Directors are part of the Board Meetings and such information is adequately detailed by the Company Secretary in the minutes. The Company Secretary minutes as to how the decision had arrived at all times. All minutes are kept in a detailed manner.

Section Reference	Corporate Governance Principle	Extent of Compliance
A.6	SUPPLY OF INFORMATION	
	The Code requires the Company's management to submit timely information to the Board with sufficient information for making decisions that would enable it to discharge its duties.	
A.6.1	Obligation of the Management to provide appropriate and timely information to the Board	The Senior Management of the Company should ensure that the directors are provided with adequate information in a timely manner and make every effort to provide the information, as early as possible. The Board Papers are prepared by the Senior Management of the Company to provide adequate information to the Board enabling it to deliberate on all key issues concerning the Company. Directors are free to raise inquiries/ concerns for additional information, where necessary.
A.6.2	Adequate time for effective Board meetings The minutes, agenda and papers required for a Board meeting should ordinarily be provided to Directors at least seven days before.	All Board members are given notice well ahead of the meeting, and all minutes of previous meetings, agenda, and Board Papers are dispatched in advance. Further, adequate notice is given to all directors prior to emergency/special Board meetings. This ensures that the Board members have adequate time to study the related papers and prepare for a meaningful discussion at the meetings.
A.7	APPOINTMENT TO THE BOARD	
	Company has a formal and transparent procedure in place to appoint new Directors.	
A.7.1& A.7.2	Presence of a Nomination Committee and annual assessment of the composition of the Board.	The Nomination Committee made recommendations to the Board on all new Board appointments. The Terms of Reference of the Committee was formally approved by the Board and Chairman and members are disclosed in the Annual Report under "Report of the Board Nomination Committee"
A.7.3	Disclosure of information to shareholders upon appointment of New Directors	All new appointments to the Board are communicated to the shareholders via the Colombo Stock Exchange in the English language, together with brief resumes of such Directors. Such announcements set out the fields of the respective Director's expertise, his/her directorships in other companies, and the number of shares he/she holds in the Company, whether he/she is appointed as an Executive Director or a Non-Executive Director, and whether as an Independent Director or as a Non-Independent Director.
A.8	RE-ELECTION	
	The Code requires all Directors to submit themselves for re-election, at regular intervals and at least once every three years.	
A.8.1 & A.8.2	Re-election of Non- Executive Directors including Chairman and Directors	
A.9	APPRAISAL OF BOARD PERFORMANCE	
	The Code requires the Board to appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged.	

Section Reference	Corporate Governance Principle	Extent of Compliance
A.9.1 & A.9.2	Annual appraisal of the Board's performance and the performance of its Sub-Committees.	The performance of the Board is evaluated by the Chairman and the directors. The Board subcommittees carry out a self-assessment process annually to ensure they function effectively and efficiently with the objective of facilitating continuous improvement and being in line with good governance.
A.9.3	Disclosure of criteria used for performance evaluation	The Company Secretary and the Board subcommittee secretaries submit the self-evaluation questionnaire to each director and obtain their individual responses.
A.10	DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS	
	The Code requires that details of directors be disclosed in the Annual Report for information of the shareholders.	
A.10.1	Disclosures on Directors in the Annual Report	The following details pertaining to each director are disclosed in the Annual Report <ul style="list-style-type: none"> (a) Brief profile with expertise and experience - pages 68-73 (b) Other business interests - pages 68-73 (c) Remuneration - Note 35 on page 216 (d) Status of independence -pages 151 (e) Details of Board Meetings and Board Committee Meetings held during the year - page 135
A.11	APPRAISAL OF CHIEF EXECUTIVE OFFICER	
	The Code requires the Board to assess the performance of the Managing Director at least annually to ascertain the degree to which the Managing Director met the pre-set financial and non-financial targets.	
A.11.1 & A11.2	Setting annual targets and the appraisal of the performance of the CEO/Managing Director	At the beginning of each financial year, the Board discusses the next year budget with the CEO to be achieved by the CEO within the course of that year. Assessment of the performance of the CEO is carried out by the Board in Annual basis to ensure that the performance of the Company is achieved.
B.	DIRECTORS' REMUNERATION	
B.1	REMUNERATION PROCEDURE	
	This principle ensures that the Company has a well-established formal and transparent procedure in place for developing an effective remuneration policy to avoid potential conflict of interest.	
B.1.1	Establishment of a Remuneration Committee	The Company has a Human Resources and Remuneration Committee which has the power to evaluate, assess, and decide matters that may affect the Human Resources Management of the Company.

Section Reference	Corporate Governance Principle	Extent of Compliance
B.1.2	Composition of the Remuneration Committee	As prescribed in this code, all members of the Board Human Resources and Remuneration Committee are Non-Executive Directors, and the Chairman of the Committee is appointed by the Board.
B.1.3	Chairman and the Members of the Committee	Please refer to 'Human Resources and Remuneration Committee Report' on page 139 for details of the Chairman and the Members of the Human Resources and Remuneration Committee.
B.1.4	Determination of the remuneration of Non-Executive Directors, including members of the Remuneration Committee	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the directors and senior management are decided by the HRRC.
B.1.5	Ability to consult the Chairman and/ or the Managing Director and to seek professional advice by the Committee	The Committee has the authority to seek internal and external independent professional advice on all matters falling within the purview of the Committee at the Company's expense.
B.2	LEVEL AND MAKE-UP OF REMUNERATION	
	The Company ensures that the remuneration of Non-Executive Directors is at a satisfactory level to attract and retain the services of directors.	
B.2.1	Remuneration packages of Executive Directors	No Executive Directors in the PMF Board
B.2.2	Competitiveness of levels of remuneration	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the directors and senior management are decided by the HRRC.
B.2.3	Comparison of remuneration with other companies in the Group	The HR & Remuneration Committee, where necessary, reviews the Company's remuneration levels in relation to the industry standards of the country.
B.2.4	Performance-based remuneration of Executive Directors	No Executive Directors in the PMF Board.
B.2.5	Executive Share Options	
B.2.6	Designing the performance-related remuneration of Executive Directors.	
B.2.7 & B.2.8	Early termination of Executive Directors	
B.2.9	Levels of remuneration of Non-Executive Directors	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the directors and senior management are decided by the HRRC.
B.3	DISCLOSURE OF REMUNERATION	
	The Code requires the Company to disclose in its Annual Report the details of the remuneration paid and the Remuneration Policy.	

Section Reference	Corporate Governance Principle	Extent of Compliance
B.3.1	Disclosure of Remuneration	Please refer to 'Human Resources and Remuneration Committee Report' in page 139 for disclosure of the names of the Remuneration Committee members and the Remuneration Policy of the Company. Please refer Note 35 to the Financial Statements for the aggregate remuneration paid to Directors.
C.	RELATIONS WITH SHAREHOLDERS	
C.1	CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS	
	The Code requires the Board to use the AGM to communicate with shareholders and encourage their active participation.	
C.1.1	Companies should count all proxy votes and should indicate the level of proxies lodged in each resolution, and the balance for and withheld after it has been dealt with on a show of hands, except where a poll is called.	The company has a mechanism to record all proxy votes and proxy votes lodged on each resolution.
C.1.2	A separate resolution at the AGM on each substantially separate issue and adoption of Annual Report Accounts.	The Bank proposes a separate resolution at the AGM on each substantially separate issue.
C.1.3	Availability of Board Subcommittee Chairpersons.	Board Subcommittee Chairpersons are available at the AGM, to answer any questions raised at the AGM
C.1.4 & C1.5	Adequate Notice of AGM to shareholders together with a summary of the procedure governing voting.	Annual Reports are dispatched to all shareholders of the Company, whereas a form of proxy together with the Notice of Meeting detailing the summary of procedure as per legal requirements giving adequate notice is dispatched to shareholders.
C.2	COMMUNICATION WITH SHAREHOLDERS	
	The Code requires effective communication with shareholders.	
C.2.1	Channel to reach all shareholders of the Company	By circular to shareholders and notice of shareholder meetings.
C.2.2	Policy and methodology for communication	By circular to shareholders and notice of shareholder meetings.
C.2.3	Implementation of the policy and methodology for communication with shareholders	By circular to shareholders and notice of shareholder meetings.
C.2.4 & C.2.6	Contact person in relation to shareholder matters	The main contact person is the Company Secretary.
C.2.5	Process to make all directors aware of major issues and concerns of shareholders	Any major issue of concern of shareholders are informed to Board Members by the Company Secretary.
C.2.7	Process responding to shareholder matters	

Section Reference	Corporate Governance Principle	Extent of Compliance
C.3	MAJOR AND MATERIAL TRANSACTIONS	
	The Code requires the Directors to disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company if entered into.	
C.3.1	Disclosures on proposed major, transactions	There were no major transactions involving the acquisition or disposal of assets greater than half of the net asset value of the Company.
D.	ACCOUNTABILITY AND AUDIT	
D.1	FINANCIAL REPORTING	
	This Principle requires the Board of the Company to present a balanced and understandable assessment of the company's financial position, performance, and prospects.	
D.1.1	Board's Responsibility for Statutory and Regulatory Reporting	The Board is well aware of its responsibility to present regulatory and statutory reports in a balanced and understandable manner and a statement to this effect is given on pages 155 to 156 of this Annual Report.
D.1.2	Declarations by Directors in the Directors' Report	The Annual Report of the Board of Directors on the state of affairs of the Company on pages 149-154 contains the declarations as required by the Code.
D.1.3	Statements by Directors' and Auditors' on responsibility for financial reporting	The 'Responsibility for Financial Statements for the preparation and presentation of financial statements is given on page 155 of the Annual Report.
D.1.4	Management Discussion and Analysis Annual Report should contain a "Management Discussion and Analysis".	Please refer pages 22 to 66 of the Annual Report presented as an integrated report covering all aspects referred to in the code.
D.1.5	Declaration by Board on the going concern of the business	Please refer to 'Annual Report of the Board of Directors on the state of affairs of the Company' page 149 Of the Annual Report
D.1.6	Requirement to Summon an Extraordinary General Meeting (EGM) to notify serious loss in net assets (capital)	No such event occurred during the financial year.
D.1.7	Declaration by Board on Related Party Transactions	Each Director and members of the Senior Management have declared their interest in transactions with the Company during the year ended 31st March 2024, if any. Internal controls are placed within the Company to identify, record, and disclose related party transactions. All Related Party Transactions as defined in Sri Lanka Accounting Standards - LKAS 24 (Related Party Transactions) are disclosed in Note 35 to the Audited Financial Statements.
D.2	INTERNAL CONTROL	
	The Code requires the Company's Board to ensure that an effective system of internal controls, which safeguards the Company's assets to protect the interest of shareholders, is in place.	

Section Reference	Corporate Governance Principle	Extent of Compliance
D.2.1	Directors to conduct an annual review of internal controls	The Company obtained the External Auditor's Certification on the Directors Responsibility Statement on Internal Control over Financial Reporting included in the Annual Report.
D.2.2	Need for an Internal Audit Function	The Company has established an Internal Audit Function headed by the Head of Internal Audit who is independent and reports directly to the Board Audit Committee. The Board Audit Committee exercises oversight over the same. The Board Audit Committee reviews the Internal Audit function at regular intervals.
D.3	AUDIT COMMITTEE The Code requires the Board to have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting, and internal control principles and maintaining an appropriate relationship with the Company's External Auditor.	
D.3.1	Composition of the Audit Committee	Details of the members are given on the 'Board Audit Committee Report' on pages 136 to 138
D.3.2	Duties of the Audit Committee	As stated in the report of the Board Audit Committee of the Company, it regularly reviews the scope of the External Auditors, results, and effectiveness of the audit. It also ensures that non-audit services provided by External Auditors do not affect their independence.
D.3.3	Terms of Reference of the Audit Committee	Terms of Reference of the Board Audit Committee are in place and approved by the Board of Directors.
D.3.4	Disclosure of names of the members of the Audit Committee	Names and composition of the members of the Audit Committee are given under Audit Committee Report on pages 136-138.
D.4	CODE OF BUSINESS CONDUCT AND ETHICS The Code requires the Company to adopt an internal Code of Conduct and Ethics to be adhered to by all directors and members of the senior management of the Company.	
D.4.1	Disclosures on the presence of Code of Business Conduct and Ethics.	The Company has an internally developed a Code of Conduct and this Code covers the following areas of conflict of interest, accurate accounting and record keeping, confidentiality of information, fair dealing, protecting and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour, etc.
D.4.2	Affirmative Statement by the Chairman The Chairperson must affirm in the Company's Annual Report that she is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics.	Please refer to the Chairman's message for details on pages 10 to 12.

Section Reference	Corporate Governance Principle	Extent of Compliance
D5	Corporate Governance disclosures	
D.5.1	<p>Annual Corporate Governance Report in the Annual Report</p> <p>The Directors should include in the Company's Annual Report a Corporate Governance Report, setting out the manner in which Company has complied with the principles and provisions of this code.</p>	Corporate Governance report is given on pages 79 to 135 in the Annual Report.
SECTION 2 : SHAREHOLDERS		
E.	INSTITUTIONAL INVESTORS	
E1	Shareholder's Voting	
E.1.1	<p>Institutional shareholders</p> <p>A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives.</p>	Annual General Meeting is used to have an effective dialogue with the shareholders on matters which are relevant and of concern.
E.2	EVALUATION OF GOVERNANCE DISCLOSURES	
E.2.1	When evaluating the Company's governance arrangements, particularly those relating to Board structure and composition, institutional investors are encouraged to give due weight to all relevant factors drawn to their attention	Institutional investors' concerns are addressed as and when raised.
F.	OTHER INVESTORS;	
F.1	INVESTING/DIVESTING DECISION	
F.1.1	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	Information is readily available for individual shareholders investing directly in shares of the Company to encourage and carry out adequate analysis.
F.2	SHAREHOLDER VOTING	
F.2.1	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	All individual shareholders are given the opportunity to participate at Annual General Meetings and exercise their voting rights by sending individual invitations and newspaper notices.
G.	SUSTAINABILITY REPORTING	
G.1.1	<p>Economic Sustainability</p> <p>Principle of economic sustainability governance recognises how organisations take responsibility for impacts of their strategies, decisions and activities on economic performance and corporate in their sphere of influence and how this is integrated through the organisation</p>	The company considers the impact when planning its strategies, activities and decisions on economic performance for economic sustainability governance.

Section Reference	Corporate Governance Principle	Extent of Compliance
G.1.2	<p>The Environment</p> <p>Environmental governance of an organisation should adopt an integrated approach that takes into consideration economic, social, health and environmental implications of their decisions and activities.</p>	The company has taken into consideration an integrated approach on direct and indirect economic, social, health and environmental implications when taking decisions on pollution prevention, protection of environment and restoration of natural resources.
G.1.3	<p>Labour Practices</p> <p>Labour practices governance of an organisation encompasses all policies and practices relating to work performed by or on behalf of the organisation.</p>	All practices and policies are formulated to have a present working environment in the organisation.
G.1.4	<p>Society</p> <p>Society governance encompasses support for and building a relationship with the community and striving for sustainable development including responsible public policy participation, fair competition and responsible community development.</p>	Development including responsible public policies encompass support for a building for a relationship with the community.
G.1.5	<p>Product and Service Responsibility</p> <p>Product responsibility governance includes manufacturing quality products and distributing them and ensuring that the products are safe for the consumers and the environment</p>	The company develops its products to ensure the safety and fair contractual practices and its data protection and privacy
G.1.6	<p>Stakeholder Identification, Engagement & Effective Communication</p> <p>Internal and external stakeholder groups should be identified in relation to the Company's sphere of influence, impact and implication.</p> <p>Communication should be proactive and transparent</p>	Communication with the stakeholders is cordial and include past performance and existing economic, social and environmental issues.
G.1.7	<p>Sustainable Reporting & Disclosure</p> <p>Sustainability reporting and disclosure should be formalised as part of the Company's reporting process and take place on a regular basis.</p>	Complied with

DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND BOARD SUB-COMMITTEE MEETINGS – PMF FINANCE PLC

Name of the Director	Status of Directorship		Board		Board Integrated Risk Management Committee (BIRMC)		Board Audit Committee		Related Party Transactions Review Committee (RPTRC)		Human Resources and Remuneration Committee (HRRC)		Nomination and Governance Committee (NGC)	
	Independent Non-Executive	Non-Independent Non-Executive	C/M	Attendance	C/M	Attendance	C/M	Attendance	C/M	Attendance	C/M	Attendance	C/M	Attendance
Mr. Chandula Abeywickrema (i)	✓		C	12/12	M	6/6	M	7/7	M	4/4	M	9/9	M	1/1
Mr. Travis Waas (ii)	✓		M	12/12	C	6/6	M	7/7	M	4/4	M	9/9		
Mr. Rangana Korralage (iii)		✓	M	12/12	M	6/6	M	7/7			M	9/9	M	1/1
Mrs. Krystle Wijesuriya (iv)	✓		M	12/12		6/6			C	4/4	M	9/9	M	1/1
Dr. Nirmal De Silva (v)	✓		M	12/12	M	6/6	C	7/7						
Mr. Rohan Pandithakorralage (vi)	✓		M	N/A							C	N/A	C	N/A
Mr. Dharmasiri Bandara Rekogama (vii)	✓		M	N/A										

- (i) Mr. Chandula Abeywickrema served as the Chairman of the BIRMC, RPTRC, HRRC, NGC till 29th July 2024 and upon reconstitution of the Committee he was appointed as a member to the Committee w.e.f. 29th July 2024.
- (ii) Mr. Travis Waas served as a Non-Executive Non-Independent Director and his directorship status was changed to Non-Executive Independent Director w.e.f. 7th August 2023 with the CBSL approval. He served as a member of the BIRMC till 29th July 2024 and upon reconstitution of the Committee he was appointed as the Chairman of the Committee w.e.f. 29th July 2024.
- (iii) Mr. Rangana Korralage served as the Chairman of the BAC till 29th July 2024 and upon reconstitution of the Committee he was appointed as a member to the Committee w.e.f. 29th July 2024.
- (iv) Mrs. Krystle Wijesuriya served as a member of the RPTRC till 29th July 2024 and upon reconstitution of the Committee he was appointed as the Chairman to the Committee w.e.f. 29th July 2024.
- (v) Dr. Nirmal De Silva served as a member of the BAC till 29th July 2024 and upon reconstitution of the Committee he was appointed as the Chairman to the Committee w.e.f. 29th July 2024.
- (vi) Mr. Rohan Pandithakorralage appointed to the Board w.e.f. 2nd July 2024. He was appointed as the Chairman of HRRC and NGC w.e.f. 29th July 2024.
- (vii) Mr. Dharmasiri Bandara Rekogama appointed to the Board w.e.f. 7th August 2024.

BOARD AUDIT COMMITTEE REPORT

The Board Audit Committee (“BAC”) of the Company is appointed by and responsible to the Board of Directors (“the Board”). BAC comprises the following members and the professional profiles of the Committee Chairman and the Committee members are provided on pages 68 to 73 of this Annual Report.

	Name of the Director	Directorship Status	Membership Status
1	Dr. Nirmal De Silva (Appointed as the Committee Chairman w.e.f 29th July 2024 upon reconstitution of the Committee)	Non-Executive Independent Director	Chairman
1	Mr. Rangana Koralage (Committee Chairman until 29th July 2024)	Non-Executive Non-Independent Director	Member
2	Mr.Chandula Abeywickrema	Non-Executive Independent Director	Member
3	Mr. Travis Waas*	Non-Executive Independent Director	Member

* Mr. Travis Waas served as a Non-Executive Non-Independent Director and his Directorship status was changed to Non- Executive Independent Director w.e.f. 7th August 2023 with the CBSL approval.

BOARD AUDIT COMMITTEE MEETINGS

The Committee meets quarterly and additional meetings are held based on the requirements. The Committee held seven meetings during the financial year ended 31st March 2024. The details of the attendance of the Committee members are given below,

Name of the Director	Attendance
Dr. Nirmal De Silva	7/7
Mr. Rangana Koralage	7/7
Mr.Chandula Abeywickrema	7/7
Mr. Travis Waas	7/7

Head of Internal Audit functions as the Secretary to the Committee in terms of section 10.2 (c) of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

Members of Senior Management including the Chief Executive Officer, Head of Finance, Head of HR and the Compliance Officer participated in Committee meetings by invitation. Representatives of Messrs. Ernst & Young, the External Auditor of the

Company, were invited to participate in the meetings as and when required.

TERMS OF REFERENCE

The Terms of Reference of the Committee are clearly defined in the Charter of the Board Audit Committee, which is approved by the Board of Directors. The Board reviews the Charter of the Board Audit Committee annually and/or as and when it is required, and it ensures that new developments and concerns are adequately addressed. The Board Audit Committee Charter was last reviewed and approved by the Board of Directors in February 2024. The committee is responsible to the Board of Directors and reports on its activities regularly. The BAC also assists the Board in its general oversight of financial reporting internal control and functions relating to internal and external audits.

FUNCTIONS OF THE COMMITTEE

The Board Audit Committee functions are regulated in conformity with the Finance Business Act Direction No. 5 of 2021 on Corporate Governance, section 9.13 of the Listing Rules issued by Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL).

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities, overseeing Management’s conduct of the Company’s financial reporting process and systems of internal accounting and financial controls, monitoring the independence and performance of the Company’s External Auditors, and providing an avenue of communication among the External Auditors, the Management, and the Board of Directors.

The Committee is responsible for the oversight of the effectiveness of the system of internal controls, compliance with laws, regulations, and Directions of the CBSL and the independence and performance of the External and Internal Auditors.

ROLES AND RESPONSIBILITIES

- Reviewing the Financial Statements (including interim financial statements) prior to publication to ensure compliance with statutory provisions, accounting standards, accounting policies that are consistently applied and adequacy of disclosures in the financial statements.
- Reporting to the Board on the quality and acceptability of the company’s accounting policies and practices.
- Assessing the reasonableness of the underlying assumptions for estimates and judgments made in preparing the Financial Statements.

- Reviewing accounting and financial reporting Risk Management process and regulatory compliance
- Overseeing the appointment of the External Auditor for audit services in compliance with the relevant statutes, assessment of the independence, approval of the audit fee, service period and any matters relating to the resignation or dismissal of Auditors.
- Assessing the independence and reviewing the adequacy of the scope, functions, and resources of the Internal Audit Department, including the appointment of the Chief Internal Auditor (CIA) and the performance of the CIA and senior staff members of the Internal Audit Department.
- Reviewing the internal audit program and results of the internal audit process and, where necessary, ensuring appropriate actions are taken on the recommendations of the internal audit.
- Reviewing the adequacy and effectiveness of the Company's system of internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with the applicable accounting standards and the regulatory requirements.
- Reviewing the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensuring necessary corrective actions are taken in a timely manner and monitoring the progress of implementing the time bound action plan quarterly.

ACTIVITIES DURING THE YEAR

Financial Reporting

The Committee, as part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, has reviewed and discussed with the Management

and the External Auditors with regard to the interim and the Annual Financial Statements prior to their release for publication. The review included the quality and acceptability of accounting policies and practices, the clarity of the disclosures and the extent of compliance with Sri Lanka Accounting Standards (SLFRS and LKAS), the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 and amendments thereto and other relevant financial and governance reporting requirements. To facilitate their review, the BAC considered reports from the Head of Finance and also reports from the External Auditors on the outcome of their review of the annual audit.

The BAC continuously monitored the implementation of the Sri Lanka Financial Reporting Standards – SLFRS 9 “Financial Instruments” issued by The Institute of Chartered Accountants of Sri Lanka which became effective from 1 January 2018. During the year, existing impairment calculation models were revalidated through an independent party to incorporate the potential implications of the macro-economic situation of the country and the moratorium schemes introduced to support the recovery of the economy and adjustments have been made to economic factors as appropriately.

As part of the BAC's responsibilities, notably its review of financial results, reports from Internal and External audits, the Company's Accounting Policies, as well as the Annual Financial Statements; the BAC took cognizance of the Key Audit Matters as reported in the Independent Auditors' Report. In addition, the Committee reviewed.

Management's judgments on significant Accounting and External reporting requirements and obtained External auditor's agreement with the treatment thereof.

The Committee reviewed and assessed the Company's ability to continue as

a Going Concern and the adequacy of its resources to be in business for the foreseeable future.

The Committee obtained and reviewed the assurance statement from the CEO and the Head of Finance that the financial records have been properly maintained and the financial statements provide a true and fair view of the Company's operations and finances in line with the requirement of listing rules.

Internal control Over Financial Reporting

The committee assessed the effectiveness of the Internal Control Over Financial Reporting as of 31 March 2024 in line with Section 10.2 (e) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance. The Company's internal control assessment was concentrated on processes documented by the respective process owners with the guidance of the Company's Internal and External Auditors. Based on Internal Auditors' and External Auditors' assessments, the Board has concluded that, as of 31 March 2024, the Company's internal control over financial reporting is effective. Directors' Report on the Company's Internal Control over Financial Reporting is provided on pages 157-158 in the Annual Report. The Company's External Auditors have reviewed the effectiveness of the Company's internal control over financial reporting and have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Company. External Auditor's Report on the Company's Internal Control over Financial Reporting is provided on page 159 of the Annual Report.

Internal Audit

During the year, the Committee reviewed the adequacy of the scope, functions,

resources and independence of the Internal Audit Department, and was satisfied that the department has the necessary authority and independence to carry out its work. The risk-based audit plan was reviewed and approved by the Committee at the beginning of the year and the implementation of the audit plan was monitored throughout the period to ensure the effectiveness of the entire processes of the Company. The Committee reviewed the internal audit program, significant audit findings and management action plan for the audit recommendations and evaluated the effectiveness of the management action plan in terms of timely implementation and resultant audit issues. The Committee also reviewed the resource requirement of the Internal Audit Department.

External Audit

In line with the Finance Business Act Direction No. 05 of 2021 Corporate Governance issued by the Central Bank of Sri Lanka, the Committee recommended to the Board to change the current External Auditors, Messrs. KPMG (Chartered Accountants), and appoint Messrs. Ernst & Young (Chartered Accountants) as the Company's External Auditors for the financial year 2023/2024.

The Audit Committee reviewed and monitored the independence and objectivity of the External Auditors Messrs. Ernst & Young, Chartered Accountants. The Committee reviewed the non-audit services provided by the Auditors to ensure that the provision of these services does not impair their independence.

The Audit Committee together with Management reviewed and discussed the audit scope, approach, and audit plan with Messrs. Ernst & Young, Chartered Accountants, prior to the commencement of the audit for the financial year 2023/24.

The Committee conducted two meetings with the External Auditor without the members of the Executive Management being present during the financial year.

The Management Letter issued by the previous External Auditors (Messrs. KPMG) in respect of the financial year ended 31 March 2023 was considered by the Committee and corrective action is being pursued wherever such action is warranted.

Regulatory Compliance

The Committee assessed the Company's compliance with financial reporting requirements, information requirements under the Companies Act, Finance Business Act and other relevant financial reporting related regulations (such as LKASs/ SLFRS) and requirements. The Committee scrutinized the reports submitted by the Compliance Officer and the Internal Audit to monitor compliance with such legal and regulatory requirements.

The Committee reviewed and monitored the progress on implementation of the recommendations made in the Statutory Examination Report of the Central Bank of Sri Lanka (CBSL) through regular follow up reports submitted to the Committee meetings.

Internal Control systems and Risk Management

Various processes have been implemented by the Committee to ensure the efficiency and effectiveness of company's internal control systems. Key processes related risks and internal controls are regularly reviewed by the internal audit department and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the Company are safeguarded and the financial statements present a true and fair view. Status of remediation plans are updated at the audit committee meetings.

WHISTLE-BLOWING POLICY

The Company's Whistleblowing Policy was put in place and all members of staff were educated and encouraged to resort to whistleblowing if they had reasonable grounds to believe that there were wrongdoings or other improprieties. The policy intends to serve as a channel of fraud risk management. All appropriate procedures are in place to conduct independent investigations into incidents reported through this process or if identified through other means. Concerns raised are investigated and the identity of the person raising the concern is kept confidential. Even anonymous complaints are investigated. All employees are encouraged to practice whistleblowing if they suspect any wrongdoing. Senior Management, from time to time conducts awareness programs to encourage staff to raise genuine concerns. The Compliance Officer reports on the whistleblowing incidents confidentially to the Committee.

REPORTING TO THE BOARD

The approved minutes of the Committee meetings are tabled at Board meetings, enabling all Board members to have access to them.

COMMITTEE EVALUATION

The annual evaluation of the effectiveness of the Committee was carried out by the members of the Committee and concluded that the Committee had carried out its responsibilities effectively and satisfactorily.

On behalf of the Board Audit Committee,



Rangana Koralage
Chairman – Board Audit Committee

29th August 2024
Colombo

REPORT OF THE HUMAN RESOURCES & REMUNERATION COMMITTEE

The Board Human Resources & Remuneration Committee (BHRRRC), established as a subcommittee of the Board is dedicated to assisting the Board in developing human resource strategies aimed at attracting and retaining the necessary talent. Additionally, the BHRRRC ensures that remuneration practices comply with regulatory and legislative requirements. These efforts are essential for achieving the company's strategic objectives. The Committee's responsibilities also include creating performance-based incentives for Key

Responsible Personnel (KRPs), the CEO, and Senior Management, as well as developing relevant and challenging performance metrics that promote stakeholder interests.

COMPOSITION OF COMMITTEE MEETINGS

The Committee currently consist of Four Independent Directors and one Non-Independent Director.

The committee composition is as follows:-

Name of the Director	Directorship Status	Membership Status
1 Mr. Rohan Pandithakorrallage (Appointed as the Committee Chairman w.e.f 29th July 2024)	Non-Executive Independent Director	Chairman
2 Mr.Chandula Abeywickrema (Chairman to the Committee untill 29th July 2024)	Non-Executive Independent Director	Member
3 Mr. Rangana Korallage	Non-Executive Non-Independent Director	Member
4 Mr. Travis Waas*	Non-Executive Independent Director	Member
5 Ms. Krystle Wijesuriya	Non-Executive Independent Director	Member

- *Mr. Travis Waas served as a Non-Executive Non-Independent Director and his directorship status was changed to Non- Executive Independent Director w.e.f 7th August 2023 with the CBSL approval.

Brief profiles of the members are provided pages 68 to 73 of this Annual Report.

MEETINGS OF THE COMMITTEE

The Committee held nine meetings during the year under review to discuss the extensive deliberations on matters relating to Human Resources Management. The details of the

attendance of the committee members are given below.

Name of the Director	Attendance
Mr. Chandula Abeywickrema	9/9
Mr. Rangana Korallage	9/9
Mr. Travis Waas	9/9
Ms. Krystle Wijesuriya	9/9

The Company Secretary functions as the Secretary to the Committee.

TERMS OF REFERENCE

The Board approved Terms of Reference of the Committee contain the role and functions of the Committee in line with the Finance Business Act Direction No. 5 of 2021 on Corporate Governance and Section 9 of Corporate Governance requirement of the Listing Rules of the Colombo Stock Exchange.

ROLES AND RESPONSIBILITIES

- The committee shall recommend Human Resource policy to provide clear guidance to company's management on how the company should utilize human resources to meet its goals.
- The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to Senior Management of the company and fees and allowances structure for Non-Executive Directors.
- The committee shall recommend the remuneration policy for approval of the Board of Directors on paying salaries, allowances and other financial incentives for all employees of the company
- The committee shall set goals and targets for Chief Executive Officer (CEO) annually. The committee shall also set goals for the other members of the Senior Management in consultation with the CEO.
- The committee shall ensure proper succession plan for Senior Management is in place.

ACTIVITIES DURING THE YEAR

- The committee reviewed the Remuneration Policy of the company to ensure that remuneration is aligned with performance, whilst ensuring that the Company is able to attract and retain employees critical to deliver the Company's strategy and to make continued progress towards ensuring a high performing culture in line with the Company's values.

- To establish a competitive compensation system to match with the industry, the salary structure of the company was reviewed by the committee based on the salary survey report made by KPMG.
- Training plan directly link to the business needs and allocated sufficient budget to enhance the competency level of the staff. Annual training plan prepared by Human Resources Department (HRD) based on Training Needs Analysis (TNA) reviewed by the committee.
- The committee reviewed KPIs of Senior Management, Head of Departments and other functions to ensure that KPIs are line with Business Plan and cascade it from top to bottom
- The committee reviewed the entire performance evaluation process and for annual increments and the promotions recommendation made by the HRD.

REMUNERATION POLICY

Remuneration Policy is to provide competitive rewards to attract, motivate and retain staff of the highest caliber who are willing to spend significant amounts of time and effort to achieve the Company's goals.

- Apply demand key performance indicators.
- Link significant components of pay to individual and Company performance.
- Ensure remuneration arrangements are equitable and fair to all employees.

Due care is to be taken to ensure that the remuneration for Senior Management and staff is commensurate with their skills, knowledge, competencies, involvement in corporate activities and in keeping with industry standards.

DIRECTORS REMUNERATION

Aggregate amount paid as Directors' remuneration/ CEO/ Senior Management during the year under review is set out in Note 35 to the Financial Statements.

AUTHORITY

The recommendations of the BHRRC are submitted to the Board for final approval. The committee is authorized to seek professional advice as needed, at the Company's expense, with coordination provided by the Company Secretary.

EVALUATION OF THE COMMITTEE PERFORMANCE

The performance and effectiveness of the committee was assessed by the Board as a whole as part of the annual self-assessment of the Directors, the details of which can be found on page 152 of this Annual Report

FUTURE OUTLOOK

Looking ahead, the committee will continue to review and refine our Remuneration practices to ensure they remain competitive and aligned with the company's strategic objectives. We will also focus on further enhancing our Human Resources Strategies to support the growth and development of our people.

CONCLUSION

The Committee is confident that our Remuneration policies and practices are effective in supporting the company's strategic goals and fostering a high-performance culture. We remain committed to ensuring transparency and accountability in our remuneration decisions.

On behalf of the Human Resources and Remuneration Committee



Chandula Abeywickrema
Chairman – Human Resources and Remuneration Committee

29th August 2024
Colombo

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

Board Integrated Risk Management Committee (BIRMC) is vested by the Board with the role of providing oversight for Risk Management, defining the Risk Appetite of the company and ensuring that the company operates within its designated tolerance for risk at all times.

COMPOSITION OF THE COMMITTEE

The committee composition is as follows.

	Name of the Director	Directorship Status	Membership Status
1	Mr. Travis Waas* (Appointed as the Committee Chairman w.e.f 29th July 2024 upon reconstitution of the Committee)	Non-Executive Independent Director	Chairman
2	Mr.Chandula Abeywickrema (Chairman to the Committee untill 29th July 2024)	Non-Executive Independent Director	Member
3	Mr. Rangana Korlage	Non-Executive Non-Independent Director	Member
4	Dr. Nirmal De Silva	Non-Executive Independent Director	Member

*Mr. Travis Waas served as a Non-Executive Non-Independent Director and his Directorship status was changed to Non- Executive Independent Director w.e.f. 7th August 2023 with the CBSL approval.

Brief profiles of the members of the BIRMC are provided on pages 68-73 of this Annual Report

MEETINGS OF THE COMMITTEE

The Committee held six meetings during the year under review. Through a risk report, key risks such as credit, operational, market, liquidity, strategic, compliance and technology risks were assessed. The risk reports together with the minutes of the meetings and recommendations when necessary were referred to the Board in once in two months. The details of the attendance of

the committee members are given below.

Name of the Director	Attendance
Mr. Travis Waas	6/6
Mr.Chandula Abeywickrema	6/6
Mr. Rangana Korlage	6/6
Dr. Nirmal De Silva	6/6

The Head of Risk functions as the Secretary to the Committee in terms of section 10.3 (b) of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

TERMS OF REFERENCE OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board approved Terms of Reference of the Committee contain the role and functions of the Committee which are regulated by the section 10.3 of the Finance Business Act (Corporate

Governance) Direction No. 05 of 2021.

ROLES AND RESPONSIBILITIES

- The committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the company at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.
- Developing company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that the company will accept, or avoid, in order to achieve its strategic business objectives.
- Review the company's risk policies including RAS at least annually.
- Review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.
- Assess all aspects of Risk Management including updated Business Continuity and Disaster Recovery Plans.
- To monitor external developments relating to the risk landscape and access the impact of specifically associated risks, including emerging and prospective impacts and ensure adequate risk mitigation measures are in place safeguarding the organization.
- Establish an independent compliance function to assess the company's compliance with laws, regulations, directions, rules, regulatory

guidelines and approved policies on the business operations.

COMMITTEE ACTIVITIES DURING THE YEAR

Credit Risk

- Regular review of overall credit risk exposure using appropriate risk indicators, assessing mitigation strategies and making recommendations.
- Review of Risk Appetite Statement and making recommendations to add new criteria and revise limits to ensure that the Company operates within healthy risk tolerance boundaries.

Capital Adequacy

- Performed frequent stress testing to ensure that adequate capital buffers are there to absorb unexpected shocks to the core capital.

Liquidity and Market Risk

- Review of liquidity management strategies and cashflow forecast to have sufficient liquidity buffers.
- Review of stress testing results on liquidity risk to assess adequacy of liquidity reserves under stressed scenarios.
- Continuous monitoring of gold prices to assess adequacy of Loan to Value ratio and distribution of the gold loan portfolio.
- Reviewed the adequacy and effectiveness of ALCO activities by assessing the asset and liability limits, single borrower exposure/ single group exposure, single depositor exposure/ large depositor exposure, maturity profile of deposits.

IT and Information Security Risk

- Reviewed progress on implementation of technology security controls as per the regulatory Direction No 1 of 2022.

- System related and IT security related areas were reported and mitigation plans were reviewed accessing adequacy of control framework.

Operational Risk

- Existing Risk Management policy was reviewed strengthening the operational Risk Management aspects.

Compliance

- Monitored implementation of new rules and regulations issued by the regulatory authorities
- Assessed the company's compliance with laws, regulations and regulatory guidelines, CBSL directions, internal policies in all areas of business operations.
- Reviewed the annual risk assessment of Money Laundering and Terrorist Financing (ML & TF) risks of the company.

REPORTING TO THE BOARD

- The Board was updated on a regular basis on the performance of identified risk indicators and prudential limits defined and approved by the Board along with key movement in the risk exposures in the risk heat map.

GENERAL

- Reviewed and approved amendments to the BIRMC Terms of Reference as per relevant regulations and best practices.
- Reviewed the adequacy and effectiveness of all management level committees including the Credit Committee and the Asset-Liability Committee to address specific risks and to manage those risks.

COMMITTEE EVALUATION

The Board undertakes an annual performance evaluation of the Committee as required by the Finance Business Act Direction 5 of 2021.

THE YEAR AHEAD

The Committee will continue to strengthen the Risk Management process based on the globally accepted best practices related to operational Risk Management, capital and liquidity risk Management along with properly defined risk appetite framework. Expecting to fully adopt to requirements under the Finance Companies Direction No. 5 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka.

On behalf of the Board Integrated Risk Management Committee



Chandula Abeywickrema
Chairman

Board Integrated Risk Management Committee

Colombo
29th August 2024

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

PURPOSE OF THE COMMITTEE

The Related Party Transactions Review Committee (the Committee) was established by the Board in accordance with the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka ('SEC Code'), Section 9.14 of the Listing Rules of the Colombo Stock Exchange (the 'CSE Rules') and Section 12.1 (a) of the Finance Business Act Direction No. 01 of 2021 issued by Central Bank of Sri Lanka thereby enhancing the Company's control mechanism which ensures that all transactions are conducted at arm's length.

COMPOSITION OF THE COMMITTEE

The committee composition is as follows.

	Name of the Director	Directorship Status	Membership Status
1	Ms. Krystle Wijesuriya (Appointed as the Chairman of the committee w.e.f 29th July 2024 upon reconstitution of the Committee)	Non-Executive Independent Director	Chairman
1	Mr.Chandula Abeywickrema (Chairman of the committee until 29th July 2024)	Non-Executive Independent Director	Member
2	Mr.Travis Waas*	Non-Executive Independent Director	Member

Mr. Travis Waas served as a Non-Executive Non-Independent Director and his directorship status was changed to Non- Executive Independent Director w.e.f. 7th August 2023 with the CBSL approval.

Brief profiles of the committee members are provided on pages 68 to 73 of this Annual Report.

MEETINGS OF THE COMMITTEE

The Committee meets quarterly and additional meetings are held based on the requirements. The committee held four meetings during the financial year 2023/24. The details of the attendance of the committee members are given below.

Name of the Director	Attendance
Ms. Krystle Wijesuriya	4/4
Mr.Chandula Abeywickrema	4/4
Mr.Travis Waas	4/4

The Company Secretary functions as the secretary to the Related Party Transactions Review Committee.

THE TERMS OF REFERENCE

The Committee operates within its Terms of Reference as approved by the Board of Directors.

SCOPE OF THE COMMITTEE

- Adopting policies and procedures to review RPTs of the Company and reviewing and overseeing existing policies and procedures.
- Reviewing in advance all proposed RPTs of the Company except those explicitly exempted in the Code under Rule 27 and section 9.14.10 of the CSE listing rules.
- Determining whether RPTs that are to be entered into by the Company require the approval of the Board or Shareholders of the Company
- Establishing guidelines in respect of recurrent RPTs to be followed by the Corporate Management in respect

of ongoing dealings with the relevant related party

- Ensuring that no Director of the Company shall participate in any discussion of a proposed RPTs for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the RPTRC
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulation are made in a timely and detailed manner

POLICIES AND PROCEDURES

- The Company has in place a Related Party Transactions Policy whereby the categories of persons/entities who shall be considered as "related parties" has been identified. The RPT Policy ensures that the Company does not engage in transactions with related parties in a manner that would grant related parties "more favorable" treatment.
- In accordance of the RPT Policy, self-declarations are obtained from each Director and Senior Management in quarterly basis for the purpose of identifying parties related to them.
- In relation to the RPTs, the committee considers the values of the transactions, the terms and conditions of RPTs and will compare the other quoted prices from the market, and will decide whether such transactions are carried out in an arm's length basis. Also, the committee ensures whether such transactions are in line with the listing rules of the Colombo Stock Exchange whilst ensuring that such RPTs are in the best interest of the Company's operations and is in compliance with the applicable CBSL directions applicable to all finance Companies.

- The RPTs are approved at the committee meeting with the majority of the committee members with the quorum in place or by circulation with approvals from all committee Directors.
- The Code of Business Conduct and Ethics of the Company, which sets out internal policies applicable to conflicts of interests, also plays a key role in managing Related Party Transactions.

REPORTING TO THE BOARD OF DIRECTORS

The Minutes of the Committee meetings are tabled quarterly at the Board meetings, to communicate the views and activities of the committee.

RELATED PARTY TRANSACTIONS/ DISCLOSURES DURING THE YEAR 2023/24

1. Details of all transactions with the related parties during the year 2023/24 were reviewed by the Committee and have communicated comments, observations to the Board of Directors.
2. The value of non-recurrent RPTs during the year was below the threshold for immediate disclosure in terms of the applicable Listing Rules or disclosure in the Annual Report as per Rule 9.14.8 (1) of the Listing Rules.
3. The aggregate value of recurrent RPT entered into during the year was below the threshold for disclosure in the Annual Report as per Rule 9.14.8(2) of the Listing Rules.
4. The aggregate value of all RPTs during the year is disclosed in Note 35 to the Financial Statements in terms of LKAS 24 – Related Party Disclosures.

EVALUATION OF THE COMMITTEE PERFORMANCE

The performance and effectiveness of the Committee was assessed by the Board as a whole as part of the annual self-assessment of the Directors.

DECLARATION

The declaration by the Board of Directors that the company is in compliance with Section 9 and 9.16 the listing rules of the Colombo Stock Exchange, the SEC Code and Section 12 of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 pertaining to Related Party Transactions during the Financial Year ended 31st March 2024 is given on the Annual Report of the Board of Directors on the Affairs of the Company on pages 149 to 154 of the Annual Report.

The Board of Directors declared the following in terms of rule No.9.16 of the Listing Rules of Colombo Stock Exchange

- i. They have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested;
- ii. They have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so;
- iii. They have made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;

- iv. They have made disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations.

AUTHORITY

The Board will make the final decisions on matters based on the recommendations provided by the committee. The committee has the authority to seek professional advice as needed, with the costs covered by the Company. The Company Secretary will coordinate this process.

On behalf of the Related Party Transactions Review Committee



Chandula Abeywickrema
Chairman

Related Party Transactions Review Committee

29th August 2024
Colombo

NOMINATION AND GOVERNANCE COMMITTEE REPORT

	Name of the Director	Directorship Status	Membership Status
1	Mr. Rohan Pandithakorralage (Appointed as the Chairman of the committee w.e.f 29th July 2024)	Non-Executive Independent Director	Chairman
2	Mr.Chandula Abeywickrema (Chairman to the committee until 29th July 2024)	Non-Executive Independent Director	Member
3	Mr. Rangana Koralage	Non-Executive Non- Independent Director	Member
4	Ms. Krystle Wijesuriya	Non-Executive Independent Director	Member

Brief profiles of the committee members are provided on pages 68 to 73 of this Annual Report.

In line with the Company's Articles of Association, directors are not required to be re-elected at regular intervals. However, directors appointed during the year are eligible for re-election at the first Annual General Meeting (AGM) following their appointment. Accordingly, the Committee recommended the re-election of Mr. Rohan Pandithakorralage and Mr. K.M.D.B. Rekogama, who were appointed during the year, at the upcoming AGM.

Additionally, the Committee undertook a comprehensive review of the current board composition to ensure it reflects a balanced mix of skills, experience, and diversity. The Committee remains confident that the current Board possesses the necessary capabilities to lead the Company effectively.

MEETINGS OF THE COMMITTEE

The Committee has held one meeting during the year under review and the extensive deliberations on matters relating to Board & Senior Management's appointments. The Chief Executive Officer attends meetings of the Committee by invitation except when matters relating to him are reviewed. The details of the attendance of the committee members are given below.

Name of the Director	Attendance
Mr.Chandula Abeywickrema	1/1
Mr. Rangana Koralage	1/1
Ms. Krystle Wijesuriya	1/1

The company Secretary functions as the Secretary to the Committee.

TERMS OF REFERENCE

The Board approved Terms of Reference of the Committee contain the role and functions of the Committee which are regulated by the relevant statutes.

ROLES AND RESPONSIBILITIES

The duties of the Committee shall be to make recommendations on the following matters:

- To implement a formal and transparent procedure to select/ appoint new Directors and Senior Management.
- To regularly review the structure, size, composition, and competencies of the Board, the requirement of additional/ new expertise, and the succession arrangements for retiring Directors and make recommendations to the Board regarding any structural changes in the Board.

- To ensure that Directors and Senior Management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction and the relevant Rules / Statutes.
- To establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO to ensure that their responsibilities are satisfactorily discharged.
- To oversee and review the Board's succession plan together with the Succession plan for Senior Management
- To review and recommend the overall Corporate Governance Framework of the company taking into account the Listing Rules of the Colombo Stock Exchange, other applicable regulatory requirements and industry/ international best practices.
- To periodically review and update the Corporate Governance Policies / Framework of the company in line with the regulatory and legal developments relating to same, as a best practice.

FIT & PROPER ASSESSMENT

As required by the Finance Business Act Direction No. 6 of 2021, all Board Members underwent an annual Fit & Proper Assessment to determine their suitability to continue serving as Directors for the upcoming financial year. The Committee is satisfied that all Board Members meet the necessary criteria and have recommended their continuation.

INDEPENDENCE REVIEW

At the beginning of the financial year, the Committee conducted a thorough assessment of each Director's independence, in line with the relevant provisions of the Finance Business Act and the Listing Rules of the Colombo Stock Exchange for 2024/2025. Following this review, the Committee is satisfied that Mr. Chandula Abeywickrema, Mr. Travis Waas, Ms. Krystle Wijesuriya, and Dr. Nirmal De Silva meet the criteria to serve as Independent Non-Executive Directors for the ensuing year.

AUTHORITY

The recommendations of the Nomination & Governance Committee are submitted to the Board for final approval. The Committee is authorised to seek professional advice as needed, at the Company's expense, with coordination provided by the Company Secretary.

GOVERNANCE PRACTICES

Throughout the year, the Committee has reviewed and recommended enhancements to the Company's Governance Practices. This includes ensuring compliance with relevant regulations and adopting best practices in Corporate Governance. The Committee remains committed to fostering a culture of transparency, accountability, and ethical conduct within the Company.

EVALUATION OF THE COMMITTEE PERFORMANCE

The performance and effectiveness of the Committee was assessed by the Board as a whole as part of the annual self-assessment of the Directors.

DECLARATION

The Committee rigorously follows the Corporate Governance standards set forth in the Listing Rules of the CSE, ensuring complete adherence to all provisions.

On behalf of the Board Nomination and Governance Committee



Chandula Abeywickrema
Chairman

Nomination and Governance Committee

29th August 2024

Colombo

BOARD CREDIT COMMITTEE REPORT

The Committee shall assist the Board in effectively fulfilling its responsibilities relating to Credit Direction, Credit Policy and Lending Guidelines of the Company in order to inculcate healthy lending culture, standards and practices and ensure relevant rules, regulations and directions issued by the appropriate authorities are complied with.

COMPOSITION OF THE COMMITTEE

The committee composition is as follows.

	Name of the Director	Directorship Status	Membership Status
1	Mr.Chandula Abeywickrema	Non-Executive Independent Director	Chairman
2	Mr. Rangana Koralage	Non-Executive Non-Independent Director	Member
3	Mr. Travis Waas	Non-Executive Independent Director	Member
4	Dr. Nirmal De Silva	Non-Executive Independent Director	Member

Chief Executive Officer, AGM – Risk, Head of Special Recoveries, Chief Legal Officer, Head of General Recoveries, Senior Manager – Credit are the members of the committee representing the Management and shall attend the Meetings by invitation to assist members of the committee and to provide expert knowledge on different areas of issues.

Brief profiles of the members of the Board Credit Committee are provided on pages 68 to 73 of this Annual Report

MEETINGS OF THE COMMITTEE

Nine Board Credit Committee meetings were held during the year under review. Proceedings of the Committee meetings are regularly reported to the Board of Directors.

Name of the Director	Attendance
Mr.Chandula Abeywickrema	9/9
Mr. Rangana Koralage	9/9
Mr. Travis Waas	9/9
Dr. Nirmal De Silva	6/6

The Company Secretary functions as the Secretary to the Committee.

TERMS OF REFERENCE

The Board approved Terms of Reference of the Board Credit Committee contain the role and functions of the Committee.

ROLES AND RESPONSIBILITIES

- The Committee shall oversee the credit management process of the Company, including reviewing and recommending internal credit policies, credit related procedure manuals and lending products & papers for the approval of the Board of Directors.
- The Committee shall review the quality and performance of the Company's credit portfolio, specifically disbursements, non-performing loans & collection efficiencies.
- The committee shall approve credit facilities recommended by The Chief Executive Officer within the delegated authority limits.
- Identification, monitoring and administration over problematic credit facilities including watch listed

and non-performing advances.

- Provide guidance and directives for credit origination.
- Ensure adequate measurement and controls over credit & sector risk exposures.
- Proper evaluation & management of new lending opportunities and threats in the operating environment.
- Monitor changes in the economic and the operating environment of the Company so that the Company can have adequate controls in the lending book.
- Review changes to the credit policy & product papers initiated by the Management of the Company and recommend them for the approval of the Board of Directors.
- Ensure compliance of lending activities with approved credit policies, statutory and regulatory requirements and guidelines.
- Ensure adequate level of credit growth without compromising the credit quality of the lending portfolio.

COMMITTEE ACTIVITIES DURING THE YEAR

- Reviewed the revisions to the Mortgage & Entrepreneur Financing Product Guidelines and recommended for the approval of the Board of Directors.
- Reviewed the new appointments to the list of panel valuers on movable and immovable assets and recommended for the approval of the Board of Directors.
- Reviewed the amendments to the existing Delegation of Authority Limits for Approving Credit Facilities and recommended for the approval of the Board of Directors.
- Reviewed and approved credit proposals comprising new facilities, annual review of revolving facilities and changes to the terms and

conditions of facilities already approved.

- Reviewed the progress of Recovery action plan and advised Management on areas approved by Board Credit Committee on handling of Non-Performing Lending Facilities.
- Reviewed the Top 20 NPL Customers List and advised the Management on Recoveries.

COMMITTEE EVALUATION

The performance and effectiveness of the Committee was assessed by the Board as a whole as part of the annual self-assessment of the Directors.

On behalf of the Board Credit Committee;



Chandula Abeywickrema
Chairman

Board Credit Committee

29th August 2024
Colombo

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

GENERAL

The Directors of the Company have pleasure in presenting its Annual Report on the State of Affairs of the company to the shareholders of PMF Finance PLC (the Company), together with the Audited Financial Statements and the Audited Consolidated Financial Statements for the year ended 31st March 2024 of the Company and the group and the Auditors' Report on these financial statements, conforming to all relevant statutory requirements. This Report provides the information as required by section 168 of the Companies Act No.07 of 2007 and the Directions issued thereunder including the Finance Business Act Direction No. 05 of 2021 on "Corporate Governance", the Listing Rules of the Colombo Stock Exchange (the CSE) and the recommended best practices.

The Financial Statements of the company for the year ended 31st March 2024 were approved and authorized for issue by the Board of Directors on 2nd August 2024.

PMF Finance PLC is a Licensed Finance Company registered under the Finance Business Act No.42 of 2011 and was incorporated on 26th January 1983 under the Companies Act No. 17 of 1982 and subsequently re-registered as required under the provisions of the Companies Act No. 07 of 2007. The Company was listed on the main board of Colombo Stock Exchange on 11th July 1994 and transferred to Dirisavi Board with effect from 2nd July 2018. The Registered office of the Company and the principal place of business are situated at 361, 361/1, R. A. De Mel Mawatha, Colombo 3. The company has been assigned a credit rating of B+ Stable by Lanka Rating Agency.

VISION, MISSION, GOALS, VALUES AND CORPORATE CONDUCT

The Company's Vision and Mission statements are exhibited on page 4 of the Annual Report. The business activities of the company are conducted in keeping with the highest level of ethical standards

in achieving its Vision and Mission. The company issues a copy of its Code of Ethics to each and every staff member and all employees are required to abide by the company's Code of Conduct.

PRINCIPAL BUSINESS ACTIVITIES

Company

The Company's principal business activities comprise accepting public Deposits and providing Finance Leases, Loans, Margin Trading, Short Term Investments, Gold Loans and Entrepreneur Loans.

Subsidiaries

The Company has a fully owned subsidiary company (PMB Services Limited). The principal activity of PMB Services Limited was operation of credit cards and to undertake all ancillary activities in connection there with. However, the subsidiary is not involved in any business operations at present.

The Company or its subsidiary have not engaged in any activities, which contravene any laws or regulations during the year under review.

BRANCH NETWORK

Total branch network of the Company as at 31st March 2024 was 15.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

An overall assessment of the Company's financial position and performance during the year, with comments on financial results, special events that took place and future developments, are contained in the "Outgoing CEO's Message" on pages 13 to 16. These reports form an integral part of the report of the Directors and together with audited financial statements reflect the state of affairs of the Company and the Group. Segment wise contribution to Group revenue, results, assets and liabilities are disclosed in the Notes to the financial statements on pages 172 to 246 of this Annual Report.

FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No.07 of 2007 and Finance Business Act No.42 of 2011.

The Financial Statements of the Group and the Company, which are duly certified by the Chief Manager - Finance and the Chief Executive Officer as approved by the Board of Directors and signed by the Chairman and one Director is reflected on pages 162 to 246 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

In compliance with the sections 150(1), 151, 152, and 153(1) & (2) of the Companies Act No. 7 of 2007, the Board of Directors are responsible to prepare the Financial Statements of the Company, which reflects a true and fair view of the state of its affairs. The Directors are of the view that the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies, and Notes thereto for the year ended 31st March 2024 and Statement of Financial position as at that date have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Regulations made under Finance Business Act. No. 42 of 2011.

The "Statement of Director's Responsibility for Financial Reporting" is provided on Page 155 forms an integral part of this report.

DIRECTORS' STATEMENT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Board has issued a statement on the internal control mechanism of the Company as per Section 16.1(ix) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance. The said statement which forms an integral part of the Annual Report of the Board of Directors on the affairs of the Company is given on pages 157 to 158. The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Control over Financial Reporting as given in page 159.

AUDITOR'S REPORT

The External Auditors of the company, M/s. Ernst & Young, Chartered Accountants carried out 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 162 to 165 of this Annual Report.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The significant changes to accounting policies adopted if any, in the preparation of the Financial Statements are given in Note 3 on page 174. Accounting policies used by the Group and the Company during the year under review. Significant accounting policies together with the notes adopted in preparation of the financial statements of the Group and the Company are given on the pages 172. These financial statements comply with the requirements of 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.

GOING CONCERN

After considering the financial position, the Company's corporate/ business plans, operating conditions, regulatory

and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance, issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Directors have made an assessment of the company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern, such as restrictions or plans to curtail operations.

ACCOUNTING PERIOD

The financial accounting period reflects the information from 1st April 2023 to 31st March 2024.

FINANCIAL RESULTS AND APPROPRIATIONS

Gross Income

The Group and the Company recorded a loss of Rs. 158.25 Million and Rs. 158.02 respectively for the financial year 2022/23 (Profit of Rs.191.63 Million and Rs. 191.80 Million in 2021/22). Details of the Company's performance and appropriation are tabulated as follows.

Company	2023/24 Rs'000	2022/23 Rs.'000
Loss brought forward from previous year	(1,072,885)	(948,598)
Profit/(Loss) after taxation	19,262	(153,783)
Other comprehensive income	(5,319)	1,536
Transfers to reserve fund	(963)	-
Transfers to regulatory loss allowances reserve	(54,173)	-
Prior Year Adjustment-Deferred Tax Adjustment	-	(554)
Prior Year Adjustment- Depreciation - IFRS 16	-	14,106
Prior Year Adjustment- Lease Interest -IFRS 16	-	15,954
Balance as at the end of the year	(1,114,077)	(1,071,339)

PROVISION FOR TAXATION

The company applied the revised rate of 30% in line with the Inland Revenue Amendment Act No. 45 of 2022 to calculate the income tax and deferred tax assets/liabilities as of 31st March 2024.

The Company was also liable for Value Added Tax (VAT) on Financial Services at 18% and Social Security Contribution Levy (SSCL) on Financial Services at 2.5% w.e.f 1 October 2022.

Descriptive note on income tax charged and differed tax assets/ liability of the Company and its subsidiaries are disclosed in note 14 to the financial statements respectively.

RESERVES

A summary of reserves of the Group and Company as at year ended 31st March 2024 as follows.

Company	Company		Group	
	2023/24 Rs. '000	2022/23 Rs. '000	2023/24 Rs. '000	2022/23 Rs. '000
Statutory reserve Fund	21,202	20,239	21,202	20,239
Regulatory Loss allowances reserve	54,173		54,173	
Retained Earnings	(1,114,077)	(1,071,339)	(1,114,474)	(1,071,930)
Total	(1,038,702)	(1,051,100)	(1,039,099)	(1,051,691)

DIVIDENDS ON ORDINARY SHARES

The Directors have not recommended the declaration of dividend for the financial year ended 31st March 2024.

PREFERENCE SHARES AND PREFERENCE DIVIDEND

Outstanding balance of the Preference shares as at 31st March 2024 amounted to Rs. 10 million.

CAPITAL EXPENDITURE

The total capital expenditure on the acquisition of property plant and equipment of the company amounted to LKR 172,086,000 in 2023/24 (LKR 149,858,000 in 2022/23). Details are given in Note 21 to the Financial Statements.

CAPITAL COMMITMENTS

The contracted and approved capital expenditure as at the date of the reporting is given in Note 21 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Information on property, plant and equipment of the Company are given in Note 21 to the Financial Statements on page 203. Particulars of intangible assets are given in Note 22 to the Financial Statements on page 204. Leasehold properties of the company are given under Note 23 to the Financial Statements on page 205.

INVESTMENTS

Details of investments held by the Company are disclosed in note 17 and 18 on pages 195 to 197 to the Financial Statements.

STATED CAPITAL

In compliance with the Companies Act No. 07 of 2007, the financial statements reflect the stated capital of the Company. The stated capital is the total of all amounts received by the Company in respect of the issued share capital.

The Stated Capital of the Company and the Group as at 31st March 2024 amounted to Rs. 3,762,054,500 consisting of 405,301,750 ordinary shares (Rs. 3,762,054,500 consisting of 405,301,750 ordinary shares as at 31st March 2023).

SHARE INFORMATION

Shareholder information and information on trading are provided under the title Share Information on pages 251 to 252 of this Annual Report and is presented to the shareholders.

SHAREHOLDINGS

The list of top 20 shareholders, number of shares held by them, percentage of their respective holding and Public holding percentage are given under the title Share Information on pages 251 to 252.

THE BOARD OF DIRECTORS

The Board of Directors of the Company comprises of Seven Directors with wide financial and commercial knowledge and experience. The names of the Directors who held office during the financial year 2023/24 are given below. The classification of Directors is given next to the names of the Directors as per the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Direction No. 05 of 2021 and subsequent amendments thereto issued by the Central Bank of Sri Lanka.

The names of the Directors who held office as at the end of the FY 2023/24 are given below. A brief profile of the Directors is given on pages 68 to 73 of the Annual Report.

Name of Director	Status of Directorship	Date of Appointment
Mr. Chandula Abeywickrema	Chairman/Non-Executive Independent Director	Appointed on 26th June 2019
Mr. Travis Waas*	Non-Executive Independent Director	Appointed on 22nd June 2020
Mr. Rangana Koralage	Non-Executive Non-Independent Director	Appointed on 26th June 2019
Mrs. Krystle Wijesuriya	Non-Executive Independent Director	Appointed on 22nd August 2022
Dr. Nirmal De Silva	Non-Executive Independent Director	Appointed on 29th September 2022

* Mr. Travis Waas served as a Non-Executive Non-Independent Director and his Directorship status was changed to Non- Executive Independent Director w.e.f. 7th August 2023 with the CBSL approval.

Appointments subsequent to the year 2023/24

Mr. Rohan Pandithakorralage	Non-Executive Independent Director	Appointed on 2nd July 2024
Mr. Bandara Rekogama	Non-Executive Independent Director	Appointed on 7th August 2024

FIT & PROPRIETY

According to the Finance Companies (Corporate Governance) Direction No. 5 of 2021 and Rule 9.7.5 of the CSE Listing Rules, as of March 31, 2024, the Board of Directors has satisfactorily met the requirements for the fit and proper evaluation. Furthermore, adhering to the CSE requirements, every member of the Board has provided a signed declaration attesting to their consistent adherence to the fit and proper evaluation criteria for the whole financial year ended 31st March 2024.

INDEPENDENCE OF DIRECTORS

In compliance with Rule 9.8.5 of the Colombo Stock Exchange (CSE) Listing Rules, and the Finance Business Act (Corporate Governance) Direction No. 5 of 2021, four out of the five directors namely Mr. Chandula Abeywickrama, Mr. Travis Waas, Ms. Krystle Wijesuriya and Dr. Nirmal de Silva serve as Independent Non-Executive Directors. They have each signed and dated declarations in accordance with the template provided in Appendix 9A of the CSE for continued listing requirements.

ANNUAL ASSESSMENT OF CONTINUING DIRECTORS

All Directors have submitted Affidavits and Declarations for the year 2023/24 for annual assessment by the Director, NBF1 under the Finance Business Act Direction No. 06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.

INTERESTS REGISTER

In compliance with the Companies Act No. 07 of 2007, the Company maintains an interest's register which is available for inspection.

DIRECTORS' INTEREST IN TRANSACTIONS

The Directors of the Company have made general declarations as provided in section 192 (2) of the Companies Act No. 07 of 2007 of their interests in transactions of the Company. Details of the transactions disclosed therein are given on pages 216 to 218 under related party transactions.

The Chairman and the Directors of the Company have made declarations as per the requirements in Section 16.1 (v) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance, that there is no financial, business, family or other material/ relevant relationship(s) between the Chairman and the CEO and/or amongst the members of the Board.

DIRECTORS' REMUNERATION

The details of Directors' fees and Directors' emoluments paid during the year are stated below.

Company	Company		Group	
	2023/24 LKR '000	2022/23 LKR '000	2023/24 LKR '000	2022/23 LKR '000
Directors' Fees & Emoluments	28,309	24,903	28,309	24,903

DIRECTORS' INTEREST IN SHARES

In compliance with section 200 of the Companies Act No. 07 of 2007, the Directors have disclosed to the Board their shareholding in the Company and any acquisitions or disposals thereof.

No Director held shares in the Company as at 31st March 2024.

CHIEF EXECUTIVE OFFICER'S INTEREST IN SHARES

The Chief Executive Officer does not hold shares in the Company as at 31st March 2024.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

A reputable Sri Lankan insurance company has provided the company with directors' and officers' liability insurance, which covers all past, present, and future liabilities owed to the company's directors and officers worldwide.

DIRECTOR'S MEETINGS

The details of Directors' meetings are presented in the Corporate Governance report on page 135 of this Annual Report.

APPRAISAL OF BOARD AND BOARD SUB COMMITTEE'S PERFORMANCE

A scheme of self-assessment is undertaken annually by each Director in conformity with Section 4(1) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance. The Board also carried out an annual self-evaluation of its own performance and that of the Sub-Committees to ensure that they discharge their duties and responsibilities satisfactorily in terms of the Companies Act No. 07 of 2007, Finance Business Act Direction No. 05 of 2021 on Corporate Governance, Listing Rules of the Colombo Stock Exchange and Best Practices on Corporate Governance.

BOARD SUB COMMITTEES

The Board of Directors of the Company has formed Seven Board Sub-Committees in compliance with the Finance Business Act Direction No. 05 of 2021 on Corporate Governance, the Securities and Exchange Commission of Sri Lanka and the Listing Rules of the Colombo Stock Exchange and as per the recommended Code of Best Practice on Corporate Governance Amended 2023 issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

- Board Audit Committee
- Board Integrated Risk Management Committee
- Human Resource and Remuneration Committee
- Related Party Transactions Review Committee
- Nomination & Governance Committee
- Board Credit Committee
- Procurement Committee

All the Board sub-committee details are presented on pages 136 to 148.

DONATIONS

During the year, the information given above on donations forms an integral part of the Report of the Board of Directors as required by the Section 168(1) (g) of the Companies Act No. 07 of 2007.

RELATED PARTY TRANSACTIONS

Directors have disclosed transactions if any, that could be classified as Related Party Transactions in terms of Sri Lanka Accounting Standards – LKAS 24 “Related Party Disclosures” which is adopted in preparation of the Financial Statements. Those transactions are given in Note 35 to the Financial Statements which form an integral part of the Annual Report of the Board of Directors. The

company has also complied with the requirement of the Code of Best Practice 2017 issued by The Institute of Chartered Accountants of Sri Lanka, Listing Rules of Colombo Stock Exchange (CSE) and with all disclosure requirements stipulated thereunder.

SYSTEM OF INTERNAL CONTROLS

The Board of Directors has taken steps to oversee the implementation of an effective and comprehensive system of internal controls covering financial operations and compliance controls required to carry its operation in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the financial and other information. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The Board Audit Committee Report forms an integral part of the Annual Report of the Board of Directors and is given on Pages 136 to 138 of the Annual Report.

CORPORATE GOVERNANCE

The Directors of the Company are committed to maintaining an effective Corporate Governance Framework by implementing processes required to ensure that the Company is compliant with 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 2023, the Finance Business Act Direction No.05 of 2021 issued by the CBSL and Requirements of Listing Rules of the Colombo Stock Exchange. Details are given on Corporate Governance Report on pages 79 to 135 of this Annual Report.

DIRECTORS' DECLARATIONS

- i. The Company complied with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations.
- ii. In terms of Rule 9.16(i) of the Listing Rule of the CSE, the directors have declared all material interests in contracts involving the company and refrained from voting on matters in which they were materially interested.
- iii. The Company has made all endeavors to ensure that the fair treatment for all stakeholders, in particular the depositors.
- iv. The Board of Directors has reviewed the Company's Corporate/Business Plans and is satisfied that the company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the going concern assumption; and
- v. The Board have conducted a review of internal controls covering financial, operational and compliance controls, risk management and have obtained a reasonable assurance of their effectiveness and proper adherence.

HUMAN RESOURCES

The number of employees as at 31st March 2024 was 322 (31st March 2023-261).

ENVIRONMENTAL PROTECTION

To the best of knowledge of the Board of Directors, the Company has complied with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment.

STATUTORY PAYMENTS

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments due to the government, other regulatory institutions and in relation to the employees have been made except for certain income tax assessments against which appeals have been lodged.

OUTSTANDING LITIGATION

In the opinion of the Directors formed in consultation with the Company lawyers, litigation currently pending against the Company will not have any material impact on the reported financial results or future operations of the Company. Details of litigation pending against the Company are given on note 34.3 to the Financial Statements on page 215.

EVENTS AFTER THE REPORTING DATE

Details of events after the reporting date are reflected in note 44 Page 246 to the financial statements.

AUDITORS

Messrs. Ernst & Young, Chartered Accountants served as the Independent Auditors during the year under review.

The Auditors were paid LKR 5 Million (FY 2022/23 – LKR 2.1 Mn to M/s KPMG) as Statutory Audit fee and expenses by the Company. Further they were paid LKR 750,000 as non-audit services during the year under review.

Based on the written representation made by the M/S Ernst & Young (Chartered Accountants) to the Board, the Directors are satisfied that the Auditors did not have any relationship with or any interest in the Company such that their judgments may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, applicable on the date of this report.

OTHER DIRECTORSHIPS OF BOARD OF DIRECTORS

Name of Directors	Directorship Status				Board seats held in Listed Companies - As at 31.03.2024		Board seats held in Unlisted Companies - As at 31.03.2024	
	Executive	Non Ex.	Independent	Non Independent	Executive Capacity	Non-Executive Capacity	Executive Capacity	Non- Executive Capacity
Mr. Chandula Abeywickrema	√	√		None	None	Lanka Impact Investing Network	PMB Services Limited	
						Lanka Financial Services for underserved Settlements	World Vision Lanka	
						CSR Lanka	Continental Insurance	
						Banking with Poor Network		
Mr. Rangana Koralage	√		√	None	None	Sterling Automobiles Lanka (Pvt) Limited	PMB Services Limited	
Mr. Travis Waas	√	√		None	None	None	None	
						Paramount Reality (Pvt) Ltd	Asia Pacific Technology Systems	
Dr. Nirmal De Silva	√	√		None	None	Capacity (Pvt) Ltd	Asia Pacific Institute of Money & Entrepreneurship Development	
						Celao Capital (Pvt) Ltd		
Ms. Krystle Wijesuriya	√	√		None	None	None	None	
Mr. Rohan Pandithakoralage	√	√		None	None	RMD Consultants (Pvt) Ltd	None	
Mr. Bandara Rekogama	√	√		None	None	RekoBiz (Pvt) Ltd	None	

NOTICE OF MEETING

Notice of the meeting relating to the Annual General Meeting is provided on page 259 of this Annual Report.



Travis Waas
Director



Chandula Abeywickrema
Chairman



Nadeeka Jayawickrama
Company Secretary

29th August 2024
Colombo

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibilities of the Directors in relation to the Financial Statements of the PMF Finance PLC (the "Company") prepared in accordance with the provisions of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and other statutes, which are applicable in the preparation of Financial Statements are set out in the following statement. The responsibilities of the External Auditor in relation to the Financial Statements are set out in the Report of the Auditors given on pages 162 to 165 to the Annual Report.

As per the provisions of Sections 150 (1), 151, 152 and 153 (1) and (2) of the Companies Act No. 07 of 2007 the Directors are required to prepare Financial Statements that give a true and fair view of the financial position of the Company for each financial year and place them before the Annual General Meeting. The Financial Statements comprise the Statement of Financial Position as at end of the financial year, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and Notes thereto.

The Financial Statements are prepared by the Chief Manager Finance under the supervision of the Chief Executive Officer. The Directors confirm that the Financial Statements of the Company give a true and fair view of:

1. The state of affairs of the Company as of 31 March 2024; and
2. The financial performance of the Company for the financial year ended 31 March 2024.

The Board of Directors accepts the responsibility of the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing these Financial Statements.

1. The appropriate accounting policies have been selected and applied in

a consistent manner and material departures, if any, have been disclosed and explained;

2. Judgements and estimates have been made which are reasonable and prudent; and
3. All applicable Accounting Standards, as relevant, have been complied with.

Further, the Directors have a responsibility to ensure that the Company has maintained sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company. The Financial Statements prepared and presented in this Report are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards (SLFRS) which came into effect from 1 January 2012, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995, Finance Business Act No. 42 of 2011 and amendments thereto, the Listing Rules of Colombo Stock Exchange (CSE) and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC).

In addition, these Financial Statements comply with the prescribed format issued by the Central Bank of Sri Lanka for the preparation of annual financial statements of Licensed Finance Companies.

The Directors have also instituted effective and comprehensive systems of Internal Control for identifying, recording, evaluating, and managing the significant risks faced by the Company throughout the year and it is being under regular review of the Board of Directors. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the business of a Licensed Finance

Company in an orderly manner, safeguard its assets, prevent and detect frauds and other irregularities and secure as far as practicable the accuracy and reliability of the records. The results of such reviews carried out during the year ended 31 March 2024 are given in pages 157 to 158 of the Annual Report, "Directors Statement on Internal Control over Financial Reporting". External Auditors' Assurance Report on the "Directors Statement on Internal Control" is given on page 159 of the Annual Report.

The Directors have taken appropriate steps to ensure that the Company maintain proper books of accounts and review the financial reporting system directly by them at their regular meetings and also through the Board Audit Committee. The report of the said Committee is given on pages 136 to 138 in the Annual Report. The Board of Directors also approves the Interim Financial Statements prior to their release following a review and recommendation by the Board Audit Committee.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

Directors are required to prepare the Financial Statements and to provide the Company's External Auditor, Messrs Ernst & Young Chartered Accountants, with every opportunity to carry out whatever reviews and sample checks on the system of internal control they may consider appropriate and necessary for expressing their independent audit opinion on the Financial Statements.

The Financial Statements of the Company have been certified by the Chief Manager Finance of the Company, the officer responsible for their preparation, as required by Sections 150(1) (b) and 152 (1) (b) of the Companies Act. Also, the Financial Statements of the Company have been signed by two Directors, Chief Executive

Officer and Chief Manager Finance of the Company on 02nd August 2024 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act.

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the Company as at the Statement of Financial Position date have been paid or where relevant provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board



Nadeeka Jayawickrama
Company Secretary

29th August 2024
Colombo

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

REGULATORY REQUIREMENTS

In line with the section 16(1) (ix) of the Finance Business Act Direction No.05 of 2021- Corporate Governance, and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by Chartered Accountants of Sri Lanka, the Board of Directors ("Board") of PMF Finance PLC ("Company") presents this report on internal control over financial reporting.

RESPONSIBILITY

The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the system of internal control over financial reporting in place at PMF Finance PLC ("the Company"). The system of internal control has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the financial statements are prepared in accordance with the relevant financial reporting framework and are free from material misstatement due to fraud or error. Therefore, the system of internal controls cannot be expected to provide absolute assurance against material misstatement of management and financial information and records or against financial losses or frauds.

The Board has established an ongoing process for identifying, evaluating, and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls in place to mitigate such assessed risks effectively in response to changes in the business and regulatory environment. This risk management process is regularly reviewed for effectiveness by the Board and Board appointed sub committees including the Board Integrated Risk Management Committee.

The management is tasked with assisting the Board in the implementation of the policies and procedures related to risk and control. This includes identifying and assessing the risks faced by the Company as well as providing inputs on design, operation, and monitoring of internal controls over financial reporting to mitigate and control these risks.

The internal control deficiencies reported by the external auditor in their management letter and their recommendations therein in connection with the internal controls over financial reporting identified during the external audit were reviewed by the Board Audit Committee and appropriate actions were taken to implement the recommendations. The Board Audit Committee reviews the management letter, discuss the same with external auditors and the management and periodically reviews the progress of implementation of the recommendations made by the external auditor. Board Audit Committee further reviewed the recommendations relating to internal controls over financial reporting highlighted through the onsite supervision report of Regulatory Authorities and the progression of implementing the recommendations is also monitored.

The Board has considered the requirements of the Sri Lanka Accounting Standard, SLFRS 9 Financial Instruments, in the preparation of financial statements and implemented the calculation of impairment of financial instruments in compliance with the Standard by revalidating the impairment model with the assistance of an independent professional accounting firm during the financial year.

The management assists the Board in the implementation of the policies and procedures on risk and control by identifying and assessing the risks facing the Company, and in the design, operation, and monitoring of appropriate internal controls to mitigate and control these risks.

KEY ELEMENTS OF THE PROCESS ADOPTED FOR THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

The key elements of the processes that have been established within the Company for monitoring and enhancing the adequacy and effectiveness of the system of internal controls over financial reporting include the following:

- The Board has established several sub committees to assist the Board in ensuring the effectiveness of the Company's daily operations and that the Company's operations are conducted in accordance with the corporate vision and objectives, strategies, and approved policies of the Company.
- Key functional areas of the Company are governed by policies/charters that are approved by the Board. The board appointed committees review and recommend such policies/ charters before seeking the approval of the board. Such policies/charters are regularly reviewed, updated and approved by the board.
- The Internal Audit function of the Company reviews compliance with the approved policies and procedures and the effectiveness of the internal control system on an ongoing basis by way of conducting periodic internal audit reviews in accordance with the annual internal audit plan reviewed and approved by the Board Audit Committee and report significant findings, which include deficiencies in the design and operation of internal controls and non-compliance with the established policies and procedures to the Board Audit Committee. Internal Audit reviews are conducted in accordance with the annual internal audit plan approved by the Board Audit Committee covering all the significant business units and the branches of the Company with sufficient regularity reflecting the risk associated with the business units or the branches. The significant findings of the internal audit reports and the progress of implementation of internal auditor's recommendations are reviewed by the Board Audit Committee at its periodic meetings.
- The Board Audit Committee also reviews the effectiveness and efficiency of the internal audit function with particular emphasis on the independence of the function, resources and competencies, annual

internal audit plan and the scope of internal audits. The Minutes of the Board Audit Committee meetings are tabled at the meetings of the Board of Directors of the Company. Further details of the activities undertaken by the Board Audit Committee of the Company are described in the “Board Audit Committee Report” on pages 136 to 138.

- The Board Audit Committee of the Company reviews internal control deficiencies identified by the internal auditors and evaluates the adequacy and effectiveness of the internal control system of the Company including financial reporting controls. A process has been set up to continuously monitor the internal control system over financial reporting to mitigate the risk on misrepresentation of financial reporting. The respective process owners of the Company continuously review and update all procedures and controls connected with significant accounts and disclosures of the Financial Statements of the Company. The risk department verifies the suitability of design and effectiveness of these procedures and controls on an ongoing basis, and internal audit department reviews the compliance and apprises the Board Audit Committee where necessary.
- Overall, the Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, the External Auditor, regulatory authorities and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems.
- Further, during the current financial year, the Board Audit Committee has had constant discussions with the Management and External Auditors in order to address key observations identified relating to strengthening the financial reporting close process including the related account reconciliation process and has

monitored progression of the steps to be taken.

- The Company adopts Sri Lanka Accounting Standards comprising LKAS and SLFRS and progressive improvements are made to its processes to comply with requirements recognition, measurement, classification, and disclosure. Financial reporting and management information processes will be further strengthened by constant monitoring and adaption to market realities. The Company reviewed the existing models in use to ascertain the potential implications of the current economic condition and these models are regularly reviewed and validated through independent industry experts to ensure effective financial representation.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITOR

The External Auditors of the Company, Messrs. Ernst & Young, have reviewed the Director’s Statement on Internal Controls included in this Annual Report of the Company for the year ended 31 March 2024 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system over financial reporting of the Company. Their independent assurance report on the “Directors’ Statement on Internal Controls over Financial Reporting” is given on page 159 of this Annual report.

CONFIRMATION

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards and the applicable

regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS, AND LAWS

There was no material non-compliance with prudential requirements, regulations, laws, and internal controls during the financial year. There were no supervisory concerns on the Company’s Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non-compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.

By order of the Board



Rangana Koralage
Director

Colombo
31st July 2024



Chandula Abeywickrama
Chairman

AUDITOR'S ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL



Building a better working world

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TO THE BOARD OF DIRECTORS OF PMF FINANCE PLC

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

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

MANAGEMENT'S RESPONSIBILITY

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

OUR INDEPENDENCE AND QUALITY CONTROL

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

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding

compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITIES AND COMPLIANCE WITH SLSAE 3051

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

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

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

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

SUMMARY OF WORK PERFORMED

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

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

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

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

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

OUR CONCLUSION

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

02 August 2024
Colombo

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

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

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FINANCIAL REPORT

With personalized financial solutions and strategic support, we empower entrepreneurs to bring their dreams to life providing the foundation for a future where innovation and entrepreneurship thrive.

FINANCIAL CALENDER 2023/2024

Annual General Meetings	Date
40th Annual General Meeting	25-Sep-24

Interim Financial Statements are in compliance with the Sri Lanka Accounting Standard - LKAS 34 - Interim Financial Reporting and the provisions of the Companies Act No. 7 of 2007 and provide the information as required in terms of Rule 7.4 of Colombo Stock Exchange.

Interim Financial Statements	Date released to the CSE	Date published in Newspapers (in Sinhala, English & Tamil)
1st Quarter ended 30 June 2023	15-Aug-23	N/A
2nd Quarter ended 30 September 2023	14-Nov-23	30-Nov-23
3rd Quarter ended 31 December 2023	14-Feb-24	N/A
4th Quarter ended 31 March 2024	30-May-24	N/A
Annual Financial Statements		
Annual financial statements for 2023 /2024	10-Jul-24	10-Jul-24

PROPOSED FINANCIAL CALENDER 2024/2025

Annual General Meetings	Date
41th Annual General Meeting on or before	30-Sep-25

Interim Financial Statements are in compliance with the Sri Lanka Accounting Standard - LKAS 34 - Interim Financial Reporting and the provisions of the Companies Act No. 7 of 2007 and provide the information as required in terms of Rule 7.4 of Colombo Stock Exchange.

Interim Financial Statements	Date released/to be released to the CSE	Date to be published in Newspapers (in Sinhala, English & Tamil)
1st Quarter ended 30 June 2024	15-Aug-24	N/A
2nd Quarter ended 30 September 2024	14-Nov-24	29-Nov-24
3rd Quarter ended 31 December 2024	14-Feb-25	N/A
4th Quarter ended 31 March 2025	30-May-25	N/A
Annual Financial Statements		
Annual financial statements for 2024/2025	30-Jun-25	30-Jun-25

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
Rotunda Towers
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GSM/TP/USS/PE

TO THE SHAREHOLDERS OF PMF FINANCE PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PMF Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2024, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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

Principals: T P M Ruberu FCMA FCCA MBA (US-JSL), G B Goudlan ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp), W D P L Perera ACA

A member firm of Ernst & Young Global Limited



Key audit matter	How our audit addressed the key audit matter
<p>Impairment Loss Allowance</p> <p>Impairment loss allowance of financial assets amounting to LKR 529.5 Mn arising from loans and advances of LKR 11.7 Bn (Note 19) is determined by the management based on the accounting policies described in Note 4.17.9.</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none"> the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in management's expectation of future cash flows to recover such financial assets; and the materiality of the reported amount of allowance of expected credit losses and use of complex calculations in its determination. <p>Key areas of significant judgements, assumptions and estimates used by management included: assumed future occurrence of events and/or transactions and forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.</p>	<p>In addressing the adequacy of the allowances for expected credit losses of financial assets, our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> Assessed the alignment of the Company's allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, based on the best available information up to the date of our report. Evaluated the design, implementation, and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management. Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by cross checking to relevant source documents and accounting records of the Company. Evaluated the reasonableness of credit quality assessments and related stage classifications. Assessed the reasonableness of the judgements, assumptions and estimates used by the Management in assumed future occurrence of events and/or transactions including the value and the timing of cash flow forecasts, status of recovery actions of the collaterals, forward-looking macroeconomic scenarios and their associated weightages. Assessed the adequacy of the related financial statement disclosures set out in Notes 19 and 4.17.9.
<p>Information Technology (IT) systems related Internal Controls over Financial Reporting.</p> <p>Company's financial reporting process is significantly reliant on multiple IT systems and related automated and IT dependent manual internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.</p> <p>Further, during the year, the Company migrated data contained in the Loan and Lease modules to the existing core system of the Company.</p> <p>Accordingly, IT systems related Internal Controls over Financial Reporting were considered a key audit matter.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> Obtained an understanding of the internal control environment of the relevant significant processes and tested key controls relating to financial reporting and related disclosures. Involved our internal specialized resources and; Obtained an understanding of IT Governance Structure of the Company. Identified, evaluated and tested the design and operating effectiveness of IT systems related to Internal Controls over Financial Reporting, relating to user access management, change management and other IT operations, while testing selected key automated controls. Obtained a high-level understanding of the cybersecurity risks relevant to the Company and the actions taken to address these risks primarily through inquiries related to processes and controls implemented to address cyber security risks. Reviewed adequacy and appropriateness of the processes adhered for data migration, while ensuring the accuracy of the data migrated, on a test basis. Tested source data of the reports used to generate disclosures for accuracy and completeness.



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Other Matter

The financial statements of PMF Finance PLC for the year ended 31 March 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 June 2023.

Other information included in the Company's 2024 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Annual Report, other than 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 will 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 the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSSs 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 SLAuSSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

1. 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.

2. 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 internal controls of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. 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.



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6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 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 2471.

02 August 2024
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31st March In thousands of rupees	Note	COMPANY		GROUP	
		2024	2023	2024	2023
		Rs.	Restated Rs.	Rs.	Restated Rs.
Gross Income	6	3,344,778	2,095,447	3,344,778	2,095,447
Interest income	7.1	3,092,836	2,008,133	3,092,836	2,008,133
Interest expense	7.2	(1,987,603)	(1,255,480)	(1,987,603)	(1,255,480)
Net interest income	7	1,105,233	752,653	1,105,233	752,653
Fee and commission income	8	39,498	29,552	39,498	29,552
Net income from financial assets at FVTPL	9	130,609	30,644	130,609	30,644
Other operating income	10	81,835	27,117	81,836	27,117
Total operating income		1,357,175	839,967	1,357,176	839,967
Impairment (charge)/ reversal and other losses	11	(225,546)	(154,029)	(225,546)	(154,029)
Net operating income		1,131,629	685,937	1,131,630	685,937
Expenses					
Personnel expenses	12	(254,568)	(258,900)	(254,568)	(258,900)
Depreciation of property, plant and equipment	21	(50,934)	(24,962)	(50,934)	(24,962)
Amortisation of intangible assets	22	(3,332)	(2,936)	(3,332)	(2,936)
Amortisation of right of use assets	23	(53,559)	(43,892)	(53,559)	(43,892)
Other operating expenses	13	(740,793)	(505,568)	(740,793)	(505,799)
Operating Profit/ (Loss) before taxes on financial services		28,443	(150,320)	28,444	(150,551)
Taxes on financial services	14.5	(53,434)	(33,273)	(53,434)	(33,273)
Loss before income tax		(24,991)	(183,593)	(24,990)	(183,824)
Income tax	14	44,253	29,810	44,253	29,810
Profit /(Loss) for the year		19,262	(153,783)	19,262	(154,014)
Basic (loss)/earnings per share (Rs.)	15	0.05	(0.38)	0.05	(0.38)
Diluted (loss)/earnings per share (Rs.)	15	0.05	(0.38)	0.05	(0.38)

The Accounting Policies and Notes on pages 12 through 87 form an integral part of the Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	COMPANY		GROUP	
		2024	2023	2024	2023
For the year ended 31st March			Restated		Restated
In thousands of rupees		Rs.	Rs.	Rs.	Rs.
Profit/(Loss) for the year		19,262	(153,783)	19,262	(154,014)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gain/(loss) on retirement benefit obligation		(4,091)	2,194	(4,091)	2,194
Deferred tax effect on actuarial (gain)/ loss		(1,227)	(658)	(1,227)	(658)
Other comprehensive income/(loss) for the year, net of tax		(5,319)	1,536	(5,319)	1,536
Total comprehensive income/(loss) for the year attributable to the owners of the Company		13,943	(152,247)	13,943	(152,478)

The accounting policies and notes on pages 12 through 87 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

For the year ended 31st March In thousands of rupees	Note	COMPANY		GROUP	
		2024 Rs.	2023 Restated Rs.	2024 Rs.	2023 Restated Rs.
Assets					
Cash and cash equivalents	16	673,411	337,925	673,411	338,165
Placements with banks and financial institutions	17	1,455,435	1,264,071	1,455,435	1,264,071
Investments in securities	18	1,730,481	726,637	1,730,481	726,637
Financial assets measured at amortised cost - loans and lease rentals receivable	19	11,242,525	8,382,870	11,242,525	8,382,870
Real estate stock	20	56,905	55,859	56,905	55,859
Property, plant and equipment	21	268,886	169,494	268,886	169,494
Intangible assets	22	60,285	44,239	60,285	44,239
Right-of-use assets	23.1	168,098	189,561	168,098	189,561
Deferred tax assets	28	122,345	79,320	122,345	79,320
Other assets	24.	538,830	279,610	538,830	279,610
Total assets		16,317,201	11,529,586	16,317,201	11,529,826
Liabilities					
Due to banks	25	1,741,718	854,923	1,741,718	854,923
Deposits due to customers	26	11,238,015	7,651,122	11,238,015	7,651,122
Debt securities issued	27	18,400	17,800	18,400	17,800
Lease liabilities	23.2	170,393	179,178	170,393	179,178
Employee benefit obligation	29	16,206	12,249	16,206	12,249
Other liabilities	30	409,117	103,360	409,515	104,190
Total liabilities		13,593,849	8,818,632	13,594,247	8,819,462
Equity					
Ordinary share capital	31	3,762,054	3,762,054	3,762,054	3,762,054
Statutory reserve fund	32	21,202	20,239	21,202	20,239
Regulatory loss allowances reserve	32.1	54,173	-	54,173	-
Accumulated losses	33	(1,114,077)	(1,071,339)	(1,114,475)	(1,071,929)
Total equity attributable to the owners of the Company		2,723,352	2,710,954	2,722,954	2,710,364
Total liabilities and equity		16,317,201	11,529,586	16,317,201	11,529,826
Commitments and contingencies	34	44,042	94,159	44,042	94,159
Net assets value per share (Rs.)		6.72	6.69	6.72	6.69

We certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



Achan Chandula
Chief Manager - Finance



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 by;



Chandula Abeywickrema
Chairman



Rangana Koralage
Director

The accounting policies and notes on pages 12 through 87 form an integral part of the Financial Statements.

02 August 2024

Colombo, Sri Lanka

STATEMENT OF CHANGES IN EQUITY

Company In thousands of rupees	Ordinary share capital Rs.	Reserve fund Rs.	Regulatory loss allowances reserve Rs.	Accumulated losses Rs.	Total equity Rs.
Balance at 1st April 2022	3,762,054	20,239	-	(948,598)	2,833,695
Prior year adjustment -Deffered Tax - SLFRS 16	-	-	-	(554)	(554)
Prior year adjustment -Depriciation - SLFRS 16	-	-	-	14,106	14,106
Prior year adjustment -Lease Interest - SLFRS 16	-	-	-	15,954	15,954
Adjusted balance at 1st April 2022	3,762,054	20,239	-	(919,093)	2,863,200
Total comprehensive income for the year					
Loss for the year	-	-	-	(153,783)	(153,783)
Other comprehensive income					
Remeasurement of defined benefit liability	-	-	-	2,194	2,194
Total other comprehensive income/(Loss)	-	-	-	(658)	(658)
Total comprehensive income /(Loss)	-	-	-	1,536	1,536
Total comprehensive income	-	-	-	(152,247)	(152,248)
Balance at 31st March 2023	3,762,054	20,239	-	(1,071,339)	2,710,953
Balance at 1st April 2023	3,762,054	20,239	-	(1,072,884)	2,709,408
Total comprehensive income					
Profit for the year	-	-	-	19,262	19,262
Other comprehensive income					
Remeasurement of defined benefit liability	-	-	-	(4,091)	(4,091)
Tax on other comprehensive income	-	-	-	(1,227)	(1,227)
Total other comprehensive income/(Loss)	-	-	-	(5,319)	(5,319)
Total comprehensive income /(Loss)	-	-	-	13,943	13,943
Transfers to the statutory reserve fund	-	963	-	(963)	-
Transfers to the reserve fund	-	-	54,173	(54,173)	-
Balance at 31st March 2024	3,762,054	21,202	54,173	(1,114,077)	2,723,351

The Accounting Policies and Notes on pages 12 through 87 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Group	Ordinary share capital	Reserve fund	Regulatory loss allowances reserve	Accumulated losses	Total equity
In thousands of rupees	Rs.	Rs.	Rs.	Rs.	Rs.
Balance at 1st April 2022	3,762,054	20,239	-	(948,957)	2,833,336
Prior Year Adjustment -Deffered Tax Adjustment	-	-	-	(554)	(554)
Prior Year Adjustment -Depriciation Lease Buildings -IFRS 16	-	-	-	14,106	14,106
Prior Year Adjustment -Lease Interest -IFRS 16	-	-	-	15,954	15,954
Modified balance at 1st April 2022	3,762,054	20,239	-	(919,452)	2,862,841
Total comprehensive income for the year					
Profit/(Loss) for the year	-	-	-	(154,014)	(154,014)
Other comprehensive income					
Remeasurement of defined benefit liability	-	-	-	2,194	2,194
Tax on other comprehensive income	-	-	-	(658)	(658)
Total other comprehensive income/(Loss)	-	-	-	1,536	1,536
Total comprehensive income/(Loss)	-	-	-	(152,478)	(152,478)
Balance at 31 March 2023	3,762,054	20,239	-	(1,071,930)	2,710,363
Balance at 1st April 2023	3,762,054	20,239	-	(1,072,885)	2,709,408
Total comprehensive income					
Profit for the year	-	-	-	19,262	19,262
Other comprehensive income					
Remeasurement of defined benefit liability	-	-	-	(4,091)	(4,091)
Subsidiary loss	-	-	-	(397)	(397)
Tax on other comprehensive income	-	-	-	(1,227)	(1,227)
Total other comprehensive income/(Loss)	-	-	-	(5,716)	(5,716)
Total comprehensive income/(Loss)	-	-	-	13,546	13,546
Transfers to the statutory reserve fund	-	963	-	(963)	-
Transfers to the regulatory loss allowances reserve	-	-	54,173	(54,173)	-
Balance at 31 March 2024	3,762,054	21,202	54,173	(1,114,474)	2,722,955

The accounting policies and notes on pages 12 through Page No. 87 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March In thousands of rupees	Note	COMPANY		GROUP	
		2024 Rs.	Restated 2023 Rs.	2024 Rs.	Restated 2023 Rs.
Cash flows from operating activities					
Profit/(Loss) before tax		(24,991)	(183,593)	(24,990)	(183,824)
Adjustment for:					
- Depreciation and amortisation	21&23	107,825	71,790	107,825	71,790
- Profit on real estate sales	10	-	(4,000)	-	(4,000)
- Gain on derecognition of right-of-use assets	23	-	(1,609)	-	(1,609)
- Net gain on investment securities at FVPTL	9	(130,609)	(30,644)	(130,609)	(30,644)
- Net impairment loss on loans and advances	11	225,546	154,029	225,546	154,029
- Interest expense on preference shares	7.2	600	600	600	600
- Interest expense due to banks	7.2	113,968	261,857	113,968	261,857
- Interest expense on leases	23.2	27,817	22,689	27,817	22,689
- Dividend on equity securities at FVPTL	9	(180)	(318)	(180)	(318)
- Interest income	7.1	(443,602)	(233,390)	(443,602)	(233,390)
- Provision for retirement benefit obligation	29	6,086	4,038	6,086	4,038
- Gain on disposal of property, plant and equipment	10	(7)	(77)	(7)	(77)
Net cash used in operating activities		(117,546)	61,372	(117,545)	61,141
Changes in					
Financial assets measured at amortised cost - loans and lease rentals receivable					
		(3,085,202)	(1,860,291)	(3,085,202)	(1,860,291)
Other assets					
		(259,221)	(75,652)	(259,221)	(75,652)
Due to customers					
		3,586,894	4,422,252	3,586,894	4,422,252
Other liabilities					
		305,757	(104,100)	305,757	(104,050)
		430,682	2,443,581	430,683	2,443,399
Retiring gratuity paid	29	(6,068)	(2,972)	(6,068)	(2,972)
Interest paid due to banks		(94,059)	(283,686)	(94,059)	(283,686)
Income tax paid		-	-	-	-
		330,555	2,156,923	330,556	2,156,741
Interest income on short term investment	7.1	443,602	233,390	443,602	233,390
Investment/upliftment of fixed deposits	17	(191,365)	(853,129)	(191,365)	(853,129)
Investments in securities	18	(873,235)	(480,888)	(873,235)	(480,710)
Acquisition of property, plant and equipment	21	(152,708)	(112,443)	(152,708)	(112,443)
Acquisition of intangible assets	22	(19,378)	(37,415)	(19,378)	(37,415)
Proceeds from disposal of property, plant and equipment	21	7	91	7	91
Dividends received from investments	9	180	318	180	318
Net cash from investing activities		(792,898)	(1,250,076)	(792,898)	(1,249,898)
Cash flows from financing activities					
Proceeds from borrowing from due to banks	25.1	1,077,800	-	1,077,800	-
Repayments of borrowings from due to banks	25.1	(322,642)	(1,063,656)	(322,884)	(1,063,656)
Lease rental payments	23.2	(68,698)	(57,923)	(68,698)	(57,923)
Net cash from financing activities		686,459	(1,121,579)	686,217	(1,121,579)
Net (decrease)/increase in cash and cash equivalents		224,116	(214,732)	223,875	(214,735)
Cash and cash equivalents at beginning of the year		240,282	455,014	240,522	455,257
Cash and cash equivalents at the end of the year	16	464,398	240,282	464,397	240,522
At the beginig of the year					
Cash and cash equivalents		337,925	455,014	338,165	455,257
Bank Overdraft		(97,643)	-	(97,643)	-
Cash and cash equivalents at beginning of the year		240,282	455,014	240,522	455,257
At the end of the year					
Cash and cash equivalents		673,411	337,925	673,411	338,165
Bank Overdraft		(209,014)	(97,643)	(209,014)	(97,643)
Cash and cash equivalents at the end of the year		464,397	240,282	464,397	240,522

The accounting policies and notes on pages 12 through 87 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

1.1 Corporate Information

PMF Finance PLC (“the Company”) is a Licensed Finance Company registered under the Finance Business Act No.42 of 2011 and listed on the Colombo Stock Exchange. The Company was incorporated on 26th January 1983 and is domiciled in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007. The Company was listed on the main board of Colombo Stock Exchange on 11th July 1994 and transferred to Dirisavi Board with effect from 2nd July 2018. The Company has obtained a credit rating of B+ Stable by Lanka Rating Agency Limited.

The registered office of the Company and the principal place of the business is situated at No.361,361/1, R A De Mel Mawatha, Colombo 03.

Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31st March 2024 include PMF Finance PLC (Parent Company) and its Subsidiary (together referred to as the “Group” and individually as “Group entities”).

Parent Entity and Ultimate Parent Entity

The Company’s parent entity, Sterling Capital Investments (Private) Limited, is incorporated in Sri Lanka and the ultimate parent entity, Rush Japan Corporation, is incorporated in Japan.

Number of Employees

The staff strength of the Group as at 31st March 2024 was 336 (261 as at 31st March 2023).

1.2 Group Information Principal Activities and Nature of Operations

1.2.1 Company

PMF Finance PLC

The principal business activities of the Company are providing finance leases, gold loans, term loans, margin trading, Entrepreneur Loans, short-term investments and mobilization of public deposits.

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

1.2.2 Subsidiary

The Company’s only subsidiary is PMB Services Limited (Limited liability company incorporated and domiciled in Sri Lanka under the Companies Act No. 7 of 2007)

PMB Services Limited

The principal activity of PMB Services Limited was the operation of credit cards and to undertake all ancillary activities in connection therewith. However, the subsidiary is not involved in any business operations at present.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The consolidated financial statements of the Group and separate financial statements of the Company comprising the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows together with notes (“the Financial Statements”), as at 31st March 2024 and for the year then ended are prepared and presented in accordance with Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) (hereafter “SLFRS/LKAS”) laid down by the Institute of Chartered Accountants of Sri Lanka (CASL).

The presentation of the financial statements is also in compliance with the requirements of the Companies Act No.07 of 2007, Finance Business Act No.42 of 2011 and the listing rules of the Colombo Stock Exchange.

2.2 Responsibility for the Financial Statements

The Board of Directors of the Group is responsible for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No. 7 of 2007 and SLFRSs and LKASs.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the “Annual

Report of the Board of Directors on the Affairs of the Group”, “Statement of Directors’ Responsibilities” and the Certification on the Statement of Financial Position.

These Financial Statements include the following components:

- A Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group for the year under review.
- A Statement of Financial Position providing the information on the financial position of the Group as at the year-end.
- A Statement of Changes in Equity depicting all changes in shareholders’ funds during the year under review of the Group.
- A Statement of Cash Flows providing the information to the users, on the ability of the Group to generate cash and cash equivalents and utilization of those cash flows.
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.2.1 Approval of the Financial Statements by the Management

The Financial Statements of the Company and the Group for the year ended 31 March 2024 (including comparatives) were approved and authorised for issue by the Management on 02 August 2024.

2.3 Basis of Measurement

The Financial Statements have been prepared on an accrual basis except for cash flow information and under the historical cost basis except for following material items in the statement of financial position:

- Financial Assets measured at Fair Value through Other Comprehensive Income
- Liability for Defined Benefit Obligations is recognized as the present value of the defined benefit obligation

2.4 Presentation of Financial Statements

The assets and liabilities of the Company and the Group 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. Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

2.5 Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees, which is the Group's functional currency. All financial information presented in Rupees has been rounded to the nearest thousand unless indicated otherwise. The functional currency is the currency of the primary economic environment in which the Group operates.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 01 on "Presentation of Financial Statements".

2.7 Rounding

The amounts in the Financial Statements have been rounded – off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 01 on 'Presentation of Financial Statements'.

2.8 Statement of Cash Flows

The statement of cash flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flows'. Whereby operating activities, investing activities and financing activities are separately recognized. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the statement of cash flows comprise of those items as explained in Note 16.

2.9 Use of judgements and estimates

In preparing the Financial Statements of the Company in conformity with SLFRSs and LKASs the management has made judgments, estimates and assumptions which affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

The most significant areas of estimation, uncertainty and critical judgments in applying Accounting Policies that have most significant effect on amounts recognized in the Financial Statements of the Group are as follows:

- Fair Value Measurement
- Impairment of Financial Assets
- Useful life of Property, Plant and Equipment
- Impairment of Non-Financial Assets
- Employee Benefit Obligation
- Deferred Taxation
- Commitments and Contingencies

2.9.1 Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes.

- **Note 4.1:** Determination of control over investees.
- **Note 4.17:** Classification of financial assets: assessment of the business model within which the assets are

NOTES TO THE FINANCIAL STATEMENTS

held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding. In addition to that, establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

2.9.2 Assumptions and Estimation Uncertainties preparation of financial statements

The current economic condition has increased the estimation uncertainty in the preparation of these Financial Statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to businesses arising from the actions by governments, businesses and consumers.
- the extent and duration of the expected economic environment (and forecasts for key economic factors including GDP, employment and inflation). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, impact of unemployment and decline in consumer discretionary spending.
- the effectiveness of government and The Central Bank measures that have and will be put in place to support businesses and consumers through this disruption and economic environment.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2024 is included in the following notes.

- **Note 4.17:** impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

- Determination of the fair value of financial instruments with significant unobservable inputs.
- Measurement of defined benefit obligations: key actuarial assumptions.
- Recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.
- Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

2.10 Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management has assessed the existing and anticipated effects of current economic condition on the Company and is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES

The Group has consistently applied the Accounting Policies as set out in Notes 4.1 to 4.19 to all periods presented in these Financial Statements, as there had been no changes during the year.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

4.1 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its Subsidiary over which it has control in terms of SLFRS 10 Consolidated Financial Statements.

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meet the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce inputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in the profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

4.1.1 Subsidiaries

Subsidiaries are investees controlled by the Group. The Group 'Controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability

to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of the control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

An investment in Subsidiary is treated as long-term investments and is valued at cost less any impairment losses.

The financial statements of the Subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements are prepared to a common financial year end of 31st March. The accounting policy of Subsidiary has been changed when necessary to align them with the policies adopted by the Group. All the assets and liabilities of the Group and the Subsidiary are included in the consolidated statement of financial position.

4.1.2 Loss of Control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date of control is lost. Subsequently it is accounted for as an equity accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

4.1.3 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

4.2 Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

4.3 Non-Financial Assets

4.3.1 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period.

4.3.1.1 Recognition and measurement

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

An item of property, plant and equipment that qualifies for

recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service 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 the site on which they are located.

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

4.3.1.2 Subsequent Costs

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

4.3.1.3 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost is derecognised.

Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

4.3.1.4 Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

Category	Rate (per annum)
Computers	25%
Office equipment, furniture, fittings	15%

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

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset

is classified as held for sale (or included in a disposal Group that is classified as held for sale) and the date that the asset is derecognised.

4.3.2 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rent to others or for administrative purposes.

4.3.2.1 Recognition and Measurement

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

4.3.2.2 Subsequent Expenditure

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

4.3.2.3 Software

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

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is four years. (Rate - 25%)

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4.3.2.4 Derecognition

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

4.3.3 Inventory – Real Estate

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads. Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

Completed properties held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties.

Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those

inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories is recognised as an increase in inventories and recognised as an income in the period in which the reversal occurs.

Profit on Real Estate Sales

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities.

4.4 Non-Financial Liabilities

Other liabilities include accrued expenses and other provisions. These liabilities are recorded at amounts expected to be payable as at the reporting date.

4.5 Interest Effective Interest Rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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

For information on when financial assets are credit-impaired, see Note 36.

NOTES TO THE FINANCIAL STATEMENTS

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

4.6 Fee and Commission Income

Fees and commission income and expense that are integral to the

effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income - including account servicing fees, investment management fees, sales commission, placement fees and syndication fees - is recognised as the related services are performed. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of SLFRS 9 and partially in the scope of SLFRS 15. If this is the case, then the Group first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

4.6.1 Introduction commission

The introduction commission has been paid to facilitate fund mobilization, in accordance with the company's approved framework.

4.7 Net Gain/(Loss) On Financial Instruments At Fair Value Through Profit and Loss

Fair value gains and losses attributable to changes in the fair values of the equity and debt securities classified under financial assets at FVTPL is recognized in the Statement of Profit or Loss, when there is a change to the fair value of the asset.

4.7.1 Dividend Income

Dividend income is recognized in profit or loss on the date that the Group's right to receive payments is established.

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

4.8 Other Operating Income

Other operating income includes Recovery of bad debts written off, Income on savings account & Other charges from lending products Etc.

4.8.1 Recovery of bad debts written off

Collections from written off contracts have been accounted for on a cash received basis.

4.8.2 Income on Savings Account

Income from saving accounts have been accounted for on an accrual basis.

4.8.3 Other charges from Lending products

This consist other charges from lending products & these have been accounted for on an accrual basis.

4.9 Expenditure

All expenditure incurred in running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year.

For the purpose of presentation of income statement, the Directors are of the opinion that function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted. Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to the income statement in the year in which the expenditure is incurred.

The profit earned by the Group is before income tax expense and after making provision for all known liabilities and for the depreciation of property, plant & equipment

Personnel expenses

Personnel expenses include salaries, bonus, terminal benefit charges, 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 on the amount of the obligation. Employees are eligible for Employees' Provident Fund (EPF) contribution and Employees' Trust Fund (ETF) contributions in accordance with the respective statutes and regulations. Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard – LKAS 19 – “Employee Benefits”.

4.10 Other operating Expenses

This consists of Office administrative and establishment expenses, IT Expenses, Travel and Vehicle Expenses, Printing, Stationery and Communication Expenses and Interest on lease liabilities Etc. These have been accounted for on an accrual basis.

4.11 Income Tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for

them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets” and has recognised the related expenses in ‘other expenses’.

4.11.1 Current Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

4.11.2 Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits

will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

4.12 Value Added Tax 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 18% with effect from 01 January 2022.

NOTES TO THE FINANCIAL STATEMENTS

4.13 Earnings per Share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

4.14 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results are reported to the Group's CEO (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on reasonable basis.

For each of the strategic divisions, the Group's management monitors the operating results separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on a Group basis and are not allocated to operating segments.

4.15 Comparative Figures

Wherever necessary, amounts shown for the previous year have been reclassified to facilitate comparison with the current year's presentation.

4.16 Regulatory Requirements

4.16.1 Deposit Insurance Scheme

These Directions shall be cited as the Finance Companies (Insurance of Deposit Liabilities) Direction No. 2 of 2010.

Under Section 27 of the Finance Companies Act, the Central Bank of Sri Lanka may establish, maintain, manage and control a scheme for the insurance of deposits held by finance companies registered under the Act or require such companies to insure such deposits under any scheme established by any institution as is specified by the Monetary Board.

As such, all Registered Finance Companies shall insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No.1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 01 October, 2010.

4.16.2 Statutory Reserve Fund

The Company is maintaining a reserve fund in compliance with the Finance Companies (Capital Funds) Direction No 1 of 2003. As per the said Direction, every Licensed Finance Company shall maintain a Reserve Fund and transfer to such reserve fund out of the net profits of each year after due provision has been made for Taxation and Bad and Doubtful Debts on following basis.

	Percentage of transfer to Reserve Fund
Capital Funds to Deposit Liabilities	5%
Not less than 25%	5%
Less than 25% and not less than 10%	20%
Less than 10%	50%

4.17 Financial assets and liabilities

4.17.1 Recognition and measurement

The Group initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments including regular-way purchases and sales of financial assets, are recognized on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

4.17.2 Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Group's management.

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed.
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales, in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a

contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers":

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Non-recourse loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgment:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;

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- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

Contractually linked instruments

The Group has investments in securitizations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in

whether interest rates are fixed or floating or the currency or timing of cash flows; and the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

4.17.3 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

4.17.4 Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

4.17.4.1 Deposits from Customers

Deposits include saving deposits, term deposits and deposits payable at call. They are stated in the statement of financial position at amount payable. Interest paid / payable on these deposits based on effective interest rate is charged to the statement of profit or loss.

4.17.4.2 Provisions

A provision is recognised in the Statement of Financial Position when the Group 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 the amount of the provision can be measured reliably in accordance with LKAS 37 Provisions, 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. Where a provision is measured using the cash flows

estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

4.17.4.3 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

4.17.5 Derecognition

4.17.5.1 Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group securitises various loans and advances to customers and investment securities, which

generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, or other residual interests (retained interests). Retained interests are recognised as investment securities and measured as explained.

4.17.5.2 Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

4.17.6 Modifications of financial assets and financial liabilities

4.17.6.1 Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the de-recognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

4.17.6.2 Financial liabilities

The Group derecognises a financial liability when its terms are modified

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and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

4.17.7 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

4.17.8 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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group 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 price in an active market, then the Group 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.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments - e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure - are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

Fair Value Hierarchy

The Group measures the fair values of financial instruments using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 - Fair value measurement using unadjusted quoted market prices

When available, the fair values of financial instruments are determined using quoted market prices (unadjusted) in active markets for identical instruments. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. Quoted equities are valued under Level 1 by referring to published market prices.

Level 2 - Fair value measurement using significant observable inputs

In the absence of an active market for a financial instrument, the fair value is determined using valuation techniques. These include discounted cash flow analysis, effective interest rate calculations and forecasted future cash flow calculations using recent arm's length transactions between knowledgeable and willing parties. These valuation techniques make maximum use of market inputs, incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. Investments in unit trusts are valued under level 2 by referring to prices published by the unit trusts managers.

Level 3 - Fair value measurement using significant unobservable inputs

Financial instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. Fair value of such instruments are determined using a valuation model that has been tested against prices or inputs to actual market transactions and best estimates of the most appropriate

model assumptions. Fair value of unquoted equity securities are determined using net assets value as an approximation of its fair value.

The determination of fair values of financial assets and financial liabilities recorded in the statement of financial position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The Group measures fair value using the fair value hierarchy that reflects the significance of inputs used in making measurements.

4.17.9 Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- loans & lease receivables
- loan commitments

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

When determining whether the

credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is exceeding the relevant credit period.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligation to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not

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credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the

expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or 90 days past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial

asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI."

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the

protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired.

The key inputs used for measurement of ECL is likely to be the term structures of the following variables:

Probability of Default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Group forecast PD by incorporating forward looking economic variables (Unemployment, GDP growth, inflation, interest rate and using lag effect of these variables).

Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including

amortization. The EAD of a financial asset is its gross carrying amount.

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

Individual or collective assessment

A facility is considered for impairment under the individual impairment basis when the ageing of the facility exceeds 6 months and the outstanding receivable value is more than Rs. 5Mn.

An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgments about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable were independently approved by the credit risk function.

4.17.10 Designation at fair value through profit or loss

4.17.10.1 Financial assets

At initial recognition, the Group has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

4.17.10.2 Financial liabilities

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or

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- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

4.18 Leases

At inception of a contract, the Group 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 Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of

land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

A. As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines the incremental borrowing rate by obtaining interest rates from

various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right of use assets that do not meet the definition of investment property

in right of use asset and lease liabilities in the statement of financial position as a separate line item.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

B. As a lessor

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies SLFRS 15 to allocate the consideration in the contract.

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

5. NEW ACCOUNTING STANDARDS ISSUED NOT YET EFFECTIVE AS AT REPORTING DATE

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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

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

The amendments are effective for annual periods beginning on or after 1 January 2024

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

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and

conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024

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

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024

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

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

NOTES TO THE FINANCIAL STATEMENTS

6. GROSS INCOME	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Interest income (Note 7.1)	3,092,836	2,008,133	3,092,836	2,008,133
Fee and commission income (Note 8)	39,498	29,552	39,498	29,552
Net income from financial assets at FVTPL (Note 9)	130,609	30,644	130,609	30,644
Other operating income (Note 10)	81,835	27,118	81,835	27,118
	3,344,778	2,095,447	3,344,778	2,095,447

7. NET INTEREST INCOME	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

7.1 Interest income calculated using effective interest method

Loans receivable	1,112,267	946,602	1,112,267	946,602
Lease rentals receivable and hire purchase	1,482,323	788,412	1,482,323	788,412
Total interest income calculated using the effective interest method	2,594,590	1,735,014	2,594,590	1,735,014

Other interest income

Interest from securities under repurchase agreements	162,090	56,634	162,090	56,634
Placements with banks and financial institutions	281,512	176,756	281,512	176,756
Overdue rentals	54,644	39,729	54,644	39,729
Total other interest income	498,246	273,119	498,246	273,119
Total interest income	3,092,836	2,008,133	3,092,836	2,008,133

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

7.2 Interest expense

Interest on overdrafts and borrowings	113,968	261,857	113,968	261,857
Interest on fixed and savings deposits	1,873,036	993,023	1,873,036	993,023
Interest on preference shares	600	600	600	600
Total interest expenses	1,987,603	1,255,480	1,987,603	1,255,480
Net interest income	1,105,233	752,653	1,105,233	752,653

8. FEE AND COMMISSION INCOME

In the following table, fee and commission income from contracts with customers in the scope of SLFRS 15 is disaggregated by major types of services.

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Fee and commission income	39,498	29,552	39,498	29,552
Comprising				
Guarantee fees	33	48	33	48
Insurance commission	39,410	18,101	39,410	18,101
Service charges	55	11,403	55	11,403
Total fee and commission income from contracts with customers	39,498	29,552	39,498	29,552

9.	NET INCOME FROM FINANCIAL ASSETS AT FVTPL	COMPANY		GROUP	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
	Equity investments – Quoted				
	Dividend on equity securities measured at FVTPL	180	318	180	318
	Fair value gain/(loss) on financial assets at FVTPL	(522)	(915)	(522)	(915)
		(342)	(596)	(342)	(596)
	Unit trusts				
	Fair value gain on financial assets at FVTPL (Note 18.2)	130,952	31,241	130,952	31,241
	Net fair value gains /(losses) from financial assets at FVTPL	130,609	30,644	130,609	30,644
10.	OTHER OPERATING INCOME	COMPANY		GROUP	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
	Net gain from foreign exchange	(126)	177	(126)	177
	Profit on real estate sales	-	4,000	-	4,000
	Recovery of bad debts written off	16,975	6,698	16,975	6,698
	Gain on disposal of property, plant and equipment	7	77	7	77
	Gain on de-recognition of right-of-use assets	-	790	-	790
	Income on Savings Account	10,355	10,693	10,355	10,693
	Sundry Income	8,989	4,064	8,989	4,064
	Other charges from Lending products	45,635	619	45,635	619
	Total other operating income	81,835	27,117	81,836	27,117
11.	IMPAIRMENT (CHARGE)/ REVERSAL AND OTHER LOSSES	COMPANY		GROUP	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
	Lease receivables	124,516	87,889	124,516	87,889
	Other Loans and advances	19,814	(620)	19,814	(620)
	Hire purchase receivables	(640)	443	(640)	443
	Margin trading	12,787	20,083	12,787	20,083
	Gold Loan	5,126	-	5,126	-
	Loss on disposal of collaterals	63,872	46,234	63,872	46,234
	Other financial assets	71	-	71	-
	Net impairment charges and loss on disposal of collaterals	225,546	154,029	225,546	154,029
12.	PERSONNEL EXPENSES	COMPANY		GROUP	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
	Salaries and other related expenses	206,343	223,156	206,343	223,156
	Employee benefit - Retirement benefit obligation (Note 29)	6,086	4,038	6,086	4,038
	Employee benefit - Defined contribution plans (EPF/ETF)	42,140	31,706	42,140	31,706
	Total personnel expense	254,568	258,900	254,568	258,900

* Fuel allowances & hiring fees classified under personal expenses have been reclassified to the other operating expenses & comparative figures in these financial statements is amended. (Note 42)

NOTES TO THE FINANCIAL STATEMENTS

13. OTHER OPERATING EXPENSES	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Directors' fees and emoluments	28,309	24,903	28,309	24,903
Audit fees - Statutory audit	4,495	956	4,495	956
- Audit related services	600	500	600	500
- Non-audit services	750	900	750	900
Professional and legal fees	23,964	15,625	24,195	15,625
Office administrative and establishment expenses	435,025	341,420	435,025	341,652
IT Expenses	43,265	20,399	43,265	20,399
Interest on lease liabilities	27,817	22,689	27,817	22,689
Marketing Expenses	20,047	40,187	20,047	40,187
Printing, Stationery and Communication Expenses	23,267	16,946	23,267	16,946
Travel and Vehicle Expenses	133,254	21,043	133,254	21,043
Total other operating expenses	740,793	505,568	740,793	505,799

* Fuel allowances & hiring fees classified under personal expenses have been reclassified to the other operating expenses & comparative figures in these financial statements is amended. (Note 42)

14. INCOME TAX EXPENSE/(REVERSAL)	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Current tax expense	-	-	-	-
Deferred tax expense (Note 14.1)	(44,253)	(29,810)	(44,253)	(29,810)
Total tax expenses	(44,253)	(29,810)	(44,253)	(29,810)

14.1 Deferred tax expense	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Deferred tax recognised in other comprehensive income	1,227	658	1,227	658
Deferred tax recognised in profit or loss	(44,253)	(29,810)	(44,253)	(29,810)
Total deferred tax expense	(43,026)	(29,152)	(43,026)	(29,152)

14.2 Deferred tax expense	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Arising on during the year movement	(43,026)	41,833	(43,026)	41,833
Due to change in tax rate	-	(12,681)	-	(12,681)
Total deferred tax expense	(43,026)	29,152	(43,026)	29,152

INCOME TAX EXPENSE/(REVERSAL) (Contd...)

	COMPANY		GROUP	
		Restated		Restated
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
14.3 Reconciliation of tax expense				
Profit/(loss) before tax	(24,991)	(183,593)	(24,990)	(183,824)
Less : Exempted income	(180)	(2,557)	(180)	(2,557)
Add : Disallowable expenses	427,202	429,952	427,202	429,952
Less : Allowable expenses	(405,068)	(149,844)	(405,068)	(149,844)
Business Income/(Loss)	(3,036)	93,958	(3,036)	93,727
Taxable Income	-	-	-	-
Effective tax rate	0%	0%	0%	0%
Tax at rate of 30%	-	-	-	-

The income tax rate for the year ended 31 March 2024 was at 30% (2023 - 30%).

	COMPANY		GROUP	
		Restated		Restated
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

14.4 Analysis of tax losses

In thousands of rupees				
Balance at 1 April	690,306	784,265	690,538	784,265
Adjustments on over/under provision	(6,848)	-	(6,848)	-
Loss incurred during the year	-	-	-	-
Loss utilized during the year	3,036	(93,958)	3,036	(93,727)
Closing tax loss	686,495	690,306	686,725	690,538

14.5 Income tax assessments

The Company received an Income Tax Assessment for a sum of Rs.9.7 Mn from the Department of Inland Revenue for the Year of Assessment 2017/2018. The Company recorded a tax loss of Rs. 486 Mn for the said year of assessment. The Company lodged an appeal with the Department of Inland Revenue over inconsistencies in the application of the provisions of Inland Revenue Act. As at March 31, 2024, the tax assessment and the appeal thereto is currently under discussion and the matter is yet to be settled.

The Board of Directors of the Company has made an assessment on the implications of IFRIC 23 – Uncertainty over income tax treatments on the above assessment. Accordingly, the Directors of the Company based on the view of the tax consultant is confident that the outcome of the appeal would be positive to the Company once settled and determined that a tax liability on the above mentioned tax assessment will not arise hence no additional provision is made in these financial statements.

14.6 Value Added Tax (VAT) on Financial Services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non – cash benefits and provisions relating to terminal benefits.

Vat rate applied for the current financial year is 18%

Social Security Contribution Levy (SSCL)

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

NOTES TO THE FINANCIAL STATEMENTS

INCOME TAX EXPENSE/(REVERSAL) (Contd...)

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

SSCL rate applied for the current financial year is 2.5%

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Value Added Tax on financial services	46,781	30,739	46,781	30,739
Social Security Contribution Levy (SSCL)	6,653	2,534	6,653	2,534
	53,434	33,273	53,434	33,273

15. EARNINGS PER SHARE

Basic earnings per ordinary share has been calculated based on the profit attributable to the ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

There were no potentially dilutive ordinary shares outstanding at any time during the year, hence diluted earnings per share is equal to the basic earnings per share.

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
(Loss)/Profit for the year attributable to ordinary shareholders (Rs.000)	19,262	(153,783)	19,262	(154,014)
Weighted average number of shares at 31 March ('000)	405,302	405,302	405,302	405,302
Basic and diluted (loss)/earnings per share	0.05	(0.38)	0.05	(0.38)

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

15.1 Weighted average number of shares

Brought forward number of shares	405,302	405,302	405,302	405,302
Effect of rights issue	-	-	-	-
Effect of shares issued during the year	-	-	-	-
Weighted average number of shares	405,302	405,302	405,302	405,302

16. CASH AND CASH EQUIVALENTS

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
As at 31 March				
In thousands of rupees				
Cash in hand	289,940	88,311	289,940	88,311
Cash and cash equivalents with other financial institutions	383,471	249,614	383,471	249,854
Less: Allowance for Impairment	-	-	-	-
Cash and cash equivalents in the statement of financial position	673,411	337,925	673,411	338,165
Cash and cash equivalents in the statement of cash flows	673,411	337,925	673,411	338,165

There were no cash and cash equivalents held by the company that were not available for use by the company.

17. PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

Investment in fixed deposits	755,510	1,264,071	755,510	1,264,071
Investment in Commercial Papers	700,000	-	700,000	-
Less: Allowance for Impairment	(75)	-	(75)	-
	1,455,435	1,264,071	1,455,435	1,264,071

18. INVESTMENTS IN SECURITIES	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

Financial assets measured at FVTPL - Quoted investments	Note 18.1	4,309	5,580	4,309	5,580
Financial assets measured at FVTPL - Unit trust	Note 18.2	572,110	404,335	572,110	404,335
Financial assets measured at FVOCI - Debt instruments		-	48	-	48
Financial assets measured at FVOCI - Equity instruments	Note 18.3	23	23	23	23
Financial assets measured at FVTPL - Securities under repurchase agreements	Note 18.5	1,154,038	316,700	1,154,038	316,700
		1,730,481	726,685	1,730,481	726,685
Less: Impairment charges on debt securities	Note 18.4	-	(48)	-	(48)
		1,730,481	726,637	1,730,481	726,638

		COMPANY		GROUP	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.

18.1 Financial assets measured at FVTPL

Investment in equity securities					
Cost (Note 18.1.2)		9,169	9,917	9,169	9,917
Fair value changes (Note 18.1.1)		(4,860)	(4,338)	(4,860)	(4,338)
Total		4,309	5,580	4,309	5,580

		COMPANY		GROUP	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.

18.1.1 Movements in fair value changes

Balance at 1 April		(4,338)	(3,423)	(4,338)	(3,423)
Gain / (Reversal) during the year		(522)	(915)	(522)	(915)
Balance at 31 March		(4,860)	(4,338)	(4,860)	(4,338)

NOTES TO THE FINANCIAL STATEMENTS

INVESTMENTS IN SECURITIES (Contd...)

18.1.2 Quoted equity securities held by the - Company/ Group

Sector	2024			2023		
	No of Shares	Total cost Rs.000	Market value Rs.000	No of shares	Total cost Rs.000	Market value Rs.000
Diversified Financials						
Vanik Incorporation PLC	61	3	-	61	3	-
LOLC Holdings PLC	1,700	1,873	676	1,700	1,873	638
	1,761	1,876	676	1,761	1,876	638
Sector Percentage			16%			18%
Consumer Services						
Galadari Hotels (Lanka) PLC	-	-	-	1,500	21	22
John Keels Hotels PLC	30,000	544	558	30,000	544	567
	30,000	544	558		565	589
Sector Percentage			13%			11%
Capital Goods						
Royal Ceramics Lanka PLC	15,000	655	467	15,000	655	414
	15,000	655	467		655	414
Sector Percentage			11%			7%
Consumer Durables and Apparel						
Hela Apparel Holdings PLC	10,000	174	61	10,000	174	80
		174	61		174	80
Sector Percentage			1%			1%

Sector	2024			2023		
	No of Shares	Total cost Rs.000	Market value Rs.000	No of shares	Total cost Rs.000	Market value Rs.000
Energy						
Lanka IOC PLC	4,975	1,234	581	4,975.00	1,233.82	853.21
		1,234	581		1,234	853
Sector Percentage			13%			15%
Food, Beverage and Tobacco						
Browns Investments PLC	250,000	3,541	1,350	250,000	3,541	1,500
Ceylon Cold Stores PLC	1,500	70	81	2,500	116	100
		3,611	1,431		3,658	1,600
Sector Percentage			33%			29%
Materials						
Tokyo Cement Company (Lanka) PLC	-	-	-	20,280.00	680.08	922.74
	-	-	-	20,280	680	923
Sector Percentage			0%			17%
Transportation						
Expolanka Holdings PLC	3,500	1,075	536	3,500	1,075	483
	3,500	1,075	536	3,500	1,075	483
Sector Percentage			12%			9%
Total		9,170	4,309		9,917	5,580

INVESTMENTS IN SECURITIES (Contd...)

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

18.2 Financial assets measured at FVTPL - Unit trust

Balance at 1 April	404,335	2,524	404,335	2,524
Purchases	2,058,645	1,007,000	2,058,645	1,007,000
Sales	(2,022,000)	(636,431)	(2,022,000)	(636,431)
Fair value changes	130,609	31,241	130,609	31,241
Balance at 31 March	572,110	404,335	572,110	404,335

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

18.2.1 Financial assets measured at FVTPL - Unit trust

NDB Wealth Money Plus Fund	193,794	201,648	193,794	201,648
Capital Alliance Investment Grade Fund	1,847	-	1,847	-
CT CLSA High Yield Fund	10,605	202,687	10,605	202,687
First Capital Unit Trust Funds	365,864	-	365,864	-
	572,110	404,335	572,110	404,335

18.3 Financial assets measured at FVOCI - Equity instruments

The Group designed the investments shown above as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term strategic purpose. No strategic investments were disposed during 2024, and here were no transfers of any cumulative gain or loss within equity relating to these investments.

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

18.4 Movements in impairment charges during the year

Balance at 1 April	-	48	-	48
Charge/(Write back) to statement of profit or loss	-	-	-	-
Balance at 31 March	-	48	-	48

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

18.5 Financial assets measured at FVTPL - Securities under repurchase agreements

Frist Capital Holding PLC	1,154,038	316,700	1,154,038	316,700
	1,154,038	316,700	1,154,038	316,700

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL ASSETS MEASURED AT AMORTISED COST - LOANS AND LEASE RENTALS RECEIVABLE	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

Loans and lease rentals receivable	11,558,376	8,836,458	11,558,376	8,836,458
Other charges receivables	213,700	64,767	213,700	64,767
Gross loans and receivables with other charges receivables	11,772,076	8,901,225	11,772,076	8,901,225
Less: Impairment loss allowance	(529,551)	(518,355)	(529,551)	(518,355)
Net loans and advances with other charges receivables	11,242,525	8,382,870	11,242,525	8,382,870

* Other capitalized charges receivables classified under other assets have been reclassified to the financial assets measured at amortised cost - loans and lease rentals receivable & comparative figures in these financial statements is amended. Please refer Note No 42.

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

19.1 Analysis by product -loans and lease rentals receivable

Finance lease receivable	6,135,337	4,407,739	6,135,337	4,407,739
Hire purchase receivable	4,652	3,373	4,652	3,373
Revolving Loan	988,973	711,649	988,973	711,649
Gold loans	2,595,809	2,099,197	2,595,809	2,099,197
Margin trading receivable	595,415	665,889	595,415	665,889
Loans against fixed deposits	176,679	300,519	176,679	300,519
Mortgage Loan	918,660	606,787	918,660	606,787
Other loans	142,853	41,304	142,853	41,304
Gross total loans and lease rentals receivable	11,558,378	8,836,458	11,558,378	8,836,458
Analysis by currency				
Sri Lankan rupees (LKR)	11,558,378	8,836,458	11,558,378	8,836,458
Gross total loans and lease rentals receivable	11,558,378	8,836,458	11,558,378	8,836,458

19.2 Impairment loss allowance

As at 31 March		2024			2023		
In thousands of rupees	Notes	Gross carrying amount	"ECL allowance"	Carrying amount	Gross amount	ECL allowance	Carrying amount
Hire purchase	19.2.1	4,652	727	3,925	3,373	1,368	2,005
Revolving Loan	19.2.2	988,973	15,426	973,546	711,649	22,574	689,075
Other loans	19.2.3	142,853	24,529	118,324	41,304	8,548	32,756
Margin trading	19.2.4	595,415	32,870	562,545	665,889	170,263	495,626
Gold loans	19.2.5	2,595,809	5,126	2,590,683	2,099,197	-	2,099,197
Lease	19.2.6	6,135,337	341,981	5,793,356	4,407,739	217,692	4,190,047
Mortgage Loan	19.2.7	918,660	108,891	809,769	606,787	97,910	508,878
Loans against fixed deposits	19.2.8	176,679	-	176,679	300,519	-	300,519
		11,558,378	529,551	11,028,828	8,836,458	518,355	8,318,103

FINANCIAL ASSETS MEASURED AT AMORTISED COST - LOANS AND LEASE RENTALS RECEIVABLE (Contd...)

19.2.1	Hire purchase	2024	2023
		Rs.	Rs.
	Gross investment in hire purchase		
	Less than one year	3,591	404
	Between one and five years	1,082	3,172
	More than five years	-	-
		4,673	3,576
	Unearned income	(21)	(203)
		4,652	3,373
	Impairment allowance for hire purchase - individual	-	-
	Impairment allowance for hire purchase - collective	(727)	(1,368)
	Net investment in hire purchase	3,925	2,005
19.2.2	Revolving Loan	2024	2023
		Rs.	Rs.
	Gross investment in loan receivables		
	Less than one year	943,715	561,829
	Between one and five years	51,715	151,337
	More than five years	-	-
		995,430	713,166
	Unearned income	(6,458)	(1,516)
		988,972	711,650
	Impairment allowance for loan receivables - individual	(2,652)	(7,207)
	Impairment allowance for loan receivables - collective	(12,775)	(15,368)
	Net investment in loan receivables	973,545	689,075
19.2.3	Other loans	2024	2023
		Rs.	Rs.
	Gross investment in loan receivables		
	Less than one year	33,808	33,449
	Between one and five years	178,872	24,038
	More than five years	7,453	-
		220,133	57,487
	Unearned income	(77,282)	(16,182)
		142,852	41,305
	Impairment allowance for loan receivables - individual	-	(1,713)
	Impairment allowance for loan receivables - collective	(24,529)	(6,835)
	Net investment in loan receivables	118,323	32,756

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL ASSETS MEASURED AT AMORTISED COST - LOANS AND LEASE RENTALS RECEIVABLE (Contd...)

19.2.4	Margin trading receivables	2024 Rs.	2023 Rs.
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Gross investment in margin trading receivables

Less than one year	595,415	665,889
Between one and five years	-	-
More than five years	-	-
	595,415	665,889

Unearned income	-	-
	595,415	665,889

Impairment allowance for margin trading receivables - individual	-	(170,263)
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Impairment allowance for margin trading receivables - collective	(32,870)	-
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Net investment in margin trading receivables	562,545	495,626
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19.2.5	Gold loans	2024 Rs.	2023 Rs.
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Gross investment in pawning and other receivables

Less than one year	2,595,809	2,099,197
Between one and five years	-	-
More than five years	-	-
	2,595,809	2,099,197

Unearned income	-	-
	2,595,809	2,099,197

Impairment allowance for pawning and other receivables - individual	-	-
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Impairment allowance for pawning and other receivables - collective	(5,126)	-
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Net investment in pawning receivables	2,590,683	2,099,197
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19.2.6 Lease receivables

The following table provides an analysis of finance lease receivables for leases of certain property, plant and equipment in which the Company is the lessor.

As at 31 March	2024 Rs.	2023 Rs.
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In thousands of rupees		
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Gross investment in finance lease receivables

Less than one year	379,855	244,790
Between one and five years	9,120,796	6,458,050
More than five years	20,736	110,418
	9,521,386	6,813,258

Unearned finance income	(3,386,049)	(2,405,519)
	6,135,337	4,407,738

Impairment allowance for finance lease receivables - individual	(26,148)	(47,519)
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Impairment allowance for finance lease receivables - collective	(315,833)	(170,173)
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Net investment in finance lease receivables	5,793,356	4,190,046
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FINANCIAL ASSETS MEASURED AT AMORTISED COST - LOANS AND LEASE RENTALS RECEIVABLE (Contd...)

19.2.7	Mortgage Loan	2024	2023
		Rs.	Rs.

Gross investment in Mortgage Loans

Less than one year	131,056	73,587
Between one and five years	1,145,113	700,727
More than five years	104,379	-
	1,380,548	774,315
Unearned income	(461,887)	(167,527)
	918,660	606,787
Impairment allowance for pawning and other receivables - individual	(23,183)	(40,663)
Impairment allowance for pawning and other receivables - collective	(85,709)	(57,247)
Net investment in pawning receivables	809,769	508,878

19.2.8	Loans against fixed deposits	2024	2023
		Rs.	Rs.

Gross investment in Loans against fixed deposits

Less than one year	142,022	241,571
Between one and five years	34,656	58,948
More than five years	-	-
	176,678	300,519
Unearned income	-	-
	176,678	300,519
Impairment allowance for pawning and other receivables - individual	-	-
Impairment allowance for pawning and other receivables - collective	-	-
Net investment in pawning receivables	176,678	300,519

19.3 The table below shows the ECL charges on the financial instruments recorded in the statements of profit or loss

In thousands of rupees	2024			2023		
	Individual Rs.	Collective Rs.	Total Rs.	Individual Rs.	Collective Rs.	Total Rs.
Financial assets at amortised cost - Total						
Stage 1	-	95,326	95,326	-	3,034	3,034
Stage 2	-	61,995	61,995	-	(33,115)	(33,115)
Stage 3	(53,515)	57,867	4,352	(23,881)	(53,833)	(77,714)
Total	(53,515)	215,188	161,674	(23,881)	(83,914)	(107,795)

19.4 Credit exposure movement by class of financial assets - Product Analysis by stage wise

As at 31 March	2024			
	Stage 1	Stage 2	Stage 3	Total
Hire purchase	1,118	-	3,534	4,652
Revolving Loan	842,773	108,630	37,570	988,973
Other loans	75,691	37,791	29,368	142,851
Margin trading	-	-	595,415	595,415
Gold loans	1,603,074	480,105	512,631	2,595,809
Lease	3,845,158	1,566,672	723,508	6,135,337
Mortgage Loan	732,901	34,849	150,910	918,660

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL ASSETS MEASURED AT AMORTISED COST - LOANS AND LEASE RENTALS RECEIVABLE (Contd...)

Loans against fixed deposits	176,678	-	-	176,678
	7,277,393	2,228,047	2,052,936	11,558,376

As at 31 March	2023			Total
	Stage 1	Stage 2	Stage 3	
Hire purchase	16	-	3,357	3,373
Revolving Loan	500,374	163,868	47,408	711,649
Other loans	8,180	13,042	20,083	41,304
Margin trading	495,626	-	170,263	665,889
Gold loans	1,099,354	650,546	349,297	2,099,197
Lease	2,353,559	1,176,428	877,752	4,407,739
Mortgage Loan	424,994	32,512	149,282	606,787
Loans against fixed deposits	300,519	-	-	300,519
	5,182,621	2,036,395	1,617,442	8,836,458

19.5	Provision for total impairment (ECL) movement	2024	2023
		Rs.	Rs.

Stage 1

Opening balance as at 1st April	64,286	119,548
Net impairment charge/ (reversal) for the year	95,326	(55,262)
Closing balance as at 31st March	159,612	64,286

Stage 2

Opening balance as at 1st April	37,315	56,238
Net impairment charge/ (reversal) for the year	61,995	(18,923)
Closing balance as at 31st March	99,311	37,315

Stage 3

Opening balance as at 1st April	416,754	234,774
Net impairment charge/ (reversal) for the year	4,352	179,154
Interest income reversal for the year	23,916	-
Write-Off	(174,394)	-
Adjustment in recognizing interest income on net basis for credit impaired loans advances	-	2,826
Closing balance as at 31st March	270,628	416,754

Total

Opening balance as at 1st April	518,355	410,560
Net impairment charge/ (reversal) for the year	161,674	104,969
Interest income reversal for the year	23,916	-
Write-Off	(174,394)	-
Adjustment in recognizing interest income on net basis for credit impaired loans advances	-	2,826
Closing balance as at 31st March	529,551	518,355

20. REAL ESTATE STOCK	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Real Estate Stock	56,905	55,859	56,905	55,859
Closing balance	56,905	55,859	56,905	55,859

21. PROPERTY, PLANT AND EQUIPMENT - GROUP/COMPANY

21.1 Reconciliation of carrying amounts

Property, plant and equipment In thousands of rupees	Furniture and fittings	Computer	Office equipment	Work-in- progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Cost					
Balance at 1 April 2022	72,974	32,421	41,860	-	147,255
Additions	33,874	28,618	47,569	2,382	112,443
Transfers	-	-	-	-	-
Disposals	(465)	(44)	(90)	-	(599)
Balance at 31 March 2023	106,383	60,995	89,339	2,382	259,099
Balance at 1 April 2023	106,383	60,995	89,339	2,382	259,099
Additions	97,564	33,858	21,286	-	152,708
Transfers	-	-	-	(2,382)	(2,382)
Disposals	(54)	-	(104)	-	(158)
Balance as at 31 March 2024	203,894	94,853	110,521	(0)	409,267
Accumulated depreciation and impairment losses					
Balance at 1 April 2022	20,631	18,595	26,002	-	65,228
Depreciation for the year	11,845	6,571	6,546	-	24,962
Transfers	-	-	-	-	-
Disposals	(451)	(44)	(90)	-	(585)
Balance at 31 March 2023	32,025	25,122	32,458	-	89,605
Balance at 1 April 2023	32,025	25,122	32,458	-	89,605
Depreciation for the year	25,645	13,066	12,224	-	50,935
Transfers	-	-	-	-	-
Disposals	(54)	-	(104)	-	(158)
Balance at 31 March 2024	57,617	38,188	44,578	-	140,382
Carrying amount					
Balance at 31 March 2023	74,358	35,873	56,881	2,382	169,494
Balance at 31 March 2024	146,277	56,665	65,943	(0.00)	268,886

Carrying amount of Property, plant and equipment (PPE) of the company and group are the same. The cost of the assets are disclosed in Note 21.4 to the financial statements.

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Work-in-progress				
Capital Work In Progress (Office Equipments)	(0)	348	(0)	348
WIP-new branches	-	2034	-	2034
Work-in-progress	(0)	2,382	(0)	2,382

NOTES TO THE FINANCIAL STATEMENTS

PROPERTY, PLANT AND EQUIPMENT - GROUP/COMPANY (Contd...)

21.2 There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 31 March 2024

21.3 Title restriction on property, plant and equipment

There were no restriction existed in the title of the property, plant and equipment of the Group as at reporting date.

21.4 Fully depreciated property, plant and equipment

The initial cost of fully depreciated property plant and equipment, which are still in use as at reporting date is as follows.

	COMPANY		GROUP	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Computers	17,648	13,976	17,648	13,976
Furniture and fitting	15,163	17,520	15,163	17,520
Office equipment	22,485	21,879	22,485	21,879
Total	55,296	53,375	55,296	53,375

22. INTANGIBLE ASSETS - COMPANY/GROUP

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

22.1 Reconciliation of carrying amount

	Intangible assets	Work-in- progress	Total
Cost			
Balance at 1 April 2022	33,745	5,988	39,733
Additions	-	37,415	37,415
Balance at 31 March 2023	33,745	43,403	77,148
Balance at 1 April 2023	33,745	43,403	77,147
Additions/ (Transfers)	50,412	(31,034)	19,378
Balance at 31 March 2024	84,157	12,368	96,525
Accumulated amortization			
Balance at 1 April 2022	29,973	-	29,973
Amortisation	2,936	-	2,936
Balance at 31 March 2023	32,909	-	32,909
Balance at 1 April 2023	32,909	-	32,909
Amortisation	3,332	-	3,332
Balance at 31 March 2024	36,241	-	36,241
Carrying amount			
Balance at 31 March 2023	836	43,403	44,239
Balance at 31 March 2024	47,916	12,369	60,285

22.2 Fully depreciated intangible assets

Intangible assets include fully amortised software which are still in use as at the reporting date as follows.

	COMPANY		GROUP	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Computer software	32,463	32,463	32,463	32,463

INTANGIBLE ASSETS - COMPANY/GROUP (Contd...)**22.3 Work-in-progress**

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Software	12,369	43,403	12,369	43,403

Included in the work in progress as at 31st March 2024 is an amount of Rs 12,368,264/- related to the development of the E Financials system.

23. RIGHT OF USE ASSETS**23.1 Right of use assets**

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

Cost

Balance as at the beginning of the year	338,374	227,716	338,374	227,716
Additions during the year	32,096	98,164	32,096	98,164
Derecognition of right-of-use assets	-	(3,405)	-	(3,405)
Prior Year Adjustment -Depreciation	-	15,899	-	15,899
Balance as at the end of the year	370,470	338,374	370,470	338,374

Accumulated depreciation

Balance as at the beginning of the year	148,813	103,894	148,813	103,894
Charge for the year	53,559	45,685	53,559	45,685
Derecognition of right-of-use assets	-	(766)	-	(766)
Balance as at the end of the year	202,372	148,813	202,372	148,813

Carrying value as at the end of the year	168,098	189,561	168,098	189,561
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23.2 Lease liabilities

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

Current liabilities	51,435	40,605	51,435	40,605
Non-current liabilities	118,958	138,573	118,958	138,573
Total	170,393	179,178	170,393	179,178

Maturity analysis - Contractual undiscounted cash flows

Not later than one year	80,826	69,140	80,826	69,140
Later than one year and not later than five years	139,989	203,883	139,989	203,883

NOTES TO THE FINANCIAL STATEMENTS

RIGHT OF USE ASSETS (Contd...)

	COMPANY		GROUP	
	2024	2023	2024	2023
Movement of lease liability	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	179,178	136,450	179,178	136,450
Additions during the year	32,096	98,164	32,096	98,164
Derecognition of lease liability	-	(4,248)	-	(4,248)
Interest expense on leases	27,817	25,138	27,817	25,138
Lease rental payments	(68,698)	(57,923)	(68,698)	(57,923)
Prior Year Adjustment	-	(18,403)	-	(18,403)
Lease liability as at the end of the year	170,393	179,178	170,393	179,178

	COMPANY		GROUP	
	2024	2023	2024	2023
Amounts recognized in profit or loss	Rs.	Rs.	Rs.	Rs.
Interest on lease liabilities	27,817	25,138	27,817	25,138
Amortization charge for the year	53,559	45,685	53,559	45,685

	COMPANY		GROUP	
	2024	2023	2024	2023
Amounts recognized in statement of cash flows	Rs.	Rs.	Rs.	Rs.
Lease rental payments	(68,698)	(57,923)	(68,698)	(57,923)

23.4 Details of leases

Leasehold Property	Asset type	Repayment terms	Interest rate	Balance as at 31 March 2024
Colombo (HO)	Building	60 months	8%	34,710
Colombo (Corporate)	Building	60 months	8%	10,579
Wellawatta	Building	60 months	27%	3,993
Homagama	Building	60 months	13%	8,520
Gampaha	Building	83 months	12%	1,212
Mathugama	Building	60 months	27%	4,286
Kandy - 1st Floor	Building	36 months	8%	174
Kurunegala	Building	72 months	8%	8,265
Elpitiya	Building	60 months	22%	4,362
Matara	Building	60 months	27%	3,672
Negombo	Building	60 months	12%	2,111
Anuradhapura	Building	60 months	10%	5,841
Trincomalee	Building	72 months	8%	2,975
Narahenpita	Building	60 months	27%	45,824
Kandy -Ground Floor	Building	30 months	14%	7,898
Matale	Building	60 months	14%	3,232
Galle	Building	60 months	15%	22,739
Total				170,393

24. OTHER ASSETS	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Financial assets				
Security deposits	73,083	51,218	73,083	51,218
Advance introducer commission	70,229	79,777	70,229	79,777
Other financial assets	34,560	31,740	34,560	31,740
Total other financial assets	177,872	162,735	177,872	162,735
Non-financial assets				
Advance payments	83,214	86,891	83,214	86,891
Prepaid staff cost	31,920	9,505	31,920	9,505
Stationary stock	2,688	2,930	2,688	2,930
Other non-financial assets	243,136	17,549	243,136	17,549
Total other non-financial assets	360,959	116,874	360,959	116,874
Total	538,830	279,610	538,831	279,610

* Other capitalized charges receivables classified under other assets have been reclassified to the financial assets measured at amortised cost - loans and lease rentals receivable & comparative figures in these financial statements is amended. (Note 42)

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

24.1 Real estate inventories

Balance at 1 April	55,859	13,311	55,859	13,311
Disposals during the year	-	-	-	-
Additions during the year	1,046	42,548	1,046	42,548
Balance as at 31 March	56,905	55,859	56,905	55,859

25. DUE TO BANKS

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Bank Overdraft	209,014	97,643	209,014	97,643
Other borrowed funds	1,532,704	757,280	1,532,704	757,280
Total	1,741,718	854,923	1,741,718	854,923

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

25.1 Due to banks -Other borrowed funds

Balance at the beginning of the year	757,280	1,842,767	757,280	1,842,767.35
Borrowed during the year	1,077,800	-	1,077,800	-
Capital repayments during the year	(322,284)	(1,093,849)	(322,284)	(1,093,849)
Amortised interest	19,908	8,362	19,908	8,362
Balance at the end of the year	1,532,704	757,280	1,532,704	757,280

NOTES TO THE FINANCIAL STATEMENTS

DUE TO BANKS (Contd...)

Lending institution	Security	Type	Repayment terms	Maturity	Capital amount
Cargills Bank Term Loan	Lease Receivables	Floting Rate	48 Months	28/07/2025	100,000
NDB-Tranche-01-Loan A	Lease Receivables	Floting Rate	48 Months	31/07/2025	125,000
NDB-Tranche-01-Loan D	Lease Receivables	Fixed Rate	36 Months	31/07/2024	31,250
NDB-Tranche-01-Loan E	Lease Receivables	Fixed Rate	48 Months	31/07/2025	50,000
NDB-Tranche-02-Loan A	Lease Receivables	Floting Rate	48 Months	31/08/2025	125,000
NDB-Tranche-02-Loan D	Lease Receivables	Fixed Rate	36 Months	31/08/2024	31,250
NDB-Tranche-02-Loan E	Lease Receivables	Fixed Rate	48 Months	31/08/2025	50,000
NDB Securitized Term Loan - Gold Loan Backed	Gold Loan Receivables	Floting Rate	48 Months	31/03/2026	300,000
Capital one T1 - SEC 01	Lease Receivables	Fixed Rate	9 Months	12/12/2025	179,000
Capital one T2 - SEC 01	Lease Receivables	Fixed Rate	5 Months	12/12/2025	103,500
Capital one T3 - SEC 01	Lease Receivables	Fixed Rate	8 Months	08/12/2025	249,000
Capital one T4 - SEC 01	Lease Receivables	Fixed Rate	17 Months	12/12/2025	403,500
Capital one T1 - SEC 02	Lease Receivables	Fixed Rate	8 Months	05/28/2025	142,800
					1,890,300

26. DEPOSITS DUE TO CUSTOMERS

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Fixed deposits	11,196,145	7,622,076	11,196,145	7,622,076
Savings deposits	41,870	29,046	41,870	29,046
Total	11,238,015	7,651,122	11,238,015	7,651,122

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

26.1 Analysis by currency

Sri Lankan rupees (LKR)	11,238,015	7,651,122	11,238,015	7,651,122
Total	11,238,015	7,651,122	11,238,015	7,651,122

27. DEBT SECURITIES ISSUED

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Cumulative preference shares (Note 27.1)	18,400	17,800	18,400	17,800
Total	18,400	17,800	18,400	17,800
Due within 1 year	-	-	-	-
Due after 1 year	18,400	17,800	18,400	17,800
Total	18,400	17,800	18,400	17,800

27.1 Details of debt securities issued - Company / Group

	Face value Rs.	2024 Rs.	2023 Rs.
Issued by the Company			
6% cumulative non redeemable preference shares	10,000	10,000	10,000
Interest Payable	-	8,400	7,800
Total	10,000	18,400	17,800

28. DEFERRED TAX

	COMPANY		GROUP	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Deferred tax assets (Note 28.1)	(212,271)	(209,360)	(212,271)	(209,360)
Deferred tax liabilities (Note 28.2)	89,926	130,040	89,926	130,040
Net Deferred Tax Liabilities / (Assets)	(122,345)	(79,320)	(122,345)	(79,320)

	COMPANY		GROUP	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.

28.1 Deferred tax assets

Balance at 1st April	209,360	121,440	209,360	121,440
Origination/(reversal) of temporary difference	(421,631)	45,937	(421,631)	45,937
Amount recognized due to increase in tax rate - Profit or loss	-	41,983	-	41,983
Balance at 31 March	(212,271)	209,360	(212,271)	209,360

	TEMPORARY DIFFERENCE		COMPANY		GROUP	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Retirement benefit obligation	(6,047)	12,249	(1,814)	3,675	(1,814)	3,675
SLFRS 16 - Leases	(16,875)	197,581	(5,062)	59,274	(5,062)	59,274
Taxable Business Loss	(684,648)	489,887	(205,394)	146,965	(205,394)	146,965
Balance at 31 March	(707,569)	699,718	(212,271)	209,913	(212,271)	209,913

	COMPANY		GROUP	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.

28.2 Deferred tax liabilities

Balance at 1st April	130,040	70,719	130,040	70,719
Origination/(reversal) of temporary difference	(40,115)	33,972	(40,115)	33,972
Amount recognized due to increase in tax rate - Profit or loss	-	26,008	-	26,008
Origination/(reversal) of temporary difference - Other comprehensive income	-	(527)	-	(527)
Amount recognized due to increase in tax rate - OCI	-	(132)	-	(132)
Balance at 31 March	89,926	130,040	89,926	130,040

NOTES TO THE FINANCIAL STATEMENTS

DEFERRED TAX (Contd...)

	TEMPORARY DIFFERENCE COMPANY/ GROUP		COMPANY		GROUP	
	2024	2023	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Property plant and equipment	12,351	17,809	3,705	5,342	3,705	5,342
Impairment on loans and advances	258,923	103,187	77,677	30,956	77,677	30,956
Intangible assets	-	835	-	251	-	251
Leased assets	28,478	137,975	8,543	41,392	8,543	41,392
Right of use assets	-	173,662	-	52,099	-	52,099
Balance at 31 March	299,752	433,468	89,926	130,040	89,926	130,040

29. EMPLOYEE BENEFIT OBLIGATION

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

Movement in the present value of defined benefit obligation

Balance at the beginning of the year	12,096	13,378	12,096	13,378
Amount recognized in profit or loss				
- Interest cost	2,419	1,940	2,419	1,940
- Current service cost	3,666	2,098	3,666	2,098
- Past service cost	-	-	-	-
	6,086	4,038	6,086	4,038

Amount recognized in the other comprehensive income

- Actuarial loss	4,091	(2,194)	4,091	(2,194)
Payment made during the year	(6,068)	(2,972)	(6,068)	(2,972)
Balance at the end of the year	16,206	12,249	16,206	12,249

Company provides gratuity benefits to its employees in compliance with Payment of Gratuity Act no 12 of 1983 by setting up an unfunded defined benefit scheme. The unfunded defined benefit scheme has been valued in accordance with Sri Lanka Accounting Standards (LKAS 19). Minimum funding requirement does not apply as the Company operates an unfunded defined benefit scheme.

The Company carried out an actuarial valuation of the gratuity liability as at 31 March 2024 by Mr. Pushpakumar Gunasekera (Actuary/ Associate of the Institute of Actuaries of Australia (AIAA)), for and on behalf of Messrs. Smiles Global (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method", the method recommended by the LKAS 19.

Company/ Group	2024	2023
Actuarial assumption		
Discount rate	12.00%	20.00%
Future salary increment rate	12.60%	10.00%
Staff turn over	32.00%	37.00%
Retirement age	60 Years	60 Years
Weighted average duration	3.07 Years	3.62 Years

EMPLOYEE BENEFIT OBLIGATION (Contd...)

As per the guidelines issued by the institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero-coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing employee benefit obligations as per LKAS No.19 "Employee Benefits".

The Group/Company continue in business as going concern. Assumptions regarding future mortality are based on published statistic and mortality tables.

Demographic assumptions

In addition to the above, demographic assumptions such as mortality, withdrawal and disability and retirement age were considered for the actuarial valuations.

29.1 Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

As At 31st March 2024**Sensitivity Analysis on salary increment rate**

Scenario	Assumption	Defined benefit obligation	% Change
Base	12.60%	16,206	-
Increase by 1%	13.60%	16,798	3.65%
Decrease by 1%	11.6%	15,642	-3.48%

Sensitivity Analysis on discount rate

Scenario	Assumption	Defined benefit obligation	% Change
Base	12.00%	16,206	-
Increase by 1%	13.00%	15,674	-3.28%
Decrease by 1%	11.0%	16,774	3.51%

Sensitivity Analysis on salary increment rate

Scenario	Assumption	Defined benefit obligation	% Change
Base	10.00%	12,096	-
Increase by 1%	11.00%	12,488	3.24%
Decrease by 1%	9.0%	11,722	-3.10%

Sensitivity Analysis on discount rate

Scenario	Assumption	Defined benefit obligation	% Change
Base	20.00%	12,096	-
Increase by 1%	21.00%	11,776	-2.65%
Decrease by 1%	19.0%	12,435	2.80%

NOTES TO THE FINANCIAL STATEMENTS

30. OTHER LIABILITIES	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Financial liabilities				
Amounts payable to suppliers	20	32,443	20	32,443
Insurance payables	56,766	20,737	56,766	20,737
Accruals and other payables	296,264	7,622	296,662	8,450
Total other financial liabilities	353,050	60,802	353,448	61,630
Non-financial liabilities				
Real estate advance	3,370	3	3,370	3
Overpayments	-	17,674	-	17,676
Other non-financial liabilities	50,100	18,908	50,100	18,908
Financial VAT Payable	2,597	5,973	2,597	5,973
Total other non-financial liabilities	56,067	42,558	56,067	42,560
Total	409,117	103,360	409,515	104,190

31. ORDINARY SHARE CAPITAL	Number of shares (thousands)	COMPANY		GROUP	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
Issued and fully paid ordinary shares	405,302	3,762,054	3,762,054	3,762,054	3,762,054
Rights issue - shares	-	-	-	-	-
Total	405,302	3,762,054	3,762,054	3,762,054	3,762,054
Ordinary shares		3,762,054	3,762,054	3,762,054	3,762,054
Cumulative preference shares		10,000	10,000	10,000	10,000
Stated capital as per Co. Act No. 07 of 2007		3,772,054	3,772,054	3,772,054	3,772,054
Less: Cumulative preference shares		(10,000)	(10,000)	(10,000)	(10,000)
Add: Other reserves		(1,038,702)	(1,051,100)	(1,039,100)	(1,051,690)
Total Equity		2,723,352	2,710,954	2,722,955	2,710,364

32. RESERVES

Statutory reserve fund

The Reserve Fund is maintained in compliance with the Finance Companies (Capital Funds) Direction No 1 of 2003. As per the said Direction, every Licensed Finance Company shall maintain a Reserve Fund and transfer to such reserve fund out of the net profits of the each year after due provision has been made for Taxation and Bad and Doubtful Debts on following basis.

Capital Funds to Deposit Liabilities	% of transfer to Reserve Fund
Not less than 25%	5%
Less than 25% and not less than 10%	20%
Less than 10%	50%

RESERVES (Contd...)

	COMPANY		GROUP	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at the beginning of the year	20,239	20,239	20,239	20,239
Transfer during the year	963	-	963	-
Balance as at the end of the year	21,202	20,239	21,191	20,239

	COMPANY		GROUP	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.

32.1 Regulatory loss allowances reserve

Balance as at the beginning of the year	-	-	-	-
Transfer during the year	54,173	-	54,173	-
Balance as at the end of the year	54,173	-	54,173	-

As per Section 7.1.3 of finance Business Act Direction No.01 of 2020, where the loss allowance for expected credit loss falls below the regulatory provision, company shall maintain the additional loss allowance in a non-distributable regulatory loss allowance reserve (RLAR) through an appropriation of its retained earnings. In compliance with the requirement, the Company has transferred the additional loss allowance from retained earnings.

33. ACCUMULATED LOSSES

	COMPANY		GROUP	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at the beginning of the year	(1,072,885)	(948,598)	(1,072,885)	(948,957)
Profit/(loss) for the year	19,262	(153,783)	19,262	(154,014)
Other comprehensive income	(5,319)	1,536	(5,319)	1,536
Transfers to reserve fund	(963)	-	(963)	-
Regulatory loss allowances reserve	(54,173)	-	(54,173)	-
Subsidiary loss	-	-	(397)	-
Prior Year Adjustment -Differed Tax Adjustment	-	(554)	-	(554)
Prior Year Adjustment -Depreciation Lease Buildings -IFRS 16	-	14,106	-	14,106
Prior Year Adjustment -Lease Interest -IFRS 16	-	15,954	-	15,954
Balance as at the end of the year	(1,114,077)	(1,071,339)	(1,114,475)	(1,071,929)

34. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities and commitments as at the end of the financial period except for the following.

	COMPANY		GROUP	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.

34.1 Composition of contingent liabilities and commitments

Contingent liabilities	1,098	1,098	1,098	1,098
Commitments	42,944	93,061	42,944	93,061
Total	44,042	94,159	44,042	94,159
Contingent liabilities				
- Guarantees	1,098	1,098	1,098	1,098
Commitments				
- Un-utilized facilities (Margin trading)	42,944	93,061	42,944	93,061
	44,042	94,159	44,042	94,159

NOTES TO THE FINANCIAL STATEMENTS

CONTINGENT LIABILITIES AND COMMITMENTS (Contd...)

34.1.1 Contractual Maturities of Commitments and Contingencies

The table below shows the contractual expiry by remaining maturity of the Company/Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31 March 2024 Company	On Demand Rs. '000	Less than 3 Months Rs. '000	3 - 12 Months Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
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Contingent Liabilities

Guarantees Issued to Banks and Other Institutions	1,098	-	-	-	-	1,098
Total Contingent Liabilities	1,098	-	-	-	-	1,098

Commitments

Commitment for Unutilised Facilities	42,944	-	-	-	-	42,944
Total Commitments	42,944	-	-	-	-	42,944
Total Commitments and Contingencies	44,042	-	-	-	-	44,042

As at 31 March 2024 Group	On Demand Rs. '000	Less than 3 Months Rs. '000	3 - 12 Months Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
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Contingent Liabilities

Guarantees Issued to Banks and Other Institutions	1,098	-	-	-	-	1,098
Total Contingent Liabilities	1,098	-	-	-	-	1,098

Commitments

Commitment for Unutilised Facilities	42,944	-	-	-	-	42,944
Total Commitments	42,944	-	-	-	-	42,944
Total Commitments and Contingencies	44,042	-	-	-	-	44,042

As at 31 March 2023 Company	On Demand Rs. '000	Less than 3 Months Rs. '000	3 - 12 Months Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
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Contingent Liabilities

Guarantees Issued to Banks and Other Institutions	1,098	-	-	-	-	1,098
Total Contingent Liabilities	1,098	-	-	-	-	1,098

Commitments

Commitment for Unutilised Facilities	93,061	-	-	-	-	93,061
Total Commitments	93,061	-	-	-	-	93,061
Total Commitments and Contingencies	94,159	-	-	-	-	94,159

As at 31 March 2023 Group	On Demand Rs. '000	Less than 3 Months Rs. '000	3 - 12 Months Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Contingent Liabilities						
Guarantees Issued to Banks and Other Institutions	1,098	-	-	-	-	1,098
Total Contingent Liabilities	1,098	-	-	-	-	1,098
Commitments						
Commitment for Unutilised Facilities	93,061	-	-	-	-	93,061
Total Commitments	93,061	-	-	-	-	93,061
Total Commitments and Contingencies	94,159	-	-	-	-	94,159

34.2 Income tax assessments

The Company received an Income Tax Assessment from the Department of Inland Revenue for the Year of Assessment 2017/2018. The details of the assessment are given under Note 14.4.

34.3 Litigation and claims

The Group has contingent liabilities arising in the ordinary course of business and in respect of litigation filed by former employees of the Group. Based on the information currently available, the Directors are of the opinion that the ultimate resolution of the litigation would not likely to have a material impact on the results of operations and financial position of the Group.

Litigation against the company

Legal status	Case numbers
Customer filed case against us seeking set aside the Arbitration Award granted against the customer who has default margin trading facility.	CHC/592/2021/ARB
Mortgage property of a facility granted to customer Desmond Amarasinghe property belong to third party, was a manipulated forged title which mortgaged to several banks including PMF. The original title is mortgaged to Pramuka Bank (now Sri Lanka Savings Bank) has filed action against the banks including us.	D C Nugegoda 296/L
Nishantha Gunasekara is a former CEO from 2017 to 2019, and filed a claim case against the company with regard to termination of his service.	DMR/1453/2020
An employee filed a case in Labour Tribunal against PMF that he has termination unlawfully. Labour Tribunal of Colombo 01, has ordered to pay compensation to employee but refused to accept the amount, appealed to High Court and again appealed to Supreme Court.	HC/ALT/25/2019 SC/SPL/LA/162/2020
D C Gampaha case filed by dealer of vehicle who is willing to settle by sale of vehicle. This case was filed because of dispute of both customer and dealer. Customer settled our facility and we were release from the case. The dealer filed appeal and we will do our submission to release from appeal case as well.	WP/HCCA/GAM/LA/04/2024 DC No - 168/24/SPL

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES

35.1 Parent and ultimate controlling party

The Company's immediate parent and ultimate controlling party is Sterling Capital Investments (Private) Limited (SCIL) and the ultimate parent company is Rush Japan Corporation. At the end of Financial year 2023/24, SCIL have a holding of 81.6% . (2022/23 -81.6%)

35.2 Transactions with key management personnel and their close family members

As per the Sri Lanka Accounting Standard (LKAS -24) -“Related Party Disclosures”, the key management personnel (KMP) and their family members include those who are having authority and responsibility for planning, directing and controlling the activities of the Group. Accordingly, the Board of Directors of the Group, the parent Company - Sterling Capital Investments (Private) Limited and its affiliate Companies, Sterling Automobiles Lanka (Pvt) Limited and the Sterling Holdings (Private) Limited have been identified as KMPs of the Group.

The Group carried out transactions in the ordinary course of its business with KMPs and their close family members on the arms length basis at commercial rates.

	2024
	Rs.

Other transactions (loans and receivables) with key management personnel - Balance outstanding

Granting	23,005
Closing balance as at 31 March	21,494
Interest income	1,230

	2024	2023
	Rs.	Rs.

Deposits and investment from key management personnel - Balance outstanding

Deposits accepted and renewed during the year	15,267	24,108
Closing balance as at 31 March	19,233	24,529
Interest Expenses	3,534	3,287

	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

35.2.1 Remuneration to Board of Directors

Short-term Employee Benefits	28,309	24,903	28,309	24,903
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	COMPANY		GROUP	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.

Other payment to key management personnel

Cash dividend	-	-	-	-
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35.2.2 Share transactions with KMP

No. of Ordinary Shares held at the end of the financial period;

The Parent Company (Sterling Capital Investments (Pvt) Ltd)	330,714	330,714	330,714	330,714
People's Bank	33,856	33,856	33,856	33,856
People's Leasing & Finance PLC	25,014	25,014	25,014	25,014
Board of Directors	-	-	-	-

RELATED PARTY DISCLOSURES (Contd...)**35.3 Transactions with related entities**

The Group carried out transactions in the ordinary course of its business with the related entities on the arms length basis at commercial rates.

35.3.1 Company

The Company had the under mentioned financial dealings during the financial year with the following related entities.

As at 31st March	Sterling Capital Investments (Private) Limited (Parent Company)		Sterling Holdings (Private) Limited (Affiliate Company)		Sterling Automobiles Lanka (Private) Limited (Affiliate Company)		PMB Services Limited (Subsidiary of PMF Finance PLC)		Lanka Financial Services For Under Served Settlements (Common Director)	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
In thousands of rupees										
(a) Items in statement of profit or loss										
Interest income	-	-	42,625	38,366	-	1,027	-	-	-	-
Interest expense	-	-	-	-	2,106	-	-	-	18,210	10,504
Other operating expenses	-	-	44,152	12,800	-	13,685	231	231	-	-
Expenses incurred on behalf	-	-	-	-	-	-	-	-	-	-
Provisions made during the year	-	-	-	-	-	-	-	-	-	-
(b) Items in statement of financial position										
Cash and cash equivalents	-	-	-	-	-	-	239	239	-	-
Investments in Fixed Deposits/Repos	-	-	-	-	-	-	-	-	-	-
Investments in subsidiaries / affiliates	-	-	-	-	-	-	-	-	-	-
loans and lease rentals receivable	-	-	344,513	334,010	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Provisions made	-	-	-	-	-	-	-	-	-	-
(b) Items in statement of financial position (continued)										
Due to banks	-	-	-	-	-	-	-	-	-	-
Deposits due to customers	-	-	-	-	-	-	-	-	92,620	64,375
Accruals and other payables	-	-	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	-	-
(c) Transactions										
Advances in lieu of rights issue of shares	-	-	-	-	-	-	-	-	-	-
Transfers to stated capital from advances in lieu of right issue of shares	-	-	-	-	-	-	-	-	-	-
Utilization of fund raised in right issue	-	-	-	-	-	-	-	-	-	-
Excess funds received from right issue	-	-	-	-	-	-	-	-	-	-

The above related party balances does not require any security or guarantee to be given or received.

NOTES TO THE FINANCIAL STATEMENTS

RELATED PARTY DISCLOSURES (Contd...)

35.3.2 Group

The Group had the under mentioned financial dealings during the financial year with the following related entities.

As at 31st March	Sterling Capital Investments (Private) Limited (Parent Company)		Sterling Holdings (Private) Limited (Sub-subsidiary)		Sterling Automobiles Lanka (Private) Limited (Affiliate Company)		Lanka Financial Services For Under Served Settlements (Common Director)	
	2024	2023	2024	2023	2024	2023	2024	2023
In thousands of rupees								
(a) Items in statement of profit or loss								
Interest income	-	-	42,625	38,366	-	1,027	-	-
Interest expense	-	-	-	-	2,106	-	18,210	10,504
Other operating expenses	-	-	44,152	12,800	-	13,685	-	-
(b) Items in statement of financial position								
Assets								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Investments in Fixed Deposits/Repos	-	-	-	-	-	-	-	-
Liabilities								
Due to banks	-	-	-	-	-	-	-	-
Due to customers	-	-	-	-	-	-	92,620	64,375
Debt securities issued	-	-	-	-	-	-	-	-
Preference shares dividend payable	-	-	-	-	-	-	-	-
(c) Transactions								
Advances in lieu of rights issue of shares	-	-	-	-	-	-	-	-
Transfers to stated capital from advances in lieu of rights issue of shares	-	-	-	-	-	-	-	-
Funds received for the rights issue	-	-	-	-	-	-	-	-
Excess funds received from rights issue	-	-	-	-	-	-	-	-

36. FINANCIAL INSTRUMENT - FAIR VALUES

36.1 Fair values of financial instruments

The Group/Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 : Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy:

As at 31st March 2024	Carrying amount		Fair Value					
	Rs' 000		Rs' 000					
	Company	Group	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Investment securities measured at FVTPL (Note a)	576,420	576,420	4,309	572,110	-	4,309	572,110	-
Investment securities measured at FVOCI (Note b)	23	23	-	-	23	-	-	23
Financial assets measured at FVTPL - Securities under repurchase agreements (Note a)								
	1,154,038	1,154,038		1,154,038			1,154,038	
	1,730,481	1,730,481	4,309	1,726,149	23	4,309	1,726,149	23

FINANCIAL INSTRUMENT - FAIR VALUES (Contd...)

Financial assets not measured at fair value								
Loans and advances to customers (Note c)	11,242,525	11,242,525	-	-	11,169,779	-	-	11,169,779
Cash and cash equivalents (Note d)	673,411	673,411	-	-	-	-	-	-
Placements with banks and financial institutions (Note e)	1,455,435	1,455,435	-	-	-	-	-	-
	13,371,372	13,371,372	-	-	11,169,779	-	-	11,169,779
	15,101,853	15,101,853	4,309	1,726,149	11,169,802	4,309	1,726,149	11,169,802
Financial liabilities not measured at fair value								
Deposits due to customers (Note g)	11,238,015	11,238,015	-	-	12,295,247	-	-	12,295,247
Debt securities issued (Note h)	18,400	18,400	-	-	-	-	-	-
Lease liabilities (Note j)	170,393	170,393	-	-	-	-	-	170,393
Due to banks (Note f)	1,741,718	1,741,718	-	-	1,860,885	-	-	1,860,885
	13,168,527	13,168,526	-	-	14,156,132	-	-	14,326,525

As at 31st March 2023	Carrying amount		Fair Value					
	Rs' 000		Rs' 000					
	Company	Group	Level 1	Company Level 2	Level 3	Level 1	Group Level 2	Level 3
Financial assets measured at fair value								
Investment securities measured at FVTPL (Note a)	409,914	409,914	5,580	404,335	-	5,580	404,335	-
Investment securities measured at FVOCI (Note b)	71	71	-	-	71	-	-	71
Financial assets measured at FVTPL - Securities under repurchase agreements (Note a)	316,700	316,700	-	316,700	-	-	316,700	-
	726,685	726,685	5,580	721,035	71	5,580	721,035	71
Financial assets not measured at fair value								
Loans and advances to customers (Note c)	8,382,870	8,382,870	-	-	7,531,049	-	-	7,531,049
Cash and cash equivalents (Note d)	337,925	338,165	-	-	-	-	-	-
Placements with banks and financial institutions (Note e)	1,264,071	1,264,071	-	-	-	-	-	-
	9,984,866	9,985,106	-	-	7,531,049	-	-	7,531,049
	10,711,552	10,711,791	5,580	721,035	7,531,120	5,580	721,035	7,531,120
Financial liabilities not measured at fair value								
Due to banks (Note f)	854,923	854,923	-	-	875,326	-	-	875,326
Deposits due to customers (Note g)	7,651,122	7,651,122	-	-	7,809,312	-	-	7,809,312
Debt securities issued (Note h)	17,800	17,800	-	-	-	-	-	-
Lease liabilities (Note j)	179,178	179,178	-	-	-	-	-	-
	8,703,022	8,703,022	-	-	8,684,638	-	-	8,684,638

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENT - FAIR VALUES AND RISK MANAGEMENT (Contd...)

The methodologies and assumptions used to estimate the fair values of the financial instruments, which are not carried at fair value are as follows:

- a) Investment securities measured at FVTPL – The carrying amount of these investments reflect last traded price at stock exchange and the daily reports of the unit trust funds.
- b) Investment securities measured at FVOCI– The carrying amount of these shows investments in the Credit Information Bureau of Sri Lanka. Investment in government securities are reflect last trades prices. As CRIB is a Private Company unable to find market values. It is assumed that the carrying amounts approximate their fair values.
- c) Loans and advances to customers – The carrying amount reflects amortised value of loan and advances. Thus its carrying amount approximates to the fair value.
- d) Cash and cash equivalents – The carrying amount of cash and cash equivalents approximate its fair value due to the relatively short maturity of the financial instruments.
- e) Placements with with banks and financial institutions – The carrying amount of investment in fixed deposits approximate its fair value due to the relatively short maturity of the financial instruments.
- f) Due to banks - Fair value of these financial instruments with remaining maturity of less than 1 year approximate their carrying amounts due to the relatively short maturity of such instruments.
- g) Deposits due to customers – The carrying amount reflecting amortised cost of deposits from customers. Thus its carrying amount approximates to the fair value.
- h) Debt securities issued - Fair value of preference shares reflect market value with the consideration of 6% interest rate.
- i) Financial liabilities - The carrying value is approximately its fair value of the financial instrument
- j) Lease liabilities - The carrying amount reflecting amortised cost of lease liabilities

There were no transfer between Level 1 and Level 2 during the year 2022 and 2023.

37. RISK MANAGEMENT

Introduction and overview

The forecasting and evaluation of financial risk together with the identification of procedures to eliminate or minimize the business impact to the Company is the key objective of the Financial Risk Management Framework of the Group.

Structure of the risk management framework

The Board of Directors

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors hold the risk retentiveness for the establishment and guardianship for the Group's frame work and manage the risk through Integrated Risk Management Committee (IRMC) and the Board Audit Committee (BAC). The main role of the Board of Directors in Risk Management is,

- Increasing scrutiny over risk.
- Identification of potential loss areas.
- Finding the balance between taking and managing risk.
- Development of policies, procedures and awareness.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

RISK MANAGEMENT (Contd...)

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

Integrated Risk Management Committee (IRMC) and the Board Audit Committee (BAC)

The IRMC has the overall responsibility for developing and monitoring the risk management strategy and implementing principal framework, policies and limits, managing risk related decisions and monitoring risk levels and report to the Board of Directors with the support of Assets and Liability Committee (ALCO).

Assets and Liability Committee (ALCO)

ALCO is chaired by the Chief Executive Officer and consists of Deputy General Managers (Legal & HR, Business Development and Assets & Credit Finance) with the Heads of Finance, Fixed Deposits, Treasury and Pawning divisions. The committee will meet at least quarterly to manage the Assets and Liabilities of the Group and to keep the liquidity levels under satisfying requirements. The Group has exposure to following risk from financial instruments.

- A. Credit Risk
- B. Liquidity Risk.
- C. Market Risk.
- D. Operational Risk

A. Credit Risk

The credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from default on a debt that may arise from a borrower failing to make required payments, in the first resort; the risk is that of the lender and includes cost principals and interest, disruption to cash flows and increased collection flows. Company Credit Management process includes,

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Reviewing and assessing credit risk including business feasibility, verifying CRIB status of clients
- Establishing the authorisation structure for the approval and renewal of credit facilities by Deputy General Managers, the CEO and The Board of Directors depending on the quantum of the financial facilities.
- Reviewing and setting up individual customer and credit exposure levels. (Adherence to the Single Borrower Limits)

	COMPANY	
	As at 31/03/2024 Rs. '000	As at 31/03/2023 Rs. '000

LTV Ratio

Less than 50%	1,237,379	1,513,309
51%-70%	4,560,366	6,785,832
71%-90%	5,358,645	300,519
91%-100%	401,985	21,655
More than 100%	-	215,143
	11,558,375	8,836,458

NOTES TO THE FINANCIAL STATEMENTS

RISK MANAGEMENT (Contd...)

Type of credit exposure	PERCENTAGE OF EXPOSURE THAT IS SUBJECT TO COLLATERAL REQUIREMENTS		Principal type of collateral held
	As at 31/03/2024	As at 31/03/2023	
	Rs. '000	Rs. '000	
Finance lease receivable	100	100	Marketable securities
Hire purchase receivable	100	100	Marketable securities
Vehicle loans	100	100	Marketable securities
Gold loans	100	100	Marketable securities
Margin trading receivable	0 - 100	32 - 100	Listed Equities
Loans against fixed deposits	100	100	Fixed deposits
Other loans	0 - 100	0 - 100	Marketable securities, Personal guarantees

Note: Principal type of collaterals of the Financial assets measured at amortised cost - loans and lease rentals receivable are listed above

With the adoption of SLFRS 9 – Financial Instruments, the Group manages credit quality using a three stage approach which is in-line with the new standard requirements as well. SLFRS 9 outlines a “three-stage” model for impairment based on changes in credit quality since initial recognition.

Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

Stage 2: If significant increases in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for LTECL.

Stage 3: If a financial asset is credit-impaired, it is moved to Stage 3 and the Company recognises an allowance for LTECL.

37.1 Exposure to credit risk

The following tables show the maximum exposure to credit risk by class of financial asset. It further shows the net exposure to credit risk.

Company	2024		2023	
	Maximum Exposure to Credit Risk Rs. '000	Net Exposure Rs. '000	Maximum Exposure to Credit Risk Rs. '000	Net Exposure Rs. '000
As at 31 March				
Cash and cash equivalents	673,411	673,411	337,925	337,925
Placements with banks and financial institutions	1,455,435	1,455,435	1,264,071	1,264,071
Investments in securities	1,730,481	1,730,481	726,637	726,637
Financial assets measured at amortised cost - loans and lease rentals receivable	11,242,524	7,552,909	8,382,869	5,376,366

RISK MANAGEMENT (Contd...)

Group	2024		2023	
	Maximum Exposure to Credit Risk	Net Exposure	Maximum Exposure to Credit Risk	Net Exposure
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 March				
Cash and cash equivalents	673,650	673,650	337,925	337,925
Placements with banks and financial institutions	1,455,435	1,455,435	1,264,071	1,264,071
Investments in securities	1,730,481	1,730,481	726,637	726,637
Financial assets measured at amortised cost - loans and lease rentals receivable	11,242,524	7,552,909	8,382,869	5,376,366

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows :

	COMPANY	
	As at 31/03/2024	As at 31/03/2023
	Rs. '000	Rs. '000
Cash and cash equivalents	673,411	337,925
Placements with banks and financial institutions	1,455,435	1,264,071
Investment securities measured at FVTPL	1,730,458	726,613
Loans and advances to customers	11,242,524	8,382,869
Investment securities measured at FVOCI	23	23
	15,101,852	10,711,501

Loans and lease rentals to customers

Under SLFRS 9, impairment of loans and advances are assessed based on Expected Credit Loss model. The approach is to classify loans into individually significant exposures and other loans into homogenous portfolios by segment / product for impairment assessment.

	COMPANY	
	As at 31/03/2024	As at 31/03/2023
	Rs. '000	Rs. '000
Gross carrying amount at amortised cost		
Individually significant portfolio	194,094	209,159
Individually non significant portfolio	11,364,283	8,627,299
	11,558,377	8,836,458

Amounts arising from ECL**Inputs, assumptions and techniques used for estimating impairment****Significant increase in credit risk**

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and expert credit assessment and including forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS

RISK MANAGEMENT (Contd...)

The Company considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 60 days past due. At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties. “

PD estimates are estimates at a certain date, which are calculated, based on statistical models, and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. Where the modeling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics which includes; instrument type, credit risk type and collateral type.

Determining Whether Credit Risk has Increased Significantly

The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements used in expected credit loss model prescribed in SLFRS 9 – Financial instruments. The criteria for determining whether credit risk has increased significantly vary by portfolio and include qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

Definition of default

The Company considers a financial asset to be in default when ;

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the assessment of the external rating agencies indicates a default grading of the borrower; or

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Company for regulatory capital purposes and management decision.

RISK MANAGEMENT (Contd...)

Impact on Credit risk due to the current uncertain economic condition

The impact of current uncertain economic condition on the credit risk of loans and advances customers are given under Note 43.1.

Movement between the stages

Financial assets can be transferred between the different categories depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment.

Incorporation of forward-looking Information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL using a variety of external actual and forecasted information. The Company formulates a base case view of the future direction of relevant economic variables as well as a representative range (Best Case and worst Case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources. The base case represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables credit risk and credit losses. The economic variables used by the Company based on the statistical significance include the followings.

Unemployment Rate	4.30%	Base case scenario along with two other scenarios has been used (Best Case and Worst Case)
Interest Rate	10.69%	
GDP Growth Rate	-2.30%	
Exchange Rate	301.18	
Inflation Rate	2.50%	

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

1. Probability of default (PD);
2. Loss given default (LGD);
3. Exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD

Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD

The methodology of estimating PD is discussed above under the “Generating the term structure of PD”. LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, type of product and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. The increase in the gross carrying value for impairment in the Group is not inline with the change in the impairment in the current year. This was mainly due to the settlements of the non-performing assets, improved rates of probability defaults and loss given defaults based on collection improvements and staging assets improvements during the year backed by the increased collections.

NOTES TO THE FINANCIAL STATEMENTS

RISK MANAGEMENT (Contd...)

Individually significant impairment	As at	Restated
	31/03/2024	As at 31/03/2023
	Rs. '000	Rs. '000
Gross receivable	194,094	209,159
Less: Allowance for impairment	51,982	91,932
	142,112	117,227

Individually not significant portfolio include loans that are individually significant but not impaired. These loans are assessed for impairment collectively.

The Company holds collateral against loans and advances to customers in the form of mortgage interests over properties and other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired.

Collective impairment	As at	Restated
	31/03/2024	As at 31/03/2023
	Rs. '000	Rs. '000
Gross receivable	11,364,285	8,627,299
Less: Allowance for impairment	477,569	426,423
	10,886,716	8,200,876

Write-off policy

The Company writes off a loan or an investment debt/equity security balance, and any related allowances for impairment losses, when it determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

Credit concentration risk

The Company constantly monitors credit concentration risk. The management determines this by referring to the degree of credit exposure by product types, various sectors and geographical area.

Product concentration

Product category	As at 31/03/2024		As at 31/03/2023	
	Rs. '000	%	Rs. '000	%
Hire purchase	4,652	0%	3,373	0%
Revolving Loan	988,973	9%	711,649	8%
Other loans	142,852	1%	41,304	0%
Margin trading	595,415	5%	665,889	8%
Gold loans	2,595,809	22%	2,099,197	24%
Lease	6,135,337	53%	4,407,739	50%
Mortgage Loan	918,660	8%	606,787	7%
Loans against fixed deposits	176,678	2%	300,519	3%
	11,558,376	100%	8,836,457	100%

RISK MANAGEMENT (Contd...)**Industry-wise Concentration**

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

Company					
As at 31 March 2024					
Sector-wise Breakdown	Cash and Cash Equivalents Rs. '000	Placements with banks and financial institutions Rs. '000	Investments in securities Rs. '000	Financial assets measured at amortised cost - loans and lease rentals receivable Rs. '000	Total Financial Assets Rs. '000
Agriculture, Forestry & Fishing	-	-	-	242,104	242,104
Construction & Infrastructure Development	-	-	-	430,293	430,293
Consumption	-	-	-	5,791,801	5,791,801
Financial Services	673,411	1,455,435	1,730,481	3,725,885	7,585,212
Health Care, Social Services & Support Services	-	-	-	47,404	47,404
Information Technology And Communication	-	-	-	12,678	12,678
Professional, Scientific & Technical Activities	-	-	-	37,346	37,346
Arts, Entertainment & Recreation	-	-	-	19,870	19,870
Education	-	-	-	60,208	60,208
Manufacturing	-	-	-	250,459	250,459
Tourism	-	-	-	96,806	96,806
Transportation & Storage	-	-	-	445,774	445,774
Wholesale & Retail Trade	-	-	-	397,748	397,748
	673,411	1,455,435	1,730,481	11,558,376	15,417,704

Group					
As at 31 March 2024					
Sector-wise Breakdown	Cash and Cash Equivalents Rs. '000	Placements with banks and financial institutions Rs. '000	Investments in securities Rs. '000	Financial assets measured at amortised cost - loans and lease rentals receivable Rs. '000	Total Financial Assets Rs. '000
Agriculture, Forestry & Fishing	-	-	-	242,104	242,104
Construction & Infrastructure Development	-	-	-	430,293	430,293
Consumption	-	-	-	5,791,801	5,791,801
Financial Services	673,411	1,455,435	1,730,481	3,725,885	7,585,213
Health Care, Social Services & Support Services	-	-	-	47,404	47,404
Information Technology And Communication	-	-	-	12,678	12,678
Professional, Scientific & Technical Activities	-	-	-	37,346	37,346
Arts, Entertainment & Recreation	-	-	-	19,870	19,870
Education	-	-	-	60,208	60,208
Manufacturing	-	-	-	250,459	250,459
Tourism	-	-	-	96,806	96,806
Transportation & Storage	-	-	-	445,774	445,774
Wholesale & Retail Trade	-	-	-	397,748	397,748
	673,411	1,455,435	1,730,481	11,558,376	15,417,704

NOTES TO THE FINANCIAL STATEMENTS

RISK MANAGEMENT (Contd...)

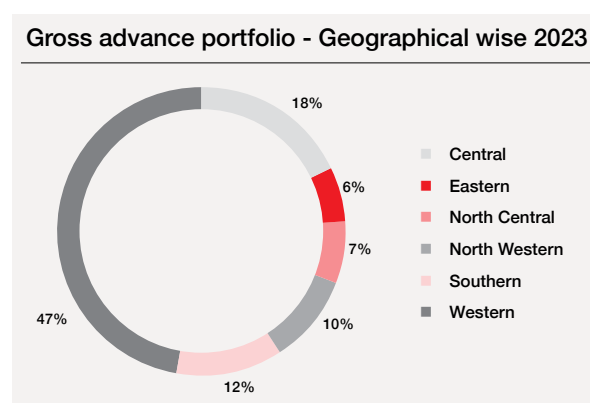
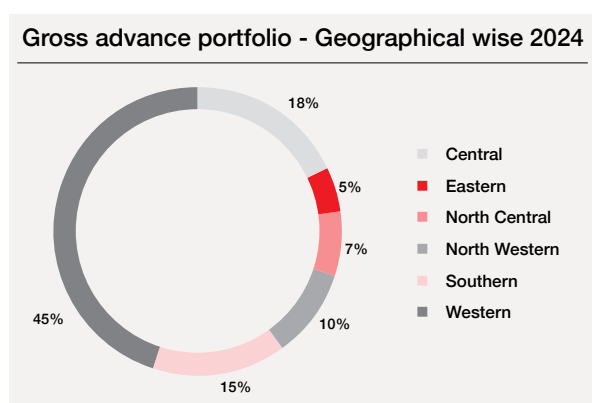
Company					
As at 31 March 2023					
	Cash and Cash Equivalents	Placements with banks and financial institutions	Investments in securities	Financial assets measured at amortised cost - loans and lease rentals receivable	Total Financial Assets
Sector-wise Breakdown	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Agriculture, Forestry & Fishing	-	-	-	549,029	549,029
Construction & Infrastructure Development	-	-	-	318,460	318,460
Consumption	-	-	-	549,576	549,576
Financial Services	337,925	1,264,071	726,637	3,170,083	5,498,716
Health Care, Social Services & Support Services	-	-	-	1,326,848	1,326,848
Information Technology And Communication	-	-	-	88,017	88,017
Professional, Scientific & Technical Activities	-	-	-	-	-
Arts, Entertainment & Recreation	-	-	-	-	-
Education	-	-	-	-	-
Manufacturing	-	-	-	1,199,284	1,199,284
Tourism	-	-	-	172,440	172,440
Transportation & Storage	-	-	-	825,969	825,969
Wholesale & Retail Trade	-	-	-	636,751	636,751
	337,925	1,264,071	726,637	8,836,457	11,165,090

Group					
As at 31 March 2023					
	Cash and Cash Equivalents	Placements with banks and financial institutions	Investments in securities	Financial assets measured at amortised cost - loans and lease rentals receivable	Total Financial Assets
Sector-wise Breakdown	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Agriculture, Forestry & Fishing	-	-	-	549,029	549,029
Construction & Infrastructure Development	-	-	-	318,460	318,460
Consumption	-	-	-	549,576	549,576
Financial Services	338,165	1,264,071	726,637	3,170,083	5,498,956
Health Care, Social Services & Support Services	-	-	-	1,326,848	1,326,848
Information Technology And Communication	-	-	-	88,017	88,017
Professional, Scientific & Technical Activities	-	-	-	-	-
Arts, Entertainment & Recreation	-	-	-	-	-
Education	-	-	-	-	-
Manufacturing	-	-	-	1,199,284	1,199,284
Tourism	-	-	-	172,440	172,440
Transportation & Storage	-	-	-	825,969	825,969
Wholesale & Retail Trade	-	-	-	636,752	636,751
	338,165	1,264,071	726,637	8,836,457	11,165,331

RISK MANAGEMENT (Contd...)**Geographical area concentration**

Province	As at 31/03/2024	
	Rs. '000	%
Central	2,061,017	18%
Eastern	610,461	5%
North Central	773,641	7%
North Western	1,207,414	10%
Southern	1,685,773	15%
Western	5,220,070	45%
	11,558,376	100%

Gross advance portfolio - Geographical wise is as follows

**Securities against loans and lease rentals**

Given below is a summary of the outstanding balances of loans and advances based on the securities held in respect of the loan.

Category In thousands of rupees	As at 31/03/2024	
	Rs. '000	%
Immovable Assets	754,044	523,991
Movable Assets	7,090,810	5,106,912
Corporate guarantor/Personal guarantor	345,619	139,950
Fixed deposit securities	176,678	300,519
Market securities	595,415	665,889
Gold securities	2,595,810	2,099,197
	11,558,376	8,836,458

The company has policies and procedures to valuing both movable and immovable collaterals and assess the adequacy on periodical basis. Further all valuers are panel valuers who are possessing required qualification & experience set out in the Finance Business Act (Amendments to the valuation of immovable properties) Direction No. 01 of 2021 and none of valuer in the panel is a related party of the company to avoid any conflict of interest that may arise from such engagement. Additionally when credit facilities are enhanced fresh valuations are obtained.

NOTES TO THE FINANCIAL STATEMENTS

RISK MANAGEMENT (Contd...)

Credit Quality by Class of Financial Assets

Credit quality categorisation has been done based on the class of financial assets. The table below sets out information about the maximum exposure to credit risk, measured at amortised cost, and Fair Value through Other Comprehensive Income (FVOCI) as at the end of the financial year 2023/24.

Financial Assets	Not subject to ECL	12-Month ECL (Stage 1)	Life time ECL - Not credit impaired (Stage 2)	Life time ECL - Credit impaired (Stage 3)	Total
In thousands of rupees	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	673,411	-	-	-	673,411
Placements with banks and financial institutions	1,455,435	-	-	-	1,455,435
Investments in securities	1,730,481	-	-	-	1,730,481
Hire purchase	-	1,118	-	3,534	4,652
Revolving Loan	-	842,773	108,630	37,570	988,973
Other loans	-	75,691	37,791	29,368	142,851
Margin trading	-	-	-	595,415	595,415
Gold loans	-	1,603,074	480,105	512,631	2,595,809
Lease	-	3,845,158	1,566,672	723,508	6,135,337
Mortgage Loan	-	732,901	34,849	150,910	918,660
Loans against fixed deposits	-	176,678	-	-	176,678
Total	3,859,327	7,277,393	2,228,047	2,052,936	15,417,703

Sensitivity of impairment provision on loans and lease rentals receivable

The impairment provision on loans and lease rental receivable as at 31st March 2024 is subject to various assumptions. The below table demonstrates the sensitivity of the impairment provision of the Company as at 31st March 2024 to a reasonably possible change in PDs, LGDs and forward looking information.

Assumption	Stage 1	Stage 2	Stage 3	Total	Sensitivity Effect from income statement
In thousands of rupees (Rs. '000)					
PD 1% increase	11,636	4,051	-	15,687	15,687
PD 1% decrease	(11,636)	(4,051)	-	(15,687)	(15,687)
LGD 5% increase	31,030	22,151	34,695	87,876	87,876
LGD 5% decrease	(31,030)	(22,151)	(34,695)	(87,876)	(87,876)
Probability					
Base case	884	192	1	1,077	1,077
Base case	(884)	(192)	(1)	(1,077)	(1,077)

Sensitivity Analysis: Impact on collective impairment (loans & advances, credit related commitment & contingencies) due to changes in forward looking information

Following table also summarizes the key economic indicators used in estimating economic factor adjustment and impact on their changes.

RISK MANAGEMENT (Contd...)

Key drivers	ECL scenario	Assigned Weightings	2025	2026	2027	2028	2029	2030	2031
GDP Growth	Base case	30%	2.05%	2.31%	2.48%	2.54%	2.62%	2.62%	2.62%
	Best case	10%	2.76%	2.98%	3.12%	3.25%	3.40%	3.40%	3.40%
	Worst case	60%	-0.58%	-0.56%	-0.19%	-0.18%	0.15%	0.15%	0.15%
Inflation (YoY) (NCPI Dec)	Base case	30%	6.25%	6.49%	6.48%	6.83%	6.36%	6.36%	6.36%
	Best case	10%	3.29%	2.67%	1.97%	1.60%	0.92%	0.92%	0.92%
	Worst case	60%	9.74%	11.99%	14.18%	17.46%	18.85%	18.85%	18.85%
Interest Rate (AWPR)	Base case	30%	10.58%	10.52%	10.39%	10.44%	10.06%	10.06%	10.06%
	Best case	10%	9.49%	8.79%	8.05%	7.46%	6.68%	6.68%	6.68%
	Worst case	60%	12.14%	13.10%	13.94%	15.05%	15.50%	15.50%	15.50%
Exchange Rate (US\$:LKR)	Base case	30%	296.83	294.88	290.67	294.53	279.76	279.76	279.76
	Best case	10%	251.29	223.37	195.31	173.61	146.63	146.63	146.63
	Worst case	60%	366.64	412.46	453.39	500.00	500.00	500.00	500.00
Unemployment	Base case	30%	5.08%	5.08%	5.07%	5.07%	5.06%	5.06%	5.06%
	Best case	10%	4.74%	4.72%	4.62%	4.59%	4.34%	4.34%	4.34%
	Worst case	60%	5.12%	5.14%	5.16%	5.19%	5.20%	5.20%	5.20%

37

CASH AT BANK

In thousands of rupees	As at 31/03/2024 Rs. '000	As at 31/03/2023 Rs. '000
------------------------	---------------------------------	---------------------------------

Institution	Credit Rating		
Peoples' Bank	A (lka)	3,696	117,663
HNB Bank	A (lka)	(34,523)	(16,623)
Pan Asia Bank	BBB-(lka)	26	0
SDB Bank	BB+(lka)	978	938
Cargils Bank	AA-(lka)	9,869	23,598
NDB Bank	A- (lka)	152,502	20,511
Bank of Ceylon	A(lka)	260	-
Commercial Bank	A	6,088	10,507
		138,897	156,594

In thousands of rupees	As at 31/03/2024 Rs. '000	As at 31/03/2023 Rs. '000
------------------------	---------------------------------	---------------------------------

Institution	Credit Rating		
Cargills Bank	AA- (lka)	-	215,517
NDB Bank	A- (lka)	705,510	619,536
LOLC Holdings PLC	A (Stable)	700,000	250,000
Peoples' Bank	A (lka)	50,000	179,018
		1,455,510	1,264,071

NOTES TO THE FINANCIAL STATEMENTS

RISK MANAGEMENT (Contd...)

37.2 B. Liquidity risk

Liquidity risk is the risk, that for a certain period of time, a given financial asset, security or commodity cannot be traded quickly enough in the market without impacting the market price thereby the company will encounter difficulties in meeting obligations associated with its financial liabilities, which are settled by delivering cash or other financial assets.

The Board of directors sets the strategy for managing liquidity risk and delegates responsibility for oversight of the implementation to ALCO. Group ensures that sufficient liquidity to meet its liabilities when due, under normal and stressed conditions and maintains company reputation. The treasury division manages the liquidity of the Company by obtaining information from other divisions with regard to their liquidity situation of the financial operations on regular basis and with estimated cash flows from business activities based on the recommendation of the ALCO. Company liquidity strategy is as follows,

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate).
- Carrying a portfolio of highly liquid assets diversified by maturity.
- Monitoring maturity mismatches, behavioral characteristics of the Company's financial assets and liabilities.

Placements with banks and financial institutions	As at 31/03/2024	As at 31/03/2023
Gross Loans/ Customer deposits	1.03	1.15

Total Liquid Assets	2024 Rs.000	2023 Rs.000
Notes and Coins Held	289,940	88,311
Balances with Banks	383,471	249,614
Securities under Reverse Repurchase Agreements (Less than 03 Months)	1,154,038	316,700
Investment in Commercial Papers	700,000	-
Investment in Unit Trust	572,110	404,335
Investment in Fixed Deposits	755,510	1,264,071
Total Liquidity Reserves	3,855,070	2,323,031

Total Liquid Assets	2024	2023
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	150%	107%
Liquid Assets to External Funds	13%	10%

Following are the remaining maturities of financial liabilities as at the reporting date.

Company/Group	Carrying value Rs.'000	Up to 3 Months Rs.'000	03-12 Months Rs.'000	Over 1 year Rs.'000	Total as at 31.03.2024 Rs.'000
Due to banks	1,741,718	292,123	601,413	848,183	1,741,718
Deposits due to customers	11,238,015	5,835,284	3,727,648	1,675,083	11,238,015
Debt securities issued	18,400	-	-	18,400	18,400
Financial liabilities	353,050	22,207	59,084	271,759	353,050
Lease liabilities	170,393	11,625	39,810	118,959	170,393
Un-utilized facilities (Margin Trading)	42,944	42,944	-	-	42,944
Guarantees	1,098	1,098	-	-	1,098
	13,565,619	6,205,280	4,427,954	2,932,384	13,565,619

RISK MANAGEMENT (Contd...)**37.2.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities**

Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Financial Liabilities

The tables below summarise the maturity profile of the expected undiscounted cash flows of the Bank's financial assets and financial liabilities as at 31st March 2024. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the tables do not reflect the expected cash flows indicated by its deposit retention history based on the behavioural pattern.

Company (Rs.000)	As at 31 March 2024							
	Less than 7 days	7-30 days	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets								
Cash and cash equivalents	673,411	-	-	-	-	-	-	673,411
Placements with banks and financial institutions	-	316,628	1,138,807	-	-	-	-	1,455,435
Investments in securities	722,377	434,674	389,833	183,573	-	-	23	1,730,481
Financial assets measured at amortised cost - loans and lease rentals receivable	1,728,699	499,710	447,887	1,325,741	3,818,969	6,358,626	127,754	14,307,386
Total financial assets	3,124,487	1,251,012	1,976,528	1,509,314	3,818,969	6,358,626	127,777	18,166,713
Financial liabilities								
Due to banks	209,014	21,687	23,632	659,848	981,090	-	-	1,895,270
Deposits due to customers	254,683	2,238,292	4,462,689	3,863,109	749,494	1,040,524	-	12,608,791
Debt securities issued	-	-	-	-	-	-	18,400	18,400
Total financial liabilities	463,697	2,259,979	4,486,321	4,522,956	1,730,584	1,040,524	18,400	14,522,461
Net financial assets/(liabilities)	2,660,790	(1,008,967)	(2,509,793)	(3,013,642)	2,088,386	5,318,102	109,377	3,644,252

Group (Rs.000)	As at 31 March 2024							
	Less than 7 days	7-30 days	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets								
Cash and cash equivalents	673,411	-	-	-	-	-	-	673,411
Placements with banks and financial institutions	-	316,628	1,138,807	-	-	-	-	1,455,435
Investments in securities	722,377	434,674	389,833	183,573	-	-	23	1,730,481
Financial assets measured at amortised cost - loans and lease rentals receivable	1,728,699	499,710	447,887	1,325,741	3,818,969	6,358,626	127,754	14,307,386
Total financial assets	3,124,487	1,251,012	1,976,528	1,509,314	3,818,969	6,358,626	127,777	18,166,713
Financial liabilities								
Due to banks	209,014	21,687	23,632	659,848	981,090	-	-	1,895,270
Deposits due to customers	254,683	2,238,292	4,462,689	3,863,109	749,494	1,040,524	-	12,608,791
Debt securities issued	-	-	-	-	-	-	18,400	18,400
Total financial liabilities	463,697	2,259,979	4,486,321	4,522,956	1,730,584	1,040,524	18,400	14,522,461
Net financial assets/(liabilities)	2,660,790	(1,008,967)	(2,509,793)	(3,013,642)	2,088,386	5,318,102	109,377	3,644,252

NOTES TO THE FINANCIAL STATEMENTS

RISK MANAGEMENT (Contd...)

Company (Rs.000)	As at 31 March 2023							
	Less than 7 days	7-30 days	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets								
Cash and cash equivalents	337,925	-	-	-	-	-	-	337,925
Placements with banks and financial institutions		-	1,279,235	-	-	-	-	1,279,235
Investments in securities	409,914	-	316,700	-	-	-	23	726,637
Financial assets measured at amortised cost - loans and lease rentals receivable								
	3,674,387	858,887	515,487	874,512	1,452,086	2,839,296	27	10,214,682
Total financial assets	4,422,226	858,887	2,111,422	874,512	1,452,086	2,839,296	50	12,558,479
Financial liabilities								
Due to banks	97,643	25,881	28,796	234,496	456,029	8,750	-	851,595
Deposits due to customers	188,454	2,077,595	2,908,390	2,213,696	701,385	936,577	4,650	9,030,748
Debt securities issued	-	-	-	-	-	-	17,800	17,800
Total financial liabilities	286,098	2,103,475	2,937,186	2,448,193	1,157,414	945,327	22,450	9,900,143
Net financial assets/(liabilities)	4,136,129	(1,244,588)	(825,764)	(1,573,681)	294,672	1,893,968	(22,400)	2,658,336

Group (Rs.000)	As at 31 March 2023							
	Less than 7 days	7-30 days	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial assets								
Cash and cash equivalents	337,925	-	-	-	-	-	-	337,925
Placements with banks and financial institutions		-	1,279,235	-	-	-	-	1,279,235
Investments in securities	409,915	-	316,700	-	-	-	23	726,637
Financial assets measured at amortised cost - loans and lease rentals receivable								
	3,674,387	858,887	515,487	874,512	1,452,086	2,839,296	27	10,214,682
Total financial assets	4,422,227	858,887	2,111,422	874,512	1,452,086	2,839,296	50	12,558,480
Financial liabilities								
Due to banks	97,643	25,881	28,796	234,496	456,029	8,750	-	851,595
Deposits due to customers	188,454	2,077,595	2,908,390	2,213,696	701,385	936,577	4,650	9,030,748
Debt securities issued	-	-	-	-	-	-	17,800	17,800
Total financial liabilities	286,098	2,103,475	2,937,186	2,448,193	1,157,414	945,327	22,450	9,900,143
Net financial assets/(liabilities)	4,136,130	(1,244,588)	(825,764)	(1,573,681)	294,672	1,893,968	(22,400)	2,658,337

37.3 C. Market risk

Market risk is the risk of losses in positions arising from movements in market prices. There is no unique classification as each classification may refer to different aspects of market risk. Interest rate, Exchange rate, equity prices will affect the Group's income or the value of the holdings of financial instruments.

RISK MANAGEMENT (Contd...)

The risk that interest rates or their implied volatility will fluctuate will resulting in adverse impact to the future cash flows or the fair values of financial instruments of the Company. The Company holds interest bearing assets and Liabilities such as Investments in Fixed Deposits, loans and advances to customers, due to banks, deposits from customers and debt security issued. The Company's exposure to interest rate risk with instruments which have variable interest rates and reprising of interest rates of liabilities which have shorter maturities. Interest risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO of the Company regularly reviews the current interest structure with the market rates, and responsible for setting the overall interest risk management strategy of the Company which is implemented by the treasury unit. The Company's main sources of funding lines are deposits and other debt instruments bearing fixed interest rates for various durations ranging from one month to five (05) years and bank borrowing bearing both fixed and variable interest rates.

The following table illustrates the impact arising from the possible changes in the incremental borrowing rate on the lease liability of the company as at 31 March 2024.

Increase/(Decrease) in Incremental Borrowing Rate	Sensitivity effect on Lease Liability - Increase / (Reduction) in the Liability Rs.000'	Sensitivity effect on Interest Expense Increase / (Reduction) in profit for the year Rs.000'
In thousands of rupees		
Incremental Borrowing Rate 1% increase	(5,862)	(1,299)
Incremental Borrowing Rate 1% decrease	6,055	1,342

The Company has a minimum exposure to foreign currency transactions and hence, fluctuations in the currency doesn't have significant direct impact on the operations.

This risk is subject to regular monitoring by group market risk, but is not currently significant in relation to the Group's overall results and financial position.

Interest rate risk exposure on financial assets and liabilities

Company (Rs.000)	Interest rate sensitivity assets and liabilities as at 31st March 2024						
	Carrying amount LKR	On demand LKR	0-3 months LKR	3-12 months LKR	Over 1 year LKR	Non interest sensitive LKR	Total LKR
Asset or liability							
Cash and cash equivalents	673,411	673,411	-	-	-	-	673,411
Placements with banks and financial institutions	1,455,435	-	1,455,435	-	-	-	1,455,435
Investments in securities	1,730,481	-	1,542,552	183,573	23	4,332	1,730,481
Financial assets measured at amortised cost - loans and lease rentals receivable	11,242,524	-	2,975,408	1,284,838	6,390,537	591,740	11,242,524
Interest bearing assets	15,101,851	673,411	5,973,396	1,468,411	6,390,560	596,073	15,101,851
Due to banks	1,741,718	209,014	83,109	601,413	848,183	-	1,741,718
Deposits due to customers	11,238,015	-	5,835,284	3,727,648	1,675,083	-	11,238,015
Debt securities issued	18,400	-	-	-	-	18,400	18,400
Lease Liability	170,392	-	11,625	39,810	118,959	-	170,393
Interest bearing liabilities	13,168,526	209,014	5,930,018	4,368,870	2,642,225	18,400	13,168,527
Interest rate sensitivity gap	1,933,325	464,397	43,378	(2,900,459)	3,748,335	577,673	1,933,324

NOTES TO THE FINANCIAL STATEMENTS

RISK MANAGEMENT (Contd...)

Group (Rs.000)	Interest rate sensitivity assets and liabilities as at 31st March 2024						
	Carrying amount LKR	On demand LKR	0-3 months LKR	3-12 months LKR	Over 1 year LKR	Non interest sensitive LKR	Total LKR
Asset or liability							
Cash and cash equivalents							
Placements with banks and financial institutions	673,411	673,411	-	-	-	-	673,411
Investments in securities	1,455,435	-	1,455,435	-	-	-	1,455,435
Financial assets measured at amortised cost - loans and lease rentals receivable	1,730,481	-	1,542,552	183,573	23	4,332	1,730,481
Financial assets measured at amortised cost - loans and lease rentals receivable	11,242,524	-	2,975,408	1,284,838	6,390,537	591,740	11,242,524
Interest bearing assets	15,101,851	673,411	5,973,396	1,468,411	6,390,560	596,073	15,101,851
Due to banks	1,741,718	209,014	83,109	601,413	848,183	-	1,741,718
Deposits due to customers	11,238,015	-	5,835,284	3,727,648	1,675,083	-	11,238,015
Debt securities issued	18,400	-	-	-	-	18,400	18,400
Lease Liability	170,392	-	11,625	39,810	118,959	-	170,393
Interest bearing liabilities	13,168,526	209,014	5,930,018	4,368,870	2,642,225	18,400	13,168,527
Interest rate sensitivity gap	1,933,325	464,397	43,378	(2,900,459)	3,748,335	577,673	1,933,324

Company (Rs.000)	Interest rate sensitivity assets and liabilities as at 31st March 2023						
	Carrying amount LKR	On demand LKR	0-3 months LKR	3-12 months LKR	Over 1 year LKR	Non interest sensitive LKR	Total LKR
Asset or liability							
Cash and cash equivalents							
Placements with banks and financial institutions	337,925	337,925	-	-	-	-	337,925
Investments in securities	1,264,071	-	1,264,071	-	-	-	1,264,071
Financial assets measured at amortised cost - loans and lease rentals receivable	409,938	-	721,083	-	-	5,555	726,637
Financial assets measured at amortised cost - loans and lease rentals receivable	8,382,869	-	2,004,759	760,498	5,162,710	454,902	8,382,869
Interest bearing assets	10,394,803	337,925	3,989,912	760,498	5,162,710	460,457	10,711,502
Due to banks	854,924	97,643	122,543	199,742	434,996	-	854,924
Deposits due to customers	7,651,122	-	4,184,891	2,008,514	1,457,717	-	7,651,122
Debt securities issued	17,800	-	-	-	-	17,800	17,800
Lease Liability	179,178	-	9,633	30,972	138,572	-	179,178
Interest bearing liabilities	8,703,022	97,643	4,317,067	2,239,228	2,031,284	17,800	8,703,024
Interest rate sensitivity gap	1,691,780	240,282	(327,155)	(1,478,731)	3,131,426	442,657	2,008,478

RISK MANAGEMENT (Contd...)

Group (Rs.000)	Interest rate sensitivity assets and liabilities as at 31st March 2023						
	Carrying amount	On demand	0-3 months	3-12 months	Over 1 year	Non interest sensitive	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Asset or liability							
Cash and cash equivalents	337,925	337,925	-	-	-	-	337,925
Placements with banks and financial institutions	1,264,071	-	1,264,071	-	-	-	1,264,071
Investments in securities	409,938	-	721,083	-	-	5,555	726,637
Financial assets measured at amortised cost - loans and lease rentals receivable							
	8,382,869	-	2,004,759	760,498	5,162,710	454,902	8,382,869
Interest bearing assets	10,394,803	337,925	3,989,912	760,498	5,162,710	460,457	10,711,503
Due to banks	854,924	97,643	122,543	199,742	434,996	-	854,924
Deposits due to customers	7,651,122	-	4,184,891	2,008,514	1,457,717	-	7,651,122
Debt securities issued	17,800	-	-	-	-	17,800	17,800
Lease Liability	179,178	-	9,633	30,972	138,572	-	179,178
Interest bearing liabilities	8,703,022	97,643	4,317,067	2,239,228	2,031,284	17,800	8,703,024
Interest rate sensitivity gap	1,691,780	240,282	(327,155)	(1,478,731)	3,131,426	442,657	2,008,478

37.4 D. Operational risk

Operational risk" is the prospect of indirect or direct losses resulting from wide variety of causes associated with the Company's inadequate or failed procedures, systems or policies and also human errors, systems/technology failures, fraud or other criminal activity which includes any external event that disrupts business processes other than market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk in a cost effective manner for avoiding/ minimizing financial losses and damages to the Group and without imposing restrictions on initiative and creativity. The Board of Directors delegates the responsibility to the Corporate Management, heads of Operational divisions and to the branch management through Board sub Committees and CEO for the development and implementation of control to address operational risk related to each division and branch. This responsibility is supported by the continuous improvement of overall Group standards for the management of operational risk including;

- Appropriate segregation of duties on requirements, including the independent authorization of transactions;
- Reconciliation and monitoring of transactions on requirements;
- Compliance with regulatory and other legal requirements and keeping up to date with changes;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Documentation of control and procedures;
- Requirements for the reporting of operational losses and proposed remedial action;
- Training and professional developments;
- Ethical and business standards;
- Risk mitigation, including insurance where this is cost effective.

Compliance with group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of the Internal Audit reviews are discussed with the management of the business line to which they relate, with summaries submitted to the Board Audit Committee and Corporate Management of the Company.

NOTES TO THE FINANCIAL STATEMENTS

38. CAPITAL MANAGEMENT

Capital consist of ordinary shares and retained earnings of the Company. The Board of directors monitor the return on capital as well as the level of dividends to ordinary shareholders.

01) to safeguarded the Company's ability to continue as going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

Further, the Board seeks to maintain a balance between higher targeted returns that might be possible with higher level of borrowing, and the advantages and security afforded by the strong capital position of the Company.

The Company's net debt to adjusted equity ratio at the reporting date as follows.

Category	As at 31/03/2024 Rs.000	As at 31/03/2023 Rs.000
Total liabilities	13,593,849	8,818,632
Less: Cash and cash equivalents	673,411	337,925
Net debt	12,920,438	8,480,706
Total equity	2,723,352	2,710,954
Net debt to adjusted equity ratio at 31 March	4.74	3.13

The Regulatory Capital requirements for the Finance Companies are set by the Central Bank of Sri Lanka.

38.1 Capital adequacy

The details of the computation of risk weighted assets, capital and the ratios of the Company are given below:

Total risk weighted assets computation

As at 31st March	2024			2023		
	Amount	Risk Weight Factor %	Risk Weighted Balance	Amount	Risk Weight Factor %	Risk Weighted Balance

Claims on Government of Sri Lanka, Public Sector Entities and Central Bank of Sri Lanka

Government of Sri Lanka

Outright purchase	117,626	0%	-	-	0%	0
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Public Sector Entities

Central Bank of Sri Lanka	-	0%	-	-	0%	-
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Claims on financial institutions

Banks

AAA to BBB-	613,811	20%	122,762	879,331	20%	175,866
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Financial Institutions

AAA to AA-	195,641	20%	39,128	201,648	20%	40,330
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A+ to A-	986,949	50%	493,475	213,536	50%	106,768
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Unrated	10,605	100%	10,605	202,147	100%	202,147
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Claims on Corporates

A+ to A-	700,000	50%	350,000	250,000	50%	125,000
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Unrated	376,469	100%	376,469	-	100%	-
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Retail claims

CAPITAL MANAGEMENT (Contd...)

As at 31st March In thousands of rupees	2024			2023		
	Amount	Risk Weight Factor %	Risk Weighted Balance	Amount	Risk Weight Factor %	Risk Weighted Balance
Retail claims in respect of motor vehicles and machinery	6,377,797	100%	6,377,797	4,684,667	100%	4,684,667
Claims Secured by Gold						
Outstanding claim portion up to 70% of the market value	1,661,400	0%	-	1,211,272	0%	-
Remaining Outstanding claim portion over 70% of the market value	421,779	100%	421,779	724,279	100%	724,279
Retail claims secured by immovable property						
Retail claims that do not qualify for regulatory capital purposes	763,009	100%	763,009	440,758	100%	440,758
Other retail claims	610,262	125%	789,515	594,443	125%	743,054
Non-performing retail claims secured by immovable property						
Specific provisions are equal or more than 20%	23,707	50%	11,854	203	50%	102
Specific provisions are less than 20%	34,304	100%	34,304	40,546	100%	40,546
Non-Performing Assets (NPAs)						
Specific provisions are equal or more than 20%	184,765	100%	184,765	68,374	100%	68,374
Specific provisions are less than 20%	720,954	150%	1,081,431	409,143	150%	613,715
Other claims (assets)						
Notes and Coins	72,687	0%	-	88,312	0%	-
Cash Items in the Process of collection	-	20%	-	-	20%	-
Fixed Assets	268,886	100%	268,886	212,898	100%	212,898
Other Assets/Exposures	1,787,188	100%	1,787,188	1,052,778	100%	1,052,778
Risk Weighted Amount for Operational Risk			1,153,026			771,665
Total Risk Weighted Amount			14,265,992			10,002,946

38.2 Total Capital Base Computation

As at 31st March In thousands of rupees	2024 Amount	2023 Amount
Tier I capital		
Stated capital	3,762,054	3,762,054
Reserve fund	75,375	20,239
Audited retained earnings/(losses)	(1,112,850)	(948,598)
Transaction cost related to rights issue	-	-
Other comprehensive income	-	1,536
Transfers to reserve fund	-	-
(less) Revaluation gains/surplus of investment property	-	-
General and other disclosed reserves	-	-

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MANAGEMENT (Contd...)

As at 31st March	2024	2023
In thousands of rupees	Amount	Amount
Current year's profit(losses)	15,169	(158,024)
Tier I capital	2,739,748	2,677,207
Adjustments to Tier I capital	(183,857)	-
Other intangible assets (net)	(60,284)	-
50% of investment in other banking and financial institutions	-	-
Deferred tax assets (net)	(123,573)	-
Tier I Capital (after adjustments)	2,555,891	2,677,207
Tier 2 Capital	-	-
Instruments qualified as Tier 2 capital	-	-
Revaluation gains (50% of eligible revaluation gains)	-	-
Eligible Tier 2 Capital	-	-
Total Adjustments to eligible Tier 2 Capital	-	-
Eligible Tier 2 Capital after adjustments	-	-
Total Capital	2,555,891	2,677,207

As at 31st March	2024	2023
	Amount	Amount
	Rs.000	Rs.000

Core Capital Ratio (Minimum 8.5%)

Core Capital Ratio	=	$\frac{\text{Core Capital} \times 100}{\text{Risk Weighted Assets}}$	17.92%	26.76%
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Total Risk Weighted Capital Ratio (Minimum 12.5%)

Total Risk Weighted Capital Ratio	=	$\frac{\text{Core Capital} \times 100}{\text{Risk Weighted Assets}}$	17.92%	26.76%
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38.3 Computation of Capital Adequacy Ratios

The previous capital adequacy directions was adopted in 2006 for LFCs in line with the Capital Adequacy Accord recommended by the Basel Committee on Banking Supervision (BCBS) issued for banks in 1988. Under this direction risks were confined to credit risk and no capital requirements for other risks such as Market and operational risks. The new capital adequacy framework covers both credit risk and operational risk.

Category		Based on Direction No. 03 of 2018	
As at 31st March		2024	2023
Core Capital Ratio	Based on Direction No. 03 of 2018	17.92%	26.76%
Total Capital Ratio	Based on Direction No. 03 of 2018	17.92%	26.76%

39. MATURITY PROFILE OF ASSETS AND LIABILITIES**Allocation of Amounts**

Amounts were allocated to respective maturity groupings based on instalments falling due as per contract. The amounts therefore represent total amount receivable or payable in each maturity grouping.

39.1 a) Group

As at 31st March	2024			2023		
	Less than 1 Year Rs'000	More than 1 Year Rs'000	Total Rs'000	Less than 1 Year Rs'000	More than 1 Year Rs'000	Total Rs'000
Interest bearing assets						
Cash and cash equivalents	673,411	-	673,411	338,165	-	338,165
Placements with banks and financial institutions	1,455,435	-	1,455,435	1,264,071	-	1,264,071
Investments in securities	1,730,458	23	1,730,481	726,614	23	726,637
Financial assets measured at ammortized cost - loans and lease rental receivables	4,851,987	6,390,537	11,242,524	3,155,392	5,227,477	8,382,869
Total Interest bearing assets	8,711,291	6,390,560	15,101,851	5,484,242	5,227,500	10,711,742
Total Non - Interest bearing assets	201,254	1,014,095	1,215,350	158,666	659,419	818,085
Total assets	8,912,545	7,404,655	16,317,201	5,642,908	5,886,918	11,529,826
Percentage	54.62%	45.38%	100.00%	48.94%	51.06%	100.00%
Interest bearing liabilities						
Due to Banks	893,535	848,183	1,741,718	419,928	434,996	854,924
Deposits due to customers	9,562,932	1,675,083	11,238,015	6,193,417	1,457,705	7,651,122
Debt securities issued	-	18,400	18,400	-	17,800	17,800
Lease liabilities	51,435	118,959	170,393	40,605	138,573	179,178
Total interest bearing liabilities	10,507,902	2,660,625	13,168,527	6,653,950	2,049,074	8,703,024
Total Non- Interest bearing Liabilities	81,291	344,428	425,719	93,410	23,028	116,438
Equity	-	2,722,954	2,722,954	-	2,710,364	2,710,364
Total liabilities & equity	10,589,193	5,728,007	16,317,200	6,747,360	4,782,466	11,529,826
Percentage	64.90%	35.10%	100.00%	58.52%	41.48%	100.00%

NOTES TO THE FINANCIAL STATEMENTS

39.2 b) Company

As at 31st March	2024			2023		
	Less than 1 Year Rs'000	More than 1 Year Rs'000	Total Rs'000	Less than 1 Year Rs'000	More than 1 Year Rs'000	Total Rs'000
Interest bearing assets						
Cash and cash equivalents	673,411	-	673,411	337,925	-	337,925
Placements with banks and financial institutions	1,455,435	-	1,455,435	1,264,071	-	1,264,071
Investments in securities	1,730,458	23	1,730,481	726,614	23	726,637
Financial assets measured at ammortized cost - loans and lease rental receivables	4,851,987	6,390,537	11,242,524	3,220,158	5,162,711	8,382,869
Total Interest bearing assets	8,711,291	6,390,561	15,101,852	5,548,768	5,162,734	10,711,502
Total Non - Interest bearing assets	201,254	1,014,095	1,215,350	158,666	659,419	818,085
Total assets	8,912,545	7,404,656	16,317,201	5,707,434	5,822,153	11,529,586
Percentage	54.62%	45.38%	100.00%	49.50%	50.50%	100.00%
Interest bearing liabilities						
Due to Banks	893,535	848,183	1,741,718	419,928	434,996	854,924
Deposits due to customers	9,562,932	1,675,083	11,238,015	6,193,417	1,457,705	7,651,122
Debt securities issued	-	18,400	18,400	-	17,800	17,800
Lease liabilities	51,435	118,959	170,393	40,605	138,573	179,178
Total interest bearing liabilities	10,507,902	2,660,625	13,168,527	6,653,950	2,049,074	8,703,024
Total Non- Interest bearing Liabilities	81,291	344,032	425,322	92,581	23,027	115,608
Equity	-	2,723,352	2,723,352	-	2,710,954	2,710,954
Total liabilities & equity	10,589,193	5,728,009	16,317,202	6,746,531	4,783,055	11,529,586
Percentage	64.90%	35.10%	100.00%	58.51%	41.49%	100.00%

39. SEGMENTAL ANALYSIS - GROUP

As per the SLFRS 8 'Operating Segments', Company is required to disclose information to enable users of its Financial Statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Accordingly, below information gives the segmental information on performance of the Company's main business line.

For the year ended 31 March 2024					
	Leasing & hire purchases Rs'000	Trade Bills, loans and pawning Rs'000	Margin trading Rs'000	Other Rs'000	Total Rs'000
Interest income	1,482,323	976,647	135,619	498,246	3,092,836
Fee and commission income	39,498				39,498
Net income from other financial instruments at FVTPL				130,609	130,609
Other operating income	48,750	14,947	-	18,138	81,835
Gross revenue	1,570,572	991,595	135,619	646,993	3,344,778
Interest expenses	(952,862)	(627,283)	(87,178)	(320,281)	(1,987,603)
Total operating income	617,710	364,312	48,441	326,712	1,357,175
Impairment charges for loans, advances and other receivables	123,876	24,940	12,787	63,943	(225,546)
Net operating income	741,586	389,252	61,228	390,656	1,131,629
Depreciation and amortisation	(26,008)	(17,136)	(2,380)	(8,742)	(54,266)
Amortization of right of use assets	(25,669)	(16,913)	(2,349)	(8,628)	(53,559)
Staff and other expenses	(477,053)	(314,313)	(43,646)	(160,349)	(995,361)
Segment results	212,855	40,891	12,854	212,936	28,443
Taxes on financial services					(53,434)
Net tax expense					44,253
Profit for the year					19,262
As at 31 March					
Segment assets	5,797,281	4,882,699	562,545	5,074,676	16,317,201
Segment liabilities	4,829,852	4,067,892	468,670	4,227,833	13,594,247

Basis of allocation

Expenses that are not specifically allocated to each segment are allocated to based on the respective assets base of each segment under consideration.

NOTES TO THE FINANCIAL STATEMENTS

SEGMENTAL ANALYSIS - GROUP (Contd...)

As per the SLFRS 8 'Operating Segments', Company is required to disclose information to enable users of its Financial Statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Accordingly, below information gives the segmental information on performance of the Company's main business line.

For the Year ended 31st March 2023	Leasing & hire purchases Rs'000	Trade Bills, loans and pawning Rs'000	Margin trading Rs'000	Other Rs'000	Total Rs'000
Interest Income	791,731	965,314	161,823	89,265	2,008,133
Fee and commission income	29,552				29,552
Net income from other financial instruments at FVTPL				30,644	30,644
Other operating income	11,465	6,356		9,297	27,118
Gross revenue	832,748	971,670	161,823	129,206	2,095,447
Interest Expenses	(471,330)	(414,463)	(55,726)	(313,961)	(1,255,480)
Total operating income	361,418	557,207	106,097	(184,755)	839,967
Impairment charges for loans, advances and other receivables	(134,567)	620	(20,083)		(154,030)
Net operating income	226,851	557,827	86,014	(184,755)	685,937
Depreciation and Amortization	(10,268)	(9,029)	(1,214)	(7,387)	(27,898)
Amortization of right of use assets	(16,814)	(14,786)	(1,988)	(10,304)	(43,892)
Staff and other expenses	(274,630)	(239,361)	(32,182)	(218,526)	(764,699)
Segment Results	(74,861)	294,651	50,630	(420,972)	(150,551)
Taxes on financial services					(33,273)
Net tax expense					29,810
Loss for the year					(154,014)
As at 31 March					
Segment assets	4,192,290	3,686,284	495,626	3,047,261	11,529,826
Segment liabilities	3,221,410	2,828,736	380,328	2,314,370	8,819,462

Basis of allocation

Expenses that are not specifically allocated to each segment are allocated to based on the respective assets base of each segment under consideration.

40 ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged			
		Company		Group	
		2024	2023	2024	2023
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	Debt Funding from Banks	3,904,361	2,917,918	3,904,361	2,917,918
		3,904,361	2,917,918	3,904,361	2,917,918

41 RESTATEMENT OF COMPARATIVES

During the current year, it was identified that certain lease prepayments had erroneously been considered as either security deposits and/or not considered in reducing the future lease liability when measuring the present value of the lease at the commencement of agreements. Further, certain lease payments had directly been expensed as rent expenses without reducing the related lease liability. The resulting corrective adjustments have been made retrospectively in the current financial year.

The restatement had an impact on the following component of financial statements for the year ended 31st March 2023.

Statement of Profit or Loss

	Company /Group				
	2024 Rs. '000	Current presentation -2023 Rs. '000	Reported Previously -2023 Rs. '000	Impact Rs. '000	2022 Rs. '000
Interest expense	1,988,125	1,255,480	1,280,618	(25,138)	300,022
Amortisation of right of use assets	53,559	43,892	45,685	(1,793)	42,897
Interest on lease liabilities	27,817	22,689	25,138	(2,449)	10,415

	Company /Group				
	2024 Rs. '000	Current presentation -2023 Rs. '000	Reported Previously -2023 Rs. '000	Impact Rs. '000	2022 Rs. '000
Asset				-	
Right-of-use assets	168,099	189,561	173,662	15,899	123,822
Liability					
Lease liabilities	170,393	179,178	197,581	(18,403)	136,450
Equity					
Retain earnings	(1,112,850)	(1,071,339)	(1,105,087)	33,748	(948,598)

42 RE - CLASSIFICATION OF COMPARATIVES**Statement of Profit Or Loss**

During the current financial year, the company reclassified prior year figures of the personal expenses & other operating expenses in the statement of the profit & loss as reported below:

Company /Group

	As at 31 March 2023			As at 31 March 2024 Rs. '000
	Prior Classification Rs. '000	Re- classification Rs. '000	Re- classified Rs. '000	
Personnel expenses	364,742	(105,842)	258,900	254,568
Other operating expenses	399,726	105,842	505,568	740,793

NOTES TO THE FINANCIAL STATEMENTS

Statement of Financial Position

During the current financial year, the company reclassified prior year figures of the lending portfolio & other assets in the Statement of Financial Position as reported below;

Company /Group

	As at 31 March 2023			As at 31 March 2024
	Prior	Re-classification	Re-classified	
	Rs. '000	Rs. '000	Rs. '000	
Gross financial assets measured at amortised cost - loans and lease rentals receivable	8,836,458	64,766	8,901,224	11,772,075
Other assets	344,375	(64,766)	279,610	538,830

43. DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors are responsible for the preparation and presentation of the financial statement.

44. EVENTS AFTER REPORTING DATE

Subsequent to the statement of financial position date, no circumstances have arisen which would require adjustment to or disclosure in the financial statements.



SUPPLEMENTARY INFORMATION

SUMMARY OF QUARTERLY FINANCIALS

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	April - June		July - September		October - December		January - March	
	2023	2022	2023	2022	2023	2022	2024	2023
Gross Income	749,604	368,637	833,025	492,125	870,906	570,988	895,392	663,697
Interest income	691,815	357,434	765,197	480,351	803,534	549,132	835,180	621,216
Less: Interest expense	502,334	193,310	518,570	303,013	474,692	355,727	507,522	428,568
Net interest income	189,481	164,124	246,628	177,338	328,842	193,405	327,658	192,648
Fee and commission income	9,890	5,314	11,351	5,861	14,147	7,377	14,465	11,001
Net fair value gain from financial assets at FVTPL	39,855	(2,131)	43,172	2,6377	25,572	2,904	22,546	27,234
Other operating income	8,044	8,020	13,308	3,277	27,654	11,575	23,201	4,246
Total operating income	247,270	175,327	314,455	189,112	396,215	215,261	387,871	235,129
Less: Impairment charges for loans and receivables and other losses	62,704	67,517	4,335	10,122	22,684	31,898	30,498	44,491
Net operating income	184,566	107,810	310,120	178,990	373,536	183,363	357,372	190,638
Less: Personnel Expenses	96,409	82,137	102,588	88,753	116,611	96,203	100,900	97,649
Depreciation of property, plant and equipment	10,713	4,498		5,5685	13,561	6,755	13,913	8,140
Amortisation of intangible assets	(68)	132	1,503	935	619	934	1,279	934
Amortisation of right of use assets	12,824	9,159	12,674	10,046	12,674	13,573	12,903	12,907
Other expenses	111,584	72,532	119,709	81,125	166,223	77,702	152,679	145,679
Operating profit / (loss) before tax on financial services	(46,896)	(60,648)	60,901	(7,437)	63,843	(11,805)	75,699	(74,672)
Less : Tax on financial services	7,186	4,038	13,443	13,7163	16,489	10,418	42,346	5,101
Profit /(loss) before income tax	(54,082)	(64,686)	47,457	(21,153)	47,354	(22,223)	33,353	(79,773)
(Less)/Add: Income tax (expense)/reversal	-	(2,123)	-	-	-	-	28,901	31,933
Profit/(loss) for the period	(54,082)	(66,809)	47,457	(21,153)	47,354	(22,223)	62,254	(47,839)

TEN YEAR SUMMARY

	2024	Restated 2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
FINANCIAL CAPITAL											
Operating results (Rs.'000)											
Income	3,344,778	2,095,447	969,469	629,491	629,527	616,671	467,004	375,535	381,358	664,827	757,861
Interest income	3,092,836	2,008,133	794,219	470,977	563,581	546,759	431,790	365,433	377,193	659,707	750,661
Interest expenses	1,987,603	1,255,480	300,022	237,591	292,067	357,067	339,682	342,347	281,622	475,897	591,995
Net interest income	1,105,233	752,653	494,197	233,386	271,514	189,692	92,108	23,086	95,571	183,810	158,666
Impairment charges/ (reversal) for loans and receivables and other losses	225,546	154,029	(40,914)	(41,803)	122,535	85,389	94,900	40,428	68,842	264,238	229,171
Other operating expenses	740,793	505,568	195,103	119,297	116,999	122,794	79,364	88,189	74,451	149,702	104,757
Profit/Loss before tax	(24,991)	-183,593	140,174	67,402	(79,954)	(91,942)	-148,525	-203,034	-129,895	-308,354	-216,891
Profit/Loss for the year	19,262	-153,783	191,800	67,799	(80,086)	(93,684)	-148,312	-199,352	(86,874)	-337,486	-254,827
Return on assets (ROA)	0.14%	-1.55%	2.95%	3.68%	-2.39%	-3.22%	-4.64%	-5.65%	-2.19%	-6.99%	-5.14%
Cost to income ratio (%)	77.28%	94.97%	83%	91%	86%	100%	111%	143%	118%	108%	106%
Financial position (Rs.'000)											
Cash ,balance with banks, reverse repo & Investments in securities	3,859,328	2,328,633	1,081,059	1,081,303	291,440	226,281	289,945	313,065	477,313	399,141	231,787
Loans and Receivables	11,242,524	8,382,869	6,676,608	3,156,568	1,658,310	2,504,264	2,488,467	2,005,094	1,692,502	2,105,619	3,433,408
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Total assets	16,317,201	11,529,586	8,279,816	4,703,852	3,814,942	2,893,383	2,927,939	3,462,512	3,595,887	4,352,441	5,310,101
Due to banks	1,741,718	854,924	1,842,767	-	-	-	-	350,000	-	24,940	49,960
Deposits due to customers	11,238,015	7,651,122	3,228,866	2,289,491	2,100,936	2,434,733	2,455,586	2,396,177	2,841,104	3,546,680	4,237,340
Total equity	2,723,352	2,710,954	2,833,695	2,131,201	1,552,501	142,959	215,691	363,454	553,339	642,894	880,008
Total liabilities and shareholder's funds	16,317,201	11,529,586	8,279,816	4,703,852	3,814,942	2,893,383	2,927,939	3,462,512	3,595,887	4,352,441	5,310,101
Financial cash flows (Rs.'000)											
Cash flows from operating activities	(117,546)	61,372	159,605	(83,698)	319,178	(351,023)	(621,006)	(977,734)	(386,341)	289,680	899,854
Cash flows from investing activities	(792,898)	(1,250,076)	207,709	1,164,851	(1,498,614)	4,697	1,063,789	290,362	457,008	(96,929)	(317,793)
Cash flows from financing activities	686,459	(1,121,579)	2,271,266	462,688	1,462,024	160,075	(354,465)	354,465	(24,940)	(25,020)	(177,183)
Total net cash inflows/outflows	224,115	(214,732)	(46,317)	417,465	282,588	(186,252)	88,318	(332,907)	45,726	167,730	404,878
Statutory ratio											
Capital adequacy ratio											
Core capital ratio (required min -8.5%) (%)	17.92%	26.76%	37.71%	44.39%	49.09%	4.85%	8.69%	-6.84%	-0.73%	2.26%	9.54%
Total risk weighted capital ratio (required min -12.5%) %	17.92%	26.76%	37.71%	44.38%	49.07%	4.82%	8.68%	-6.85%	-0.74%	2.25%	9.53%

TEN YEAR SUMMARY

	2024	Restated 2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
HUMAN CAPITAL											
Number of employees	322	274	217	168	118	123	124	118	110	96	117
Profit before tax per employee (Rs.'000)	(77)	(686.00)	928.23	598.51	(677.58)	(747.50)	(1,198)	(1,721)	(1,181)	(3,212)	(1,854)
Employees' salaries & benefits (Rs.'000)	254,568	258,900	260,703	174,111	129,607	127,248	96,543	92,499	79,487	79,135	88,926
RELATIONSHIP CAPITAL											
Number of branches	16	13	11	11	10	10	10	10	10	10	10
Number of shareholders	10,064	10,102	10,102	9,993	9,911	10,086	10,133	10,182	10,345	10,530	11,335
Number of ordinary shares (Rs.'000)	405,302	405,302	405,302	326,856	210,875	84,350	67,500	67,500	67,500	67,500	67,500
Earnings per share -Company (Rs.)	0.05	-0.39	0.55	0.32	(0.41)	(1.38)	(2.20)	(2.95)	(1.29)	(5.00)	(3.78)
Net assets value per share (Rs.)	6.72	6.60	6.99	6.52	7.36	1.69	3.20	5.38	8.22	9.52	13.03
Market price per share (Rs.)											
Highest	5.80	6.00	10.20	10.70	11.40	13.50	21.00	24	30	29.3	17.1
Lowest	3.60	3.30	5.10	6.90	7.40	8.20	11.00	9.4	11.4	16	10.4
Closing	4.70	5.2	5.40	7.20	8.70	9.20	11.00	13.9	12	23.9	16.9
Market capitalisation (Rs.'000)	1,904,918	2,107,570	2,188,629	2,353,365	1,834,613	776,020	742,500	938,250	810,000	1,613,250	1,140,750
Price earning ratio (PE) (Times)	94	(13.32)	9.81	22.79	(21.22)	(6.67)	(5.00)	(4.71)	(9.30)	(4.78)	(4.47)
Dividend per share (DPS) (Rs.'000)	-	-	-	-	-	-	-	-	-	-	-
Dividend paid (Rs.'000)	-	-	-	-	-	-	-	-	-	-	-
Gross ordinary dividend (Rs.'000)	-	-	-	-	-	-	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-	-	-	-	-	-	-
Dividend cover (Times)	-	-	-	-	-	-	-	-	-	-	-
Dividend payout (%)	-	-	-	-	-	-	-	-	-	-	-
Debt equity (Times)	4.8	3.15	1.82	1.08	1.36	19.24	12.57	8.53	5.50	5.77	5.03
Return on equity (ROE) (%)	0.71%	-5.91%	7.73%	3.68%	-9.45%	-52.24%	-51.22%	-43.49%	-14.52%	-44.32%	-23.73%

SHARE INFORMATION

Distribution of shareholdings as at 31 March 2024

Range of shareholding	Residents			Non-residents			Total		
	Number of share holders	Number of shares	Percentage of share holding	Number of share holders	Number of shares	Percentage of share holders	Number of share holders	Number of shares	Percentage of share holding
1 – 1,000	9,173	1,338,475	0.34%	9	1,810	0%	9,182	1,340,285	0.34%
1,001 – 10,000	673	2,238,146	0.55%	4	11,000	0%	677	2,249,146	0.55%
10,001 – 100,000	177	5,497,951	1.36%	1	16,500	0%	178	5,514,451	1.36%
100,001 – 1,000,000	23	6,489,568	1.60%	1	124,000	0.03%	24	6,613,568	1.63%
1,000,001 & above	3	389,584,300	96.12%	-	-	0%	3	389,584,300	96.12%
Total	10,049	405,148,440	99.97%	15	153,310	0.03%	10,064	405,301,750	100%

Categories of shareholdings - Individuals/institutions

Range of shareholding	31-Mar-24			31-Mar-23		
	Number of share holders	Number of shares	Percentage of share holding	Number of share holders	Number of shares	Percentage of share holding
Individual	9,923	13,515,162	3.3%	9,971	13,723,738	3.2
Institutions	141	391,786,588	96.7%	140	391,578,012	96.8
Total	10,064	405,301,750	100	10,111	405,301,750	100

Categories of Shareholdings - Resident/Non-resident

Range of shareholding	31-Mar-24			31-Mar-23		
	Number of share holders	Number of shares	Percentage of share holding	Number of share holders	Number of shares	Percentage of share holding
Resident	10,049.0	405,148,440	99.96	10,094	405,139,940	99.96
Non-resident	15	153,310	0.04	17	161,810	0.04
Total	10,064	405,301,750	100	10,111	405,301,750	100

Share information

Financial year ended 31 March	2024	2023	2022	2021	2020	2019	2018	2017
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Market value of shares

Highest price during the year (LKR)	5.8	6.00	10.2	10.7	11.4	13.5	21	24
Lowest price during the year (LKR)	3.6	3.30	5.10	6.90	7.40	8.20	11.00	9.40
Closing price (LKR)	4.7	5.20	5.40	7.20	8.70	9.20	11.00	13.90

Investor ratios

Price earnings ratio	94	-13.32	9.82	22.5	-	-	-	-
Net asset value per share (LKR)	6.7	6.6	6.99	6.52	7.36	1.69	3.2	5.38

Share trading

Number of transactions	381	835	7,002	853	611	1,105	1,411	1,645
Number of shares traded	487,443	3,287,951	17,484,833	640,499	258,972	658,569	1,136,896	1,659,566
Value of shares traded (LKR '000)	2,093	16,217	146,940	5,849	2,583	7,108	18,254	32,798
Market capitalisation (LKR '000)	1,904,918	2,107,570	2,188,629	2,353,363	1,834,613	776,020	742,500	938,250

SHARE INFORMATION

Directors and Chief Executive Officer's holding in Shares as at 31st March 2024

Name	Position	No: of Shares
Mr. Chandula Abeywickrema- Chairman	Chairman	-
Mr. Rangana Koralage	Director	-
Mr. Travis Waas	Director	-
Ms. Krystle Wijesuriya	Director	-
Dr. M. Nirmal De Silva	Director	-
Mr. Terrance Kumara	Chief Executive Officer	-
Total		-

Twenty largest ordinary shareholders

Twenty largest ordinary shareholders of the Company as at 31 March 2024 were as follows:

Name of the Share Holder	No: of Shares	%
Sterling Capital Investments (Private) Limited	330,714,052	81.60
People's Bank	33,856,246	8.35
People's Leasing & Finance PLC	25,014,002	6.17
Mr. L. De Fonseka	1,000,000	0.25
Mr. A.N. Handunpathirana	610,000	0.15
Mr. Z.G. Carimjee	600,000	0.15
People's Leasing & Finance PLC/ Dr. H.S.D. Soysa & Mrs. G. Soysa	599,064	0.15
Mr. H.V. Pakianathan	370,143	0.09
Dr. H.S.D. Soysa	348,000	0.09
Mr. H. Beruwalage	344,088	0.08
Mr. D. Selvaraj	290,244	0.07
Mr. D.T. Beruwalage	202,480	0.05
Mrs. P.D.A.S.K. Beruwalage	200,348	0.05
Senkadagala Finance PLC/W.G Herath	199,536	0.05
LOLC Finance PLC /A.D.M. Dharmasena	198,251	0.05
MR. D.C. Thantrimudali	195,000	0.05
Mr. T A S Dilshan	187,500	0.05
Mr. D.P. Nadaraja	184,774	0.05
Mr. S Ramachandra	173,133	0.04
MR. B W Kundanmal	126,100	0.03
Total	395,412,961	97.57

Public holding

Public Holding percentage as at 31st March 2024 being 18.40% comprising of 10,064 shareholders

The Float adjusted market capitalisation as at 31st March 2024 – Rs.350,504,953

“The Float adjusted market capitalization of the Company falls under Option 2 of Rule 7.13.1 (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.”

GLOSSARY

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Amortisation

The systematic allocation of the depreciable amount of an asset over its useful life.

Amortised Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Asset and Liability Committee (ALCO)

A risk-management committee in a finance company that generally comprises the senior-management levels of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the finance company's forecast and strategic balance-sheet allocations.

Associate company

An entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Available-for-Sale financial Asset

non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss

C

Capital Adequacy Ratio

The ratio between capital and risk-weighted assets as defined in the framework developed by the Bank for International Settlements (BIS) and as modified by the Central Bank of Sri Lanka to suit local requirements.

Cash equivalents

Short-term highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collective Impairment Provisions

Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant.

Commercial Paper

An unsecured short term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meet short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Commitments

Credit facilities approved but not yet utilized by the clients as at the reporting date.

Consolidated Financial Statements

Financial statements of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies

A condition or situation existing on the statement of financial position where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Cost to Income Ratio

A ratio expressing Company's cost effectiveness which sets operating expenses including Financial Value Added Tax and excluding Loan Loss Provision in relation to operating income.

$$\frac{\text{Total Operating cost Without VAT on Financial Services}}{\text{Net Operating Income}} \times 100$$

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk or default risk is the potential that a borrower or counterparty failing to meet its obligations in accordance with agreed terms and conditions.

Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

D

Deferred Taxation

Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

GLOSSARY

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Removal of a previously recognized financial asset or financial liability from an entity's Statement of Financial Position.

Dividend Per Share (Rs:)

Dividend by profit after tax; indicates the percentage of earnings paid out to shareholders as dividends.

$$\frac{\text{Profit / Loss Attributable to Ordinary Share}}{\text{Number of Ordinary Share}}$$

Dividend Yield

Dividend per share as a percentage of its market value.

$$\frac{\text{Dividend Per Ordinary Share}}{\text{Market Price Per Share}} \times 100$$

E

Earning Yield (EY)

The earnings yield refers to the earnings per share for the most recent 12-month period divided by the current market price per share. The earnings yield (which is the inverse of the P/E ratio) shows the percentage of a company's earnings per share.

$$\frac{\text{Earning Per Share}}{\text{Market Price Per Share}} \times 100$$

Earnings per Ordinary share (EPS) (EPS - Rs:)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

$$\frac{\text{Profit / Loss Attributable to ordinary shareholders}}{\text{Average Number of Share}}$$

Executive Interest Rate (EIR)

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

Executive Tax Rate

Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

Employee Turnover (%)

Employee turnover refers to the workers leaving an organization over a period as a percentage of average employees during the period.

$$\frac{\text{Number of attritions during the year}}{\text{Average number of employees during the year}} \times 100$$

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

F

Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value Through Profit or Loss

A financial asset/liability: Acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract)

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Liability

A contractual obligation to deliver cash or another financial asset to another entity.

G

Gearing

Long term borrowings divided by the total funds available for shareholders.

Group

A group is a parent and all its subsidiaries.

Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

H**Held-to-Maturity (HTM) Investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold till maturity.

I**Impaired Loans**

Loans where identified impairment provisions have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowances

Impairment allowances are a provision held as a result of the raising of a charge against profit for the incurred loss.

Individually Assessed Impairment

Exposure to loss is assessed on all individually significant accounts and all other accounts that do not qualify for collective assessment.

Intangible Asset

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest cover

A ratio showing the number of times interest charges are covered by earnings before interest and tax.

Profit Before Interest & Tax

Interest Expenses

Interest in Suspense

Interest suspended on non-performing leases, hire purchases and other advances.

Interest Margin

Net interest income expressed as a percentage of average interest earnings assets.

Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates.

Interest Spread

Represents the difference between the average interest rate earned on interest earnings assets and the average interest rate paid on interest-bearing liabilities.

International Financial Reporting Standards (IFRS)

A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board (IASB).

Investment properties

Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both rather than for use or sale.

K**Key Management Personnel (KMP)**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

L**Lending portfolio**

Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with Banks, bills of exchange and Treasury Bills and Bonds.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loan to Value Ratio (LTV)

LTV ratio is a computation that expresses the amount of a first disbursement as a percentage of the total appraised value of assets kept as security.

Loan to value ratio (LTV)

The LTV ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loans and Receivables

Conventional loan assets that are unquoted (originated or acquired).

M**Market Capitalisation**

Number of ordinary shares in issue multiplied by the market value of a share as at the year end. Market price per share x Number of shares

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

GLOSSARY

N

Net Assets Value per Ordinary Share

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

$$\frac{\text{Total Share Holders Equity}}{\text{Number of Share}}$$

Net Interest Income (NII)

The difference between income earned from interest bearing assets and cost incurred on financial instrument/facilities used for funding the interest bearing assets.

Net Interest Margin (NIM - %)

Net interest income expressed as a percentage of average interest earning assets.

$$\frac{\text{Net Interest Income}}{\text{Average Interest Earnings Assets}} \times 100$$

Net Interest Margin (NIM)

Net interest income expressed as a percentage of average interest earning assets.

$$\frac{\text{Net Interest Income}}{\text{Average Interest Earnings Assets}} \times 100$$

Non-performing ratio

Total non-performing leases, hire purchase loans and other advances divided by total advances portfolio.

$$\frac{\text{Gross non-performing portfolio}}{\text{Gross loans and receivables}} \times 100$$

O

Off-Balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the Balance Sheet, but which give rise to contingencies and commitments.

Offsetting of financial statements

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 settled the liability simultaneously.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

P

Parent Company

A Parent is an entity which has one or more subsidiaries.

Past Due

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Price Earnings Ratio (P/E Ratio)

Market price of an ordinary share divided by earnings per share.

$$\frac{\text{Market price per share}}{\text{Earnings per share}}$$

Price to Book Value (PBV - Times)

$$\frac{\text{Market Price Per Share}}{\text{Net Assets Per Share}}$$

Probability of Default (PD)

The probability that an obligor will default within a one-year time horizon.

Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

R

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Return on Assets (ROA)

Profit after tax expressed as a percentage of the average assets.

$$\frac{\text{Profit After tax}}{\text{Total Assets}} \times 100$$

Return on Equity (ROE)

Net profit for the year, less dividends on preference shares, if any, expressed as a percentage of average ordinary shareholders' equity.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or a dealer and resale back to the seller at a future date at a specified price.

Rights Issue

Issue of shares to the existing shareholders at an agreed price, generally lower than market price.

Risk Mitigation

A technique to reduce the credit risk associated with an exposure by application of risk mitigants such as collateral, guarantee and credit protection

Risk weighted assets

On statement of financial position assets and the credit equivalent of off-balance sheet assets multiplied by the relevant risk weighting factors.

S**Segment analysis**

Analysis of financial information by segments of an entity specifically the different business in which it operates.

Shareholders' Funds

Total of stated capital and reserves.

Specific Impairment Provisions

Impairment is measured individually for loans that are individually significant to the Company.

Sri Lanka Financial Reporting Standards (SLFRSs)

Standards and Interpretations adopted by Institute of Chartered Accountants of Sri Lanka.

They comprise of the followings. Sri Lanka Accounting Standards (SLFRS & LKAS); and Interpretations adopted by the Council of ICASL (IFRIC and SIC).

Subsidiary Company

A subsidiary is an enterprise that is controlled by another enterprise which is known as the parent.

Substance over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

T**Tier I Capital**

Tier I: Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

$$\frac{\text{Total Capital}}{\text{Total Risk Weighted Amount}} \times 100$$

Tier II Capital

Representing general provisions and other capital instruments which combines certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

$$\frac{\text{Tier II Capital}}{\text{Total Risk Weighted Amount}} \times 100$$

Total Return of Share (%)

Total shareholder return is the financial gain that results from a change in the stock's price plus any dividends paid by the company during the measured interval divided by the initial purchase price of the stock.

$$\frac{(\text{Closing Market Price} - \text{Opening Market Price}) + \text{Dividend Per Share}}{\text{Opening Market Price}} \times 100$$

Transaction costs

Incremental costs that is directly attributable to the acquisition, issue or disposal of a financial asset or financial liability

V**Value Added**

Value of wealth created by providing financial and other-related services less the cost of providing such services.

Y**Yield**

Return of an investment in percentage terms, taking in to account annual income and any changes in capital value.

Yield to Maturity

Discount rate at which the present value of future cash flows would equal the security's current price.

BRANCH NETWORK

1 HEAD OFFICE

No. 361,361/1, R.A.De Mel Mawatha,
Colombo 03
Tel: +94 11 7666333/4
info@pmf.lk

2 CORPORATE

No. 47, Dharmapala Mawatha,
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Tel: +94 11 7733666
info@pmf.lk

3 KURUNEGALA

No. 183 C, Colombo road,
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4 MATARA

No. 213, Anagarika Dharmapala
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5 NEGOMBO

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6 HOMAGAMA

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7 MATUGAMA

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8 ELPITIYA

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9 KANDY

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10 TRINCOMALEE

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11 ANURADHAPURA

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12 GAMPAHA

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13 WELLAWATTE

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14 MATALE

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15 NARAHENPITA

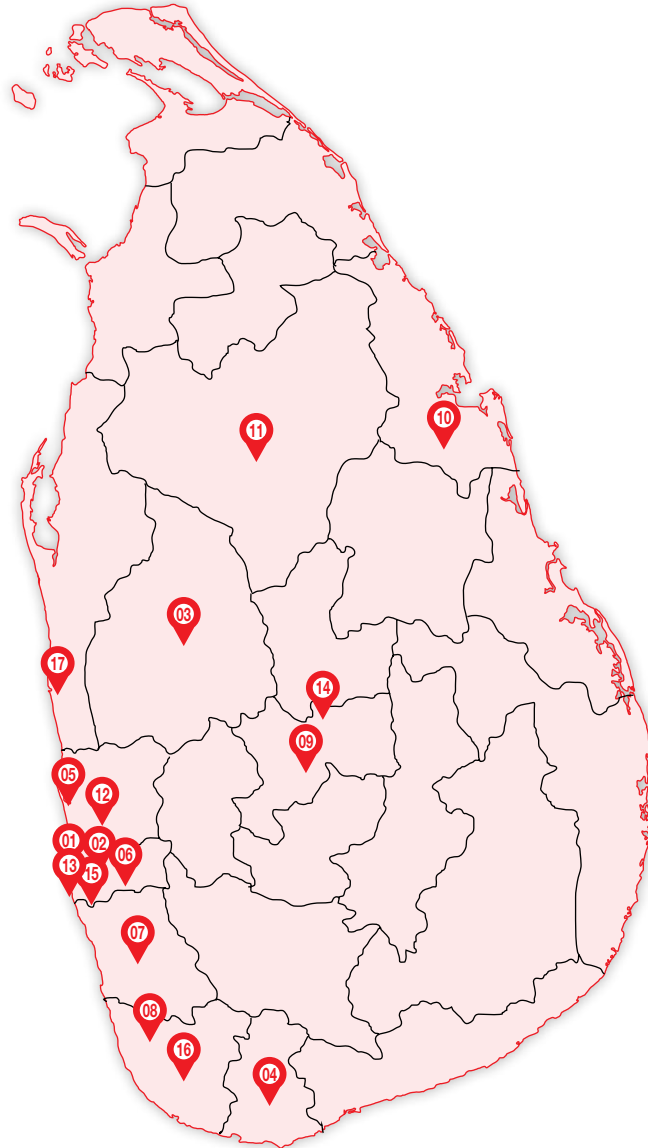
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16 GALLE

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17 CHILAW

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Fortieth (40th) Annual General Meeting (“AGM”) of PMF FINANCE PLC (the “Company”) will be held on Wednesday, the 25th day of September 2024 at 9.30 a.m. online via a virtual platform for the following purposes:

1. To receive and consider the annual report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st March 2024 together with the report of the auditors thereon.
2. To re-elect Mr. Rohan Pandithakorrage who was appointed to the Board during the year, in terms of Article 25(2) of the Articles of Association of the Company.
3. To re-elect Mr. Bandara Rekogama who was appointed to the Board during the year, in terms of Article 25(2) of the Articles of Association of the Company.
4. To appoint Messrs. Ernst & Young (Chartered Accountants) as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.
5. To authorise the Directors to determine contributions to charities for the ensuing year.

By order of the Board,



Nadeeka Jayawickrama

Company Secretary
PMF FINANCE PLC

Colombo, on this 29th August 2024

Note:

1. Any shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote/speak in his/her stead and a form of proxy is sent herewith for this purpose. A proxy need not be a shareholder of the Company. A completed form of proxy must be deposited at the Head office of the Company, No.361, 361/1 R. A. De Mel Mawatha, Colombo 3, or forwarded to pmfagm@pmf.lk not less than 48 hours before the time appointed for the holding of the meeting.
2. For any inquiries, please contact Ms. Lehara Wijerathna, Assistant to the Company Secretary of PMF Finance PLC on ext. 351 during office hours.

FORM OF PROXY

I/We.....of.....
being *a shareholder/shareholders of PMF
 Finance PLC, hereby appoint Mr./Mrs./Miss (Holder of
 N.I.C. /PP No..... of
 or failing him/her,

- 1. Mr. Chandula Abeywickrema or failing him
- 2. Mr. Rangana Koralage or failing him
- 3. Mr. Travis Waas or failing him
- 4. Dr. Nirmal De Silva or failing him
- 5. Ms. Krystle Wijesuriya or failing her
- 6. Mr. Rohan Pandithakorralage or failing him
- 7. Mr. Bandara Rekogama

as my/our proxy to attend and vote/speak at the Fortieth Annual General Meeting of the Company to be held on the 25th day of September 2024 at 9.30 a.m. online via the virtual platform and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote.

Please indicate your preference by placing a 'X' against the Resolution No.

	For	Against	Abstain
(1) To receive and consider the Annual Report of the Board of Directors on the Affairs of the Company and the Financial Statements for the year ended 31st March 2024 together with report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(2) To re-elect Mr. Rohan Pandithakorralage who was appointed to the Board during the year, in terms of Article 25(2) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(3) To re-elect Mr. Bandara Rekogama who was appointed to the Board during the year, in terms of Article 25(2) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(4) To re-appoint Messrs. Ernst & Young, (Chartered Accountants) as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(5) To authorise the Directors to determine contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Twenty Three

.....
 Signatures/s

.....
 Shareholder's N.I.C./PP/Co.Reg.No

Instruction as to the completion of this Form of Proxy is given overleaf Proxy need not be a member of the Company

INSTRUCTIONS AS TO COMPLETION

1. As provided for in Article 17(3) of the Articles of Association of the Company the instrument appointing the proxy should be in writing.
2. The full name and the address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy and duly signed and dated.
3. The Proxy shall –
 - (a) in the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) in the case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of that company or corporate body in accordance with the Articles of Association or the Constitution of that company or corporate body.
 - (c) In the case of joint-holders, be signed by the joint holder whose name appears first in the Register of Members.
 - (d) The completed Form of Proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority must be deposited at the Registered office of the Company, PMF Finance PLC, No.361, 361/1, R.A. De Mel Mawatha, Colombo 03 or email to pmfagm@pmf.lk not less than forty-eight (48) hours before the time appointed for the holding of the meeting.
 - (e) Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder signing the Proxy.

GUIDELINE AND REGISTRATION PROCESS FOR THE ANNUAL GENERAL MEETING (AGM)

2. The request to register names for online participation via the Online Meeting Platform should be delivered to the Company at No. 361, 361/1, R.A. De Mel Mawatha, Colombo 03 or e-mail to pmfagm@pmf.lk along with the required registration information as per the REGISTRATION FORM by 9.30 am on 23rd September 2024.
3. The information received from a Shareholder pertaining to his/her Proxy holder should tally with the information indicated in the duly completed Form of Proxy submitted by the Shareholder in order for the meeting link and user credentials to be shared by the Company with the Proxy holder.
4. PMF Finance PLC will verify all registration requests and identification details received against the Shareholders' register and accept the registrations for AGM if it is satisfied with the request and supporting documents. Once the registration is accepted, Shareholders will receive an email confirmation acknowledging the registration.
5. The Shareholders whose online participation request has been accepted will receive a separate email containing the meeting link and user credentials from PMF Finance PLC, twenty-four (24) hours prior to the commencement of the AGM.
6. If a Shareholder/Proxy holder intends to join the Virtual AGM via a smart phone, it is necessary for him/her to download the "Zoom Mobile App" onto his/her smart phone. Similarly, if a shareholder/Proxy holder wishes to attend the Virtual AGM via a desktop computer, the link can be opened by downloading the "Zoom Desktop App" to the respective desktop computer (Compatible web browser: Google Chrome).
7. The Shareholders/Proxy holders are requested to use the web link which will be forwarded by the Company and click on "Virtual AGM Registration" in order to log into the meeting.
8. Upon clicking on the link forwarded by the Company Shareholders/Proxy holders will be redirected to an interface where they will be requested to enter their first name, last name, email address, re-enter email address, and National Identity Card Number. The participants are required to enter the correct details as mentioned in the registration form forwarded to us and any mismatch will be considered as an unsuccessful login.
9. At this point, all participants are requested to click on "REGISTER" which will be prompted on their screens enabling them to receive the login link.
10. Participants are required to click on "Join the Virtual AGM of PMF Finance PLC".
11. It is recommended to join the meeting at least ten (10) minutes before start of the AGM. The Online Meeting Platform will be active thirty (30) minutes before the start of the AGM.
12. Once the credentials are inserted, he/she will be directed to the Virtual AGM Zoom Platform.
13. Shareholders/Proxy holders may use the Q & A tab or the Hand Raise (🙋) icon appearing on the screen respectively, to submit their questions or concerns in typed format or verbally. The system will allow a pop-up message to unmute the microphone and to allow video options.
14. The Company requests virtual participants, to vote on the resolutions under discussion via the Poll feature appearing on the Zoom interface, when prompted, virtual participants can cast their vote as per their discretion directly through the Zoom application.
15. When declaring the position of the resolution, the Chairman will take in to account the voting of the Shareholders/Proxy holders participating virtually.
16. 30 seconds will be allocated for Shareholders/Proxy holders to cast their vote in respect of the resolution.
17. The results will be processed and announced by the Chairman 15 seconds after the end of the time slot allocated for voting.
18. In a situation where Shareholders' voting is required for a poll, the same mechanism will be applicable. This will be moderated by the Chairman of the meeting.
19. It is advised to check the online AGM access at least 3 hours prior and also ensure that your devices have an audible sound system so that you may be a part of the AGM comfortably.

ONLINE REGISTRATION FORM

**ANNUAL GENERAL MEETING (AGM) OF PMF FINANCE PLC TO BE HELD AS A VIRTUAL MEETING
ON 25TH SEPTEMBER 2024 AT 9.30AM**

DETAILS OF SHAREHOLDER

Full Name of the Principal Shareholder :

NIC No./Passport No./Company Registration No. :

CDS Account No. :

Residential Address :

Telephone No/s :

Email :

Full Name of Joint Holder (If any) : (i).....
(ii).....

NIC No./ Passport No of Joint Holder/s : (i)..... (ii).....

PARTICIPATION AT THE AGM - Please tick the cage below I/My Proxy holder am/is willing to participate at the AGM Online

Signature/s
Principal Shareholder 01st Joint holder 02nd Joint holder

Date :

Note: Shareholders are requested to provide their email address in the space provided in order to forward the Virtual AGM Zoom link & necessary instruction, if they wish to attend the AGM through the online platform. In the case of a Company/Corporation, the Shareholder Registration Form must be signed in the manner prescribed by its Articles of Association/Statute and in the case of the Registration Form is signed by an Attorney, the Power of Attorney, must be deposited at No. 361, 361/1, R.A. De Mel Mawatha, Colombo 03, or emailed to pmfagm@pmf.lk

FORM OF REQUEST

PMF FINANCE PLC

Ms. Nadeeka Jayawickrama
 Company Secretary

361, 361/1, R. A. De Mel Mawatha,
 Colombo 03.

I/We hereby request for a printed copy of the Annual Report of PMF Finance PLC for the Financial Year 2023/24.

SHAREHOLDER'S DETAILS	
Full Name	
NIC/Passport/Company Registration No.	
Contact Number	

.....
 Signature of Shareholder(s)

.....
 Date

Notes:

1. Please complete the Form of Request legibly giving the required information, signing in the space provided, and with the date of signature.
2. In the event the shareholder is a company, the Form of Request should be signed under its Common Seal, by duly authorized officers of the Company in accordance with its Articles of Association.

CORPORATE INFORMATION

NAME OF COMPANY

PMF Finance PLC

LEGAL FORM

Public Limited Liability Company
(Incorporated and domiciled in Sri Lanka)

DATE OF INCORPORATION

26th January 1983

COMPANY REGISTRATION NUMBER

PQ 200

STOCK EXCHANGE LISTING

The ordinary shares of the Company were quoted on the Colombo Stock Exchange (CSE) on 11th July 1994 on Main Board. Ordinary Shares has been transferred to Diri Savi Board with effect from July 02,2018.

ACCOUNTING YEAR-END

March -31

REGISTERED OFFICE & PRINCIPLE PLACE OF BUSINESS

No. 361,361/1, R.A.De Mel Mawatha,
Colombo 03, Sri Lanka
Telephone +94117666333/4
Email; info@pmf.lk
Web Address; www.pmf.lk

REGISTRARS

SSP Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka
Telephone; +94112573894, +94112576871

Fax; +94112573609
Email; sspsec@sitnet.lk

AUDITORS

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

BRANCH OFFICES

Corporate - Colombo
Anuradhapura
Kurunegala
Negombo
Trincomalee
Kandy
Matara
Homagama
Matugama
Elpitiya
Gampaha
Wellawatta
Matale
Narahenpitiya
Galle
Chilaw

BOARD OF DIRECTORS AND BOARD SUB-COMMITTEES

Board of Directors

Mr. C.P.Abeywickrema (Chairman)
Mr. K.R.P.Madusanka
Mr. M.J.T.Waas
Ms. Krystle Wijesuriya
Dr. M.Nirmal De Silva
Mr. Rohan Pandithakorralage (appointed w.e.f 2nd July 2024)
Mr. K. M. D. B. Rekogama (appointed w.e.f 7th August 2024)

INTEGRATED RISK MANAGEMENT COMMITTEE

Mr.M.J.T.Waas - Chairman (appointed as the Chairman w.e.f. 29th July 2024 upon re constitution of the board sub -committees)
Mr. C.P.Abeywickrema - (Chairman to the committee untill 29th July 2024)
Mr. K.R.P.Madusanka
Dr. M.Nirmal De Silva

BOARD AUDIT COMMITTEE

Dr. M. Nirmal De Silva - Chairman (appointed as the Chairman w.e.f. 29th July 2024 upon re constitution of the Board Sub-committees)
Mr. C.P.Abeywickrema
Mr.M.J.T.Waas
Mr. K.R.P.Madusanka - (Chairman to the committee untill 29th July 2024)

NOMINATIONS & GOVERNANCE COMMITTEE

Mr. Rohan Pandithakorralage -Chairman (appointed w.e.f. 29th July 2024)
Mr. C.P.Abeywickrema - (Chairman to the committee untill 29th July 2024)
Mr. K.R.P.Madusanka
Ms. Krystle Wijesuriya

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Ms. Krystle Wijesuriya - Chairman (appointed as the Chairman w.e.f. 29th July 2024 upon re constitution of the board sub -committees)
Mr. C.P.Abeywickrema - (Chairman to the committee untill 29th July 2024)
Mr.M.J.T.Waas

HR & REMUNERATION COMMITTEE

Mr. Rohan Pandithakorralage- Chairman (appointed w.e.f. 29th July 2024)
Mr. C.P.Abeywickrema - (Chairman to the committee untill 29th July 2024)
Mr. K.R.P.Madusanka
Ms. Krystle Wijesuriya
Mr.M.J.T.Waas

CREDIT COMMITTEE

Mr. C.P.Abeywickrema (Chairman)
Mr. K.R.P.Madusanka
Mr. M.J.T.Waas
Dr. M.Nirmal De Silva

IT STEERING COMMITTEE

Dr. M.Nirmal De Silva (Chairman)
Mr. K.R.P.Madusanka
Mr. M.J.T.Waas

PROCUREMENT COMMITTEE

Dr. M.Nirmal De Silva (Chairman)
Ms. Krystle Wijesuriya

BANKERS

People's Bank
National Development Bank PLC
Cargills Bank Ltd
Hatton National Bank PLC
Commercial Bank PLC
Pan Asia Bank Corporation PLC

SUBSIDIARY COMPANY

PMB Services Limited

VEHICLE YARD

No.479, Elvitigala Mawatha, Narahenpita.
Walawwatta, Waduragala, Kurunegala. Sri Lanka.

TAX PAYER IDENTITY NUMBER (TIN)

134000228

CENTRAL BANK REGISTRATION NUMBER

LFC/043 (Under the Finance Business Act No. 42 of 2011)

CREDIT AGENCY STATUS

An approved Credit Agency under the Mortgage Act No.6 of 1949 and the Trust Receipt Ordinance No.12 of 1947 by the department of Commerce.

CREDIT RATING

B + (Stable) by Lanka Rating Agency

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